

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **September 30, 2024**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: **001-32171**



Bimini Capital Management, Inc.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

72-1571637
(I.R.S. Employer
Identification No.)

3305 Flamingo Drive, Vero Beach, Florida 32963
(Address of principal executive offices) (Zip Code)

(772) 231-1400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. Check one:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

<u>Title of each Class</u>	<u>Latest Practicable Date</u>	<u>Shares Outstanding</u>
Class A Common Stock, \$0.001 par value	October 31, 2024	10,005,457
Class B Common Stock, \$0.001 par value	October 31, 2024	31,938
Class C Common Stock, \$0.001 par value	October 31, 2024	31,938

BIMINI CAPITAL MANAGEMENT, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BIMINI CAPITAL MANAGEMENT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited)	
	September 30, 2024	December 31, 2023
ASSETS:		
Mortgage-backed securities, at fair value:		
Pledged to counterparties	\$ 118,269,794	\$ 92,575,292
Unpledged	158,856	155,560
Total mortgage-backed securities	118,428,650	92,730,852
Cash and cash equivalents	4,561,973	3,716,386
Restricted cash	1,144,529	753,900
Orchid Island Capital, Inc. common stock, at fair value	4,677,763	4,797,269
Accrued interest receivable	572,506	488,660
Property and equipment, net	1,863,455	1,920,823
Deferred tax assets, net	17,995,449	19,047,680
Due from affiliates	1,177,430	1,013,406
Other assets	1,210,828	1,129,038
Total Assets	\$ 151,632,583	\$ 125,598,014
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Repurchase agreements	\$ 113,022,999	\$ 86,906,999
Long-term debt	27,373,739	27,394,417
Accrued interest payable	311,772	260,413
Other liabilities	2,600,844	2,908,444
Total Liabilities	143,309,354	117,470,273
COMMITMENTS AND CONTINGENCIES (Note 9)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; 100,000 shares designated Series A Junior Preferred Stock, 9,900,000 shares undesignated; no shares issued and outstanding as of September 30, 2024 and December 31, 2023	-	-
Class A Common stock, \$0.001 par value; 98,000,000 shares designated: 10,005,457 shares issued and outstanding as of September 30, 2024 and December 31, 2023	10,005	10,005
Class B Common stock, \$0.001 par value; 1,000,000 shares designated, 31,938 shares issued and outstanding as of September 30, 2024 and December 31, 2023	32	32
Class C Common stock, \$0.001 par value; 1,000,000 shares designated, 31,938 shares issued and outstanding as of September 30, 2024 and December 31, 2023	32	32
Additional paid-in capital	329,815,150	329,815,150
Accumulated deficit	(321,501,990)	(321,697,478)
Total Stockholders' Equity	8,323,229	8,127,741
Total Liabilities and Stockholders' Equity	\$ 151,632,583	\$ 125,598,014

See Notes to Condensed Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
For the Nine and Three Months Ended September 30, 2024 and 2023

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2024	2023	2024	2023
Revenues:				
Advisory services	\$ 9,396,828	\$ 10,518,862	\$ 3,300,512	\$ 3,620,002
Interest income	4,166,811	1,962,301	1,485,386	838,505
Dividend income from Orchid Island Capital, Inc. common stock	614,597	819,462	204,866	273,154
Total revenues	14,178,236	13,300,625	4,990,764	4,731,661
Interest expense:				
Repurchase agreements	(3,738,559)	(1,903,101)	(1,373,250)	(831,068)
Long-term debt	(1,820,098)	(1,721,760)	(607,613)	(610,303)
Net revenues	8,619,579	9,675,764	3,009,901	3,290,290
Other income (expense):				
Unrealized gains (losses) on mortgage-backed securities	2,356,357	(2,745,946)	2,480,320	(2,483,312)
Realized losses on mortgage-backed securities	(561,604)	-	-	-
Unrealized losses on Orchid Island Capital Inc. common stock	(119,506)	(1,132,454)	(68,289)	(1,047,091)
(Losses) gains on derivative instruments	(607,852)	1,411,438	(1,991,315)	1,169,766
Other income	59	167	10	47
Other income (expense), net	1,067,454	(2,466,795)	420,726	(2,360,590)
Expenses:				
Compensation and related benefits	5,402,324	3,900,039	1,754,798	1,258,297
Direct advisory services costs	1,248,722	1,137,935	396,344	316,637
Directors' fees and liability insurance	630,129	627,431	214,035	214,165
Audit, legal and other professional fees	499,168	427,210	126,630	119,231
Administrative and other expenses	658,971	564,678	135,536	197,094
Total expenses	8,439,314	6,657,293	2,627,343	2,105,424
Net income (loss) before income tax provision (benefit)	1,247,719	551,676	803,284	(1,175,724)
Income tax provision (benefit)	1,052,231	(320,596)	547,059	(757,016)
Net income (loss)	\$ 195,488	\$ 872,272	\$ 256,225	\$ (418,708)
Basic and Diluted Net Income (Loss) Per Share of:				
CLASS A COMMON STOCK				
Basic and Diluted	\$ 0.02	\$ 0.09	\$ 0.03	\$ (0.04)
CLASS B COMMON STOCK				
Basic and Diluted	\$ 0.02	\$ 0.09	\$ 0.03	\$ (0.04)
Weighted Average Shares Outstanding:				
CLASS A COMMON STOCK				
Basic and Diluted	10,005,457	10,019,307	10,005,457	10,018,163
CLASS B COMMON STOCK				
Basic and Diluted	31,938	31,938	31,938	31,938

See Notes to Condensed Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

For the Nine and Three Months Ended September 30, 2024 and 2023

	Stockholders' Equity				
	Common Stock, all classes Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Total
Balances, June 30, 2024	10,069,333	\$ 10,069	\$ 329,815,150	\$ (321,758,215)	\$ 8,067,004
Net income	-	-	-	256,225	256,225
Balances, September 30, 2024	10,069,333	\$ 10,069	\$ 329,815,150	\$ (321,501,990)	\$ 8,323,229
Balances, June 30, 2023	10,083,764	\$ 10,084	\$ 329,828,268	\$ (316,423,293)	\$ 13,415,059
Net loss	-	-	-	(418,708)	(418,708)
Class A common shares repurchased and retired	(14,431)	(15)	(13,118)	-	(13,133)
Balances, September 30, 2023	10,069,333	\$ 10,069	\$ 329,815,150	\$ (316,842,001)	\$ 12,983,218
Balances, January 1, 2024	10,069,333	\$ 10,069	\$ 329,815,150	\$ (321,697,478)	\$ 8,127,741
Net income	-	-	-	195,488	195,488
Balances, September 30, 2024	10,069,333	\$ 10,069	\$ 329,815,150	\$ (321,501,990)	\$ 8,323,229
Balances, January 1, 2023	10,083,764	\$ 10,084	\$ 329,828,268	\$ (317,714,273)	\$ 12,124,079
Net income	-	-	-	872,272	872,272
Class A common shares repurchased and retired	(14,431)	(15)	(13,118)	-	(13,133)
Balances, September 30, 2023	10,069,333	\$ 10,069	\$ 329,815,150	\$ (316,842,001)	\$ 12,983,218

See Notes to Condensed Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
For the Nine Months Ended September 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 195,488	\$ 872,272
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	57,368	57,367
Deferred income tax provision (benefit)	1,052,231	(320,596)
Unrealized (gains) losses on mortgage-backed securities	(2,356,357)	2,745,946
Realized losses on mortgage-backed securities	561,604	-
Unrealized losses on Orchid Island Capital, Inc. common stock	119,506	1,132,454
Changes in operating assets and liabilities:		
Accrued interest receivable	(83,846)	(216,901)
Due from affiliates	(46,717)	(120,807)
Other assets	(199,097)	(100,638)
Accrued interest payable	51,359	42,466
Other liabilities	(307,604)	(1,516,172)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(956,065)	2,575,391
CASH FLOWS FROM INVESTING ACTIVITIES:		
From mortgage-backed securities investments:		
Purchases	(80,262,486)	(45,006,724)
Sales	46,252,051	-
Principal repayments	10,107,394	3,293,053
NET CASH USED IN INVESTING ACTIVITIES	(23,903,041)	(41,713,671)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from repurchase agreements	529,692,000	380,920,000
Principal repayments on repurchase agreements	(503,576,000)	(343,321,000)
Principal repayments on long-term debt	(20,678)	(15,824)
Class A common shares repurchased and retired	-	(13,133)
NET CASH PROVIDED BY FINANCING ACTIVITIES	26,095,322	37,570,043
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,236,216	(1,568,237)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of the period	4,470,286	6,773,799
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of the period	\$ 5,706,502	\$ 5,205,562
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest expense	\$ 5,507,298	\$ 3,582,395

See Notes to Condensed Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
September 30, 2024

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Description

Bimini Capital Management, Inc., a Maryland corporation (“Bimini Capital” and collectively with its subsidiaries, the “Company”) was formed in September 2003, and is a holding company. The Company operates in two business segments through its principal wholly-owned operating subsidiary, Royal Palm Capital LLC, which includes its wholly-owned subsidiary, Bimini Advisors Holdings, LLC.

Royal Palm Capital, LLC maintains an investment portfolio, consisting primarily of residential mortgage-backed securities (“MBS”) investments and shares of Orchid Island Capital, Inc. (“Orchid”) common stock, for its own benefit. Royal Palm Capital, LLC and its wholly-owned subsidiaries are collectively referred to as “Royal Palm.”

Bimini Advisors Holdings, LLC and its wholly-owned subsidiary, Bimini Advisors, LLC (an investment advisor registered with the Securities and Exchange Commission), are collectively referred to as “Bimini Advisors.” Bimini Advisors manages a MBS portfolio for Orchid and receives fees for providing these services. Bimini Advisors also provides certain repurchase agreement trading, clearing and administrative services to Orchid that were previously provided by a third party. Bimini Advisors also manages the MBS portfolio of Royal Palm.

Segment Reporting

The Company’s operations are classified into two reportable segments: the asset management segment and the investment portfolio segment. These segments are evaluated by management in deciding how to allocate resources and in assessing performance. The accounting policies of the operating segments are the same as the Company’s accounting policies with the exception that inter-segment revenues and expenses are included in the presentation of segment results. For further information see Note 13.

Consolidation

The accompanying condensed consolidated financial statements include the accounts of Bimini Capital and its subsidiaries, as listed above. All inter-company accounts and transactions have been eliminated.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they may not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine and three-month periods ended September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

The consolidated balance sheet at December 31, 2023 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for complete consolidated financial statements. For further information, refer to the financial statements and footnotes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could significantly differ from those estimates. Significant estimates affecting the accompanying consolidated financial statements include determining the fair values of MBS and derivatives, the fair value of Orchid Common Stock, determining the amounts of asset valuation allowances, and the computation of the income tax provision or benefit and the deferred tax asset allowances recorded for each accounting period.

Variable Interest Entities ("VIEs")

A variable interest entity ("VIE") is consolidated by an enterprise if it is deemed the primary beneficiary of the VIE. The Company obtains interests in VIEs through its investments in MBS. The interests in these VIEs are passive in nature and are not expected to result in the Company obtaining a controlling financial interest in these VIEs in the future. As a result, the Company does not consolidate these VIEs and accounts for the interest in these VIEs as mortgage-backed securities. See Note 3. The maximum exposure to loss for these VIEs is the carrying value of the MBS.

Bimini Capital has a common share investment in a trust, Bimini Capital Trust II, ("BCTII"), used in connection with the issuance of Bimini Capital's junior subordinated notes. BCTII is a VIE, as the holders of the equity investment at risk do not have adequate decision making ability over BCTII's activities. Bimini Capital's investment was financed directly by BCTII as a result of its loan of the proceeds to Bimini Capital, therefore that investment is not an equity investment at risk and is not a variable interest. Since Bimini Capital is not the primary beneficiary of BCTII, the Company has not consolidated the financial statements of BCTII into its consolidated financial statements, and this investment is accounted for on the equity method. See Note 7.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on deposit with financial institutions and highly liquid investments with original maturities of three months or less at the time of purchase. Restricted cash includes cash pledged as collateral for repurchase agreements and margin for derivative instruments. The following table presents the Company's cash, cash equivalents and restricted cash as of September 30, 2024 and December 31, 2023.

	September 30, 2024		December 31, 2023	
Cash and cash equivalents	\$	4,561,973	\$	3,716,386
Restricted cash		1,144,529		753,900
Total cash, cash equivalents and restricted cash	\$	5,706,502	\$	4,470,286

The Company maintains cash balances at several banks and excess margin with two exchange clearing members. At times, balances may exceed federally insured limits. The Company has not experienced any losses related to these balances. The Federal Deposit Insurance Corporation insures eligible accounts up to \$250,000 per depositor at each financial institution. Restricted cash balances are uninsured, but are held in separate accounts that are segregated from the general funds of the counterparty. The Company limits uninsured balances to only large, well-known banks and exchange clearing members and believes that it is not exposed to significant credit risk on cash and cash equivalents or restricted cash balances.

Advisory Services

Bimini Advisors manages and advises Orchid pursuant to the terms of a management agreement. See Note 2. Under the terms of the management agreement, Orchid is obligated to pay Bimini Advisors a monthly management fee and a pro rata portion of certain overhead costs and to reimburse the Company for any direct expenses incurred on its behalf. Revenues from management fees are recognized over the period of time in which the service is performed.

Mortgage-Backed Securities

The Company invests primarily in mortgage pass-through ("PT") mortgage-backed securities issued by Freddie Mac, Fannie Mae or Ginnie Mae ("MBS"), collateralized mortgage obligations ("CMOs"), interest-only ("IO") securities and inverse interest-only ("IIO") securities representing interest in or obligations backed by pools of mortgage-backed loans. The Company refers to MBS and CMOs as PT MBS and IO and IIO securities as structured MBS. The Company has elected to account for its investment in MBS under the fair value option. Electing the fair value option requires the Company to record changes in fair value in the consolidated statement of operations, which, in management's view, more appropriately reflects the results of the Company's operations for a particular reporting period and is consistent with the underlying economics and how the portfolio is managed.

The Company records MBS transactions on the trade date. Security purchases that have not settled as of the balance sheet date are included in the MBS balance with an offsetting liability recorded, whereas securities sold that have not settled as of the balance sheet date are removed from the MBS balance with an offsetting receivable recorded.

Fair value is defined as the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market for the asset or liability, or in the absence of a principal market, occurs in the most advantageous market for the asset or liability. Estimated fair values for MBS are based on independent pricing sources and/or third-party broker quotes, when available.

Income on PT MBS is based on the stated interest rate of the security. Premiums or discounts present at the date of purchase are not amortized. Premium loss and discount accretion resulting from monthly principal repayments are reflected in unrealized gains and losses on MBS in the consolidated statements of operations. For IO securities, the income is accrued based on the carrying value and the effective yield. The difference between income accrued and the interest received on the security is characterized as a return of investment and serves to reduce the asset's carrying value. At each reporting date, the effective yield is adjusted prospectively for future reporting periods based on the new estimate of prepayments and the contractual terms of the security. For IIO securities, effective yield and income recognition calculations also take into account the index value applicable to the security. Changes in fair value of MBS during each reporting period are recorded in earnings and reported as unrealized gains or losses on mortgage-backed securities in the accompanying consolidated statements of operations. The amount reported as unrealized gains or losses on mortgage-backed securities thus captures the net effect of changes in the fair market value of securities caused by market developments and any premium or discount lost as a result of principal repayments during the period. Realized gains and losses on sales of MBS, using the specific identification method, are reported as a separate component of net portfolio income on the statement of operations.

Orchid Island Capital, Inc. Common Stock

The Company accounts for its investment in Orchid common shares at fair value. The change in the fair value and dividends received on this investment are reflected in the consolidated statements of operations for each reporting period. We estimate the fair value of Orchid's common shares on a market approach using "Level 1" inputs based on the quoted market price of Orchid's common stock on a national stock exchange.

Derivative Financial Instruments

The Company has historically used derivative instruments to manage interest rate risk, facilitate asset/liability strategies and manage other exposures, and it may continue to do so in the future. The principal instruments that the Company has used are interest rate futures contracts, and "to-be-announced" ("TBA") securities transactions. The Company accounts for TBA securities as derivative instruments. Other types of derivative instruments may be used in the future. Gains and losses associated with derivative transactions are reported in gain (loss) on derivative instruments in the accompanying consolidated statements of operations.

During the nine and three months ended September 30, 2024 and 2023, the Company only held U.S. Treasury Note ("T-Note") and Secured Overnight Financing Rate ("SOFR") futures contracts. The Company recorded losses of approximately \$0.6 million and \$2.0 million on these instruments during the nine and three months ended September 30, 2024, respectively, and gains of approximately \$1.4 million and \$1.2 million during the nine and three months ended September 30, 2023, respectively.

Derivative instruments are carried at fair value, and changes in fair value are recorded in the consolidated operations for each period. The Company's derivative financial instruments are not designated as hedge accounting relationships, but rather are used as economic hedges of its portfolio assets and liabilities. Gains and losses on derivatives, except those that result in cash receipts or payments, are included in operating activities on the statements of cash flows. Cash payments and cash receipts from settlement of derivatives, including current period net cash settlements on interest rate swaps, are classified as an investing activity on the statements of cash flows. The Company's derivative agreements generally contain provisions that allow for netting or setting off derivative assets and liabilities with the counterparty; however, related assets and liabilities are reported on a gross basis in the Company's consolidated balance sheets. Derivative instruments in a gain position, if any, are reported as derivative assets at fair value and derivative instruments in a loss position, if any, are reported as derivative liabilities at fair value in the consolidated balance sheets.

Holding derivatives creates exposure to credit risk related to the potential for failure by counterparties to honor their commitments. In the event of default by a counterparty, the Company may have difficulty recovering its collateral and may not receive payments provided for under the terms of the agreement. The Company's derivative agreements require it to post or receive collateral to mitigate such risk. In addition, the Company uses only registered central clearing exchanges and well-established commercial banks as counterparties, monitors positions with individual counterparties and adjusts posted collateral as required. The Company's futures contracts are exchange traded contracts that are valued based on exchange pricing with daily margin requirements. The margin requirement varies based on the market value of the open position and the equity retained in the account. Margin posted is treated as settlement of the outstanding value of the futures contract. Any margin excess or deficit outstanding is recorded as a receivable or payable as of the date of the Company's balance sheets. The Company realizes gains and losses on these contracts upon expiration equal to the difference between the current fair value of the underlying asset and the contractual price of the futures contract.

Financial Instruments

The fair value of financial instruments is disclosed either in the body of the consolidated financial statements or in the accompanying notes. MBS, Orchid common stock and derivative assets and liabilities are accounted for at fair value in the consolidated balance sheets. The methods and assumptions used to estimate fair value for these instruments are presented in Note 12.

Property and Equipment, net

Property and equipment, net, consists of computer equipment with a depreciable life of 3 years, office furniture and equipment with depreciable lives of 8 to 20 years, land which has no depreciable life, and our building and its improvements with depreciable lives of 30 years. Property and equipment is recorded at acquisition cost and depreciated to their respective salvage values using the straight-line method over the estimated useful lives of the assets. Depreciation is included in administrative and other expenses in the consolidated statement of operations.

Repurchase Agreements

The Company finances the acquisition of the majority of its PT MBS through the use of repurchase agreements under master repurchase agreements. Repurchase agreements are accounted for as collateralized financing transactions, which are carried at their contractual amounts, including accrued interest, as specified in the respective agreements.

Earnings Per Share

Basic EPS is calculated as income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the treasury stock or two-class method, as applicable for common stock equivalents. However, the common stock equivalents are not included in computing diluted EPS if the result is anti-dilutive.

Outstanding shares of Class B Common Stock, participating and convertible into Class A Common Stock, are entitled to receive dividends in an amount equal to the dividends declared, if any, on each share of Class A Common Stock. Accordingly, shares of the Class B Common Stock are included in the computation of basic EPS using the two-class method and, consequently, are presented separately from Class A Common Stock.

The shares of Class C Common Stock are not included in the basic EPS computation as these shares do not have participation rights. The outstanding shares of Class B and Class C Common Stock are not included in the computation of diluted EPS for the Class A Common Stock as the conditions for conversion into shares of Class A Common Stock were not met.

Income Taxes

Income taxes are provided for using the asset and liability method. Deferred tax assets and liabilities represent the differences between the financial statement and income tax bases of assets and liabilities using enacted tax rates. The measurement of net deferred tax assets is adjusted by a valuation allowance if, based on the Company's evaluation, it is more likely than not that they will not be fully realized in future accounting periods.

The Company's U.S. federal income tax returns for years ended on or after December 31, 2021 remain open for examination. Although management believes its calculations for tax returns are correct and the positions taken thereon are reasonable, the final outcome of a tax examination, should it occur, could be materially different from the tax returns filed by the Company, and those differences could result in significant costs or benefits to the Company. Bimini Capital and its includable subsidiaries, and Royal Palm and its includable subsidiaries, file their tax returns as separate tax paying entities.

The Company assesses the likelihood, based on their technical merit, that uncertain tax positions will be sustained during a tax examination based on the facts, circumstances and information available. The measurement of uncertain tax positions is adjusted when new information is available, or when an event occurs that requires a change. The Company recognizes tax positions in the consolidated financial statements only when it is more likely than not that the position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized upon settlement. The difference between the benefit recognized and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit and is recorded as a liability in the consolidated balance sheets. The Company has recorded no such liabilities. The Company records income tax-related interest and penalties, if applicable, within the income tax provision.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07 "Segment Reporting (Topic 280): *Improvements to Reportable Segments*." The amendments in ASU 2023-07 improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis. Amendments in ASU 2023-07 include: a requirement that a public entity provide all annual disclosures about a reportable segment's profit or loss in its interim period disclosures, disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), disclosure of amounts for other segment items by reportable segment and a description of its composition, clarification that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit or loss, requires that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss, and requires that a public entity that has a single reportable segment provide all the disclosures required by ASU 2023-07 as well as all existing disclosures required in Topic 280. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023 and for interim periods within fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of ASU 2023-07 on its future financial statements but does not anticipate that its adoption will have a material impact.

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*." The FASB issued ASU 2023-09 to enhance the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The amendments in ASU 2023-09 are effective for annual periods beginning after December 15, 2024. The Company is currently evaluating the impact of ASU 2023-09 on its future income tax related disclosures but does not anticipate that its adoption will have a material impact.

NOTE 2. ADVISORY SERVICES

Bimini Advisors serves as the manager and advisor for Orchid pursuant to the terms of a management agreement. As Manager, Bimini Advisors is responsible for administering Orchid's business activities and day-to-day operations. Pursuant to the terms of the management agreement, Bimini Advisors provides Orchid with its management team, including its officers, along with appropriate support personnel. Bimini Advisors is at all times subject to the supervision and oversight of Orchid's board of directors and has only such functions and authority as delegated to it. Bimini Advisors receives a monthly management fee in the amount of:

- One-twelfth of 1.50% of the first \$250 million of Orchid's month-end equity, as defined in the management agreement,
- One-twelfth of 1.25% of Orchid's month-end equity that is greater than \$250 million and less than or equal to \$500 million, and
- One-twelfth of 1.00% of Orchid's month-end equity that is greater than \$500 million.

The Company also provides certain repurchase agreement trading, clearing and administrative services to Orchid. In consideration for such services, Orchid pays the following fees to the Company:

- a daily fee equal to the outstanding principal balance of repurchase agreement funding in place as of the end of such day multiplied by 1.5 basis points for the amount of aggregate outstanding principal balance less than or equal to \$5 billion, and multiplied by 1.0 basis point for any amount of aggregate outstanding principal balance in excess of \$5 billion, and
- a fee for the clearing and operational services provided by personnel of the Manager equal to \$10,000 per month.

Orchid is obligated to reimburse Bimini Advisors for any direct expenses incurred on its behalf and to pay to Bimini Advisors an amount equal to Orchid's pro rata portion of certain overhead costs set forth in the management agreement. Orchid is required to pay Bimini Advisors by the 15th day of the month following the month the services are performed. The management agreement has been renewed through February 20, 2025 and provides for automatic one-year extension options thereafter. Should Orchid terminate the management agreement without cause, it will be obligated to pay Bimini Advisors a termination fee equal to three times the average annual management fee, as defined in the management agreement, before or on the last day of the applicable renewal term.

The following table summarizes the advisory services revenue from Orchid for the nine and three months ended September 30, 2024 and 2023.

(in thousands)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2024	2023	2024	2023
Management fee	\$ 6,866	\$ 8,216	\$ 2,448	\$ 2,870
Allocated overhead	1,967	1,772	637	557
Repurchase, clearing and administrative Fee	564	531	216	193
Total	\$ 9,397	\$ 10,519	\$ 3,301	\$ 3,620

At September 30, 2024 and December 31, 2023, the net amount due from Orchid was approximately \$1.2 million and \$1.0 million, respectively.

NOTE 3. MORTGAGE-BACKED SECURITIES

The following table presents the Company's MBS portfolio as of September 30, 2024 and December 31, 2023:

(in thousands)

	September 30, 2024			December 31, 2023		
	Par Value	Cost ⁽¹⁾	Fair Value	Par Value	Cost ⁽¹⁾	Fair Value
Fixed-rate MBS	\$ 113,705	\$ 115,695	\$ 116,050	\$ 88,807	\$ 91,701	\$ 90,181
Structured MBS ⁽²⁾	n/a	1,643	2,379	n/a	1,787	2,550
Total	\$ 113,705	\$ 117,338	\$ 118,429	\$ 88,807	\$ 93,488	\$ 92,731

(1) The cost information in the table above represents the aggregate current par value, multiplied by the purchase price of each security in the portfolio.

(2) The notional balance for the structured MBS portfolio was \$17.4 million and \$18.9 million as of September 30, 2024 and December 31, 2023, respectively.

The following table is a summary of the Company's net gain (loss) from the sale of mortgage-backed securities for the nine months ended September 30, 2024 and 2023.

(in thousands)

	2024	2023
Proceeds from sales of MBS	\$ 46,252	\$ -
Carrying value of MBS sold	(46,814)	-
Net loss on sales of MBS	\$ (562)	\$ -
Gross gain on sales of MBS	\$ -	\$ -
Gross loss on sales of MBS	(562)	-
Net loss on sales of MBS	\$ (562)	\$ -

NOTE 4. REPURCHASE AGREEMENTS

The Company pledges certain of its MBS as collateral under repurchase agreements with financial institutions. Interest rates are generally fixed based on prevailing rates corresponding to the terms of the borrowings, and interest is generally paid at the termination of a borrowing. If the fair value of the pledged securities declines, lenders will typically require the Company to post additional collateral or pay down borrowings to re-establish agreed upon collateral requirements, referred to as "margin calls." Similarly, if the fair value of the pledged securities increases, lenders may release collateral back to the Company. During the nine months ended September 30, 2024 and 2023, the Company had met all margin call requirements.

As of September 30, 2024 and December 31, 2023, the Company's repurchase agreements had remaining maturities as summarized below:

(\$ in thousands)

	OVERNIGHT (1 DAY OR LESS)	BETWEEN 2 AND 30 DAYS	BETWEEN 31 AND 90 DAYS	GREATER THAN 90 DAYS	TOTAL
September 30, 2024					
Fair value of securities pledged, including accrued interest receivable	\$ -	\$ 108,117	\$ 10,722	\$ -	\$ 118,839
Repurchase agreement liabilities associated with these securities	\$ -	\$ 102,750	\$ 10,273	\$ -	\$ 113,023
Net weighted average borrowing rate	-	5.19%	5.31%	-	5.20%
December 31, 2023					
Fair value of securities pledged, including accrued interest receivable	\$ -	\$ 68,477	\$ 24,584	\$ -	\$ 93,061
Repurchase agreement liabilities associated with these securities	\$ -	\$ 63,637	\$ 23,270	\$ -	\$ 86,907
Net weighted average borrowing rate	-	5.56%	5.57%	-	5.56%

In addition, cash pledged to counterparties for repurchase agreements was approximately \$0.1 million as of September 30, 2024. There was no cash pledged to counterparties for repurchase agreements as of December 31, 2023.

If, during the term of a repurchase agreement, a lender files for bankruptcy, the Company might experience difficulty recovering its pledged assets, which could result in an unsecured claim against the lender for the difference between the amount loaned to the Company plus interest due to the counterparty and the fair value of the collateral pledged to such lender, including the accrued interest receivable, and cash posted by the Company as collateral, if any. At September 30, 2024 and December 31, 2023, the Company had an aggregate amount at risk (the difference between the amount loaned to the Company, including interest payable, and the fair value of securities and any cash pledged, including accrued interest on such securities) with all counterparties of approximately \$5.7 million and \$6.0 million, respectively. Summary information regarding amounts at risk with individual counterparties greater than 10% of the Company's stockholders' equity at September 30, 2024 and December 31, 2023 is presented in the table below.

(\$ in thousands)

Repurchase Agreement Counterparty	Amount at Risk	% of Stockholders' Equity at Risk	Weighted Average Maturity (in Days)
September 30, 2024			
Marex Capital Markets Inc.	\$ 1,093	13.1%	17
Mirae Asset Securities (USA) Inc.	1,033	12.4%	18
DV Securities, LLC Repo	951	11.4%	28
Mitsubishi UFJ Securities, Inc.	929	11.2%	25
South Street Securities, LLC	885	10.6%	24
December 31, 2023			
Mirae Asset Securities (USA), Inc.	\$ 1,564	19.2%	18
Citigroup Global Markets, Inc.	1,302	16.0%	26
Mitsubishi UFJ Securities, Inc.	1,128	13.9%	23
South Street Securities, LLC	922	11.3%	52

NOTE 5. PLEDGED ASSETS
Assets Pledged to Counterparties

The table below summarizes Bimini's assets pledged as collateral under its repurchase agreements and derivative agreements as of September 30, 2024 and December 31, 2023.

(\$ in thousands)

	September 30, 2024			December 31, 2023		
	Repurchase Agreements	Derivative Agreements	Total	Repurchase Agreements	Derivative Agreements	Total
PT MBS - at fair value	\$ 116,049	\$ -	\$ 116,049	\$ 90,180	\$ -	\$ 90,180
Structured MBS - at fair value	2,221	-	2,221	2,395	-	2,395
Accrued interest on pledged securities	569	-	569	486	-	486
Restricted cash	56	1,089	1,145	-	754	754
Total	\$ 118,895	\$ 1,089	\$ 119,984	\$ 93,061	\$ 754	\$ 93,815

NOTE 6. OFFSETTING ASSETS AND LIABILITIES

The Company's derivatives and repurchase agreements are subject to underlying agreements with master netting or similar arrangements, which provide for the right of offset in the event of default or in the event of bankruptcy of either party to the transactions. The Company reports its assets and liabilities subject to these arrangements on a gross basis. The following tables present information regarding those assets and liabilities subject to such arrangements as if the Company had presented them on a net basis as of September 30, 2024 and December 31, 2023.

(in thousands)

	Offsetting of Liabilities					
	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Consolidated Balance Sheet	Net Amount of Liabilities Presented in the Consolidated Balance Sheet	Gross Amount Not Offset in the Consolidated Balance Sheet		Net Amount
				Financial Instruments Posted as Collateral	Cash Posted as Collateral	
September 30, 2024						
Repurchase Agreements	\$ 113,023	\$ -	\$ 113,023	\$ (112,967)	\$ (56)	\$ -
	\$ 113,023	\$ -	\$ 113,023	\$ (112,967)	\$ (56)	\$ -
December 31, 2023						
Repurchase Agreements	\$ 86,907	\$ -	\$ 86,907	\$ (86,907)	\$ -	\$ -
	\$ 86,907	\$ -	\$ 86,907	\$ (86,907)	\$ -	\$ -

The amounts disclosed for collateral received by or posted to the same counterparty are limited to the amount sufficient to reduce the asset or liability presented in the consolidated balance sheet to zero. The fair value of the actual collateral received by or posted to the same counterparty typically exceeds the amounts presented. See Note 5 for a discussion of collateral posted for, or received against, repurchase obligations and derivative instruments.

NOTE 7. LONG-TERM DEBT

Long-term debt at September 30, 2024 and December 31, 2023 is summarized as follows:

(in thousands)

	September 30, 2024	December 31, 2023
Junior subordinated debt	\$ 26,804	\$ 26,804
Secured note payable	570	590
Total	\$ 27,374	\$ 27,394

Junior Subordinated Debt

During 2005, Bimini Capital sponsored the formation of a statutory trust, known as Bimini Capital Trust II (“BCTII”) of which 100% of the common equity is owned by Bimini Capital. It was formed for the purpose of issuing trust preferred capital securities to third-party investors and investing the proceeds from the sale of such capital securities solely in junior subordinated debt securities of Bimini Capital. The debt securities held by BCTII are the sole assets of BCTII.

As of September 30, 2024 and December 31, 2023, the outstanding principal balance on the junior subordinated debt securities owed to BCTII was \$26.8 million. Through June 30, 2023, the BCTII trust preferred securities and Bimini Capital's BCTII Junior Subordinated Notes had a rate of interest that floated at a spread of 3.50% over the prevailing three-month LIBOR rate. Starting June 30, 2023, the underlying index converted from three-month LIBOR to CME 3-month Term SOFR plus a tenor spread adjustment of 0.26161%. The interest rate for subsequent accrual periods will be CME Term SOFR on the applicable reset date plus the tenor spread adjustment of 0.26161% plus the coupon spread of 3.50%. The CME Term SOFR index is in effect for all interest rate resets after July 3, 2023. As of September 30, 2024, the interest rate was 8.71%. The BCTII trust preferred securities and Bimini Capital's BCTII Junior Subordinated Notes require quarterly interest distributions, are redeemable at Bimini Capital's option, in whole or in part and without penalty, and have a final maturity of December 15, 2035. Bimini Capital's BCTII Junior Subordinated Notes are subordinate and junior in right of payment to all present and future senior indebtedness.

The Company's included consolidated financial statements present Bimini Capital's BCTII Junior Subordinated Notes issued to BCTII as a liability and Bimini Capital's investment in the common equity securities of BCTII as an asset (included in other assets). For financial statement purposes, Bimini Capital records payments of interest on the Junior Subordinated Notes issued to BCTII as interest expense.

Secured Note Payable

On October 30, 2019, the Company borrowed \$680,000 from a bank. The note is payable in equal monthly principal and interest installments of approximately \$5,000 through October 30, 2039. Interest accrues at 4.89% through October 30, 2024. Thereafter, interest accrues based on the weekly average yield to the United States Treasury securities adjusted to a constant maturity of 5 years, plus 3.25%. The note is secured by a mortgage on the Company's office building.

The table below presents the future scheduled principal payments on the Company's long-term debt.

(in thousands)

Last three months of 2024	\$ 7
For the years ended:	
2025	26
2026	28
2027	29
2028	30
After 2028	27,254
Total	\$ 27,374

NOTE 8. COMMON STOCK

There were no issuances of Bimini Capital's Class A Common Stock, Class B Common Stock or Class C Common Stock during the nine months ended September 30, 2024 and 2023.

Stock Repurchase Plans

On September 16, 2021, the Board authorized a share repurchase plan pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934 (the "2021 Repurchase Plan"). Pursuant to the 2021 Repurchase Plan, the Company could purchase shares of its Class A Common Stock from time to time for an aggregate purchase price not to exceed \$2.5 million. Share repurchases could be executed through various means, including, without limitation, open market transactions. From the commencement of the 2021 Repurchase Plan, through its expiration on September 16, 2023, the Company repurchased a total of 789,024 shares at an aggregate cost of approximately \$1.3 million, including commissions and fees, for a weighted average price of \$1.60 per share.

On March 7, 2024, the Board authorized a share repurchase plan pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934 (the "2024 Repurchase Plan"). Pursuant to the 2024 Repurchase Plan, the Company can purchase shares of its Class A Common Stock from time to time for an aggregate purchase price not to exceed \$2.5 million. Share repurchases can be executed through various means, including, without limitation, open market transactions. The 2024 Repurchase Plan does not obligate the Company to purchase any shares, and expires on March 7, 2026. The authorization for the 2024 Repurchase Plan can be terminated, increased or decreased by the Company's Board of Directors in its discretion at any time. The Company has not repurchased any shares under the 2024 Repurchase Plan.

The Inflation Reduction Act of 2022 included a provision for an excise tax equal to 1% of the fair market value of any stock repurchased by covered corporations during a taxable year, subject to certain limits and provisions, including a \$1 million threshold before the tax becomes applicable. The excise tax is effective beginning in 2023. The amount of stock repurchases during the nine months ended September 30, 2023 were under the \$1 million threshold, so no excise tax was due.

NOTE 9. COMMITMENTS AND CONTINGENCIES

From time to time, the Company may become involved in various claims and legal actions arising in the ordinary course of business.

As previously disclosed, in April 2020 and November 2021, the Company received demands for payment from Citigroup, Inc. related to the indemnification provisions of various mortgage loan purchase agreements entered into prior to 2007. As of September 30, 2024, no further information has been received related to this matter. The ultimate resolution of this matter cannot presently be determined. However, in management's opinion, the demands are without merit and the likelihood of a material adverse outcome is remote. Accordingly, no provision or accrual has been recorded.

Management is not aware of any other significant reported or unreported contingencies at September 30, 2024.

NOTE 10. INCOME TAXES

The total income tax provision (benefit) recorded for the nine months ended September 30, 2024 and 2023 was \$1.1 million and \$(0.3) million, respectively, on consolidated pre-tax book income of \$1.2 million and \$0.6 million, respectively. The total income tax provision (benefit) recorded for the three months ended September 30, 2024 and 2023 was \$0.5 million and \$(0.8) million, respectively, on consolidated pre-tax book income (loss) of \$0.8 million and \$(1.2) million, respectively. The Company uses the discrete-period computation method for determining its income tax provision. The Company's income tax provision could be affected by numerous factors, including nondeductible expenses, the projected utilization of net operating loss carryovers and changes in its deferred tax assets and liabilities and their valuations. The Company's tax provisions are based on estimated annual tax rates applied to actual income to date and include the expected realization of a portion of the tax benefits of federal and state net operating losses carryforwards ("NOLs"). In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized in future accounting periods. The ultimate realization of capital loss and NOL carryforwards is dependent upon the generation of future capital gains and taxable income in periods prior to their expiration. The Company currently provides a valuation allowance against a portion of the deferred tax assets generated by the NOLs since the Company believes that it is more likely than not that some of the benefits will not be realized in the future. The Company will continue to assess the need for, and the amount of, the valuation allowance at each reporting date.

NOTE 11. EARNINGS PER SHARE

Shares of Class B common stock, participating and convertible into Class A common stock, are entitled to receive dividends in an amount equal to the dividends declared on each share of Class A common stock if, and when, authorized and declared by the Board of Directors. Class B common stock is included in the computation of basic EPS using the two-class method, and consequently is presented separately from Class A common stock. Shares of Class B common stock are not included in the computation of diluted Class A EPS as the conditions for conversion to Class A common stock were not met at September 30, 2024 and 2023.

Shares of Class C common stock are not included in the basic EPS computation as these shares do not have participation rights. Shares of Class C common stock are not included in the computation of diluted Class A EPS as the conditions for conversion to Class A common stock were not met at September 30, 2024 and 2023.

The table below reconciles the numerator and denominator of EPS for the nine and three months ended September 30, 2024 and 2023.

(in thousands, except per-share information)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2024	2023	2024	2023
Basic and diluted EPS per Class A common share:				
Income attributable to Class A common shares:				
Basic and diluted	\$ 194	\$ 869	\$ 255	\$ (418)
Weighted average common shares:				
Class A common shares outstanding at the balance sheet date	10,005	10,005	10,005	10,005
Effect of weighting	-	14	-	13
Weighted average shares-basic and diluted	10,005	10,019	10,005	10,018
Income per Class A common share:				
Basic and diluted	\$ 0.02	\$ 0.09	\$ 0.03	\$ (0.04)

(in thousands, except per-share information)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2024	2023	2024	2023
Basic and diluted EPS per Class B common share:				
Income attributable to Class B common shares:				
Basic and diluted	\$ 1	\$ 3	\$ 1	\$ (1)
Weighted average common shares:				
Class B common shares outstanding at the balance sheet date	32	32	32	32
Weighted average shares-basic and diluted	32	32	32	32
Income per Class B common share:				
Basic and diluted	\$ 0.02	\$ 0.09	\$ 0.03	\$ (0.04)

NOTE 12. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of non-performance. Required disclosures include presentation of balance sheet amounts measured at fair value based on inputs the Company uses to derive fair value measurements. These inputs are:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),

- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Company-specific data. These unobservable assumptions reflect the Company's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

The Company's MBS and Orchid common stock are recorded at fair value on a recurring basis as of September 30, 2024 and December 31, 2023. When determining fair value measurements, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset. When possible, the Company looks to active and observable markets to price identical assets. When identical assets are not traded in active markets, the Company looks to market observable data for similar assets.

The Company's MBS are valued using Level 2 valuations, and such valuations currently are determined by the Company based on independent pricing sources and/or third-party broker quotes. Because the price estimates may vary, the Company must make certain judgments and assumptions about the appropriate price to use to calculate the fair values. The Company and the independent pricing sources use various valuation techniques to determine the price of the Company's securities. These techniques include observing the most recent market for like or identical assets (including security coupon, maturity, yield, and prepayment speeds), spread pricing techniques to determine market credit spreads (option adjusted spread, zero volatility spread, spread to the U.S. Treasury curve or spread to a benchmark such as a TBA security), and model driven approaches (the discounted cash flow method, Black Scholes and SABR models which rely upon observable market rates such as the term structure of interest rates and volatility). The appropriate spread pricing method used is based on market convention. The pricing source determines the spread of recently observed trade activity or observable markets for assets similar to those being priced. The spread is then adjusted based on variances in certain characteristics between the market observation and the asset being priced. Those characteristics include: type of asset, the expected life of the asset, the stability and predictability of the expected future cash flows of the asset, whether the coupon of the asset is fixed or adjustable, the guarantor of the security if applicable, the coupon, the maturity, the issuer, size of the underlying loans, year in which the underlying loans were originated, loan to value ratio, state in which the underlying loans reside, credit score of the underlying borrowers and other variables if appropriate. The fair value of the security is determined by using the adjusted spread.

The Company's futures contracts are Level 1 valuations, as they are exchange-traded instruments and quoted market prices are readily available. Futures contracts are settled daily.

The estimated fair value of cash and cash equivalents, restricted cash, accrued interest receivable, other assets, due from affiliates, repurchase agreements, accrued interest payable and other liabilities generally approximates their carrying values due to the short-term nature of these financial instruments. The Company estimates the fair value of the cash and cash equivalents and restricted cash using Level 1 inputs, and the accrued interest receivable, other assets, due from affiliates, repurchase agreements, accrued interest payable and other liabilities using Level 2 inputs. The fair value of the Company's junior subordinated debt approximates its carrying value. The carrying value is a reasonable estimate of fair value since the instrument carries a floating rate that resets frequently. Further information regarding this instrument is presented in Note 7.

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2024 and December 31, 2023:

(in thousands)

	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2024				
Mortgage-backed securities	\$ 118,429	\$ -	\$ 118,429	\$ -
Orchid Island Capital, Inc. common stock	4,678	4,678	-	-
December 31, 2023				
Mortgage-backed securities	\$ 92,731	\$ -	\$ 92,731	\$ -
Orchid Island Capital, Inc. common stock	4,797	4,797	-	-

During the nine months ended September 30, 2024 and 2023, there were no transfers of financial assets or liabilities between Levels 1, 2 or 3.

NOTE 13. SEGMENT INFORMATION

The Company's operations are classified into two principal reportable segments: the asset management segment and the investment portfolio segment.

The asset management segment includes the investment advisory services provided by Bimini Advisors to Orchid and Royal Palm. As discussed in Note 2, the revenues of the asset management segment consist of management fees, overhead reimbursements and repurchase, clearing and administrative fees received pursuant to a management agreement with Orchid. Total revenues received under this management agreement for the nine and three months ended September 30, 2024 were approximately \$9.4 million and \$3.3 million, respectively, accounting for approximately 66% and 66% of consolidated revenues, respectively. Total revenues received under this management agreement for the nine and three months ended September 30, 2023 were approximately \$10.5 million and \$3.6 million, respectively, accounting for approximately 79% and 77% of consolidated revenues, respectively.

The investment portfolio segment includes the investment activities conducted by Royal Palm. The investment portfolio segment receives revenue in the form of interest and dividend income on its investments.

Segment information for the nine months ended September 30, 2024 and 2023 is as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2024					
Advisory services, external customers	\$ 9,397	\$ -	\$ -	\$ -	\$ 9,397
Advisory services, other operating segments ⁽¹⁾	101	-	-	(101)	-
Interest and dividend income	-	4,780	1	-	4,781
Interest expense ⁽²⁾	-	(3,739)	(1,820)	-	(5,559)
Net revenues	9,498	1,041	(1,819)	(101)	8,619
Other income, net	-	1,067	-	-	1,067
Operating expenses ⁽³⁾	(5,430)	(3,009)	1	-	(8,438)
Intercompany expenses ⁽¹⁾	-	(101)	-	101	-
Income (loss) before income taxes ⁽⁴⁾	\$ 4,068	\$ (1,002)	\$ (1,818)	\$ -	\$ 1,248

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2023					
Advisory services, external customers	\$ 10,519	\$ -	\$ -	\$ -	\$ 10,519
Advisory services, other operating segments ⁽¹⁾	89	-	-	(89)	-
Interest and dividend income	-	2,780	2	-	2,782
Interest expense ⁽²⁾	-	(1,903)	(1,722)	-	(3,625)
Net revenues	10,608	877	(1,720)	(89)	9,676
Other income (expense), net	-	(2,467)	-	-	(2,467)
Operating expenses ⁽³⁾	(5,174)	(1,483)	-	-	(6,657)
Intercompany expenses ⁽¹⁾	-	(89)	-	89	-
Income (loss) before income taxes ⁽⁴⁾	\$ 5,434	\$ (3,162)	\$ (1,720)	\$ -	\$ 552

Segment information for the three months ended September 30, 2024 and 2023 is as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2024					
Advisory services, external customers	\$ 3,301	\$ -	\$ -	\$ -	\$ 3,301
Advisory services, other operating segments ⁽¹⁾	40	-	-	(40)	-
Interest and dividend income	-	1,690	-	-	1,690
Interest expense ⁽²⁾	-	(1,373)	(608)	-	(1,981)
Net revenues	3,341	317	(608)	(40)	3,010
Other income (expense), net	-	421	(1)	-	420
Operating expenses ⁽³⁾	(1,735)	(892)	-	-	(2,627)
Intercompany expenses ⁽¹⁾	-	(40)	-	40	-
Income (loss) before income taxes ⁽⁴⁾	\$ 1,606	\$ (194)	\$ (609)	\$ -	\$ 803

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2023					
Advisory services, external customers	\$ 3,620	\$ -	\$ -	\$ -	\$ 3,620
Advisory services, other operating segments ⁽¹⁾	33	-	-	(33)	-
Interest and dividend income	-	1,110	1	-	1,111
Interest expense ⁽²⁾	-	(831)	(610)	-	(1,441)
Net revenues	3,653	279	(609)	(33)	3,290
Other income (expense), net	-	(2,361)	-	-	(2,361)
Operating expenses ⁽³⁾	(1,582)	(523)	-	-	(2,105)
Intercompany expenses ⁽¹⁾	-	(33)	-	33	-
Income (loss) before income taxes ⁽⁴⁾	\$ 2,071	\$ (2,638)	\$ (609)	\$ -	\$ (1,176)

(1) Includes fees paid by Royal Palm to Bimini Advisors for advisory services at an annualized rate of 1.5% of capital allocated to Royal Palm's MBS portfolio.

(2) Includes interest on repurchase agreements in the Investment Portfolio column and long-term debt in the Corporate column.

(3) Operating expenses are allocated based on each segment's proportional share of total revenues.

(4) Totals in the table above may not foot due to rounding differences.

Assets in each reportable segment as of September 30, 2024 and December 31, 2023 were as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Total
September 30, 2024	\$ 2,068	\$ 143,308	6,257	\$ 151,633
December 31, 2023	1,853	117,012	6,733	125,598

NOTE 14. RELATED PARTY TRANSACTIONS

At both September 30, 2024 and December 31, 2023, the Company owned 569,071 shares of Orchid common stock, representing approximately 0.7% and 1.1%, respectively, of Orchid's outstanding common stock on such dates. The Company received dividends on this common stock investment of approximately \$0.6 million and \$0.8 million during the nine months ended September 30, 2024 and 2023, respectively, and \$0.2 million and \$0.3 million during the three months ended September 30, 2024 and 2023, respectively.

Robert Cauley, the Chief Executive Officer and Chairman of the Board of Directors of the Company, also serves as Chief Executive Officer and Chairman of the Board of Directors of Orchid, is eligible to receive compensation from Orchid, and owns shares of common stock of Orchid. In addition, Hunter Haas, the Chief Financial Officer, Chief Investment Officer, Treasurer and member of the Board of Directors of the Company, also serves as Chief Financial Officer, Chief Investment Officer and Secretary of Orchid, is a member of Orchid's Board of Directors, receives compensation from Orchid, and owns shares of common stock of Orchid. Robert J. Dwyer and Frank E. Jaumot, who are the Company's independent directors, each own shares of common stock of Orchid.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion of our consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes to those statements included in Item 1 of this Form 10-Q. The discussion may contain certain forward-looking statements that involve risks and uncertainties. Forward-looking statements are those that are not historical in nature. As a result of many factors, such as those set forth under "Risk Factors" in our most recent Annual Report on Form 10-K, our actual results may differ materially from those anticipated in such forward-looking statements.

Overview

Bimini Capital Management, Inc. ("Bimini Capital" or the "Company") is a holding company that was formed in September 2003. The Company's principal wholly-owned operating subsidiary is Royal Palm Capital, LLC. We operate in two business segments: the asset management segment, which includes (a) the investment advisory services provided by Royal Palm's wholly-owned subsidiary, Bimini Advisors Holdings, LLC, to Orchid Island Capital, Inc. ("Orchid") and to Royal Palm, and (b) the investment portfolio segment, which includes the investment activities conducted by Royal Palm.

Royal Palm Capital, LLC (collectively with its wholly-owned subsidiaries referred to as "Royal Palm") maintains an investment portfolio, consisting primarily of residential mortgage-backed securities ("MBS") issued and guaranteed by a federally chartered corporation or agency ("Agency MBS"). We also invest in the common stock of Orchid. Our investment strategy focuses on, and our portfolio consists of, two categories of Agency MBS: (i) traditional pass-through Agency MBS, such as mortgage pass-through certificates issued by Fannie Mae, Freddie Mac or Ginnie Mae (the "GSEs") and collateralized mortgage obligations ("CMOs") issued by the GSEs ("PT MBS") and (ii) structured Agency MBS, such as interest only securities ("IOs"), inverse interest only securities ("IIOs") and principal only securities ("POs"), among other types of structured Agency MBS. In addition, Royal Palm receives dividends from its investment in Orchid common shares.

Bimini Advisors Holdings, LLC and its wholly-owned subsidiary, Bimini Advisors, LLC (an investment advisor registered with the Securities and Exchange Commission), are collectively referred to as "Bimini Advisors." Bimini Advisors serves as the external manager of the portfolio of Orchid. From this arrangement, the Company receives management fees and expense reimbursements. As manager, Bimini Advisors is responsible for administering Orchid's business activities and day-to-day operations and providing certain repurchase agreement trading, clearing and administrative services. Pursuant to the terms of the management agreement, Bimini Advisors provides Orchid with its management team, including its officers, along with appropriate support personnel. Bimini Advisors is at all times subject to the supervision and oversight of Orchid's board of directors and has only such functions and authority as delegated to it.

Stock Repurchase Plan

On September 16, 2021, the Board authorized a share repurchase plan pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934 (the "2021 Repurchase Plan"). Pursuant to the 2021 Repurchase Plan, the Company could purchase shares of its Class A Common Stock from time to time for an aggregate purchase price not to exceed \$2.5 million. Share repurchases could be executed through various means, including, without limitation, open market transactions. From the commencement of the 2021 Repurchase Plan, through its expiration on September 16, 2023, the Company repurchased a total of 789,024 shares at an aggregate cost of approximately \$1.3 million, including commissions and fees, for a weighted average price of \$1.60 per share.

On March 7, 2024, the Board authorized a share repurchase plan pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934 (the "2024 Repurchase Plan"). Pursuant to the 2024 Repurchase Plan, we can purchase shares of our Class A Common Stock from time to time for an aggregate purchase price not to exceed \$2.5 million. Share repurchases can be executed through various means, including, without limitation, open market transactions. The 2024 Repurchase Plan does not obligate the Company to purchase any shares and expires on March 7, 2026. There have been no repurchases in 2024.

The Inflation Reduction Act of 2022 (the "Act"), includes a provision for an excise tax equal to 1% of the fair market value of any stock repurchased by covered corporations during a taxable year, subject to certain limits and other provisions. The excise tax was effective beginning in 2023. The Company was not subject to the tax in 2023, as its repurchases were less than the threshold specified in the Act. While we may complete transactions subject to the new excise tax, we do not expect this tax to have a material impact to our financial condition or result of operations.

Factors that Affect our Results of Operations and Financial Condition

A variety of industry and economic factors may impact our results of operations and financial condition. These factors include:

- interest rate trends;
- changes in our cost of borrowed funds, including changes in the Federal Funds rate, that is controlled by the Federal Reserve (the "Fed");
- the difference between Agency MBS yields and our funding and hedging costs;
- competition for, and supply of, Agency MBS for us to invest in;
- actions taken by the U.S. government, including the President's administration, the Fed, the Federal Open Market Committee (the "FOMC"), the Federal Housing Finance Agency (the "FHFA") and the U.S. Treasury;
- prepayment rates on mortgages underlying our Agency MBS, and credit trends insofar as they affect prepayment rates;
- geo-political events that affect the U.S. and international economies; and
- other financial market developments.

In addition, a variety of factors relating to our business may also impact our results of operations and financial condition. These factors include:

- our degree of leverage;
- our access to funding and borrowing capacity;
- our borrowing costs;
- our hedging activities;
- the market value of our investments;
- the requirements to qualify for a registration exemption under the Investment Company Act;
- our ability to use net operating loss carryforwards and other tax attributes to reduce our taxable income;
- the impact of possible future changes in tax laws or tax rates;
- our ability to manage the portfolio of Orchid and maintain our role as manager; and
- the financial performance of Orchid and resulting changes in Orchid's shareholders equity, the carrying value of our investment, dividend income and our advisory services revenue.

Results of Operations

Described below are the Company's results of operations for the nine and three months ended September 30, 2024, as compared to the nine and three months ended September 30, 2023.

Net Income (Loss) Summary

Consolidated net income for the nine months ended September 30, 2024 was \$0.2 million, or \$0.02 basic and diluted loss per share of Class A Common Stock, as compared to consolidated net income of \$0.9 million, or \$0.09 basic and diluted income per share of Class A Common Stock, for the nine months ended September 30, 2023. Consolidated net income for the three months ended September 30, 2024 was \$0.3 million, or \$0.03 basic and diluted loss per share of Class A Common Stock, as compared to a consolidated net loss of \$0.4 million, or \$0.04 basic and diluted income per share of Class A Common Stock, for the three months ended September 30, 2023.

The components of net income for the nine and three months ended September 30, 2024 and 2023, along with the changes in those components are presented in the table below.

(in thousands)

	Nine Months Ended September 30,			Three Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Advisory services revenues	\$ 9,397	\$ 10,519	\$ (1,122)	\$ 3,301	\$ 3,620	\$ (319)
Interest and dividend income	4,781	2,782	1,999	1,690	1,111	579
Interest expense	(5,559)	(3,625)	(1,934)	(1,981)	(1,441)	(540)
Net revenues	8,619	9,676	(1,057)	3,010	3,290	(280)
Other revenue (expense)	1,067	(2,467)	3,534	420	(2,361)	2,781
Expenses	(8,438)	(6,657)	(1,781)	(2,627)	(2,105)	(522)
Net income (loss) before income tax provision (benefit)	1,248	552	696	803	(1,176)	1,979
Income tax provision (benefit)	1,053	(320)	1,373	547	(757)	1,304
Net income (loss)	\$ 195	\$ 872	\$ (677)	\$ 256	\$ (419)	\$ 675

GAAP and Non-GAAP Reconciliation

Economic Interest Expense and Economic Net Interest Income

We use derivative instruments, primarily U.S. Treasury Note (“T-Note”) and SOFR futures contracts to hedge a portion of the interest rate risk on repurchase agreements in a rising rate environment.

We have not designated our derivative financial instruments as hedge accounting relationships, but rather hold them for economic hedging purposes. Changes in fair value of these instruments are presented in a separate line item in our consolidated statements of operations and not included in interest expense. As such, for financial reporting purposes, interest expense and cost of funds are not impacted by the fluctuation in value of the derivative instruments.

For the purpose of computing economic net interest income and ratios relating to cost of funds measures, GAAP interest expense, as reflected in our consolidated statements of operations, is adjusted to reflect the realized and unrealized gains or losses on certain derivative instruments the Company uses that pertain to each period presented. We believe that adjusting our GAAP interest expense for the periods presented by the gains or losses on these derivative instruments may not accurately reflect our economic interest expense for these periods. The reason is that these derivative instruments may cover periods that extend into the future, not just the current period. Any realized or unrealized gains or losses on the derivative instruments reflect the change in market value of the instrument caused by changes in underlying interest rates applicable to the term covered by the instrument, which changes are reflective of the future periods covered by the derivative instrument, not just the current period.

For each period presented, we have combined the effects of the derivative financial instruments in place for the respective period with the actual interest expense incurred on repurchase agreements to reflect total economic interest expense for the applicable period. Interest expense, including the effect of derivative instruments for the period, is referred to as economic interest expense. Net interest income, when calculated to include the effect of derivative instruments for the period, is referred to as economic net interest income. This presentation includes gains or losses on all contracts in effect during the reporting period, covering the current period as well as periods in the future.

We believe that economic interest expense and economic net interest income provide meaningful information to consider, in addition to the financial information prepared in accordance with GAAP. The non-GAAP measures help management to evaluate its financial position and performance without the effects of certain transactions and GAAP adjustments that are not necessarily indicative of our current investment portfolio or operations. The gains or losses on derivative instruments presented in our consolidated statements of operations are not necessarily representative of the total interest expense that we will ultimately realize. This is because as interest rates move up or down in the future, the gains or losses we ultimately realize, and which will affect our total interest expense in future periods, may differ from the unrealized gains or losses recognized as of the reporting date.

Our presentation of the economic value of our hedging strategy has important limitations. First, other market participants may calculate economic interest expense and economic net interest income differently than the way we calculate them. Second, while we believe that the calculation of the economic value of our hedging strategy described above helps to present our financial position and performance, it may be of limited usefulness as an analytical tool. Therefore, the economic value of our investment strategy should not be viewed in isolation and is not a substitute for interest expense and net interest income computed in accordance with GAAP.

The tables below present a reconciliation of the adjustments discussed above to interest expense shown for each period relative to our derivative instruments, and the consolidated statements of operations line item, gains (losses) on derivative instruments, calculated in accordance with GAAP for each quarter in 2024 and 2023.

Gains (Losses) on Derivative Instruments

(in thousands)

	Statement of Operations (GAAP)	Funding Hedges	
		Attributed to Current Period (Non-GAAP)	Attributed to Future Periods (Non-GAAP)
Three Months Ended			
September 30, 2024	\$ (1,991)	\$ (36)	\$ (1,955)
June 30, 2024	212	44	168
March 31, 2024	1,171	21	1,150
December 31, 2023	(1,881)	(21)	(1,860)
September 30, 2023	1,169	(11)	1,180
June 30, 2023	516	(18)	534
March 31, 2023	(274)	(33)	(241)
Nine Months Ended			
September 30, 2024	\$ (608)	\$ 29	\$ (637)
September 30, 2023	1,411	(62)	1,473

Economic Net Portfolio Interest Income

(in thousands)

	GAAP Interest Income	Interest Expense on Repurchase Agreements			Net Portfolio Interest Income (Expense)	
		GAAP Basis	Effect of Non-GAAP Hedges(1)	Economic Basis(2)	GAAP Basis	Economic Basis(3)
Three Months Ended						
September 30, 2024	\$ 1,485	\$ 1,373	\$ 36	\$ 1,409	\$ 112	\$ 76
June 30, 2024	1,287	1,157	(44)	1,113	130	174
March 31, 2024	1,394	1,208	(21)	1,187	186	207
December 31, 2023	1,350	1,178	21	1,199	172	151
September 30, 2023	838	831	11	842	7	(4)
June 30, 2023	567	564	18	582	3	(15)
March 31, 2023	557	508	33	541	49	16
Nine Months Ended						
September 30, 2024	\$ 4,166	\$ 3,738	\$ (29)	\$ 3,709	\$ 428	\$ 457
September 30, 2023	1,962	1,903	62	1,965	59	(3)

(1) Reflects the effect of derivative instrument hedges for only the period presented.

(2) Calculated by subtracting the effect of derivative instrument hedges attributed to the period presented from GAAP interest expense.

(3) Calculated by adding the effect of derivative instrument hedges attributed to the period presented to GAAP net portfolio interest income.

Economic Net Interest Income

(in thousands)

	Net Portfolio		Interest Expense on Long-Term Debt (GAAP)	Net Interest Income (Expense)	
	Interest Income (Expense)			GAAP Basis	Economic Basis(2)
	GAAP Basis	Economic Basis(1)			
Three Months Ended					
September 30, 2024	\$ 112	\$ 76	\$ 607	\$ (495)	\$ (531)
June 30, 2024	130	174	605	(475)	(431)
March 31, 2024	186	207	608	(422)	(401)
December 31, 2023	172	151	616	(444)	(465)
September 30, 2023	7	(4)	611	(604)	(615)
June 30, 2023	3	(15)	565	(562)	(580)
March 31, 2023	49	16	546	(497)	(530)
Nine Months Ended					
September 30, 2024	\$ 428	\$ 457	\$ 1,820	\$ (1,392)	\$ (1,363)
September 30, 2023	59	(3)	1,722	(1,663)	(1,725)

(1) Calculated by adding the effect of derivative instrument hedges attributed to the period presented to GAAP net portfolio interest income.

(2) Calculated by adding the effect of derivative instrument hedges attributed to the period presented to GAAP net interest income.

Segment Information

We have two operating segments. The asset management segment includes the investment advisory services provided by Bimini Advisors to Orchid and Royal Palm. The investment portfolio segment includes the investment activities conducted by Royal Palm.

Segment information for the nine months ended September 30, 2024 and 2023 is as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2024					
Advisory services, external customers	\$ 9,397	\$ -	\$ -	\$ -	\$ 9,397
Advisory services, other operating segments(1)	101	-	-	(101)	-
Interest and dividend income	-	4,780	1	-	4,781
Interest expense(2)	-	(3,739)	(1,820)	-	(5,559)
Net revenues	9,498	1,041	(1,819)	(101)	8,619
Other income, net	-	1,067	-	-	1,067
Operating expenses(3)	(5,430)	(3,009)	1	-	(8,438)
Intercompany expenses(1)	-	(101)	-	101	-
Income (loss) before income taxes(4)	\$ 4,068	\$ (1,002)	\$ (1,818)	\$ -	\$ 1,248

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2023					
Advisory services, external customers	\$ 10,519	\$ -	\$ -	\$ -	\$ 10,519
Advisory services, other operating segments(1)	89	-	-	(89)	-
Interest and dividend income	-	2,780	2	-	2,782
Interest expense(2)	-	(1,903)	(1,722)	-	(3,625)
Net revenues	10,608	877	(1,720)	(89)	9,676
Other income (expense), net	-	(2,467)	-	-	(2,467)
Operating expenses(3)	(5,174)	(1,483)	-	-	(6,657)
Intercompany expenses(1)	-	(89)	-	89	-
Income (loss) before income taxes(4)	\$ 5,434	\$ (3,162)	\$ (1,720)	\$ -	\$ 552

Segment information for the three months ended September 30, 2024 and 2023 is as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2024					
Advisory services, external customers	\$ 3,301	\$ -	\$ -	\$ -	\$ 3,301
Advisory services, other operating segments ⁽¹⁾	40	-	-	(40)	-
Interest and dividend income	-	1,690	-	-	1,690
Interest expense ⁽²⁾	-	(1,373)	(608)	-	(1,981)
Net revenues	3,341	317	(608)	(40)	3,010
Other income (expense), net	-	421	(1)	-	420
Operating expenses ⁽³⁾	(1,735)	(892)	-	-	(2,627)
Intercompany expenses ⁽¹⁾	-	(40)	-	40	-
Income (loss) before income taxes ⁽⁴⁾	\$ 1,606	\$ (194)	\$ (609)	\$ -	\$ 803

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2023					
Advisory services, external customers	\$ 3,620	\$ -	\$ -	\$ -	\$ 3,620
Advisory services, other operating segments ⁽¹⁾	33	-	-	(33)	-
Interest and dividend income	-	1,110	1	-	1,111
Interest expense ⁽²⁾	-	(831)	(610)	-	(1,441)
Net revenues	3,653	279	(609)	(33)	3,290
Other income (expense), net	-	(2,361)	-	-	(2,361)
Operating expenses ⁽³⁾	(1,582)	(523)	-	-	(2,105)
Intercompany expenses ⁽¹⁾	-	(33)	-	33	-
Income (loss) before income taxes ⁽⁴⁾	\$ 2,071	\$ (2,638)	\$ (609)	\$ -	\$ (1,176)

(1) Includes fees paid by Royal Palm to Bimini Advisors for advisory services at an annualized rate of 1.5% of capital allocated to Royal Palm's MBS portfolio.

(2) Includes interest expense on repurchase agreements in the Investment Portfolio column and long-term debt in the Corporate column.

(3) Operating expenses are allocated based on each segment's proportional share of total revenues.

(4) Totals in the table above may not foot due to rounding differences.

Assets in each reportable segment were as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Total
September 30, 2024	\$ 2,068	\$ 143,308	6,257	\$ 151,633
December 31, 2023	1,853	117,012	6,733	125,598

Asset Management Segment

Advisory Services Revenue

Advisory services revenue consists of management fees and overhead reimbursements charged to Orchid for the management of its portfolio pursuant to the terms of a management agreement. We receive a monthly management fee in the amount of:

- One-twelfth of 1.50% of the first \$250 million of Orchid's month-end equity, as defined in the management agreement,
- One-twelfth of 1.25% of Orchid's month-end equity that is greater than \$250 million and less than or equal to \$500 million, and
- One-twelfth of 1.00% of Orchid's month-end equity that is greater than \$500 million.

The Company also provides certain repurchase agreement trading, clearing and administrative services to Orchid. In consideration for such services, Orchid pays the following fees to the Company:

- a daily fee equal to the outstanding principal balance of repurchase agreement funding in place as of the end of such day multiplied by 1.5 basis points for the amount of aggregate outstanding principal balance less than or equal to \$5 billion, and multiplied by 1.0 basis point for any amount of aggregate outstanding principal balance in excess of \$5 billion, and
- a fee for the clearing and operational services provided by personnel of the Manager equal to \$10,000 per month.

In addition, Orchid is obligated to reimburse us for any direct expenses incurred on its behalf and to pay to us an amount equal to Orchid's pro rata portion of certain overhead costs set forth in the management agreement. The management agreement has been renewed through February 2025 and provides for automatic one-year extension options. Should Orchid terminate the management agreement without cause, it will be obligated to pay to us a termination fee equal to three times the average annual management fee, as defined in the management agreement, before or on the last day of the applicable renewal term.

The following table summarizes the advisory services revenue received from Orchid in each quarter and during 2024 and 2023.

(in thousands)

Three Months Ended	Advisory Services						Total
	Average Orchid MBS	Average Orchid Equity	Management Fee	Overhead Allocation	Repurchase, Clearing and Administrative Fees		
September 30, 2024	\$ 4,984,279	\$ 780,010	\$ 2,448	\$ 637	\$ 216	\$ 3,301	
June 30, 2024	4,203,416	699,766	2,257	732	178	3,167	
March 31, 2024	3,887,545	672,057	2,161	598	170	2,929	
December 31, 2023	4,207,118	851,532	2,275	617	184	3,076	
September 30, 2023	4,447,098	964,230	2,871	557	193	3,621	
June 30, 2023	4,186,939	899,109	2,704	639	173	3,516	
March 31, 2023	3,769,954	865,722	2,641	576	165	3,382	
Nine Months Ended							
September 30, 2024	\$ 4,358,413	\$ 717,278	\$ 6,866	\$ 1,967	\$ 564	\$ 9,397	
September 30, 2023	4,134,664	909,687	8,216	1,772	531	10,519	

Investment Portfolio Segment

Net Portfolio Interest Income (Expense)

We define net portfolio interest income as interest income on MBS less interest expense on repurchase agreement funding. During the nine months ended September 30, 2024, we generated \$428,000 of net portfolio interest income, consisting of \$4.2 million of interest income from MBS assets offset by \$3.7 million of interest expense on repurchase liabilities. For the comparable period ended September 30, 2023, we generated \$59,000 of net portfolio interest income, consisting of \$2.0 million of interest income from MBS assets offset by \$1.9 million of interest expense on repurchase liabilities. The \$2.2 million increase in interest income was due to a 145 basis point ("bp") increase in yields, combined with an \$35.3 million increase in average MBS holdings. There was a \$1.8 million increase in interest expense for the nine months ended September 30, 2024 that was due to a 102 bp increase in cost of funds, combined with a \$33.7 million increase in average repurchase liabilities.

Our economic interest expense on repurchase liabilities for the nine months ended September 30, 2024 and 2023 was \$3.7 million and \$2.0 million, respectively, resulting in \$457,000 and \$(3,000) of economic net portfolio interest income (expense), respectively.

During the three months ended September 30, 2024, we generated \$112,000 of net portfolio interest income, consisting of \$1.5 million of interest income from MBS assets offset by \$1.4 million of interest expense on repurchase liabilities. For the comparable period ended September 30, 2023, we generated \$7,000 of net portfolio interest income, consisting of \$838,000 of interest income from MBS assets offset by \$831,000 of interest expense on repurchase liabilities. The \$647,000 increase in interest income was due to a 129 bp increase in yields, combined with an \$28.1 million increase in average MBS holdings. There was a \$542,000 increase in interest expense for the three months ended September 30, 2024 that was due to a 93 bp increase in cost of funds, combined with a \$26.9 million increase in average repurchase liabilities.

Our economic interest expense on repurchase liabilities for the three months ended September 30, 2024 and 2023 was \$1,409,000 and \$842,000, respectively, resulting in \$76,000 and \$(4,000) of economic net portfolio interest income (expense), respectively.

The tables below provide information on our portfolio average balances, interest income, yield on assets, average repurchase agreement balances, interest expense, cost of funds, net interest income and net interest rate spread for the nine months ended September 30, 2024 and 2023 and each quarter in 2024 and 2023 on both a GAAP and economic basis.

(\$ in thousands)

Three Months Ended	Average MBS Held(1)	Interest Income	Yield on Average MBS	Average Repurchase Agreements(1)	Interest Expense		Average Cost of Funds		
					GAAP Basis	Economic Basis(2)	GAAP Basis	Economic Basis(3)	
September 30, 2024	\$ 102,422	\$ 1,485	5.80%	\$ 97,949	\$ 1,373	\$ 1,409	5.61%	5.75%	
June 30, 2024	87,539	1,287	5.88%	83,737	1,157	1,113	5.53%	5.32%	
March 31, 2024	90,697	1,394	6.15%	85,753	1,208	1,187	5.63%	5.54%	
December 31, 2023	88,796	1,350	6.08%	84,162	1,178	1,199	5.60%	5.70%	
September 30, 2023	74,316	838	4.51%	71,056	831	842	4.68%	4.74%	
June 30, 2023	54,705	567	4.14%	51,893	564	582	4.35%	4.49%	
March 31, 2023	45,767	557	4.87%	43,455	508	541	4.68%	4.98%	
Nine Months Ended									
September 30, 2024	\$ 93,553	\$ 4,166	5.94%	\$ 89,147	\$ 3,738	\$ 3,709	5.59%	5.55%	
September 30, 2023	58,263	1,962	4.49%	55,468	1,903	1,965	4.57%	4.72%	

(\$ in thousands)

Three Months Ended	Net Portfolio Interest Income (Expense)		Net Portfolio Interest Spread	
	GAAP Basis	Economic Basis(2)	GAAP Basis	Economic Basis(4)
September 30, 2024	\$ 112	\$ 76	0.19%	0.05%
June 30, 2024	130	174	0.35%	0.56%
March 31, 2024	186	207	0.52%	0.61%
December 31, 2023	172	151	0.48%	0.38%
September 30, 2023	7	(4)	(0.17)%	(0.23)%
June 30, 2023	3	(15)	(0.21)%	(0.35)%
March 31, 2023	49	16	0.19%	(0.11)%
Nine Months Ended				
September 30, 2024	\$ 428	\$ 457	0.35%	0.39%
September 30, 2023	59	(3)	(0.08)%	(0.23)%

- Portfolio yields and costs of borrowings presented in the tables above and the tables on page 28 are calculated based on the average balances of the underlying investment portfolio/repurchase agreement balances and are annualized for the periods presented. Average balances for quarterly periods are calculated using two data points, the beginning and ending balances.
- Economic interest expense and economic net interest income presented in the tables above and the tables on page 28 include the effect of derivative instrument hedges for only the period presented.
- Represents interest cost of our borrowings and the effect of derivative instrument hedges attributed to the period related to hedging activities divided by average MBS.
- Economic net interest spread is calculated by subtracting average economic cost of funds from yield on average MBS.

Average Asset Yield

The table below presents the average portfolio size, income and yields of our respective sub-portfolios, consisting of PT MBS and structured, for each quarter during 2024 and 2023.

(\$ in thousands)

Three Months Ended	Average MBS Held			Interest Income			Realized Yield on Average MBS		
	PT	Structured	Total	PT	Structured	Total	PT	Structured	Total
	MBS	MBS		MBS	MBS				
September 30, 2024	\$ 100,005	\$ 2,417	\$ 102,422	\$ 1,445	\$ 40	\$ 1,485	5.78%	6.77%	5.80%
June 30, 2024	85,097	2,442	87,539	1,242	45	1,287	5.84%	7.45%	5.88%
March 31, 2024	88,206	2,491	90,697	1,348	46	1,394	6.11%	7.38%	6.15%
December 31, 2023	86,242	2,554	88,796	1,294	56	1,350	6.00%	8.67%	6.08%
September 30, 2023	71,731	2,585	74,316	781	57	838	4.35%	8.91%	4.51%
June 30, 2023	52,004	2,701	54,705	508	59	567	3.91%	8.59%	4.14%
March 31, 2023	42,912	2,855	45,767	500	57	557	4.66%	8.09%	4.87%
Nine Months Ended									
September 30, 2024	\$ 91,103	\$ 2,450	\$ 93,553	\$ 4,035	\$ 131	\$ 4,166	5.90%	7.20%	5.94%
September 30, 2023	55,549	2,714	58,263	1,789	173	1,962	4.29%	8.51%	4.49%

Cost of Funds

Since all of our repurchase agreements are short-term, changes in market rates have a more immediate impact on our interest expense. Our average cost of funds calculated on a GAAP basis was 45 bps above the average one-month SOFR and 24 bps above the average six-month SOFR for the quarter ended September 30, 2024. Our average economic cost of funds was 59 bps below the average one-month SOFR and 38 bps below the average six-month SOFR for the quarter ended September 30, 2024. The average term to maturity of the outstanding repurchase agreements was 24 days at September 30, 2024, compared to 29 days at December 31, 2023. The tables below present the average outstanding balances under our repurchase agreements, interest expense and average economic cost of funds, and average one-month and six-month SOFR rates for each quarter in 2024 and 2023, on both a GAAP and economic basis.

(\$ in thousands)

Three Months Ended	Average Balance of Repurchase Agreements	Interest Expense		Average Cost of Funds	
		GAAP Basis	Economic Basis	GAAP Basis	Economic Basis
		September 30, 2024	\$ 97,949	\$ 1,373	\$ 1,409
June 30, 2024	83,737	1,157	1,113	5.53%	5.32%
March 31, 2024	85,753	1,208	1,187	5.63%	5.54%
December 31, 2023	84,162	1,178	1,199	5.60%	5.70%
September 30, 2023	71,056	831	842	4.68%	4.74%
June 30, 2023	51,893	564	582	4.35%	4.49%
March 31, 2023	43,455	508	541	4.68%	4.98%
Nine Months Ended					
September 30, 2024	\$ 89,147	\$ 3,738	\$ 3,709	5.59%	5.55%
September 30, 2023	55,468	1,903	1,965	4.57%	4.72%

Three Months Ended	Average SOFR		Average GAAP Cost of Funds Relative to Average		Average Economic Cost of Funds Relative to Average	
	One-Month	Six-Month	One-Month SOFR	Six-Month SOFR	One-Month SOFR	Six-Month SOFR
	September 30, 2024	5.16%	5.37%	0.45%	0.24%	0.59%
June 30, 2024	5.34%	5.39%	0.19%	0.14%	(0.02)%	(0.07)%
March 31, 2024	5.32%	5.39%	0.31%	0.24%	0.22%	0.15%
December 31, 2023	5.34%	5.35%	0.26%	0.25%	0.36%	0.35%
September 30, 2023	5.32%	5.17%	(0.64)%	(0.49)%	(0.58)%	(0.43)%
June 30, 2023	5.07%	4.78%	(0.72)%	(0.43)%	(0.58)%	(0.29)%
March 31, 2023	4.63%	4.09%	0.05%	0.59%	0.35%	0.89%
Nine Months Ended						
September 30, 2024	5.27%	5.38%	0.32%	0.21%	0.28%	0.17%
September 30, 2023	5.01%	4.68%	(0.44)%	(0.11)%	(0.29)%	0.04%

Dividend Income from Orchid

During the nine months ended September 30, 2024 and 2023, we owned 569,071 shares of Orchid common stock, respectively. Orchid paid total dividends of \$1.08 and \$1.44 per share during the nine months ended September 30, 2024 and 2023, respectively, resulting in dividend income on this common stock investment of approximately \$0.6 million and \$0.8 million, respectively. Orchid paid total dividends of \$0.36 and \$0.48 per share during the three months ended September 30, 2024 and 2023, respectively, resulting in dividend income on this common stock investment of approximately \$0.2 million and \$0.3 million, respectively.

Long-Term Debt

Junior Subordinated Debt

Prior to June 30, 2023, the junior subordinated debt securities paid interest at a floating rate, adjusted quarterly and set at a spread of 3.50% over the prevailing three-month LIBOR rate on the determination date. Starting June 30, 2023, the underlying index converted from three-month LIBOR to CME Term SOFR plus a tenor spread adjustment of 0.26161%. The interest rate for subsequent accrual periods will be CME Term SOFR on the applicable reset date plus the tenor spread adjustment of 0.26161% plus the coupon spread of 3.50%. The CME Term SOFR index is in effect for all interest rate resets after July 3, 2023. The LIBOR and CME Term SOFR rate increases since January 2022 have increased our interest expense. Interest expense on our junior subordinated debt securities was \$1.8 million and \$1.7 million for the nine months ended September 30, 2024 and 2023, respectively. The average rate of interest paid for the nine months ended September 30, 2024 was 9.09% compared to 8.62% for the comparable period in 2023. Interest expense on our junior subordinated debt securities was \$0.6 million and \$0.6 million for the three months ended September 30, 2024 and 2023, respectively. The average rate of interest paid for the three months ended September 30, 2024 was 9.04% compared to 9.07% for the comparable period in 2023.

Note Payable

On October 30, 2019, the Company borrowed \$680,000 from a bank. The note is payable in equal monthly principal and interest installments of approximately \$5,000 through October 30, 2039. Interest accrues at 4.89% through October 30, 2024. Thereafter, interest accrues based on the weekly average yield to the United States Treasury securities adjusted to a constant maturity of 5 years, plus 3.25%. The note is secured by a mortgage on the Company's office building.

Gains or Losses and Other Income

The table below presents our gains or losses and other income for the nine and three months ended September 30, 2024 and 2023.

(in thousands)

	Nine Months Ended September 30,			Three Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Realized losses on sales of MBS	\$ (562)	\$ -	\$ (562)	\$ -	\$ -	\$ -
Unrealized gains (losses) on MBS	2,356	(2,746)	5,102	2,480	(2,483)	4,963
Total gains (losses) on MBS	1,794	(2,746)	4,540	2,480	(2,483)	4,963
(Losses) gains on derivative instruments	(608)	1,411	(2,019)	(1,991)	1,170	(3,161)
Unrealized losses on Orchid Island Capital, Inc. common stock	(120)	(1,132)	1,012	(68)	(1,047)	979

We invest in MBS with the intent to earn net income from the realized yield on those assets over their related funding and hedging costs, and not for the purpose of making short term gains from trading in these securities. However, we have sold, and may continue to sell, existing assets to acquire new assets, which our management believes might have higher risk-adjusted returns in light of current or anticipated interest rates, federal government programs or general economic conditions or to manage our balance sheet as part of our asset/liability management strategy. During the nine months ended September 30, 2024, we received proceeds of \$46.3 million from the sales of RMBS. We did not sell any MBS during the nine months ended September 30, 2023.

The fair value of our MBS portfolio and derivative instruments, and the gains (losses) reported on those financial instruments, are driven in part by changes in yields and interest rates, the spreads that MBS trade relative to comparable duration U.S. Treasuries or swaps, as well as varying levels of demand for MBS, which affect the pricing of the securities in our portfolio. The unrealized gains and losses on MBS may also include the premium lost as a result of prepayments on the underlying mortgages, decreasing unrealized gains or increasing unrealized losses as prepayment speeds or premiums increase. To the extent MBS are carried at a discount to par, unrealized gains or losses on MBS would also include discount accreted as a result of prepayments on the underlying mortgages, increasing unrealized gains or decreasing unrealized losses as speeds on discounts increase. Gains and losses on interest rate futures contracts are affected by changes in implied forward rates during the reporting period. The table below presents historical interest rate data as of the end of each quarter during 2024 and 2023.

	5 Year U.S. Treasury Rate ⁽¹⁾	10 Year U.S. Treasury Rate ⁽¹⁾	15 Year Fixed-Rate Mortgage Rate ⁽²⁾	30 Year Fixed-Rate Mortgage Rate ⁽²⁾	Three Month SOFR ⁽³⁾
September 30, 2024	3.58%	3.80%	5.16%	6.08%	5.31%
June 30, 2024	4.33%	4.34%	6.16%	6.86%	5.35%
March 31, 2024	4.22%	4.21%	6.11%	6.79%	5.31%
December 31, 2023	3.84%	3.87%	5.93%	6.61%	5.36%
September 30, 2023	4.61%	4.57%	6.72%	7.31%	5.27%
June 30, 2023	4.13%	3.82%	6.06%	6.71%	5.00%
March 31, 2023	3.61%	3.49%	5.56%	6.32%	4.51%

(1) Historical 5 Year and 10 Year U.S. Treasury Rates are obtained from quoted end of day prices on the Chicago Board Options Exchange.

(2) Historical 15 Year and 30 Year Fixed Rate Mortgage Rates are obtained from Freddie Mac's Primary Mortgage Market Survey.

(3) Historical SOFR is obtained from the Federal Reserve Bank of New York. The SOFR averages are compounded averages of the SOFR over rolling 30 and 180 day periods.

Operating Expenses

For the nine and three months ended September 30, 2024, our total operating expenses were approximately \$8.4 million and \$2.6 million, respectively, compared to \$6.7 million and \$2.1 million, respectively, for the nine and three months ended September 30, 2023. The table below presents a breakdown of operating expenses for the nine and three months ended September 30, 2024 and 2023.

(in thousands)

	Nine Months Ended September 30,			Three Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Compensation and related benefits	\$ 5,402	\$ 3,900	\$ 1,502	\$ 1,755	\$ 1,258	\$ 497
Direct advisory services costs	1,249	1,138	111	396	317	79
Legal fees	59	48	11	15	11	4
Accounting, auditing and other professional fees	440	379	61	111	108	3
Directors' fees and liability insurance	630	627	3	214	214	-
Administrative and other expenses	659	565	94	136	197	(61)
	\$ 8,439	\$ 6,657	\$ 1,782	\$ 2,627	\$ 2,105	\$ 522

Income Tax Provision

We recorded an income tax provision (benefit) for the nine months ended September 30, 2024 and 2023 of approximately \$1.1 million and \$(0.3) million, respectively, on consolidated pre-tax book income of \$1.2 million and \$0.6 million, respectively. The total income tax provision (benefit) recorded for the three months ended September 30, 2024 and 2023 was \$0.5 million and \$(0.8) million, respectively, on consolidated pre-tax book (loss) income of \$0.8 million and \$(1.2) million, respectively. The Company uses the discrete-period computation method for determining its income tax (benefit) provision. Our income tax provision could be affected by numerous factors, including non-deductible expenses, the projected utilization of net operating loss carryovers and changes in our deferred tax assets and liabilities and their valuations, and can result in significant variations in the customary relationship between pretax income and income tax expense. The increase in the income tax provision relative to the pre-tax book income (loss) for the nine and three months ended September 30, 2024 compared to the same periods in 2023 was primarily due to an increase in executive compensation subject to Section 162(m) limitations.

Financial Condition:

Mortgage-Backed Securities

As of September 30, 2024, our MBS portfolio consisted of \$118.4 million of agency or government MBS at fair value and had a weighted average coupon of 5.24%. During the nine months ended September 30, 2024, we received principal repayments of \$10.1 million compared to \$3.3 million for the comparable period ended September 30, 2023. The average prepayment speeds for the quarters ended September 30, 2024 and 2023 were 6.3% and 4.8%, respectively.

The following table presents the three-month constant prepayment rate (“CPR”) experienced on our structured and PT MBS sub-portfolios, on an annualized basis, for the quarterly periods presented. CPR is a method of expressing the prepayment rate for a mortgage pool that assumes that a constant fraction of the remaining principal is prepaid each month or year. Specifically, the CPR in the chart below represents the three-month prepayment rate of the securities in the respective asset category.

Three Months Ended	PT MBS Portfolio (%)	Structured MBS Portfolio (%)	Total Portfolio (%)
September 30, 2024	6.3	6.7	6.3
June 30, 2024	10.9	5.5	10.0
March 31, 2024	18.0	9.2	16.5
December 31, 2023	8.9	4.6	8.0
September 30, 2023	4.3	6.6	4.8
June 30, 2023	8.0	13.0	9.6
March 31, 2023	2.4	10.3	5.0

The following tables summarize certain characteristics of our PT MBS and structured MBS as of September 30, 2024 and December 31, 2023:

(\$ in thousands)

Asset Category	Fair Value	Percentage of Entire Portfolio	Weighted Average Coupon	Weighted Average Maturity in Months	Longest Maturity
September 30, 2024					
Fixed Rate MBS	\$ 116,050	98.0%	5.61%	342	1-Apr-54
Structured MBS	2,379	2.0%	2.85%	283	15-May-51
Total MBS Portfolio	\$ 118,429	100.0%	5.24%	341	1-Apr-54
December 31, 2023					
Fixed Rate MBS	\$ 90,181	97.3%	6.00%	343	1-Nov-53
Structured MBS	2,550	2.7%	2.84%	290	15-May-51
Total MBS Portfolio	\$ 92,731	100.0%	5.44%	341	1-Nov-53

(\$ in thousands)

Agency	September 30, 2024		December 31, 2023	
	Fair Value	Percentage of Entire Portfolio	Fair Value	Percentage of Entire Portfolio
Fannie Mae	\$ 35,338	29.8%	\$ 38,204	41.2%
Freddie Mac	83,091	70.2%	54,527	58.8%
Total Portfolio	\$ 118,429	100.0%	\$ 92,731	100.0%

	September 30, 2024	December 31, 2023
Weighted Average Pass-through Purchase Price	\$ 102.99	\$ 104.43
Weighted Average Structured Purchase Price	\$ 4.48	\$ 4.48
Weighted Average Pass-through Current Price	\$ 102.06	\$ 101.55
Weighted Average Structured Current Price	\$ 13.68	\$ 13.46
Effective Duration (1)	2.627	2.508

(1) Effective duration is the approximate percentage change in price for a 100 basis point change in rates. An effective duration of 2.627 indicates that an interest rate increase of 1.0% would be expected to cause a 2.627% decrease in the value of the MBS in our investment portfolio at September 30, 2024. An effective duration of 2.508 indicates that an interest rate increase of 1.0% would be expected to cause a 2.508% decrease in the value of the MBS in our investment portfolio at December 31, 2023. These figures include the structured securities in the portfolio but do not include the effect of our hedges. Effective duration quotes for individual investments are obtained from The Yield Book, Inc.

Our portfolio of PT MBS is typically comprised of adjustable-rate MBS, fixed-rate MBS and hybrid adjustable-rate MBS. We generally seek to acquire low duration assets that offer high levels of protection from mortgage prepayments provided that they are reasonably priced by the market. The stated contractual final maturity of the mortgage loans underlying our portfolio of PT MBS generally ranges up to 30 years. However, the effect of prepayments of the underlying mortgage loans tends to shorten the resulting cash flows from our investments substantially. Prepayments occur for various reasons, including refinancing of underlying mortgages, loan payoffs in connection with home sales, and borrowers paying more than their scheduled loan payments, which accelerates the amortization of the loans.

The duration of our IO and IIO portfolio will vary greatly depending on the structural features of the securities. While prepayment activity will always affect the cash flows associated with the securities, the interest only nature of IO's may cause their durations to become extremely negative when prepayments are high, and less negative when prepayments are low. Prepayments affect the duration of IIO's similarly, but the floating rate nature of the coupon of IIOs (which has inverse relationship to their reference index) causes their price movements - and model duration - to be affected by changes in both prepayments and their reference index - both current and anticipated levels. As a result, the duration of IIO securities will also vary greatly.

Prepayments on the loans underlying our MBS can alter the timing of the cash flows received by us. As a result, we gauge the interest rate sensitivity of its assets by measuring their effective duration. While modified duration measures the price sensitivity of a bond to movements in interest rates, effective duration captures both the movement in interest rates and the fact that cash flows to a mortgage related security are altered when interest rates move. Accordingly, when the contract interest rate on a mortgage loan is substantially above prevailing interest rates in the market, the effective duration of securities collateralized by such loans can be quite low because of expected prepayments.

We face the risk that the market value of our PT MBS assets will increase or decrease at different rates than that of our structured MBS or liabilities, including our hedging instruments. Accordingly, we assess our interest rate risk by estimating the duration of our assets and the duration of our liabilities. We generally calculate duration and effective duration using various third-party models or obtain these quotes from third parties. However, empirical results and various third-party models may produce different duration numbers for the same securities.

The following sensitivity analysis shows the estimated impact on the fair value of our interest rate-sensitive investments and hedge positions as of September 30, 2024, assuming rates instantaneously fall 100 bps, rise 100 bps and rise 200 bps, adjusted to reflect the impact of convexity, which is the measure of the sensitivity of our hedge positions and Agency MBS' effective duration to movements in interest rates.

(\$ in thousands)

MBS Portfolio	Fair Value	\$ Change in Fair Value			% Change in Fair Value		
		-100BPS	+100BPS	+200BPS	-100BPS	+100BPS	+200BPS
Fixed Rate MBS	\$ 116,050	\$ 2,580	\$ (3,766)	\$ (8,518)	2.22%	(3.25)%	(7.34)%
Structured MBS	2,379	(80)	21	20	(3.36)%	0.88%	0.84%
Total MBS Portfolio	\$ 118,429	\$ 2,500	\$ (3,745)	\$ (8,498)	2.11%	(3.16)%	(7.18)%

Repurchase Agreement Hedges	Notional Amount ⁽¹⁾	\$ Change in Fair Value			% Change in Fair Value		
		-100BPS	+100BPS	+200BPS	-100BPS	+100BPS	+200BPS
Interest Rate Futures Contracts	146,400	(3,758)	3,581	7,056	(2.57)%	2.45%	4.82%
Gross Totals		\$ (1,258)	\$ (164)	\$ (1,442)			

(1) Represents the average contract/notional amount of U.S. Treasury and SOFR futures contracts.

In addition to changes in interest rates, other factors impact the fair value of our interest rate-sensitive investments and hedging instruments, such as the shape of the yield curve, market expectations as to future interest rate changes and other market conditions. Accordingly, in the event of changes in actual interest rates, the change in the fair value of our assets would likely differ from that shown above and such difference might be material and adverse to our stockholders.

Repurchase Agreements

As of September 30, 2024, we had established borrowing facilities in the repurchase agreement market with a number of commercial banks and other financial institutions and had borrowings in place with six of these counterparties. We believe these facilities provide borrowing capacity in excess of our needs. None of these lenders are affiliated with us. These borrowings are secured by our MBS.

As of September 30, 2024, we had obligations outstanding under the repurchase agreements of approximately \$113.0 million with a net weighted average borrowing cost of 5.20%. The remaining maturity of our outstanding repurchase agreement obligations ranged from 15 to 46 days, with a weighted average maturity of 24 days. Securing the repurchase agreement obligation as of September 30, 2024 are MBS with an estimated fair value, including accrued interest, of \$118.8 million. Through October 31, 2024, we have been able to maintain our repurchase facilities with comparable terms to those that existed at September 30, 2024 with maturities through January 24, 2025.

The table below presents information about our period-end, maximum and average repurchase agreement obligations for each quarter in 2024 and 2023.

Three Months Ended	Ending Balance	Maximum Balance	Average Balance	Difference Between Ending Repurchase Agreements and Average Repurchase Agreements	
	of Repurchase Agreements	of Repurchase Agreements	of Repurchase Agreements	Amount	Percent
September 30, 2024	\$ 113,023	\$ 113,026	\$ 97,949	\$ 15,074	15.39%
June 30, 2024	82,876	84,553	83,737	(861)	(1.03)%
March 31, 2024	84,599	87,523	85,753	(1,154)	(1.35)%
December 31, 2023	86,907	86,919	84,162	2,745	3.26%
September 30, 2023	81,417	81,567	71,056	10,361	14.58%
June 30, 2023	60,695	60,695	51,893	8,802	16.96%
March 31, 2023	43,092	43,936	43,455	(363)	(0.84)%

Liquidity and Capital Resources

Liquidity is our ability to turn non-cash assets into cash to fund our operations and to meet our obligations in both the short-term (one year or less) and long-term (greater than one year). Our material cash requirements include the purchase of additional investments, repay principal and interest on repurchase agreements and long-term debt (see Note 7 to the consolidated financial statements for more information related to the timing of principal payments and maturities of our long-term debt.), fund overhead and fulfill margin calls. We have both internal and external sources of liquidity. However, our material unused sources of liquidity include cash balances, unencumbered assets and our ability to sell encumbered assets to raise cash. Our balance sheet also generates liquidity on an on-going basis through payments of principal and interest we receive on our MBS portfolio and dividends we receive on our investment in Orchid common stock.

Internal Sources of Liquidity

Our internal sources of liquidity include our cash balances, unencumbered assets and our ability to liquidate our encumbered security holdings. Our balance sheet also generates liquidity on an ongoing basis through payments of principal and interest we receive on our MBS portfolio and dividends we receive on our investment in Orchid common stock.

We employ a hedging strategy that typically involves taking short positions in T-Note and SOFR futures, TBAs or other instruments. When the market causes these short positions to decline in value we are required to meet margin calls with cash. This can reduce our liquidity position to the extent other securities in our portfolio move in price in such a way that we do not receive enough cash through margin calls to offset the futures or TBA short positions related margin calls. If this were to occur in sufficient magnitude, the loss of liquidity might force us to reduce the size of the levered portfolio, pledge additional structured securities to raise funds or risk operating the portfolio with less liquidity.

External Sources of Liquidity

Our primary external sources of liquidity are our ability to (i) borrow under master repurchase agreements and (ii) use the TBA security market. Our borrowing capacity will vary over time as the market value of our interest earning assets varies. Our master repurchase agreements have no stated expiration, but can be terminated at any time at our option or at the option of the counterparty. However, once a definitive repurchase agreement under a master repurchase agreement has been entered into, it generally may not be terminated by either party. A negotiated termination can occur, but may involve a fee to be paid by the party seeking to terminate the repurchase agreement transaction.

Under our repurchase agreement funding arrangements, we are required to post margin at the initiation of the borrowing. The margin posted represents the haircut, which is a percentage of the market value of the collateral pledged. To the extent the market value of the asset collateralizing the financing transaction declines, the market value of our posted margin will be insufficient and we will be required to post additional collateral. Conversely, if the market value of the asset pledged increases in value, we would be over collateralized and we would be entitled to have excess margin returned to us by the counterparty. Our lenders typically value our pledged securities daily to ensure the adequacy of our margin and make margin calls as needed, as do we. Typically, but not always, the parties agree to a minimum threshold amount for margin calls so as to avoid the need for nuisance margin calls on a daily basis. Our master repurchase agreements do not specify the haircut; rather haircuts are determined on an individual repo transaction basis.

We invest a portion of our capital in structured MBS. We generally do not apply leverage to this portion of our portfolio. The leverage inherent in structured securities replaces the leverage obtained by acquiring PT securities and funding them in the repo market. This structured MBS strategy has been a core element of the Company's overall investment strategy since 2008. However, we have and may continue to pledge a portion of our structured MBS in order to raise our cash levels, but generally will not pledge these securities in order to acquire additional assets.

In future periods we expect to continue to finance our activities through repurchase agreements and through revenues from our advisory services business. As of September 30, 2024, we had cash and cash equivalents of \$4.6 million. We generated cash flows of \$14.0 million from principal and interest payments on our MBS portfolio and had average repurchase agreements outstanding of \$89.1 million during the nine months ended September 30, 2024. In addition, during the nine months ended September 30, 2024, we received approximately \$9.4 million in management fees and expense reimbursements as manager of Orchid and approximately \$0.6 million in dividends from our investment in Orchid common stock.

Outlook

Orchid Island Capital Inc.

Orchid Island Capital reported net income for the third quarter 2024 of \$17.4 million and its shareholders' equity increased from \$555.9 million to \$656.0 million. Orchid is obligated to reimburse us for direct expenses paid on its behalf and to pay to us Orchid's pro rata share of overhead as defined in the management agreement. As a stockholder of Orchid, we will also continue to share in distributions, if any, paid by Orchid to its stockholders. Our operating results are also impacted by changes in the market value of our holdings of Orchid common shares, although these market value changes do not impact our cash flows from Orchid.

Economic Summary

The trajectory of the economy that existed as the second quarter of 2024 ended continued into the third quarter. The trend was apparent in the incoming economic data, the level of interest rates and the outlook for monetary policy on the part of the Fed. With respect to the latter, the Fed finally lowered the Fed Funds rate in late September by 50 basis points, the first interest rate cut since the Fed stopped tightening monetary policy in March of 2023. The move was well telegraphed by various Fed officials during their public comments leading up to the event, as the Fed was careful not to surprise the market with the cut. Throughout the third quarter, incoming labor market and inflation data was consistent with the Fed's view that inflation was approaching its 2% target and would soon get there. The Fed's focus has shifted to the labor market and ensuring the supply/demand balance that had led to a low unemployment rate and outsized wage gains did not slow too much and jeopardize its efforts to fulfill its second mandate of full employment. Further, elevated interest rate levels had materially impacted the housing market and other interest rate sensitive sectors of the economy, so the Fed feared that if the labor market cooled too much then economic growth could as well. The manufacturing side of the economy was already weak, so all things considered the Fed's movement of monetary policy back towards the neutral rate appears to be consistent with its mandates.

Unlike the inflation and labor market data, consumer spending levels and economic growth generally – as measured by GDP – were still quite robust during the third quarter and, in the case of the latter, trending at or above sustainable trend growth rates. However, as long as inflation data continued to move towards its target level – and such data was already there when three- or six-month measures were annualized – the Fed appeared comfortable lowering the Fed Funds rate to ensure the labor market did not cool too much. As the fourth quarter of 2024 begins, the latest reading on the labor market appears to have reversed the slowing trend apparent over the last several months as the September reading was very strong, previous months data was revised higher and the unemployment rate declined. Also, in late September, the government revised previously released data on gross domestic income (“GDI”), another measure of economic growth. GDI data over the past several quarters had been quite low and inconsistent with GDP data and consumer spending levels. Most economists believed the GDI data painted the more accurate picture of the true level of economic growth in the economy. However, the GDI data was revised higher and was now consistent with the GDP data. Together with the latest labor market data, the economy now appears quite healthy and the market expects that the Fed will be more conservative in the timing and extent of further reductions in the Fed Funds rate.

Interest Rates

Over the course of the third quarter of 2024, interest rates continued to decrease as they had through the last two months of the second quarter. After the yield on the 10-year T-Note peaked at 4.7% in late April 2024, the yield trended downward until hitting a year-to-date low near 3.6% on September 16, 2024. However, the GDI revisions in late September, coupled with the resurgence in the labor market data released in early October, drove 10-year U.S. Treasury rates back above 4% in early October. Otherwise, the U.S Treasury and swap curves steepened throughout the third quarter of 2024. The spread between the 2-year and 10-year T-Notes turned positive in early September 2024 for the first time since mid-2022, ending the longest period of inversion ever recorded.

As noted above, the Fed reduced the overnight Fed Funds rate at its meeting in September by 50 basis points. Given developments discussed above that occurred prior to the Fed's meeting in September – cooling inflation data, a slowing labor market and comments by Fed officials regarding their desire to start to remove overly restrictive monetary policy – the market anticipated two such 50 basis point cuts and at least one additional 25 basis point cut by year-end based on price levels in the futures and related markets. The developments late in the third quarter of 2024 and early in the fourth quarter of 2024 – the GDI revisions, September labor market report and even the September inflation report released in early October, which was slightly higher than expectations – have reduced market expectations of further Fed Funds rate cuts this year to less than two more 25 basis point cuts. Some economists believe the economy may have achieved a “soft” landing after the 500+ basis point hikes initiated by the Fed. A soft landing refers to the outcome where the economy does not suffer a contraction or even slowdown growth following a tightening cycle by the Fed. Such instances are very rare, and it remains to be seen if this will prove to be the case.

Interest rate volatility embedded in interest rate derivatives, as measured by the MOVE index, was elevated throughout the third quarter of 2024 and even increased further still late in the quarter after the Fed Funds rate cut, likely in response to the developments discussed above, geopolitical events in the Middle East and uncertainty surrounding the U.S. presidential election in November. The value of the index approached a year-to-date high reading in early October. Given that uncertainty surrounding these same events remains, it is likely interest rate volatility will remain elevated through the fourth quarter of 2024.

The Agency RMBS Market

Declining interest rates across the maturity spectrum of the treasury curve led all fixed income sectors of the market to generate positive absolute returns for the third quarter of 2024 although excess returns versus comparable duration swaps were far less robust. Agency RMBS absolute returns for the quarter were 4.7% and 4.9% for conventional Agency RMBS – the non-GNMA component of the Agency RMBS index. These absolute returns compare to 5.7% for investment grade debt, 5.3% for high yield debt, 4.8% for US treasuries, 4.6% for Agency debt, and 4.5% for Agency CMBS. Excess returns versus comparable duration swaps for the quarter for Agency RBS were 0.7% and 0.9% for the non-GNMA component of the Agency RMBS index. Excess returns for the other major components of the domestic fixed income markets (excluding treasuries) for the third quarter of 2024 were 1.4% for investment grade debt, 0.3% for high yield debt, -0.1% for Agency debt, and 0.2% for Agency CMBS.

Within the stack of 30-year, fixed rate Agency RMBS (the asset class in which the Company invests the vast majority of its capital), given the decrease in interest rates over the course of the third quarter of 2024 absolute returns tracked the duration of the securities - the higher the duration, the higher the return. The return for 2.0% coupon securities was 6.7% for the second quarter, the highest return, and 2.6% for 7.0% coupon securities, the lowest return and coupon. Within the stack of 30-year, fixed rate Agency RMBS, excess returns versus comparable duration swaps for the third quarter (a proxy for hedged returns) generally followed the same pattern, with lower coupon, longer duration coupons (3% and lower) with excess returns between 1.1% and 1.4%, the highest coupons (6.5% and 7.0%) at 0.2% and the intermediate coupons gradually declining as coupons declined.

Recent Legislative and Regulatory Developments

In response to the deterioration in the markets for U.S. Treasuries, Agency RMBS and other mortgage and fixed income markets resulting from the impacts of the COVID-19 pandemic, the Fed implemented a program of quantitative easing. Through November of 2021, the Fed was committed to purchasing \$80 billion of U.S. Treasuries and \$40 billion of Agency RMBS each month. In November of 2021, it began tapering its net asset purchases each month, ended net asset purchases by early March of 2022, and ended asset purchases entirely in September of 2022. On May 4, 2022, the FOMC announced a plan for reducing the Fed's balance sheet. In June of 2022, in accordance with this plan, the Fed began reducing its balance sheet by a maximum of \$30 billion of U.S. Treasuries and \$17.5 billion of Agency RMBS each month. On September 21, 2022, the FOMC announced the Fed's decision to continue reducing its balance sheet by a maximum of \$60 billion of U.S. Treasuries and \$35 billion of Agency RMBS per month. On May 1, 2024, the FOMC announced the Fed's decision to reduce its balance sheet by a maximum of \$25 billion of U.S. Treasuries and remove the cap on Agency RMBS reduction, with any amounts in excess of \$35 billion per month being reinvested in U.S. Treasury securities. Relatively high interest rates and slow prepayment speeds have kept the balance sheet reduction for Agency RMBS below \$20 billion per month throughout 2024, although an increase in mortgage refinance applications following the announcement of the Fed Funds rate cut in September 2024 may accelerate the process. As of August 2024, the Fed had reduced its balance sheet for Agency RMBS by approximately \$440 billion from the peak to \$2.3 trillion, shedding approximately 32% of the Agency RMBS added during pandemic quantitative easing and representing the lowest level since June 2021.

On September 30, 2019, the FHFA announced that Fannie Mae and Freddie Mac were allowed to increase their capital buffers to \$25 billion and \$20 billion, respectively, from the prior limit of \$3 billion each. This step could ultimately lead to the Enterprises being privatized and represents the first concrete step on the road to Enterprise reform. In December 2020, the FHFA released a final rule on a new regulatory framework for the Enterprises which seeks to implement both a risk-based capital framework and minimum leverage capital requirements. On January 14, 2021, the U.S. Treasury and the FHFA executed letter agreements allowing the Enterprises to continue to retain capital up to their regulatory minimums, including buffers, as prescribed in the December rule. These letter agreements provide, in part, (i) there will be no exit from conservatorship until all material litigation is settled and the Enterprise has common equity Tier 1 capital of at least 3% of its assets, (ii) the Enterprises will comply with the FHFA's regulatory capital framework, (iii) higher-risk single-family mortgage acquisitions will be restricted to then current levels, and (iv) the U.S. Treasury and the FHFA will establish a timeline and process for future Enterprise reform. However, no definitive proposals or legislation have been released or enacted with respect to ending the conservatorship, unwinding the Enterprises, or materially reducing the roles of the Enterprises in the U.S. mortgage market.

On September 14, 2021, the U.S. Treasury and the FHFA suspended certain policy provisions in the January agreement, including limits on loans acquired for cash consideration, multifamily loans, loans with higher risk characteristics and second homes and investment properties. On February 25, 2022, the FHFA published a final rule, effective as of April 26, 2022, amending the Enterprise capital framework established in December 2020 by, among other things, replacing the fixed leverage buffer equal to 1.5% of an Enterprise's adjusted total assets with a dynamic leverage buffer equal to 50% of an Enterprise's stability capital buffer, reducing the risk weight floor from 10% to 5%, and removing the requirement that the Enterprises must apply an overall effectiveness adjustment to their credit risk transfer exposures. On June 14, 2022, the Enterprises announced that they would each charge a 50 bps fee for commingled securities issued on or after July 1, 2022 to cover the additional capital required for such securities under the Enterprise capital framework, which was subsequently reduced on January 19, 2023 to 9.375 bps for commingled securities issued on or after April 1, 2023 to address industry concern that the fee posed a risk to the fungibility of the Uniform Mortgage-Backed Security ("UMBS") and negatively impacted liquidity and pricing in the market for TBA securities. On November 30, 2023, the FHFA published a final rule, which became effective April 1, 2024, which will, among other things, reduce the risk weight and credit conversion factor for guarantees on commingled securities to 5% and 50%, respectively; replace the current exposure methodology with the standardized approach for counterparty credit risk as the method for computing exposure and risk-weighted asset amounts for derivatives and cleared transactions; update the credit score assumption to 680 for single-family mortgage exposures originated without a representative credit score; and introduce a risk weight of 20% for guarantee assets.

On July 27, 2023, the federal banking regulators, including the Office of the Comptroller of the Currency, (the "OCC") the FDIC and the Fed, jointly issued a proposed rule that would revise large bank capital requirements (the "Basel III Endgame"). The Basel III Endgame, if implemented as proposed, would significantly increase the credit weight risk for balance-sheet mortgages and for Agency RMBS sold to the GSEs, which could disincentivize banks from originating mortgages for sale to the GSEs and impact pricing in the Agency RMBS markets. The comment period for the Basel III Endgame closed on January 16, 2024, and the proposed rule was met with strong objections from the banking industry. In testimony before the United States Senate Committee on Banking, Housing and Urban Affairs in July 2024, Fed chairman Jerome Powell stated that the OCC, the FDIC and the Fed were in discussions to materially revise the proposed rule, and that there was consensus at the Fed to undergo another comment period. In remarks given on September 10, 2024, Michael Barr, the Fed's Vice Chair for Supervision, confirmed that the Basel III Endgame was being rewritten to, among other things, reduce the risk weights for residential real estate and retail exposures, extend the scope of the reduced risk weight for certain low-risk corporate debt, and eliminate the minimum haircut for securities financing transactions.

The scope and nature of the actions the U.S. government or the Fed will ultimately undertake are unknown and will continue to evolve.

Effect on Us

Regulatory developments, movements in interest rates and prepayment rates affect us in many ways, including the following:

Effects on our Assets

A change in or elimination of the guarantee structure of Agency RMBS may increase our costs (if, for example, guarantee fees increase) or require us to change our investment strategy altogether. For example, the elimination of the guarantee structure of Agency RMBS may cause us to change our investment strategy to focus on non-Agency RMBS, which in turn would require us to significantly increase our monitoring of the credit risks of our investments in addition to interest rate and prepayment risks.

If prepayment rates are relatively low (due, in part, to the refinancing problems described above), lower long-term interest rates can increase the value of our Agency RMBS. This is because investors typically place a premium on assets with coupon/yields that are higher than coupon/yields available in the market. To the extent such securities pre-pay slower than would otherwise be the case, we benefit from an above market coupon/yield for longer, enhancing the return from the security. Although lower long-term interest rates may increase asset values in our portfolio, we may not be able to invest new funds in similarly yielding assets.

If prepayment levels increase, the value of any of our Agency RMBS that are carried at a premium to par that are affected by such prepayments may decline. This is because a principal prepayment accelerates the effective term of an Agency RMBS, which would shorten the period during which an investor would receive above-market returns (assuming the yield on the prepaid asset is higher than market yields). Also, prepayment proceeds may not be able to be reinvested in similar-yielding assets. Agency RMBS backed by mortgages with high interest rates are more susceptible to prepayment risk because holders of those mortgages are most likely to refinance to a lower rate. If prepayment levels decrease, the value of any of our Agency RMBS that are carried at a discount to par that are affected by such prepayments may increase. This is because a principal prepayment accelerates the effective term of an Agency RMBS, which would shorten the timeframe over which an investor would receive the principal of the underlying loans. Agency RMBS backed by mortgages with low interest rates are less susceptible to prepayment risk because holders of those mortgages are less likely to refinance to a higher rate. IOs and IIOs, however, may be the types of Agency RMBS most sensitive to increased prepayment rates. Because the holder of an IO or IIO receives no principal payments, the values of IOs and IIOs are entirely dependent on the existence of a principal balance on the underlying mortgages. If the principal balance is eliminated due to prepayment, IOs and IIOs essentially become worthless. Although increased prepayment rates can negatively affect the value of our IOs and IIOs, they have the opposite effect on POs. Because POs act like zero-coupon bonds, meaning they are purchased at a discount to their par value and have an effective interest rate based on the discount and the term of the underlying loan, an increase in prepayment rates would reduce the effective term of our POs and accelerate the yields earned on those assets, which would increase our net income.

Higher long-term rates can also affect the value of our Agency RMBS. As long-term rates rise, rates available to borrowers also rise. This tends to cause prepayment activity to slow and extend the expected average life of mortgage cash flows. As the expected average life of the mortgage cash flows increases, coupled with higher discount rates, the value of Agency RMBS declines. Some of the instruments we use to hedge our Agency RMBS assets, such as interest rate futures, swaps and swaptions, are stable average life instruments. This means that to the extent we use such instruments to hedge our Agency RMBS assets, our hedges may not adequately protect us from price declines, and therefore may negatively impact our book value. It is for this reason we use interest only securities in our portfolio. As interest rates rise, the expected average life of these securities increases, causing generally positive price movements as the number and size of the cash flows increase the longer the underlying mortgages remain outstanding. This makes interest only securities desirable hedge instruments for pass-through Agency RMBS.

Because we base our investment decisions on risk management principles rather than anticipated movements in interest rates, in a volatile interest rate environment we may allocate more capital to structured Agency RMBS with shorter durations. We believe these securities have a lower sensitivity to changes in long-term interest rates than other asset classes. We may attempt to mitigate our exposure to changes in long-term interest rates by investing in IOs and IIOs, which typically have different sensitivities to changes in long-term interest rates than PT RMBS, particularly PT RMBS backed by fixed-rate mortgages.

Effects on our borrowing costs

We leverage our PT RMBS portfolio and a portion of our structured Agency RMBS with principal balances through the use of short-term repurchase agreement transactions. The interest rates on our debt are determined by the short-term interest rate markets. Increases in the Fed Funds rate or SOFR typically increase our borrowing costs, which could affect our interest rate spread if there is no corresponding increase in the interest we earn on our assets. The impact of these increases would be most prevalent with respect to our Agency RMBS backed by fixed rate mortgage loans because the interest rate on a fixed-rate mortgage loan does not change even though market rates may change.

In order to protect our net interest margin against increases in short-term interest rates, we may enter into interest rate swaps, which economically convert our floating-rate repurchase agreement debt to fixed-rate debt or utilize other hedging instruments such as Fed Funds, SOFR and T-Note futures contracts, dual digital options or interest rate swaptions.

Summary

The long-awaited impacts of tight monetary policy orchestrated by the Fed appear to have finally slowed inflation sufficiently such that the Fed could re-focus on its second mandate – full employment in the economy. The labor market data over the course of the second and third quarters of 2024 reflected greater balance between the supply and demand for labor, such that hiring and wage growth were slowing and the unemployment rate was rising gradually. In late September 2024, the Fed reduced the Fed funds rate by 50 basis points, and the market anticipated it was the first of many such cuts. In contrast, growth in the economy, as measured by both GDP and GDI as well as consumer spending, has remained robust throughout. However, the non-farm payroll report for September 2024, released in early October, as well as the latest readings on inflation were robust and exceeded market expectations. Should such signs of economic strength continue, the Fed may be more conservative in the timing and extent of further reductions in the Fed Funds rate than the market had expected at the beginning of the third quarter.

Interest rates decreased over the course of the third quarter of 2024, continuing the trend started in late April 2024. The U.S. Treasury curve also steepened as the market anticipated additional easing of monetary policy by the Fed and the spread between the 2-year and 10-year T-Notes finally turned positive in early September 2024 after being inverted since mid-2022, the longest inversion ever. Cheaper funding levels coupled with a still healthy economy were supportive of risk assets, and domestic fixed income securities all generated positive returns for the quarter. Agency RMBS also generated positive excess returns versus comparable duration swaps. Based on recent positive economic data, it is unclear how much further the Fed will go in relaxing monetary policy. Further, geo-political events around the world, especially in the Middle East, as well as the U.S. presidential election in November, are cause for uncertainty in the outlook for markets and the economy. The market in which the Company and Orchid Island invest the preponderance of their capital, the Agency RMBS market, has performed well so far in 2024, and potential returns available in the market remain attractive.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with GAAP, which requires our management to make some complex and subjective decisions, estimates and assessments. Our most critical accounting policies involve decisions, estimates and assessments which can have a material impact on reported assets, liabilities, revenues and expenses, and these estimates can change each reporting period. There have been no changes to the processes used to determine our critical accounting estimates as discussed in our annual report on Form 10-K for the year ended December 31, 2023.

Capital Expenditures

At September 30, 2024, we had no material commitments for capital expenditures.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company as defined by Rule 12b-2 of the Exchange Act, we are not required to provide disclosure pursuant to this Item. However, we have elected to include much of the information in Item 7 above.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report (the “evaluation date”), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (the “CEO”) and Chief Financial Officer (the “CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”). Based on this evaluation, the CEO and CFO concluded our disclosure controls and procedures, as designed and implemented, were effective as of the evaluation date (1) in ensuring that information regarding the Company and its subsidiaries is accumulated and communicated to our management, including our CEO and CFO, by our employees, as appropriate to allow timely decisions regarding required disclosure and (2) in providing reasonable assurance that information we must disclose in our periodic reports under the Exchange Act is recorded, processed, summarized and reported within the time periods prescribed by the SEC’s rules and forms.

Changes in Internal Control over Financial Reporting

There were no material changes in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As previously disclosed, in April 2020 and November 2021, the Company received demands for payment from Citigroup, Inc. related to the indemnification provisions of various mortgage loan purchase agreements entered into prior to 2007. As of September 30, 2024, no further information has been received related to this matter. The ultimate resolution of this matter cannot presently be determined. However, in management's opinion, the demands are without merit and the likelihood of a material adverse outcome is remote. Accordingly, no provision or accrual has been recorded.

We are not party to any other material pending legal proceedings as described in Item 103 of Regulation S-K.

ITEM 1A. RISK FACTORS.

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 10, 2024.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company did not have any unregistered sales of its equity securities during the three months ended September 30, 2024.

On March 7, 2024, the Board authorized a share repurchase plan pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934 (the "2024 Repurchase Plan"). Pursuant to the 2024 Repurchase Plan, the Company can purchase shares of its Class A Common Stock from time to time for an aggregate purchase price not to exceed \$2.5 million. Share repurchases can be executed through various means, including, without limitation, open market transactions. The 2024 Repurchase Plan does not obligate the Company to purchase any shares, and expires on March 7, 2026. The authorization for the 2024 Repurchase Plan can be terminated, increased or decreased by the Company's Board of Directors in its discretion at any time.

The Company did not repurchase shares of its common stock during the three months ended September 30, 2024.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

ITEM 5. OTHER INFORMATION

During the quarter ended September 30, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, modified or terminated a Rule 10b5-1 trading arrangement (as each term is defined in Item 408 of Regulation S-K).

ITEM 6. EXHIBITS

<u>Exhibit No</u>	
3.1	Articles of Amendment and Restatement, incorporated by reference to Exhibit 3.1 to the Company's Form S-11/A, filed with the SEC on April 29, 2004
3.2	Articles Supplementary, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, dated November 3, 2005, filed with the SEC on November 8, 2005
3.3	Articles of Amendment, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, dated February 10, 2006, filed with the SEC on February 15, 2006
3.4	Articles of Amendment, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, dated September 24, 2007, filed with the SEC on September 24, 2007
3.5	Amended and Restated Bylaws, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, dated September 24, 2007, filed with the SEC on September 24, 2007
31.1	Certification of the Principal Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002*
31.2	Certification of the Principal Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002*
32.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002**
32.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002**
Exhibit 101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.***
Exhibit 101.SCH	Inline XBRL Taxonomy Extension Schema Document***
Exhibit 101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document***
Exhibit 101.DEF	Inline XBRL Additional Taxonomy Extension Definition Linkbase Document***
Exhibit 101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document***
Exhibit 101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document***
Exhibit 104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** Furnished herewith

*** Submitted electronically herewith.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIMINI CAPITAL MANAGEMENT, INC.

Date: November 1, 2024

By: /s/ Robert E. Cauley
Robert E. Cauley
Chairman and Chief Executive Officer

Date: November 1, 2024

By: /s/ G. Hunter Haas, IV
G. Hunter Haas, IV
President, Chief Financial Officer, Chief Investment
Officer and Treasurer (Principal Financial Officer and
Principal Accounting Officer)

CERTIFICATIONS

I, Robert E. Cauley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bimini Capital Management, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - a) all significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2024

/s/ Robert E. Cauley

Robert E. Cauley

Chairman of the Board and Chief Executive Officer

CERTIFICATIONS

I, G. Hunter Haas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bimini Capital Management, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - a) all significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2024

/s/ G. Hunter Haas, IV

G. Hunter Haas, IV

President and Chief Financial Officer

**CERTIFICATION
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350**

I, Robert E. Cauley, in compliance 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2024 (the "Report") filed with the Securities and Exchange Commission:

1. fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934

November 1, 2024

/s/ Robert E. Cauley

Robert E. Cauley,
Chairman of the Board and
Chief Executive Officer

**CERTIFICATION
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350**

I, G. Hunter Haas, in compliance 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2024 (the "Report") filed with the Securities and Exchange Commission:

1. fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934

November 1, 2024

/s/ G. Hunter Haas, IV

G. Hunter Haas, IV

President and Chief Financial Officer