BIMINI CAPITAL MANAGEMENT, INC.
Form 10-Q
November 04, 2014

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

FORM 10-Q

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

For the quarterly period ended September 30, 2014

¨ 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	72-1571637
(State or other jurisdiction of incorporation or organization)	(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)

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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ý No ¨

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

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller Reporting Company ý

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

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

Title of each Class	Latest Practicable Date	Shares Outstanding
Class A Common Stock, $0.001 par value	November 4, 2014	12,324,391
Class B Common Stock, $0.001 par value	November 4, 2014	31,938
Class C Common Stock, $0.001 par value	November 4, 2014	31,938

BIMINI CAPITAL MANAGEMENT, INC.

TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
ITEM 1. Financial Statements	1
Consolidated Balance Sheets as of September 30, 2014 (unaudited) and December 31, 2013	1
Consolidated Statements of Operations (unaudited) for the nine and three months ended September 30, 2014 and 2013	2
Consolidated Statement of Stockholders' Equity (unaudited) for the nine months ended September 30, 2014	3
Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2014 and 2013	4
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	29
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	53
ITEM 4. Controls and Procedures	53
PART II. OTHER INFORMATION	
ITEM 1. Legal Proceedings	54
ITEM 1A. Risk Factors	55
ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds	55
ITEM 3. Defaults Upon Senior Securities	55
ITEM 4. Mine Safety Disclosures	55
ITEM 5. Other Information	55
ITEM 6. Exhibits	56
SIGNATURES	57

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BIMINI CAPITAL MANAGEMENT, INC.

CONSOLIDATED BALANCE SHEETS

	(Unaudited) September 30, 2014	December 31, 2013
ASSETS:		
Mortgage-backed securities, at fair value		
Pledged to counterparties	$1,162,203,255	$372,102,248
Unpledged	102,890,452	17,238,710
Total mortgage-backed securities	1,265,093,707	389,340,958
Cash and cash equivalents	59,589,960	11,959,292
Restricted cash	8,124,700	2,557,165
Retained interests in securitizations	1,987,097	2,530,834
Accrued interest receivable	6,011,434	1,720,726
Property and equipment, net	3,608,544	3,663,437
Derivative assets, at fair value	3,906,100	-
Receivable for securities sold, pledged to counterparties	249,410,368	-
Deferred tax assets, net	2,077,342	-
Other assets	5,921,235	2,755,234
Total Assets	$1,605,730,487	$414,527,646
LIABILITIES AND EQUITY		
LIABILITIES:		
Repurchase agreements	$1,339,196,210	$353,396,075
Junior subordinated notes due to Bimini Capital Trust II	26,804,440	26,804,440
Payable for unsettled securities purchased	66,812,482	-
Accrued interest payable	447,890	142,055
Other liabilities	5,366,497	826,660
Total Liabilities	1,438,627,519	381,169,230
EQUITY:		
Preferred stock	-	-
Common stock	12,378	11,574
Additional paid-in capital	334,335,675	334,810,312
Accumulated deficit	(327,032,458)	(333,078,313)
Stockholders' equity	7,315,595	1,743,573
Noncontrolling interests	159,787,373	31,614,843
Total Equity	167,102,968	33,358,416
Total Liabilities and Equity	$1,605,730,487	$414,527,646

The following table includes assets to be used to settle liabilities of the consolidated variable interest entity ("VIE"). These assets and liabilities are included in the consolidated balance sheets above. See Note 15 for additional information on our consolidated VIE.

ASSETS:		
Mortgage-backed securities	$1,175,532,430	$351,222,512

Cash and cash equivalents and restricted cash	62,807,519	10,615,027
Receivable for securities sold	249,410,368	-
Accrued interest receivable and other assets	12,906,029	1,738,508
LIABILITIES:		
Repurchase agreements	1,255,977,886	318,557,054
Payable for unsettled securities purchased	66,812,482	-
Accrued interest payable and other liabilities	4,776,119	171,721

See Notes to Consolidated Financial Statements

-1-

BIMINI CAPITAL MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
For the Nine and Three Months Ended September 30, 2014 and 2013

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2014	2013	2014	2013
Interest income	$21,270,241	$6,773,393	$10,034,747	$2,767,554
Interest expense	(2,068,056)	(936,617)	(885,440)	(329,059)
Net interest income, before interest on junior subordinated notes	19,202,185	5,836,776	9,149,307	2,438,495
Interest expense on junior subordinated notes	(736,432)	(746,072)	(247,916)	(250,507)
Net interest income	18,465,753	5,090,704	8,901,391	2,187,988
Unrealized gains (losses) on mortgage-backed securities	9,626,963	(10,772,942)	(1,639,465)	112,109
Realized gains (losses) on mortgage-backed securities	2,057,582	(1,541,169)	(1,991,895)	(667,182)
(Losses) gains on derivative instruments	(4,185,049)	4,146,144	3,405,926	(2,449,925)
Net portfolio income (loss)	25,965,249	(3,077,263)	8,675,957	(817,010)
Other income:				
Gains on retained interests in securitizations	2,643,068	2,535,603	196,482	780,424
Gains on release of loan loss reserves	-	4,737,260	-	1,700,000
Other expense	(43,261)	(21,018)	(23,007)	(12,301)
Total other income	2,599,807	7,251,845	173,475	2,468,123
Expenses:				
Compensation and related benefits	2,124,080	1,584,939	766,773	731,968
Directors' fees and liability insurance	855,787	608,153	312,274	217,447
Orchid Island Capital, Inc. IPO expenses	-	3,042,322	-	-
Audit, legal and other professional fees	1,653,898	1,166,515	565,108	443,573
Direct REIT operating expenses	331,500	340,584	102,184	106,913
Administrative and other expenses	841,911	639,531	450,836	297,287
Total expenses	5,807,176	7,382,044	2,197,175	1,797,188
Net income (loss) before income tax (benefit) provision	22,757,880	(3,207,462)	6,652,257	(146,075)
Income tax (benefit) provision	(2,055,075)	(1,247,768)	76,683	(1,287,154)
Net income (loss)	24,812,955	(1,959,694)	6,575,574	1,141,079
Less: Income (loss) attributable to noncontrolling interests	18,767,100	(1,235,154)	6,228,907	(704,191)
Net Income (Loss) attributable to Bimini Capital stockholders	$6,045,855	$(724,540)	$346,667	$1,845,270
Basic and Diluted Net Income (Loss) Per Share of:				
CLASS A COMMON STOCK				

Basic and Diluted	$0.50	$(0.07)	$0.03	$0.16
CLASS B COMMON STOCK				
Basic and Diluted	$0.50	$(0.07)	$0.03	$0.16
Weighted Average Shares Outstanding:				
CLASS A COMMON STOCK				
Basic and Diluted	12,153,388	10,782,858	12,313,556	11,258,669
CLASS B COMMON STOCK				
Basic and Diluted	31,938	31,938	31,938	31,938

See Notes to Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
For the Nine Months Ended September 30, 2014

	Stockholders' Equity				
	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interests	Total
Balances, January 1, 2014	$11,574	$334,810,312	$(333,078,313)	$31,614,843	$33,358,416
Net income	-	-	6,045,855	18,767,100	24,812,955
Issuance of common shares of Orchid Island Capital, Inc.	-	(792,668)	-	122,318,585	121,525,917
Cash dividends paid to noncontrolling interests	-	-	-	(12,953,922)	(12,953,922)
Issuance of Class A common shares for equity plan exercises	546	220,289	-	-	220,835
Amortization of equity plan compensation	-	-	-	40,767	40,767
Class A common shares sold directly to employees	258	97,742	-	-	98,000
Balances, September 30, 2014	$12,378	$334,335,675	$(327,032,458)	$159,787,373	$167,102,968

See Notes to Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
For the Nine Months Ended September 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$24,812,955	$(1,959,694)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Stock based compensation	261,602	278,535
Depreciation	78,858	91,263
Deferred income tax benefit	(2,077,342)	-
(Gains) losses on mortgage-backed securities	(11,684,545)	12,314,111
Gains on retained interests in securitizations	(2,643,068)	(2,535,603)
Loss on disposal of property and equipment	12,886	-
Gains on release of loan loss reserves	-	(4,737,260)
Realized and unrealized losses on interest rate swaptions	1,119,525	-
Changes in operating assets and liabilities:		
Accrued interest receivable	(4,200,581)	(804,353)
Other assets	(253,487)	613,973
Accrued interest payable	305,835	(1,078)
Other liabilities	763,837	(1,065,362)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,496,475	2,194,532
CASH FLOWS FROM INVESTING ACTIVITIES:		
From mortgage-backed securities investments:		
Purchases	(1,605,257,665)	(508,382,196)
Sales	499,227,793	259,090,754
Principal repayments	56,361,141	30,776,918
Payments received on retained interests in securitizations	3,186,805	2,473,066
Increase in restricted cash	(5,567,535)	(1,870,085)
Purchases of property and equipment	(36,851)	(10,941)
Purchase of interest rate swaptions, net of margin cash received	(1,249,625)	-
NET CASH USED IN INVESTING ACTIVITIES	(1,053,335,937)	(217,922,484)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from repurchase agreements	5,851,128,876	2,871,900,327
Principal repayments on repurchase agreements	(4,865,328,741)	(2,685,455,495)
Issuance of common shares of Orchid Island Capital, Inc.	121,525,917	35,400,000
Cash dividends paid to noncontrolling interests	(12,953,922)	(2,230,199)
Class A common shares sold directly to employees	98,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,094,470,130	219,614,633
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,630,668	3,886,681
CASH AND CASH EQUIVALENTS, beginning of the period	11,959,292	6,592,561
CASH AND CASH EQUIVALENTS, end of the period	$59,589,960	$10,479,242
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		

Cash paid during the period for:		
Interest	$2,498,653	$1,683,767
Income taxes	$22,267	$39,386
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITIES:		
Securities acquired settled in later period	$66,812,482	$38,720,351
Securities sold settled in later period	$249,410,368	$40,955,374

See Notes to Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
September 30, 2014

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Business Description

Bimini Capital Management, Inc., a Maryland corporation ("Bimini Capital"), was formed in September 2003 for the purpose of creating and managing a leveraged investment portfolio consisting of residential mortgage-backed securities ("MBS"). Bimini Capital has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, Bimini Capital is generally not subject to federal income tax on its REIT taxable income provided that it distributes to its stockholders at least 90% of its REIT taxable income on an annual basis. In addition, a REIT must meet other provisions of the Code to retain its special tax status. Bimini Capital's website is located at http://www.biminicapital.com.

As used in this document, discussions related to the "Company", refer to the consolidated entity, including Bimini Capital, our wholly-owned subsidiaries, and our consolidated variable interest entity ("VIE"). References to "Bimini Capital" and the "parent" refer to Bimini Capital Management, Inc. as a separate entity.

On February 20, 2013, Orchid Island Capital, Inc. ("Orchid") completed the initial public offering ("IPO") of its common stock. Prior to the completion of its IPO, Orchid was a wholly-owned qualified REIT subsidiary of Bimini Capital. During 2014, Orchid has completed additional offerings of its common stock, and through September 30, 2014, Orchid continues to be consolidated as our VIE. As used in this document, discussions related to REIT qualifying activities include the MBS portfolios of Bimini Capital and Orchid.

Discussions related to Bimini Capital's taxable REIT subsidiaries or non-REIT eligible assets refer to Bimini Advisors, Inc. and its wholly-owned subsidiary, Bimini Advisors, LLC (together "Bimini Advisors") and MortCo TRS, LLC ("MortCo") and its consolidated subsidiaries.

Consolidation

The accompanying consolidated financial statements include the accounts of Bimini Capital, Orchid, Bimini Advisors and MortCo, as well as the wholly-owned subsidiaries of MortCo. All inter-company accounts and transactions have been eliminated from the consolidated financial statements.

Accounting Standards Codification Topic 810, Consolidation ("ASC 810"), requires the consolidation of a VIE by an enterprise if it is deemed the primary beneficiary of the VIE. Further, ASC 810 requires a qualitative assessment to determine the primary beneficiary of a VIE and ongoing assessments of whether an enterprise is the primary beneficiary of a VIE as well as additional disclosures for entities that have variable interests in VIEs.

At the time of Orchid's IPO and as of September 30, 2014, management has concluded Orchid is a VIE because Orchid's equity holders lack the ability through voting rights to make decisions about its activities that have a significant effect on the success of Orchid. Management has also concluded that Bimini Capital is the primary beneficiary of Orchid because, under the management agreement between Bimini Advisors and Orchid, Bimini Capital has the power to direct the activities of Orchid that most significantly impact its economic performance. As a result, subsequent to Orchid's IPO and through September 30, 2014, the Company has continued to consolidate Orchid in its Consolidated Financial Statements. While the results of operations of Orchid are included in the Company's Consolidated Financial Statements, net income or loss attributable to Bimini Capital stockholders does not include the portion attributable to noncontrolling interests. Additionally, noncontrolling interests in Orchid are recorded in our Consolidated Balance Sheets and our Consolidated Statement of Equity within the equity section but separate from the stockholders' equity.

Assets recognized as a result of consolidating Orchid do not represent additional assets that could be used to satisfy claims against Bimini Capital's assets. Conversely, liabilities recognized as a result of consolidating Orchid do not represent additional claims on Bimini Capital's assets; rather, they represent claims against the assets of Orchid. Creditors and stockholders of Orchid have no recourse to the assets of Bimini Capital.

As further described in Note 7, Bimini Capital has a common share investment in a trust used in connection with the issuance of Bimini Capital's junior subordinated notes. Pursuant to ASC 810, Bimini Capital's common share investment in the trust has not been consolidated in the financial statements of Bimini Capital, and accordingly, this investment has been accounted for on the equity method.

Liquidity

Material losses incurred by the Company in 2006 and 2007 attributable to the former mortgage origination operations of MortCo significantly reduced Bimini Capital's equity capital base and the size of its MBS portfolio when compared to pre-2006 levels. Litigation costs stemming from both the former operations of MortCo and Bimini Capital itself caused the Company's overhead to be high in relation to its portfolio size. The smaller capital base made it difficult to generate sufficient net interest income to cover expenses.

Beginning in 2007, to respond to the losses and their impact on our capital base, the Company took significant steps to reduce the leverage in its balance sheet, reduce its debt service costs, reduce expenses, settle various litigation matters, and alter its investment strategy for holding MBS securities. In addition, the Company evaluated and pursued capital raising opportunities for Orchid. After pursuing several efforts to raise capital at Orchid, Orchid completed its initial public offering of common stock on February 20, 2013. Bimini Capital and Bimini Advisors acted as sponsor to Orchid by agreeing to fund all underwriting, legal and other costs of the offering, which totaled approximately $3.0 million during the nine months ended September 30, 2013. Orchid has no obligation or intent to reimburse Bimini Capital and Bimini Advisors, either directly or indirectly, for the offering costs; therefore, they were expensed in the Company's 2013 consolidated statement of operations. As of March 31, 2014, Orchid reached $100 million of stockholders' equity for the first time. As a result, in accordance with the management agreement between Bimini Advisors and Orchid, Bimini Advisors began to allocate certain overhead costs to Orchid on a pro rata basis commencing on July 1, 2014. As a stockholder of Orchid, Bimini Capital will continue to share in distributions, if any, paid by Orchid to its stockholders.

At September 30, 2014, the Company had cash and cash equivalents of approximately $59.6 million, an MBS portfolio of approximately $1,265.1 million and an equity capital base of approximately $167.1 million, including approximately $7.3 million attributable to the stockholders of Bimini Capital and $159.8 million attributable to noncontrolling interests. The Company generated cash flows of approximately $73.3 million from principal and

interest payments on its MBS portfolio and approximately $3.2 million from retained interests in securitizations during the nine months ended September 30, 2014. However, if cash resources are, at any time, insufficient to satisfy the Company’s liquidity requirements, such as when cash flows from operations are materially negative, the Company may be required to pledge additional assets to meet margin calls, liquidate assets, sell additional debt or equity securities or pursue other financing alternatives.

Basis of Presentation

The accompanying unaudited 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 do 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, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

The consolidated balance sheet at December 31, 2013 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 thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates affecting the accompanying financial statements include the fair values of MBS, Eurodollar futures contracts, interest rate swaptions, retained interests and asset valuation allowances.

Statement of Comprehensive Income (Loss)

In accordance with ASC Topic 220, Comprehensive Income, a statement of comprehensive income has not been included as the Company has no items of other comprehensive income. Comprehensive income (loss) is the same as net income (loss) for all periods presented.

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 September 30, 2014 restricted cash consisted of approximately $3.3 million of cash held by a broker as margin on Eurodollar futures contracts and $4.8 million of cash held on deposit as collateral with repurchase agreement counterparties. At December 31, 2013 restricted cash consisted of approximately $2.6 million of cash held by a broker as margin on Eurodollar futures contracts.

The Company maintains cash balances at four banks, and, 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. At September 30, 2014, the Company's cash deposits exceeded federally insured limits by approximately $57.9 million. Restricted cash balances are uninsured, but are held in separate customer accounts that are segregated from the general funds of the counterparty. The Company uses large, well-known bank and derivative counterparties and believes that it is not exposed to significant credit risk on cash and cash equivalents or restricted cash balances.

Mortgage-Backed Securities

The Company invests primarily in mortgage pass-through ("PT") certificates, collateralized mortgage obligations, and interest-only ("IO") securities and inverse interest-only ("IIO") securities representing interest in or obligations backed by pools of mortgage-backed loans (collectively, "MBS"). These investments meet the requirements to be classified as available for sale under ASC 320-10-25, Debt and Equity Securities (which requires the securities to be carried at fair value on the balance sheet with changes in fair value charged to other comprehensive income, a component of stockholders' equity). However, 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 our 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.

The fair value of the Company's investment in MBS is governed by ASC Topic 820, Fair Value Measurement. The definition of fair value in ASC Topic 820 focuses on 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 lost and discount accretion resulting from monthly principal repayments are reflected in unrealized gains and loss on MBS in the Consolidated Statement of Operation. 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 from the reporting period 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.

Retained Interests in Securitizations

From 2004 to 2006, MortCo participated in securitization transactions as part of its mortgage origination business. Retained interests in the securitization transactions were initially recorded at their fair value when issued by MortCo. Subsequent adjustments to fair value are reflected in earnings. Quoted market prices for these assets are generally not available, so the Company estimates fair value based on the present value of expected future cash flows using management's best estimates of key assumptions, which include expected credit losses, prepayment speeds, weighted-average life, and discount rates commensurate with the inherent risks of the asset.

Derivative Financial Instruments

The Company uses 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 to date are Eurodollar and T-Note futures contracts and options to enter in interest rate swaps (“interest rate swaptions”), but it may enter into other transactions in the future. The Company has elected to not treat any of its derivative financial instruments as hedges. ASC Topic 815, Derivatives and Hedging, requires that all derivative instruments be carried at fair value. Changes in fair value are recorded in earnings for each period.

Holding derivatives creates exposure to credit risk related to the potential for failure on the part of counterparties to honor their commitments. In addition, the Company may be required to post collateral based on any declines in the market value of the derivatives. 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. To mitigate this risk, the Company uses well-established commercial banks as counterparties.

Financial Instruments

ASC Topic 825, Financial Instruments, requires disclosure of the fair value of financial instruments for which it is practicable to estimate that value, either in the body of the financial statements or in the accompanying notes. MBS, Eurodollar and T-Note futures contracts, interest rate swaptions and retained interests in securitization transactions 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 13 of the financial statements.

The estimated fair value of cash and cash equivalents, restricted cash, accrued interest receivable, receivable for securities sold, other assets, repurchase agreements, payable for unsettled securities purchased, accrued interest payable and other liabilities generally approximates their carrying value as of September 30, 2014 and December 31, 2013, due to the short-term nature of these financial instruments.

It is impractical to estimate the fair value of the Company’s junior subordinated notes. Currently, there is a limited market for these types of instruments and the Company is unable to ascertain what interest rates would be available to the Company for similar financial instruments. Information regarding carrying amount, effective interest rate and maturity date for these instruments is presented in Note 7 to the consolidated financial statements.

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 buildings and improvements with depreciable lives of 30 years. Property and equipment is recorded at acquisition cost and depreciated using the straight-line method over the estimated useful lives of the assets.

Repurchase Agreements

The Company finances the acquisition of the majority of its PT MBS through the use of repurchase agreements under master repurchase agreements. Pursuant to ASC Topic 860, Transfers and Servicing, the Company accounts for repurchase transactions as collateralized financing transactions, which are carried at their contractual amounts, including accrued interest, as specified in the respective agreements.

Share-Based Compensation

The Company follows the provisions of ASC Topic 718, Compensation – Stock Compensation, to account for stock and stock-based awards. For stock and stock-based awards issued to employees, a compensation charge is recorded against earnings over the vesting period based on the fair value of the award. Payments pursuant to dividend equivalent rights, which are granted along with certain equity based awards, are charged to stockholders' equity when declared. The Company applies a zero forfeiture rate for its equity based awards, as such awards have been granted to a limited number of employees and historical forfeitures have been minimal. A significant forfeiture, or an indication that significant forfeitures may occur, would result in a revised forfeiture rate which would be accounted for prospectively as a change in an estimate. For transactions with non-employees in which services are performed in exchange for the Company's common stock or other equity instruments, the transactions are recorded on the basis of the fair value of the service received or the fair value of the equity instruments issued, whichever is more readily measurable at the date of issuance.

Earnings Per Share

The Company follows the provisions of ASC Topic 260, Earnings Per Share, which requires companies with complex capital structures, common stock equivalents or two (or more) classes of securities that participate in dividend distributions to present both basic and diluted earnings per share ("EPS") on the face of the consolidated statement of operations. 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 "if converted" method 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 on each share of Class A Common Stock if, as and when authorized and declared by the Board of Directors. 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

Bimini Capital has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), and Orchid, until the closing of its IPO on February 20, 2013, was a "qualified REIT subsidiary" of Bimini Capital under the Code. Beginning with its short tax period commencing on February 20, 2013 and ended December 31, 2013, Orchid has qualified and elected to be taxed as a REIT, and filed a REIT tax return separate from Bimini Capital. REITs are generally not subject to federal income tax on their REIT taxable income provided that they distribute to their stockholders at least 90% of their REIT taxable income on an annual basis. In addition, a REIT must meet other provisions of the Code to retain its tax status. At September 30, 2014, management believes that the Company has complied with the Code requirements and Bimini Capital continues to qualify as a REIT. As further described in Note 11, Income Taxes, Bimini Advisors and MortCo are taxpaying entities for income tax purposes and are taxed separately from Bimini Capital and Orchid.

The Company's U.S. federal income tax returns for years ended on or after December 31, 2011 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 tax audits 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.

The Company measures, recognizes and presents its uncertain tax positions in accordance with ASC Topic 740, Income Taxes. Under that guidance, the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of uncertain tax positions is adjusted when new information is available, or when an event occurs that requires a change.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentations.

Recent Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-12, Compensation-Stock Compensation: Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. ASU 2014-12 requires that performance targets that affect vesting and that could be achieved after the requisite service period be treated as performance conditions. The effective date of ASU 2014-12 is for interim and annual reporting periods beginning after December 15, 2015. The ASU is not expected to materially impact the Company's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. ASU 2014-11 amends the accounting guidance for repurchase-to-maturity transactions and repurchase agreements executed as repurchase financings, and requires additional disclosure about certain transactions by the transferor. ASU 2014-11 is effective for certain transactions that qualify for sales treatment for the first interim or annual period beginning after December 15, 2014. The new disclosure requirements for repurchase agreements, securities lending transactions and repurchase-to-maturity transactions that qualify for secured borrowing treatment is effective for annual periods beginning after December 15, 2014 and for interim periods beginning after March 15, 2015. We currently record our repurchase arrangements as secured borrowings and do not anticipate that ASU 2014-11 will have any impact on the Company's consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This new standard requires the netting of unrecognized tax benefits against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions. Under the new standard, unrecognized tax benefits will be netted against all available same-jurisdiction loss or other tax carryforwards that would be utilized, rather than only against carryforwards that are created by the unrecognized tax benefits. The ASU is effective beginning January 1, 2014 on either a prospective or retrospective basis. The guidance represents a change in financial statement presentation only and the adoption of this ASU did not have any impact on the Company's consolidated financial results.

In June 2013, the FASB issued ASU 2013-08, Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements. The amendments in this update modify the guidance for determining whether an entity is an investment company, update the measurement requirements for noncontrolling interests in other investment companies and require additional disclosures for investment companies under US GAAP. The amendments in the update develop a two-tiered approach for the assessment of whether an entity is an investment company which requires an entity to possess certain fundamental characteristics while allowing judgment in assessing other typical characteristics. The amendments in this update also revised the measurement guidance in

Topic 946 such that investment companies must measure noncontrolling ownership interests in other investment companies at fair value, rather than applying the equity method of accounting to such interests. The new guidance became effective beginning January 1, 2014. The adoption of this ASU did not have any impact on the Company's consolidated financial statements.

In February 2013, the FASB issued ASU 2013-04, Liabilities (Topic 405) - Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date. The objective of this ASU is to provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, except for obligations addressed within existing US GAAP. The amendments in ASU 2013-04 became effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, and should be retrospectively applied to all prior periods presented for those obligations resulting from joint and several liability arrangements within the ASU's scope that exist at the beginning of an entity's fiscal year of adoption. The adoption of this ASU had no impact on the Company's consolidated financial statements.

NOTE 2. MORTGAGE-BACKED SECURITIES

The following table presents the Company's MBS portfolio as of September 30, 2014 and December 31, 2013:

(in thousands)

	September 30, 2014	December 31, 2013
Pass-Through MBS:		
Hybrid Adjustable-rate Mortgages	$71,958	$90,487
Adjustable-rate Mortgages	3,847	5,334
Fixed-rate Mortgages	1,119,828	267,481
Total Pass-Through MBS	1,195,633	363,302
Structured MBS:		
Interest-Only Securities	47,553	20,443
Inverse Interest-Only Securities	21,908	5,596
Total Structured MBS	69,461	26,039
Total	$1,265,094	$389,341

Included in the table above at September 30, 2014 are $1,175.5 million of MBS assets that may only be used to settle liabilities of the consolidated VIE.

The following table summarizes the Company's MBS portfolio as of September 30, 2014 and December 31, 2013, according to the contractual maturities of the securities in the portfolio. Actual maturities of MBS investments are generally shorter than stated contractual maturities and are affected by the contractual lives of the underlying mortgages, periodic payments of principal, and prepayments of principal.

(in thousands)

	September 30, 2014	December 31, 2013
Less than one year	$9	$46
Greater than five years and less than ten years	1,047	1,520
Greater than or equal to ten years	1,264,038	387,775
Total	$1,265,094	$389,341

The Company generally pledges its MBS assets as collateral under repurchase agreements. At September 30, 2014 and December 31, 2013, the Company had unpledged securities totaling $102.9 million and $17.2 million, respectively. The unpledged balance at September 30, 2014 includes unsettled security purchases with a fair value of approximately $67.1 million that will be pledged as collateral under repurchase agreements on their settlement dates

in October 2014.

NOTE 3. RETAINED INTERESTS IN SECURITIZATIONS

The following table summarizes the estimated fair value of the Company's retained interests in asset backed securities as of September 30, 2014 and December 31, 2013:

(in thousands)

Series	Issue Date	September 30, 2014	December 31, 2013
HMAC 2004-1	March 4, 2004	$3	$-
HMAC 2004-2	May 10, 2004	294	-
HMAC 2004-3	June 30, 2004	567	1,518
HMAC 2004-4	August 16, 2004	868	654
HMAC 2004-5	September 28, 2004	255	359
Total		$1,987	$2,531

NOTE 4. REPURCHASE AGREEMENTS

As of September 30, 2014, the Company had outstanding repurchase agreement obligations of approximately $1,339.2 million with a net weighted average borrowing rate of 0.34%. These agreements were collateralized by MBS with a fair value, including accrued interest, of approximately $1,414.4 million (including unsettled securities sold with a fair value of $246.9 million), and cash pledged to counterparties of approximately $4.8 million. As of December 31, 2013, the Company had outstanding repurchase agreement obligations of approximately $353.4 million with a net weighted average borrowing rate of 0.39%. These agreements were collateralized by MBS with a fair value, including accrued interest, of approximately $373.4 million.

As of September 30, 2014 and December 31, 2013, 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, 2014					
Fair value of securities pledged, including accrued interest receivable	$ 48,439	$763,782	$482,685	$119,449	$1,414,355
Repurchase agreement liabilities associated with these securities	$ 47,080	$725,184	$454,437	$112,495	$1,339,196
Net weighted average borrowing rate	0.32 %	0.34 %	0.34 %	0.38 %	0.34 %
December 31, 2013					
Fair value of securities pledged, including accrued interest receivable	$ -	$357,338	$16,081	$-	$373,419
Repurchase agreement liabilities associated with these securities	$ -	$337,977	$15,419	$-	$353,396

Net weighted average borrowing rate	-	0.39	%	0.37	%	-	0.39	%

As of September 30, 2014, the outstanding repurchase obligations of the consolidated VIE included in the table above was $1,256.0 million collateralized by MBS with a fair value, including accrued interest, of approximately $1,325.7 million (including unsettled securities sold with a fair value of approximately $246.9 million).

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, receivable for securities sold, and cash posted by the Company as collateral, if any. At September 30, 2014 and December 31, 2013, the Company had a maximum amount at risk (the difference between the amount loaned to the Company, including interest payable, and the fair value of securities and cash pledged (if any), including accrued interest on such securities) of approximately $79.5 million and $19.9 million, respectively. Summary information regarding amounts at risk with individual counterparties greater than 10% of equity at September 30, 2014 and December 31, 2013 is as follows:

($ in thousands)

Repurchase Agreement Counterparties	Amount at Risk	% of Stockholders' Equity at Risk		Weighted Average Maturity (in Days)
September 30, 2014				
Citigroup Global Markets, Inc.	$19,965	11.9	%	20
December 31, 2013				
Citigroup Global Markets, Inc.	$5,487	16.4	%	11

At September 30, 2014 and December 31, 2013, Bimini Capital had a maximum amount at risk (the difference between the amount loaned to Bimini Capital, including interest payable, and the fair value of securities and cash pledged (if any), including accrued interest on such securities) of approximately $5.5 million and $1.6 million, respectively. Summary information regarding amounts at risk with individual counterparties greater than 10% of stockholders' equity attributable to Bimini Capital at September 30, 2014 and December 31, 2013 is as follows:

($ in thousands)

Repurchase Agreement Counterparties	Amount at Risk	% of Stockholders' Equity at Risk		Weighted Average Maturity (in Days)
September 30, 2014				
ED&F Man Capital Markets Inc.	$1,530	20.9	%	39
Citigroup Global Markets, Inc.	891	12.2	%	78
JVB Financial Group, LLC	793	10.8	%	9
Suntrust Robinson Humphrey, Inc.	750	10.2	%	27
December 31, 2013				
Suntrust Robinson Humphrey, Inc.	$715	41.0	%	3
JVB Financial Group, LLC	559	32.1	%	21

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

In connection with its interest rate risk management strategy, the Company economically hedges a portion of the cost of its repurchase agreement funding and junior subordinated notes by entering into derivatives, such as Eurodollar and T-Note futures contracts and interest rate swaptions. The Company has not elected hedging treatment under GAAP, and as such all gains or losses (realized and unrealized) on these instruments are reflected in earnings for all periods presented.

As of December 31, 2013, such instruments were comprised entirely of Eurodollar futures contracts. During the nine months ended September 30, 2014, the Company entered into, and settled before the end of the quarter, a T-Note futures contract. Eurodollar and T-Note futures are cash settled futures contracts on an interest rate, with gains or losses credited or charged to the Company's account on a daily basis and reflected in earnings as they occur. A minimum balance, or "margin", is required to be maintained in the account on a daily basis. The Company is exposed to the changes in value of the futures by the amount of margin held by the broker. This margin represents the collateral the Company has posted for its open positions and is recorded on the consolidated balance sheets as part of restricted cash.

During the nine months ended September 30, 2014, the Company was a party to interest rate swaption agreements. At September 30, 2014, the Company had outstanding swaption agreements which grant the Company the right but not the obligation to enter into underlying pay fixed interest rate swap ("payer swaption"). The Company may also enter into swaption agreements that provide the Company the option to enter into a receive fixed interest rate swap ("receiver swaption").

Derivative Assets (Liability), at Fair Value

The table below summarizes fair value information about our derivative assets and liability as of September 30, 2014 and December 31, 2013.

(in thousands)

Derivative Instruments and Related Accounts	Balance Sheet Location	September 30, 2014	December 31, 2013
Assets			
Eurodollar futures - Margin posted to counterparty	Restricted cash	$3,344	$2,557
Payer swaptions	Derivative assets, at fair value	3,906	-
		$7,250	$2,557
Liability			
Payer swaptions - Margin posted by counterparty	Other liabilities	$(3,776)	$-

The tables below present information related to the Company's Eurodollar futures positions at September 30, 2014 and December 31, 2013.

($ in thousands)

Eurodollar Futures Positions (Consolidated)

As of September 30, 2014

	Repurchase Agreement Funding Hedges			Junior Subordinated Debt Funding Hedges		
Expiration Year	Weighted Average LIBOR Rate	Average Contract Notional Amount	Open Equity(1)	Weighted Average LIBOR Rate	Average Contract Notional Amount	Open Equity(1)
2015	0.74 %	$580,000	$(312)	0.70 %	$26,000	$(202)
2016	1.77 %	586,500	1,452	1.80 %	26,000	7
2017	2.68 %	430,000	1,122	2.68 %	26,000	50
2018	3.06 %	420,000	(165)	3.03 %	26,000	12
Total / Weighted Average	1.87 %	$509,733	$2,097	1.91 %	$26,000	$(133)

($ in thousands)

Eurodollar Futures Positions (Consolidated)

As of December 31, 2013

	Repurchase Agreement Funding Hedges			Junior Subordinated Debt Funding Hedges		
Expiration Year	Weighted Average LIBOR Rate	Average Contract Notional Amount	Open Equity(1)	Weighted Average LIBOR Rate	Average Contract Notional Amount	Open Equity(1)
2014	0.40 %	$262,500	$(189)	0.35 %	$26,000	$(428)
2015	0.80 %	275,000	(146)	0.80 %	26,000	(176)
2016	1.90 %	250,000	1,367	1.74 %	26,000	9
2017	3.03 %	250,000	2,291	-	-	-
2018	3.77 %	250,000	1,575	-	-	-
Total / Weighted Average	2.02 %	$257,353	$4,898	0.89 %	$26,000	$(595)

(1) Open equity represents the cumulative gains (losses) recorded on open futures positions from inception.

The tables below present information related solely to Bimini Capital's Eurodollar futures positions at September 30, 2014 and December 31, 2013.

($ in thousands)

Eurodollar Futures Positions (Parent-Only)

Repurchase Agreement Funding Hedges

	September 30, 2014			December 31, 2013		
Expiration Year	Weighted Average LIBOR Rate	Average Contract Notional Amount	Open Equity	Weighted Average LIBOR Rate	Average Contract Notional Amount	Open Equity(1)
2015	0.70 %	$30,000	$17	-	$-	$-
2016	1.82 %	36,500	73	-	-	-
2017	2.68 %	30,000	55	-	-	-
2018	3.03 %	30,000	12	-	-	-
Total / Weighted Average	1.91 %	$31,857	$157	-	$-	$-

($ in thousands)

Eurodollar Futures Positions (Parent-Only)

Junior Subordinated Debt Funding Hedges

	September 30, 2014			December 31, 2013		
Expiration Year	Weighted Average LIBOR Rate	Average Contract Notional Amount	Open Equity	Weighted Average LIBOR Rate	Average Contract Notional Amount	Open Equity(1)
2014	-	$-	$-	0.35 %	$26,000	$(428)
2015	0.70 %	26,000	(202)	0.80 %	26,000	(176)
2016	1.80 %	26,000	7	1.74 %	26,000	9
2017	2.68 %	26,000	50	-	-	-

2018	3.03	%	26,000	12		-		-	-		
Total / Weighted Average	1.91	%	$26,000	$(133	)	0.89	%	$26,000	$(595	)	

(1) Open equity represents the cumulative gains (losses) recorded on open futures positions from inception.

The table below presents information related to the Company's interest rate swaption positions at September 30, 2014.

($ in thousands)

	Option			Underlying Swap			
Expiration	Cost	Fair Value	Weighted Average Months to Expiration	Notional Amount	Fixed Pay Rate	Receive Rate (LIBOR)	Weighted Average Term (Years)
≤ 1 year	$4,720	$3,906	10	$275,000	2.96%	3 Month	8.2

Gain (Loss) From Derivative Instruments, Net

The tables below present the effect of the Company's derivative financial instruments on the consolidated statements of operations for the nine and three months ended September 30, 2014 and 2013.

(in thousands)

	Consolidated		Parent-Only	
Nine Months Ended September 30,	2014	2013	2014	2013
Eurodollar futures contracts (short positions)	$(3,151)	$4,146	$165	$50
T-Note futures contracts (short positions)	86	-	14	-
Payer swaptions	(1,120)	-	-	-
Net (losses) gains on derivative instruments	$(4,185)	$4,146	$179	$50

(in thousands)

	Consolidated		Parent-Only	
Three Months Ended September 30,	2014	2013	2014	2013
Eurodollar futures contracts (short positions)	$3,154	$(2,450)	$334	$(178)
T-Note futures contracts (short positions)	86	-	14	-
Payer swaptions	166	-	-	-
Net gains (losses) on derivative instruments	$3,406	$(2,450)	$348	$(178)

Credit Risk-Related Contingent Features

The use of derivatives creates exposure to credit risk relating to potential losses that could be recognized in the event that the counterparties to these instruments fail to perform their obligations under the contracts. We minimize this risk by limiting our counterparties for instruments which are not centrally cleared on a registered exchange to major financial institutions with acceptable credit ratings and monitoring positions with individual counterparties. In addition, we may be required to pledge assets as collateral for our derivatives, whose amounts vary over time based on the market value, notional amount and remaining term of the derivative contract. In the event of a default by a counterparty, we may not receive payments provided for under the terms of our derivative agreements, and may have difficulty obtaining our assets pledged as collateral for our derivatives. The cash and cash equivalents pledged as collateral for our derivative instruments are included in restricted cash on our consolidated balance sheets.

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, 2014 and December 31, 2013.

(in thousands)

Offsetting of Assets

	Gross Amount of Recognized Assets	Gross Amount Offset in the Balance Sheet	Net Amount of Assets Presented in the Balance Sheet	Gross Amount Not Offset in the Balance Sheet Financial Instruments Received as Collateral	Cash Received as Collateral	Net Amount
September 30, 2014						
Derivative assets - Payer swaptions	$3,906	$-	$3,906	$-	$(3,776)	$130
December 31, 2013						
Derivative asset	$-	$-	$-	$-	$-	$-

(in thousands)

Offsetting of Liabilities

	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Balance Sheet	Net Amount of Liabilities Presented in the Balance Sheet	Gross Amount Not Offset in the Balance Sheet Financial Instruments Posted as Collateral	Cash Posted as Collateral	Net Amount
September 30, 2014						
Repurchase Agreements	$1,339,196	$-	$1,339,196	$(1,334,415)	$(4,781)	$-
December 31, 2013						
Repurchase Agreements	$353,396	$-	$353,396	$(353,396)	$-	$-

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 balance sheet to zero in accordance with ASU No. 2011-11, as amended by ASU No. 2013-01. The fair value of the actual collateral received by or posted to the same counterparty typically exceeds the amounts presented. See Notes 4 and 5 for a discussion of collateral posted or received against or for repurchase obligations and derivative instruments.

NOTE 7. TRUST PREFERRED SECURITIES

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, 2014 and December 31, 2013, the outstanding principal balance on the junior subordinated debt securities owed to BCTII was $26.8 million. The BCTII trust preferred securities and Bimini Capital's BCTII Junior Subordinated Notes have a rate of interest that floats at a spread of 3.50% over the prevailing three-month LIBOR rate. As of September 30, 2014, the interest rate was 3.73%. The BCTII trust preferred securities and Bimini Capital's BCTII Junior Subordinated Notes require quarterly interest distributions and are redeemable at Bimini Capital's option, in whole or in part and without penalty, beginning December 15, 2010. Bimini Capital's BCTII Junior Subordinated Notes are subordinate and junior in right of payment of all present and future senior indebtedness.

The trust is a VIE because the holders of the equity investment at risk do not have adequate decision making ability over the trust's activities. Since Bimini Capital's investment in the trust's common equity securities was financed directly by the trust as a result of its loan of the proceeds to Bimini Capital, that investment is not considered to be an equity investment at risk. Since Bimini Capital's common share investment in BCTII is not a variable interest, Bimini Capital is not the primary beneficiary of BCTII. Therefore, Bimini Capital has not consolidated the financial statements of BCTII into its financial statements.

The accompanying consolidated financial statements present Bimini Capital's BCTII Junior Subordinated Notes issued to the trust 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.

NOTE 8. CAPITAL STOCK

At September 30, 2014 and December 31, 2013, Bimini Capital's capital stock is comprised of the following:

	September 30, 2014	December 31, 2013
Preferred stock, $0.001 par value; 10,000,000 shares authorized; designated, 1,800,000 shares as Class A Redeemable and 2,000,000 shares as Class B Redeemable; no shares issued and outstanding as of September 30, 2014 and December 31, 2013	$ -	$ -
Class A Common Stock, $0.001 par value; 98,000,000 shares designated: 12,313,758 shares issued and outstanding as of September 30, 2014 and 11,509,756 shares issued and outstanding as of December 31, 2013	12,314	11,510
Class B Common Stock, $0.001 par value; 1,000,000 shares designated, 31,938 shares issued and outstanding as of September 30, 2014 and December 31, 2013	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, 2014 and December 31, 2013	32	32

Issuances of Common Stock

The table below presents information related to the Bimini Capital's Class A Common Stock issued during the nine and three months ended September 30, 2014 and 2013.

	Nine Months Ended September 30,		Three Months Ended September 30,	
Shares Issued Related To:	2014	2013	2014	2013
Directors' compensation	46,107	-	18,576	-
Vesting incentive plan shares(1)	500,000	892,844	-	876,640

Shares sold directly to employees(1)	257,895	-	-	-
Total shares of Class A Common Stock issued	804,002	892,844	18,576	876,640

(1) See Note 9, Stock Incentive Plans, for details of these issuances.

There were no issuances of the Bimini Capital's Class B Common Stock and Class C Common Stock during the nine and three months ended September 30, 2014 and 2013.

NOTE 9.   STOCK INCENTIVE PLANS

On August 12, 2011, Bimini Capital's shareholders approved the 2011 Long Term Compensation Plan (the "2011 Plan") to assist the Company in recruiting and retaining employees, directors and other service providers by enabling them to participate in the success of Bimini Capital and to associate their interests with those of the Company and its stockholders. The plan is intended to permit the grant of stock options, stock appreciation rights ("SARs"), stock awards, performance units and other equity-based and incentive awards. The maximum aggregate number of shares of Common Stock that may be issued under the 2011 Plan pursuant to the exercise of options and SARs, the grant of stock awards or other equity-based awards and the settlement of incentive awards and performance units is equal to 4,000,000 shares.

Phantom share awards represent a right to receive a share of Bimini Capital's Class A Common Stock. These awards do not have an exercise price and are valued at the fair value of Bimini Capital's Class A Common Stock at the date of the grant. The grant date value is amortized to compensation expense on a straight-line basis over the vesting period of the respective award. The phantom shares vest, based on the employees' continuing employment, following a schedule as provided in the individual grant agreements. Compensation expense recognized for phantom shares was approximately $279,000 and $238,000 for the nine and three months ended September 30, 2013, respectively. During the nine months ended September 30, 2014, there was no compensation expense recognized for the phantom share awards issued, as such awards were in settlement of the 2013 bonus liability accrued at December 31, 2013, as described below. Dividends paid on unsettled awards are charged to stockholders' equity when declared.

A summary of Bimini Capital's phantom share activity during nine months ended September 30, 2014 and 2013 is presented below:

	2014		2013	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Nonvested, at January 1	-	$ -	367,844	$ 1.11
Granted during the period	500,000	0.38	525,000	0.23
Vested during the period	(500,000)	0.38	(892,844)	0.60
Nonvested, at September 30	-	$ -	-	$ -

In February 2014, the Compensation Committee of the Board of Directors of Bimini Capital approved certain performance bonuses for members of management. These bonuses were awarded primarily in recognition of management's capital raising efforts in 2013. The bonuses, which were paid on February 19, 2014 (the "Bonus Date"), consisted of cash and fully vested shares of the Company's common stock issued under the 2011 Plan. In particular, executive officers received bonuses totaling approximately $422,000, consisting of 500,000 shares of the Company's common stock with an approximate value of $190,000, and cash of approximately $232,000 which, at the officer's election, could be used to purchase newly issued shares directly from the Company. Under this election, the officers purchased 257,895 shares of the Company's common stock. For purposes of these bonuses, shares of the Company's common stock were valued based on the closing price of the Company's common stock on the Bonus Date. The expense related to this bonus was accrued at December 31, 2013 and did not affect the results of operations for the nine and three months ended September 30, 2014.

In October 2012, Orchid adopted the 2012 Equity Incentive Plan (the "2012 Plan") to recruit and retain employees, directors and other service providers, including employees of Bimini Capital and other affiliates. The 2012 Plan

provides for the award of stock options, stock appreciation rights, stock award, performance units, other equity-based awards (and dividend equivalents with respect to awards of performance units and other equity-based awards) and incentive awards. The 2012 Plan is administered by the Compensation Committee of Orchid's Board of Directors except that Orchid's full Board of Directors will administer awards made to directors who are not employees of Orchid or its affiliates. The 2012 Plan provides for awards of up to an aggregate of 10% of the issued and outstanding shares of Orchid's common stock (on a fully diluted basis) at the time of the awards, subject to a maximum aggregate 4,000,000 shares of Orchid common stock that may be issued under the Incentive Plan.

A summary of Orchid's incentive share activity during the nine months ended September 30, 2014 is presented below:

	Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Life
Restricted common stock, at January 1, 2014	-	$ -	-
Restricted common stock granted during the period	29,844	12.41	-
Vested during the period	(5,844)	13.16	-
Restricted common stock, at September 30, 2014	24,000	$ 12.23	2.6 Years

On April 25, 2014, Orchid's Compensation Committee granted each of its non-employee directors 6,000 shares of restricted common stock subject to a three year vesting schedule whereby 2,000 shares of the award vest on the first, second and third anniversaries of the award date. Directors have all the rights of any other Orchid stockholder with respect to the awards, including the right to receive dividends and vote the shares. The awards are subject to forfeiture should the director no longer be a member of the Board of Directors of Orchid prior to the respective vesting dates. In the nine and three months ended September 30, 2014, the non-employee directors also received a total of 5,844 and 2,900 shares, respectively, of immediately vested stock awards as part of their compensation for service on Orchid's board of directors. Compensation expense recognized for restricted shares was approximately $118,000 and $63,000 for the nine and three months ended September 30, 2014.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Outstanding Litigation

The Company may from time to time be involved in various lawsuits and claims, both pending and threatened, including some that it has asserted against others, in which monetary and other damages are sought. These lawsuits and claims relate primarily to contractual disputes arising out of the ordinary course of the Company's business. The outcome of such lawsuits and claims, as well as the costs to defend them, is inherently unpredictable, and management may choose to settle certain matters based on a cost-benefit analysis. However, management believes that, in the aggregate, the outcome of all lawsuits and claims involving the Company will not have a material effect on the Company's consolidated financial position or liquidity; however, any such outcome or settlement may be material to the results of operations of any particular period in which costs, if any, are recognized.

A complaint by a note-holder in Preferred Term Securities XX ("PreTSL XX") was filed on July 16, 2010 in the Supreme Court of the State of New York, New York County, against Bimini Capital Management, Inc. ("Bimini"), the Bank of New York Mellon ("BNYM"), PreTSL XX, Ltd. and Hexagon Securities, LLC ("Hexagon"). The complaint, filed by Hildene Capital Management, LLC and Hildene Opportunities Fund, Ltd. ("Hildene"), alleges that Hildene suffered losses as a result of Bimini's repurchase of all outstanding fixed/floating rate capital securities of Bimini Capital Trust II for less than par value from PreTSL XX in October 2009. Hildene has alleged claims against BNYM for breach of the Indenture, breach of fiduciary duties and breach of covenant of good faith and fair dealing, and claims against Bimini for tortious interference with contract, aiding and abetting breach of fiduciary duty, unjust enrichment and "rescission/illegality." Hildene also alleged derivative claims brought in the name of Nominal Defendant BNYM. (Subsequently, Hexagon and Nominal Defendant PreTSL XX were voluntarily dismissed without prejudice by Hildene.) PreTSL XX, Ltd. moved to intervene as an additional plaintiff in the action, and Bimini and BNYM opposed that motion. The court granted PreTSL XX, Ltd.'s motion to intervene, and the Appellate Division, First Department affirmed that decision. In May 2013, Hildene voluntarily dismissed its purported derivative claims brought in the name of BNYM, including its claim for "rescission/illegality." On April 14, 2014 and May 18, 2014, Stipulations of Partial Discontinuance were filed with the court that dismissed all claims between and among Hildene and BNYM, and PreTSL XX and BNYM. The parties have completed discovery and summary judgment motions

have been fully submitted. Oral argument on summary judgment motions has been scheduled for December 8, 2014. A trial date for the action has not yet been scheduled. Bimini denies that the repurchase was improper and intends to continue to defend the suit vigorously.

On March 2, 2011, Orchid Island TRS, LLC, formerly known as Opteum Financial Services, LLC and presently known as MortCo, LLC ("Opteum Financial") and Opteum Mortgage Acceptance Corporation ("Opteum Acceptance") (collectively referred to herein as "MortCo") received a cover letter dated March 1, 2011 from Massachusetts Mutual Life Insurance Company ("Mass Mutual") enclosing a draft complaint against MortCo. In summary, Mass Mutual alleges that it purchased residential mortgage-backed securities offered by MortCo in August 2005 and the first quarter of 2006 and that MortCo made false representations and warranties in connection with the sale of the securities in violation of Mass Gen. Laws Ch. 110A § 410(a)(2) (the "Massachusetts Blue Sky Law"). In its cover letter, Mass Mutual claims it is entitled to damages in excess of $25 million. However, no monetary demand is contained within the draft complaint and the actual damages Mass Mutual claims to have incurred is uncertain.

Mass Mutual has not filed the complaint or initiated litigation. Pursuant to its request, on March 14, 2011 Mass Mutual and MortCo entered into a Tolling Agreement through June 1, 2011 so that Mass Mutual could address its allegations against MortCo without incurring litigation costs. Mass Mutual never contacted MortCo to schedule such discussions. On August 22, 2011, the parties extended the Tolling Agreement through June 1, 2013, and on May 31, 2013, the parties extended the Tolling Agreement through December 2, 2013. To date, MortCo is aware of no action taken by Mass Mutual, and the Tolling Agreement appears to have expired by its own terms. MortCo denies Opteum Financial or Opteum Acceptance, individually or collectively, made false representations and warranties in connection with the sale of securities to Mass Mutual. Mass Mutual has taken no action to prosecute its claim against MortCo, and the range of loss or potential loss, if any, cannot reasonably be estimated. Should Mass Mutual initiate litigation, MortCo will defend such litigation vigorously.

NOTE 11. INCOME TAXES

REIT Activities

Generally, REITs are not subject to federal income tax on REIT taxable income distributed to its shareholders. REIT taxable income or loss, as generated by qualifying REIT activities, is computed in accordance with the Internal Revenue Code, which is different from the financial statement net income or loss as computed in accordance with GAAP. Depending on the number and size of the various items or transactions being accounted for differently, the differences between the Company's REIT taxable income or loss and its GAAP financial statement net income or loss can be substantial and each item can affect several years.

As of December 31, 2013, Bimini Capital had a REIT tax net operating loss carryforward ("NOL carryforwards" or "NOLs") of approximately $17.1 million that is immediately available to offset future REIT taxable income. The REIT tax net operating loss carryforwards will expire in years 2028 through 2033.

As discussed in Note 1, Orchid was a qualified REIT subsidiary of Bimini Capital until the closing of its IPO and all of its activities were included with the activities of Bimini Capital through that date. Subsequent to the closing of its IPO, Orchid is taxed separately from Bimini Capital.

Taxable REIT Subsidiaries

As taxable REIT subsidiaries ("TRS"), Bimini Advisors and MortCo are tax paying entities for income tax purposes and are taxed separately from Bimini Capital, Orchid and from each other. Therefore, Bimini Advisors and MortCo each separately report an income tax provision or benefit based on their own taxable activities. For the nine months ended September 30, 2014 and 2013, neither TRS had taxable income primarily due to the utilization of NOL carryforwards.

The TRS income tax (benefit) provision for the nine and three months ended September 30, 2014 and 2013 differs from the amount determined by applying the statutory Federal rate of 35% to the pre-tax income or loss due primarily to the recording of, and adjustments to, the deferred tax asset valuation allowances and the release of the deferred tax valuation allowance related to an intangible asset and NOL carryforwards.

Bimini Advisors has available at September 30, 2014 estimated federal and Florida NOL carryforwards of approximately $2.1 million which begin to expire in 2031 and are fully available to offset future federal and Florida taxable income. In connection with Orchid's IPO, Bimini Advisors paid for, and expensed for GAAP purposes, certain offering costs totaling approximately $3.2 million. For tax purposes, these offering costs created an intangible asset related to the management agreement with a tax basis of $3.2 million. The deferred tax assets related to the NOL carryforwards and the intangible asset at September 30, 2014 total approximately $2.1 million.

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. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

As of December 31, 2013, management did not believe that it had sufficient positive evidence to conclude that the realization of its deferred tax assets was more likely than not; therefore, a valuation allowance was provided for the entire balance of the deferred tax assets. During the nine months ended September 30, 2014, management re-evaluated this position and determined that, due to increased projected management fee revenue and the ability to allocate certain overhead expenses to Orchid, there is sufficient positive evidence to conclude that the realization of Bimini Advisors' deferred tax assets is more likely than not. As a result, Bimini Advisors recorded a deferred income tax benefit of approximately $2.1 million related to the release of the valuation allowance.

As of September 30, 2014, MortCo has estimated federal NOL carryforwards of approximately $265.1 million and estimated available Florida NOLs of approximately $37.6 million, both of which will begin to expire in 2025, and are fully available to offset future federal and Florida taxable income, respectively. The net deferred tax assets for MortCo at September 30, 2014 are approximately $95.4 million. As of September 30, 2014 and December 31, 2013, management did not believe that it had sufficient positive evidence to conclude that the realization of MortCo's deferred tax assets was more likely than not; therefore, a valuation allowance was provided for the entire balance of MortCo's net deferred tax assets.

NOTE 12. 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. Following the provisions of FASB ASC 260, the 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, 2014 and 2013.

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, 2014 and 2013.

Bimini Capital had dividend eligible stock incentive plan shares that were outstanding during the nine and three months ended September 30, 2013. The basic and diluted per share computations include these unvested incentive plan shares if there is income available to Class A Common Stock, as they have dividend participation rights. The stock incentive plan shares have no contractual obligation to share in losses. Because there is no such obligation, the incentive plan shares are not included in the basic and diluted EPS computations when no income is available to Class A Common Stock even though they are considered participating securities.

The table below reconciles the numerator and denominator of EPS for the nine and three months ended September 30, 2014 and 2013.

(in thousands, except per-share information)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2014	2013	2014	2013
Basic and diluted EPS per Class A common share:				
Income (loss) attributable to Class A common shares:				
Basic and diluted	$6,030	$(723)	$346	$1,840
Weighted average common shares:				
Class A common shares outstanding at the balance sheet date	12,314	11,510	12,314	11,510
Effect of weighting	(161)	(727)	-	(251)
Weighted average shares-basic and diluted	12,153	10,783	12,314	11,259
Income (loss) per Class A common share:				
Basic and diluted	$0.50	$(0.07)	$0.03	$0.16

(in thousands, except per-share information)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2014	2013	2014	2013
Basic and diluted EPS per Class B common share:				
Income (loss) attributable to Class B common shares:				
Basic and diluted	$16	$(2)	$1	$5
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 (loss) per Class B common share:				
Basic and diluted	$0.50	$(0.07)	$0.03	$0.16

NOTE 13. FAIR VALUE

Authoritative accounting literature establishes a framework for using fair value to measure assets and liabilities and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry 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 stratification of balance sheet amounts measured at fair value based on inputs the Company uses to derive fair value measurements. These stratifications 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 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, when available. 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. Alternatively, the Company could opt to have the value of all of our MBS positions determined by either an independent third-party or do so internally.

MBS, retained interests, Eurodollar futures contracts and interest rate swaptions were recorded at fair value on a recurring basis during the nine and three months ended September 30, 2014 and 2013. 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. Fair value measurements for the retained interests are generated by a model that requires management to make a significant number of assumptions.

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2014 and December 31, 2013:

(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, 2014				
Mortgage-backed securities	$ 1,265,094	$-	$1,265,094	$ -
Eurodollar futures contracts	3,344	3,344	-	-
Retained interests	1,987	-	-	1,987
Payer swaptions	3,906	-	3,906	-
December 31, 2013				
Mortgage-backed securities	$ 389,341	$-	$389,341	$ -
Eurodollar futures contracts	2,557	2,557	-	-
Retained interests	2,531	-	-	2,531

The following table illustrates a roll forward for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended September 30, 2014 and 2013:

(in thousands)

	Retained Interests	
	2014	2013
Balances, January 1	$2,531	$3,336
Gain included in earnings	2,643	2,536
Collections	(3,187)	(2,473)
Balances, September 30	$1,987	$3,399

During the nine months ended September 30, 2014 and 2013, there were no transfers of financial assets or liabilities between levels 1, 2 or 3.

Our retained interests are valued based on a discounted cash flow approach. These values are sensitive to changes in unobservable inputs, including: estimated prepayment speeds, default rates and loss severity, weighted-average life, and discount rates. Significant increases or decreases in any of these inputs may result in significantly different fair value measurements.

The following table summarizes the significant quantitative information about our level 3 fair value measurements as of September 30, 2014.

Retained interests fair value (in thousands)			$ 1,987
		CPR Range	
Prepayment Assumption		(Weighted Average)	
Constant Prepayment Rate		10% (10%)	
		Severity Range	
Default Assumptions	Probability of Default	(Weighted Average)	Range Of Loss Timing
Real Estate Owned	100%	30.80% - 83.60% (52.00%)	Next 10 Months
Loans in Foreclosure	100%	30.80% - 83.60% (52.00%)	Month 4 - 13
Loans 90 Day Delinquent	100%	45%	Month 11-28
Loans 60 Day Delinquent	85%	45%	Month 11-28
Loans 30 Day Delinquent	75%	45%	Month 11-28
Current Loans	2.50% - 4.94%	45%	Month 29 and Beyond
		Remaining Life Range	Discount Rate Range
Cash Flow Recognition	Valuation Technique	(Weighted Average)	(Weighted Average)
Nominal Cash Flows	Discounted Cash Flow	0.2 - 17.7 (5.3)	27.50% (27.50%)
Discounted Cash Flows	Discounted Cash Flow	0.2 - 17.5 (0.7)	27.50% (27.50%)

NOTE 14. RELATED PARTY TRANSACTIONS

Frank E. Jaumot is a shareholder in an accounting firm from which the Company receives accounting and tax services. Mr. Jaumot is both a director and a shareholder of Bimini Capital and a shareholder of Orchid. Professional fees incurred with this firm were $75,000 and $82,000 for the nine months ended September 30, 2014 and 2013, respectively.

NOTE 15. CONSOLIDATED VARIABLE INTEREST ENTITY AND NONCONTROLLING INTERESTS

As discussed in Note 1, Orchid completed its IPO on February 20, 2013. Bimini Capital owned 100% of the outstanding common stock of Orchid prior to the IPO, and approximately 29.38% immediately after the IPO. Orchid operates as a mortgage REIT and was formed in order to increase Bimini Capital's assets under management to generate additional revenues to cover operating costs. Orchid entered into a management agreement with Bimini Advisors under which Bimini Advisors will be responsible for administering the business activities and day-to-day operations of Orchid. Bimini Advisors receives a monthly management fee for these services and, commencing as of July 1, 2014, reimbursement for certain overhead expenses. Bimini Capital and Bimini Advisors acted as sponsors of the Orchid IPO and paid approximately $3.0 million of IPO related expenses during the nine months ended September 30, 2013. The Company did not provide any further financial support to Orchid in connection with its IPO.

As discussed in Note 1, Orchid completed additional offerings of its common stock during the nine months ended September 30, 2014. As a result of these offerings, at September 30, 2014 Bimini owned approximately 7.5% of the

outstanding common stock of Orchid.

The table below presents the effects of the transactions above on the changes in equity attributable to Bimini Capital stockholders during the nine months ended September 30, 2014 and 2013.

($ in thousands)

	2014	2013
Net income (loss) attributable to Bimini Capital	$6,046	$(725)
Transfers from the noncontrolling interests		
Increase in Bimini Capital's paid-in capital for the sale of 2,360,000 common shares of Orchid	-	278
Decrease in Bimini Capital's paid-in capital for the sale of 9,682,784 common shares of Orchid		
and the effect of the 24,000 shares of unvested restricted shares of Orchid (see Note 9)	(793)	-
Change from net income (loss) attributable to Bimini Capital and transfers from noncontrolling interest	$5,253	$(447)

The noncontrolling interests reported in the Company's consolidated financial statements represent the portion of equity ownership in Orchid held by stockholders other than Bimini Capital. Noncontrolling interest is presented in the equity section of the consolidated balance sheets, separate from stockholders' equity attributed to Bimini Capital. Net income of Orchid is allocated between the noncontrolling interests and to Bimini Capital in proportion to their relative ownership interests in Orchid.

The following is a roll forward of the noncontrolling interest during the nine months ended September 30, 2014 and 2013.

(in thousands)

	2014	2013
Balance, January 1	$31,615	$-
Issuance of common shares of Orchid Island Capital, Inc.	122,318	35,122
Net income attributed to noncontrolling interest	18,767	(1,235)
Amortization of Orchid Island Capital, Inc. equity plan compensation	41	-
Cash dividends paid to noncontrolling interest	(12,954)	(2,231)
Balance, September 30	$159,787	$31,656

A VIE is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support or (ii) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The primary beneficiary has both the power to direct the activities that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE.

Management has concluded that, after the close of its IPO, Orchid is a VIE because Orchid's equity holders lack the ability through voting rights to make decisions about its activities that have a significant effect on its success. Management has also concluded that Bimini Capital is the primary beneficiary of Orchid because, under the terms of the management agreement, Bimini Capital has the power to direct the activities of Orchid that most significantly impact its economic performance including asset selection, asset and liability management and investment portfolio risk management. As a result, subsequent to Orchid's IPO and through September 30, 2014, the Company continued to consolidate Orchid in its Consolidated Financial Statements. This conclusion will be re-evaluated during subsequent reporting periods as the relationship between Bimini Capital and Orchid changes.

The following table presents the assets and liabilities of Orchid that are reflected on our consolidated balance sheets at September 30, 2014 and December 31, 2013 (excluding intercompany balances).

(in thousands)

	September 30, 2014	December 31, 2013
ASSETS:		
Mortgage-backed securities, at fair value		
Pledged to counterparties	$1,073,816	$335,775
Unpledged	101,716	15,448
Total mortgage-backed securities	1,175,532	351,223
Cash and cash equivalents	55,027	8,169
Restricted cash	7,781	2,446
Accrued interest receivable	5,655	1,559
Derivative assets, at fair value	3,906	-
Receivable for securities sold	249,410	-
Other assets	3,345	179
Total Assets	$1,500,656	$363,576
LIABILITIES:		
Repurchase agreements	$1,255,978	$318,557
Payable for unsettled securities purchased	66,812	-
Accrued interest payable	388	91
Other liabilities	4,388	80
Total Liabilities	$1,327,566	$318,728

The following table summarizes the operating results of Orchid (excluding intercompany transactions) for the nine and three months ended September 30, 2014, the period beginning February 20, 2013 (the date of its IPO) through September 30, 2013 and the three months ended September 30, 2013 which are reflected in our consolidated statements of operations for the nine and three months ended September 30, 2014 and 2013.

(in thousands)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2014	2013(1)	2014	2013
Interest income	$19,658	$6,011	$9,286	$2,551
Interest expense	(1,905)	(753)	(818)	(294)
Net interest income	17,753	5,258	8,468	2,257
Unrealized gains (losses) on mortgage-backed securities	8,720	(8,532)	(1,404)	86
Realized gains (losses) on mortgage-backed securities	1,931	(1,491)	(1,960)	(667)
(Losses) gains on derivative instruments	(4,364)	4,096	3,057	(2,272)
Net portfolio income (loss)	24,040	(669)	8,161	(596)
Expenses:				
Accrued incentive compensation	450	-	225	-
Directors' fees and liability insurance	405	207	165	83
Audit, legal and other professional fees	406	223	160	71
Direct REIT operating expenses	124	111	36	37

Other administrative	183	84	66	31
Total expenses	1,568	625	652	222
Net income (loss)	$22,472	$(1,294)	$7,509	$(818)

(1) Consists of the period beginning February 20, 2013 through September 30, 2013.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the 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 and any subsequent Quarterly Reports on Form 10-Q, our actual results may differ materially from those anticipated in such forward-looking statements.

Overview

As used in this document, references to "Bimini Capital," the parent company, and to or the general management of Bimini Capital's portfolio of MBS refer to Bimini Capital Management, Inc. Through February 19, 2013, Bimini Capital's consolidated financial statements include Orchid Island Capital, Inc. ("Orchid") as a wholly-owned qualified REIT subsidiary. Orchid completed an initial public offering ("IPO") of its common stock effective February 20, 2013. After that date, Orchid continues to be consolidated as a variable interest entity ("VIE") as described below. As used in this document, discussions related to REIT qualifying activities include the MBS portfolios of Bimini Capital and Orchid. References to Bimini Capital's taxable REIT subsidiaries or non-REIT eligible assets refer to Bimini Advisors, Inc. and its wholly-owned subsidiary, Bimini Advisors, LLC (together, "Bimini Advisors") and to MortCo TRS, LLC and its consolidated subsidiaries (collectively, "MortCo"). MortCo, which was previously named Opteum Financial Services, LLC, (referred to as "OFS") was renamed Orchid Island TRS, LLC (referred to as "OITRS") effective July 3, 2007 and then renamed MortCo TRS, LLC effective March 8, 2011. Hereinafter, any historical mention, discussion or references to Opteum Financial Services, LLC, Orchid Island TRS, LLC, OFS or to OITRS (such as in previously filed documents or Exhibits) now means MortCo. References to the "Company" refer to the consolidated entity which is the consolidation of Bimini Capital, Orchid, Bimini Advisors and MortCo.

Bimini Capital was formed in September 2003 to invest primarily in residential mortgage related securities issued by the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Government National Mortgage Association ("Ginnie Mae"). The Company deploys its capital into two core strategies. The two strategies are a levered MBS portfolio and an unlevered structured MBS portfolio. The leverage applied to the MBS portfolio will typically be less than twelve to one. The Company manages its portfolio of agency MBS and structured MBS to generate income derived from the net interest margin of its MBS portfolio, levered predominantly under repurchase agreement funding, net of associated hedging costs, and the interest income derived from its unlevered portfolio of structured MBS. The Company treats its remaining junior subordinated notes as an equity capital equivalent. The Company is self-managed and self-advised and has elected to be taxed as a REIT for U.S. federal income tax purposes.

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;
- the difference between Agency MBS yields and our funding and hedging costs;
- competition for investments in Agency MBS;
- recent actions taken by the Federal Reserve and the U.S. Treasury;
-

prepayment rates on mortgages underlying our Agency MBS, and credit trends insofar as they affect prepayment rates; and

- other 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; and
- the requirements to qualify as a REIT and the requirements to qualify for a registration exemption under the Investment Company Act.

Consolidation of Orchid Island Capital, Inc.

Subsequent to Orchid's IPO and through September 30, 2014, management has concluded that Orchid is a VIE, as defined in generally accepted accounting principles, because Orchid's equity holders lack the ability through voting rights to make decisions about the activities that have a significant effect on the success of Orchid. Management has also concluded that Bimini Capital is the primary beneficiary of Orchid because, under the management agreement between Bimini Advisors and Orchid, Bimini Capital has the power to direct the activities of Orchid that most significantly impact its economic performance. As a result, subsequent to Orchid's IPO and through September 30, 2014, the Company has continued to consolidate Orchid in its Consolidated Financial Statements even though, as of September 30, 2014, Bimini owned 7.5% of the outstanding common stock of Orchid.

The noncontrolling interests reported in the Company's consolidated financial statements represent the portion of equity ownership in Orchid held by stockholders other than Bimini Capital. Noncontrolling interests is presented in the equity section of the consolidated balance sheets, separate from equity attributed to Bimini Capital. Net income of Orchid is allocated between the noncontrolling interests and to Bimini Capital in proportion to their relative ownership interests in Orchid.

The consolidation of Orchid's assets and liabilities with those of Bimini Capital and its wholly-owned subsidiaries gives the appearance of a much larger organization. However, the assets recognized as a result of consolidating Orchid do not represent additional assets that could be used to satisfy claims against Bimini Capital's assets, nor do they represent amounts that are available to be distributed to Bimini Capital's stockholders. Conversely, liabilities recognized as a result of consolidating Orchid do not represent additional claims on Bimini Capital's assets; rather, they represent claims against the assets of Orchid. In addition to the presentation of the Company's consolidated portfolio activities in this section, we have also provided additional discussion related to the portfolio activities of Bimini Capital on its own. We believe that this "parent-only" information along with the consolidated presentation provides useful information about the activities that are relevant to shareholders of Bimini Capital.

Dividends To Stockholders

In order to maintain its qualification as a REIT, Bimini Capital is required (among other provisions) to annually distribute dividends to its stockholders in an amount at least equal to, generally, 90% of Bimini Capital's REIT taxable income. REIT taxable income is a term that describes Bimini Capital's operating results calculated in accordance with rules and regulations promulgated pursuant to the Internal Revenue Code. Beginning with its initial short tax period ended December 31, 2013, Orchid qualified and elected to be taxed as a REIT. As such, the same taxation rules apply separately to Orchid.

REIT taxable income is computed differently from net income as computed in accordance with generally accepted accounting principles ("GAAP net income"), as reported in the Company's accompanying consolidated financial statements. Depending on the number and size of the various items or transactions being accounted for differently, the differences between REIT taxable income and GAAP net income can be substantial and each item can affect several reporting periods. Certain of these items are timing or temporary differences between years; for example, an item that may be a deduction for GAAP net income in the current year may not be a deduction for REIT taxable income until a later year. Others are permanent differences that only impact either GAAP or tax. The most significant differences are as follows: the results of the Company's taxable REIT subsidiaries do not impact REIT taxable income, unrealized gains or losses on the MBS do not impact REIT taxable income, interest income on MBS securities is computed differently for REIT taxable income and GAAP, and for tax reporting purposes Orchid's IPO expenses are considered capital costs.

A REIT may be subject to a federal excise tax if it distributes less than 85% of its REIT taxable income by the end of the calendar year. Accordingly, dividends are based on its REIT taxable income (after considering the possible impact of applying NOLs to the income as described below in "Net Operating Losses"), as determined for federal income tax purposes, as opposed to its net income computed in accordance with GAAP (as reported in the accompanying consolidated financial statements).

During the nine and three months ended September 30, 2014, Bimini Capital made no dividend distributions as a separately reporting tax REIT. All distributions are made at the discretion of the Company's Board of Directors and will depend on the Company's results of operations, financial conditions, maintenance of REIT status, availability of net operating losses and other factors that may be deemed relevant. Bimini Capital continues to evaluate its dividend payment policy. However, as more fully described below, due to net operating losses incurred in prior periods, Bimini Capital is unlikely to declare and pay dividends to stockholders until such net operating losses have been consumed.

Orchid paid its first dividend on March 27, 2013 to stockholders of record as of March 25, 2013 in an amount of $0.135 per share of its common stock. Orchid has also paid dividends each month since then for a total amount of $1.395 per share of its common stock during 2013 and $1.62 during the nine months ended September 30, 2014.

Net Operating Losses

As described above, a REIT may be subject to a federal excise tax if it distributes less than 85% of its REIT taxable income by the end of a calendar year. In calculating the amount of excise tax payable in a given year, if any, Bimini Capital reduces REIT taxable income by distributions made to stockholders in the form of dividends and/or NOL carryforwards from prior years, to the extent any are available. Since income subject to excise tax is REIT taxable income less qualifying dividends and the application of NOLs, if a REIT has sufficient NOLs it could apply such NOLs against its taxable income and avoid excise taxes without paying qualifying dividends to stockholders. Accordingly, if in future periods Bimini Capital has taxable income, it can avoid the obligation to pay excise taxes by applying the approximately $17.1 million of NOLs available as of December 31, 2013 against such taxable income until the NOLs are exhausted in lieu of making distributions to stockholders. Further, Bimini Capital, could avoid the obligation to pay excise taxes through a combination of qualifying dividends and the application of NOLs. In any case, future distributions to stockholders are expected to be less than REIT taxable income until the existing NOLs are consumed.

Results of Operations

Described below are the Company's results of operations for the nine and three months ended September 30, 2014, as compared to the nine and three months ended September 30, 2013.

Net Income (Loss) Summary

Consolidated net income for the nine months ended September 30, 2014 was $6.0 million, or $0.50 basic and diluted income per share of Class A Common Stock, as compared to consolidated net loss of $0.7 million, or $0.07 basic and diluted loss per share of Class A Common Stock, for the nine months ended September 30, 2013.

Consolidated net income for the three months ended September 30, 2014 was $0.3 million, or $0.03 basic and diluted income per share of Class A Common Stock, as compared to consolidated net income of $1.8 million, or $0.16 basic and diluted income per share of Class A Common Stock, for the three months ended September 30, 2013.

-31-

The components of net income (loss) for the nine and three months ended September 30, 2014 and 2013, 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,		
	2014	2013	Change	2014	2013	Change
Net portfolio interest income	$19,202	$5,837	$13,365	$9,149	$2,438	$6,711
Interest expense on junior subordinated notes	(736)	(746)	10	(248)	(251)	3
Gains (losses) on MBS and derivative instruments	7,499	(8,168)	15,667	(225)	(3,004)	2,779
Net portfolio income (loss)	25,965	(3,077)	29,042	8,676	(817)	9,493
Other income	2,600	7,252	(4,652)	173	2,468	(2,295)
Expenses, including income taxes	(3,752)	(6,135)	2,383	(2,273)	(510)	(1,763)
Net income (loss)	24,813	(1,960)	26,773	6,576	1,141	5,435
Income (loss) attributable to noncontrolling interests	18,767	(1,235)	20,002	6,229	(704)	6,933
Net income (loss) attributable to Bimini Capital Management, Inc.	$6,046	$(725)	$6,771	$347	$1,845	$(1,498)

As described below, "Other income (expense)" includes gains on fair value adjustments on retained interests in securitizations. During the nine and three months ended September 30, 2013, "Other income (expense)" also includes approximately $4.7 million and $1.7 million, respectively, for the reversal of reserves related to certain loans MortCo had originated in its prior business.

GAAP and Non-GAAP Reconciliation

To date, the Company has used derivatives, specifically interest rate futures contracts, such as Eurodollar and T-Note futures contracts, and interest rate swaptions, to hedge a portion of the interest rate risk on its repurchase agreements and junior subordinate notes in a rising rate environment. Each interest rate futures contract covers a specific three month period, but the Company typically has many contracts in place at any point in time — usually covering several years in the aggregate. We currently have several interest rate swaption agreements in place, giving us the option to enter into pay fixed swaps covering future periods.

The Company has not elected to designate its derivative holdings for hedge accounting treatment under the Financial Accounting Standards Board, (the "FASB"), Accounting Standards Codification, ("ASC"), Topic 815, Derivatives and Hedging. Changes in fair value of these instruments are presented in a separate line item in the Company's 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. In the future, the Company may use other derivative instruments to hedge its interest expense and/or elect to designate its derivative holdings for hedge accounting treatment.

For the purpose of computing economic net interest income and ratios relating to cost of funds measures, GAAP interest expense has been adjusted to reflect the realized gains or losses on specific derivative instruments that pertain to each period presented. As of September 30, 2014, the Company has Eurodollar futures contracts in place through 2018 and interest rate swaption agreements in place covering periods beginning in 2015 through 2025. Adjusting our

interest expense for the periods presented by the gains or losses on all derivative instruments would not accurately reflect our economic interest expense for these periods.

For each period presented, the Company has combined the effects of the derivative financial instruments in place for the respective period with the actual interest expense incurred on repurchase agreements and junior subordinated notes to reflect total 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.

However, because the Company has not elected hedging treatment under ASC Topic 815, the gains or losses on all of the Company's derivative instruments held during the period are reflected in our statements of operations. This presentation includes gains or losses on all contracts in effect during the reporting period, including those covering both the current period as well as future periods.

The Company believes that economic interest expense and economic net interest income provides meaningful information to consider, in addition to the respective amounts prepared in accordance with GAAP. The non-GAAP measures help the Company to evaluate its financial position and performance without the effects of certain transactions and GAAP adjustments that are not necessarily indicative of its current investment portfolio or operations. The realized and unrealized gains or losses presented in the Company's consolidated statements of operations are not necessarily representative of the total interest rate expense that the Company will ultimately realize. This is because as interest rates move up or down in the future, the gains or losses the Company ultimately realizes, and which will affect the Company's total interest rate expense in future periods, may differ from the unrealized gains or losses recognized as of the reporting date.

The Company's presentation of the economic value of its hedging strategy has important limitations. First, other market participants may calculate economic interest expense and economic net interest income differently than the Company calculates them. Second, while the Company believes 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 the Company's 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 to interest expense shown for each period relative to our derivative instruments, and the income statement line item, gains (losses) on derivative instruments, calculated in accordance with GAAP for the nine months ended September 30, 2014 and 2013 and each quarter during 2014 and 2013.

Gains (Losses) on Derivative Instruments - Recognized in Income Statement (GAAP)

(in thousands)

	Repurchase Agreements	Junior Subordinated Debt	Total
Three Months Ended			
September 30, 2014	$ 3,257	$ 149	$ 3,406
June 30, 2014	(5,757)	(117)	(5,874)
March 31, 2014	(1,693)	(24)	(1,717)
December 31, 2013	729	(38)	691
September 30, 2013	(2,283)	(167)	(2,450)
June 30, 2013	6,841	230	7,071
March 31, 2013	(481)	6	(475)
Nine Months Ended			
September 30, 2014	$ (4,193)	$ 8	$ (4,185)
September 30, 2013	4,077	69	4,146

Gains (Losses) on Derivative Instruments - Attributed to Current Period (Non-GAAP)
(in thousands)

	Repurchase Agreements	Junior Subordinated Debt	Total
Three Months Ended			
September 30, 2014	$(24)	$ (141)	$(165)
June 30, 2014	(3)	(127)	(130)
March 31, 2014	(136)	(109)	(245