BIMINI CAPITAL MANAGEMENT, INC.
Form 10-Q
August 08, 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 June 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	August 8, 2014	12,313,758
Class B Common Stock, $0.001 par value	August 8, 2014	31,938
Class C Common Stock, $0.001 par value	August 8, 2014	31,938

BIMINI CAPITAL MANAGEMENT, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BIMINI CAPITAL MANAGEMENT, INC.
CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 2014	December 31, 2013
ASSETS:		
Mortgage-backed securities, at fair value		
Pledged to counterparties	$907,677,107	$372,102,248
Unpledged	43,963,577	17,238,710
Total mortgage-backed securities	951,640,684	389,340,958
Cash and cash equivalents	37,162,543	11,959,292
Restricted cash	3,992,200	2,557,165
Retained interests in securitizations	3,135,010	2,530,834
Accrued interest receivable	4,089,321	1,720,726
Property and equipment, net	3,643,358	3,663,437
Derivative asset, at fair value	1,199,700	-
Deferred tax assets, net	2,154,025	-
Other assets	2,994,415	2,755,234
Total Assets	$1,010,011,256	$414,527,646
LIABILITIES AND EQUITY		
LIABILITIES:		
Repurchase agreements	$854,026,395	$353,396,075
Junior subordinated notes due to Bimini Capital Trust II	26,804,440	26,804,440
Payable for unsettled security purchased	6,828,538	-
Accrued interest payable	360,506	142,055
Other liabilities	2,338,510	826,660
Total Liabilities	890,358,389	381,169,230
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Preferred stock	-	-
Common stock	12,359	11,574
Additional paid-in capital	334,108,498	334,810,312
Accumulated deficit	(327,379,125)	(333,078,313)
Stockholders’ equity	6,741,732	1,743,573
Noncontrolling interests	112,911,135	31,614,843
Total Equity	119,652,867	33,358,416
Total Liabilities and Equity	$1,010,011,256	$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	$876,004,251	$351,222,512
Cash and cash equivalents and restricted cash	36,868,745	10,615,027
Accrued interest receivable and other assets	5,513,490	1,738,508
LIABILITIES:		
Repurchase agreements	783,700,849	318,557,054
Payable for unsettled securities purchased	6,828,538	-
Accrued interest payable and other liabilities	2,015,928	171,721
See Notes to Consolidated Financial Statements		

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

	Six Months Ended June 30,		Three Months Ended June 30,	
	2014	2013	2014	2013
Interest income	$11,235,494	$4,005,840	$7,119,482	$2,479,678
Interest expense	(1,182,616)	(607,559)	(728,277)	(360,853)
Net interest income, before interest on junior subordinated notes	10,052,878	3,398,281	6,391,205	2,118,825
Interest expense on junior subordinated notes	(488,517)	(495,565)	(245,334)	(248,367)
Net interest income	9,564,361	2,902,716	6,145,871	1,870,458
Unrealized gains (losses) on mortgage-backed securities	11,266,428	(10,885,051)	9,698,117	(10,412,972)
Realized gains (losses) on mortgage-backed securities	4,049,477	(873,987)	2,980,121	(933,940)
(Losses) gains on derivative instruments	(7,590,975)	6,596,069	(5,873,958)	7,071,631
Net portfolio income (deficiency)	17,289,291	(2,260,253)	12,950,151	(2,404,823)
Other income:				
Gains (losses) on retained interests in securitizations	2,446,586	1,755,179	2,252,897	(229,647)
Gains on release of loan loss reserves	-	3,037,260	-	3,037,260
Other expense	(20,253)	(8,716)	(10,125)	(6,237)
Total other income	2,426,333	4,783,723	2,242,772	2,801,376
Expenses:				
Compensation and related benefits	1,357,307	852,971	911,134	421,727
Directors' fees and liability insurance	543,512	390,707	302,950	222,305
Orchid Island Capital, Inc. IPO expenses	-	3,042,333	-	546
Audit, legal and other professional fees	1,088,791	722,942	688,541	366,226
Direct REIT operating expenses	229,316	233,672	114,133	98,767
Other administrative	391,075	342,231	236,354	174,603
Total expenses	3,610,001	5,584,856	2,253,112	1,284,174
Net income (loss) before income tax (benefit) provision	16,105,623	(3,061,386)	12,939,811	(887,621)
Income tax (benefit) provision	(2,131,758)	39,386	25,601	3,386
Net income (loss)	18,237,381	(3,100,772)	12,914,210	(891,007)
Less: Income (loss) attributable to noncontrolling interests	12,538,193	(530,963)	9,584,234	(1,091,947)
Net Income (Loss) attributable to Bimini Capital stockholders	$5,699,188	$(2,569,809)	$3,329,976	$200,940
Basic and Diluted Net Income (Loss) Per Share of:				
CLASS A COMMON STOCK				
Basic and Diluted	$0.47	$(0.24)	$0.27	$0.02
CLASS B COMMON STOCK				

Basic and Diluted	$0.47	$(0.24)	$0.27	$0.02
Weighted Average Shares Outstanding:				
CLASS A COMMON STOCK				
Basic and Diluted	12,071,977	10,626,491	12,294,879	10,984,756
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 Six Months Ended June 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	-	-	5,699,188	12,538,193	18,237,381
Issuance of common shares of Orchid Island Capital, Inc.	-	(1,004,447)	-	76,120,369	75,115,922
Cash dividends paid to noncontrolling interests	-	-	-	(7,378,350)	(7,378,350)
Issuance of Class A common shares for equity plan exercises	527	204,891	-	-	205,418
Amortization of equity plan compensation	-	-	-	16,080	16,080
Class A common shares sold directly to employees	258	97,742	-	-	98,000
Balances, June 30, 2014	$12,359	$334,108,498	$(327,379,125)	$112,911,135	$119,652,867

See Notes to Consolidated Financial Statements

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

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$18,237,381	$(3,100,772)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Stock based compensation and equity plan amortization	221,498	40,744
Depreciation	54,629	60,545
Deferred income tax benefit	(2,154,025)	-
(Gains) losses on mortgage-backed securities	(15,315,905)	11,759,038
Gains on retained interests in securitizations	(2,446,586)	(1,755,179)
Gains on release of loan loss reserves	-	(3,037,260)
Realized and unrealized losses on interest rate swaptions	1,285,300	-
Changes in operating assets and liabilities:		
Accrued interest receivable	(2,368,595)	(867,636)
Other assets	(239,673)	308,535
Accrued interest payable	218,451	(22,028)
Other liabilities	245,850	(124,413)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(2,261,675)	3,261,574
CASH FLOWS FROM INVESTING ACTIVITIES:		
From mortgage-backed securities investments:		
Purchases	(1,003,577,756)	(460,089,739)
Sales	434,601,973	214,734,292
Principal repayments	28,820,992	20,974,437
Payments received on retained interests in securitizations	1,842,410	1,628,594
Increase in restricted cash	(1,435,035)	(8,470,313)
Purchases of property and equipment	(34,550)	(10,940)
Purchase of interest rate swaptions, net of margin cash received	(1,219,000)	-
NET CASH USED IN INVESTING ACTIVITIES	(541,000,966)	(231,233,669)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from repurchase agreements	3,523,211,129	1,972,626,965
Principal repayments on repurchase agreements	(3,022,580,809)	(1,776,723,801)
Issuance of common shares of Orchid Island Capital, Inc.	75,115,922	35,400,000
Cash dividends paid to noncontrolling interests	(7,378,350)	(1,274,399)
Class A common shares sold directly to employees	98,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	568,465,892	230,028,765
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,203,251	2,056,670
CASH AND CASH EQUIVALENTS, beginning of the period	11,959,292	6,592,561
CASH AND CASH EQUIVALENTS, end of the period	$37,162,543	$8,649,231
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		

Cash paid during the period for:		
Interest	$1,452,682	$1,125,152
Income taxes	$22,267	$39,386
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY:		
Security acquired settled in later period	$6,828,538	$-

See Notes to Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 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 June 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.

ASC 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 June 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 June 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 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 year ended December 31, 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 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 will begin 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 June 30, 2014, the Company had cash and cash equivalents of approximately $37.2 million, an MBS portfolio of approximately $951.6 million and equity capital base of approximately $119.7 million, including approximately $6.7 million attributable to the stockholders of Bimini Capital and $112.9 million attributable to noncontrolling interests. The Company generated cash flows of approximately $37.7 million from principal and interest payments on its MBS portfolio and approximately $1.8 million from retained interests in securitizations during the six months

ended June 30, 2014. However, if cash resources are, at any time, insufficient to satisfy the Company's liquidity requirements, such as when cash flow 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 six and three month periods ended June 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 swaption, retained interests and asset valuation allowances.

Statement of Comprehensive Income (Loss)

In accordance with FASB 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. Restricted cash of approximately $3,992,000 and approximately $2,557,000 at June 30, 2014 and December 31, 2013, respectively, represents cash held by a broker as margin on Eurodollar futures contracts.

The Company maintains cash balances at three 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 up to $250,000 per depositor at each financial institution. At June 30, 2014, the Company's cash deposits exceeded federally insured limits by approximately $36.1 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 FASB ASC Topic 820, Fair Value Measurement. The definition of fair value in FASB 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 the average of third-party broker quotes received and/or independent pricing sources 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. 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.

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 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. FASB 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

FASB 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 futures contracts, interest rate swaptions, retained interests in securitization transactions and mortgage loans held for sale 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, other assets, repurchase agreements, payable for unsettled securities purchased, accrued interest payable and other liabilities generally approximates their carrying value as of June 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 FASB 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 FASB 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 ending 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 June 30, 2014, management believes that the Company has complied with 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, 2010 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 FASB ASC 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.

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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 a material 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 a material 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 revise 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 a material 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 ("ASU 2013-04"). 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 June 30, 2014 and December 31, 2013:

(in thousands)

	June 30, 2014	December 31, 2013
Pass-Through MBS:		
Hybrid Adjustable-rate Mortgages	$75,734	$90,487
Adjustable-rate Mortgages	4,650	5,334
Fixed-rate Mortgages	820,831	267,481
Total Pass-Through MBS	901,215	363,302
Structured MBS:		
Interest-Only Securities	39,608	20,443
Inverse Interest-Only Securities	10,818	5,596
Total Structured MBS	50,426	26,039
Total	$951,641	$389,341

Included in the table above at June 30, 2014 are $876.0 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 June 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)

	June 30, 2014	December 31, 2013
Less than one year	$16	$46
Greater than five years and less than ten years	1,134	1,520
Greater than or equal to ten years	950,491	387,775
Total	$951,641	$389,341

The Company generally pledges its MBS assets as collateral under repurchase agreements. At June 30, 2014 and December 31, 2013, the Company had unpledged securities totaling $44.0 million and $17.2 million, respectively. The unpledged balance at June 30, 2014 includes an unsettled security purchase with a fair value of approximately $6.8 million that will be pledged as collateral under a repurchase agreement on its respective settlement date in July 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 June 30, 2014 and December 31, 2013:

(in thousands)

Series	Issue Date	June 30, 2014	December 31, 2013
HMAC 2004-1	March 4, 2004	$19	$-
HMAC 2004-2	May 10, 2004	589	-

HMAC 2004-3	June 30, 2004	977	1,518
HMAC 2004-4	August 16, 2004	1,192	654
HMAC 2004-5	September 28, 2004	358	359
Total		$3,135	$2,531

NOTE 4. REPURCHASE AGREEMENTS

As of June 30, 2014, the Company had outstanding repurchase agreement obligations of approximately $854.0 million with a net weighted average borrowing rate of 0.35%. These agreements were collateralized by MBS with a fair value, including accrued interest, of approximately $911.1 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 June 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
June 30, 2014					
Fair value of securities pledged, including accrued interest receivable	$ -	$643,035	$262,977	$5,052	$911,064
Repurchase agreement liabilities associated with these securities	$ -	$605,018	$244,279	$4,729	$854,026
Net weighted average borrowing rate	-	0.35 %	0.34 %	0.38 %	0.35 %
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 June 30, 2014, the outstanding repurchase obligations of the consolidated VIE included in the table above was $783.7 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, and cash posted by the Company as collateral, if any. At June 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 $56.7 million and $19.9 million, respectively. At June 30, 2014, the Company did not have an amount at risk with any repurchase agreement counterparty greater than 10% of the Company's equity. Summary information regarding amounts at risk with individual counterparties greater than 10% of equity at December 31, 2013 is as follows:

($ in thousands)

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

At June 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 $4.2 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 June 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)
June 30, 2014			
ED&F Man Capital Markets Inc.	$1,520	22.5 %	65
JVB Financial Group, LLC	788	11.7 %	11
Suntrust Robinson Humphrey, Inc.	776	11.5 %	28
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 by entering into derivatives, such as Eurodollar futures contracts and an interest rate swaption. 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. Eurodollar 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 sheet as part of restricted cash.

During the six months ended June 30, 2014, the Company was a party to interest rate swaption agreements. At June 30, 2014, the Company had one outstanding swaption agreement which grants the Company the right but not the obligation to enter into an 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 June 30, 2014 and December 31, 2013.

(in thousands)

Derivative Instruments and Related Accounts	Balance Sheet Location	June 30, 2014	December 31, 2013
Assets			

Eurodollar futures - Margin posted to counterparty	Restricted cash	$3,992	$2,557
Payer swaption	Derivative assets, at fair value	1,200	-
		$5,192	$2,557
Liability			
Payer swaption - Margin posted by counterparty	Other liabilities	$(1,266)	$-

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

($ in thousands)

Eurodollar Futures Positions (Consolidated)

As of June 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	0.65	%	$580,000	$(795)	0.63	%	$26,000	$(222)
2016	1.54	%	586,500	150	1.58	%	26,000	(50)
2017	2.46	%	430,000	192	2.46	%	26,000	(7)
2018	2.97	%	420,000	(457)	2.92	%	26,000	(3)
Total / Weighted Average	1.71	%	$509,733	$(910)	1.75	%	$26,000	$(282)

($ 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)

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

($ in thousands)

Eurodollar Futures Positions (Parent-Only)

	Repurchase Agreement Funding Hedges							
	June 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	0.63	%	$30,000	$(5)	-		$-	$-
2016	1.60	%	36,500	(9)	-		-	-
2017	2.46	%	30,000	(10)	-		-	-
2018	2.92	%	30,000	(5)	-		-	-
Total / Weighted Average	1.75	%	$31,857	$(29)	-		$-	$-

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($ in thousands)

	Eurodollar Futures Positions (Parent-Only) Junior Subordinated Debt Funding Hedges							
	June 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	0.63	%	26,000	(222)	0.80	%	26,000	(176)
2016	1.58	%	26,000	(50)	1.74	%	26,000	9
2017	2.46	%	26,000	(7)	-		-	-
2018	2.92	%	26,000	(3)	-		-	-
Total / Weighted Average	1.75	%	$26,000	$(282)	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 position at June 30, 2014.

($ in thousands)

	Option			Underlying Swap			
Expiration	Cost	Fair Value	Months to Expiration	Notional Amount	Fixed Pay Rate	Receive Rate (LIBOR)	Term (Years)
≤ 1 year	$1,520	$1,200	11.5	$100,000	2.38%	3 Month	5

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 six and three months ended June 30, 2014 and 2013.

(in thousands)

	Consolidated		Parent-Only	
Six Months Ended June 30,	2014	2013	2014	2013
Eurodollar futures contracts (short positions)	$(6,306)	$6,596	$(170)	$228
Payer swaptions	(1,285)	-	-	-
	$(7,591)	$6,596	$(170)	$228

(in thousands)

	Consolidated		Parent-Only	
Three Months Ended June 30,	2014	2013	2014	2013
Eurodollar futures contracts (short positions)	$(4,745)	$7,071	$(146)	$220
Payer swaptions	(1,129)	-	-	-
	$(5,874)	$7,071	$(146)	$220

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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 June 30, 2014 and December 31, 2013.

(in thousands)

	Offsetting of Assets					
				Gross Amount Not Offset in the Balance Sheet		
	Gross Amount of Recognized Assets	Gross Amount Offset in the Balance Sheet	Net Amount of Assets Presented in the Balance Sheet	Financial Instruments Received as Collateral	Cash Received as Collateral	Net Amount
June 30, 2014						
Derivative asset - Payer swaption	$1,200	$-	$1,200	$-	$(1,200)	$-
December 31, 2013						
Derivative asset	$-	$-	$-	$-	$-	$-

(in thousands)

	Offsetting of Liabilities					
				Gross Amount Not Offset in the Balance Sheet		
	Gross Amount of Recognized	Gross Amount Offset in the	Net Amount of Liabilities Presented in the	Financial Instruments Posted as	Cash Posted	Net

	Liabilities	Balance Sheet	Balance Sheet	Collateral	Collateral	Amount
June 30, 2014						
Repurchase Agreements	$854,026	$-	$854,026	$(854,026)	$-	$-
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 June 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 June 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 June 30, 2014 and December 31, 2013, Bimini Capital's capital stock is comprised of the following:

	June 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 June 30, 2014 and December 31, 2013	$ -$	-
Class A Common Stock, $0.001 par value; 98,000,000 shares designated: 12,295,182 shares issued and outstanding as of June 30, 2014 and 11,509,756 shares issued and outstanding as of December 31, 2013	12,295	11,510
Class B Common Stock, $0.001 par value; 1,000,000 shares designated, 31,938 shares issued and outstanding as of June 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 June 30, 2014 and December 31, 2013	32	32

Issuances of Common Stock

The table below presents information related to the Company's Class A Common Stock issued during the six and three months ended June 30, 2014 and 2013.

	Six Months Ended June 30,		Three Months Ended June 30,	
Shares Issued Related To:	2014	2013	2014	2013
Directors' compensation	27,531	-	27,531	-
Vesting incentive plan shares(1)	500,000	16,204	-	-
Shares sold directly to employees(1)	257,895	-	-	-
Total shares of Class A Common Stock issued	785,426	16,204	27,531	-

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

There were no issuances of the Company's Class B Common Stock and Class C Common Stock during the six and three months ended June 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 interest 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.

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.

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 $41,000 and $20,000 for the six and three months ended June 30, 2013, respectively. During the six months ended June 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's phantom share activity during six months ended June 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	-	-
Vested during the period	(500,000)	0.38	(16,204)	0.97
Nonvested, at June 30	-	$-	351,640	$1.12

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 do not affect the results of operations for the six and three months ended June 30, 2014.

A summary of Orchid's incentive share activity during the six months ended June 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	26,944	12.32	-
Vested during the period	(2,944)	13.06	-
Restricted common stock, at June 30, 2014	24,000	$12.23	2.8 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 June 2014, the non-employee directors also received a total of 2,944 shares 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 $55,000 for both the six and three months ended June 30, 2014.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Outstanding Litigation

The Company is involved in various lawsuits and claims, both actual and potential, 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 is inherently unpredictable. 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 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, 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 Capital 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 Capital 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 are currently briefing summary judgment motions. A trial date for the action has not yet been scheduled. Bimini Capital 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 an estimated REIT tax net operating loss carryforward ("NOL carryforwards" or "NOLs") of approximately $17.9 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 six months ended June 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 six and three months ended June 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 June 30, 2014 estimated federal and Florida NOL carryforwards of approximately $2.3 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 June 30, 2014 total approximately $2.2 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, the Company 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 six months ended June 30, 2014 the Company 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 $2.2 million related to the release of the valuation allowance.

As of June 30, 2014, MortCo has estimated federal NOL carryforwards of approximately $264.9 million and estimated available Florida NOLs of approximately $37.5 million, both of which 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 June 30, 2014 are approximately $95.3 million. As of June 30, 2014 and December 31, 2013, the Company 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 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 June 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 June 30, 2014 and 2013.

Bimini Capital had dividend eligible stock incentive plan shares that were outstanding during the six and three months ended June 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 six and three months ended June 30, 2014 and 2013.

(in thousands, except per-share information)

	Six Months Ended June 30,		Three Months Ended June 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	$5,684	$(2,562)	$3,321	$200
Weighted average common shares:				
Class A common shares outstanding at the balance sheet date	12,295	10,633	12,295	10,633
Unvested dividend-eligible stock incentive plan shares outstanding at the balance sheet date	-	-	-	352
Effect of weighting	(223)	(7)	-	-
Weighted average shares-basic and diluted	12,072	10,626	12,295	10,985
Income (loss) per Class A common share:				
Basic and diluted	$0.47	$(0.24)	$0.27	$0.02

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(in thousands, except per-share information)

	Six Months Ended June 30,		Three Months Ended June 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	$15	$(8)	$9	$1
Weighted average common shares:				
Class B common shares outstanding at the balance sheet date	32	32	32	32
Weighted average shares-basic and diluted	32	32	32	32
Income (loss) per Class B common share:				
Basic and diluted	$0.47	$(0.24)	$0.27	$0.02

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 the average of third-party broker quotes and/or by independent pricing sources 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 swaption were recorded at fair value on a recurring basis during the six and three months ended June 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 June 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)
June 30, 2014				
Mortgage-backed securities	$ 951,641	$-	$951,641	$ -
Eurodollar futures contracts	3,992	3,992	-	-
Retained interests	3,135	-	-	3,135
Payer swaption	1,200	-	1,200	-
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 six months ended June 30, 2014 and 2013:

(in thousands)

	Retained Interests	
	2014	2013
Balances, January 1	$2,531	$3,336
Gain included in earnings	2,447	1,755
Collections	(1,843)	(1,628)
Balances, June 30	$3,135	$3,463

During the six months ended June 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 June 30, 2014.

Retained interests fair value (in thousands)		$	3,135
		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%	23.80% - 45.70% (34.50%)	Next 10 Months
Loans in Foreclosure	100%	23.80% - 45.70% (34.50%)	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% - 4.25%	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	9.4 - 16.3 (10.7)	27.50% (27.50%)
Discounted Cash Flows	Discounted Cash Flow	0.5 - 15.6 (1.0)	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 $52,000 and $67,000 for the six months ended June 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 six months ended June 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 six months ended June 30, 2014. As a result of these offerings, at June 30, 2014 Bimini owns approximately 10.2% 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 six months ended June 30, 2014 and 2013.

($ in thousands)

	2014	2013
Net income (loss) attributable to Bimini Capital	$ 5,699	$ (2,570)
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 6,290,443 common shares of Orchid and the effect of the 24,000 shares of unvested restricted shares of Orchid (see Note 9)	(1,004)	-
Change from net income (loss) attributable to Bimini Capital and transfers from noncontrolling interest	$ 4,695	$ (2,292)

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 six months ended June 30, 2014 and 2013.

(in thousands)

	2014	2013
Balance, January 1	$31,615	$-
Issuance of common shares of Orchid Island Capital, Inc.	76,120	35,122
Net income attributed to noncontrolling interest	12,538	(531)
Amortization of Orchid Island Capital, Inc. equity plan compensation	16	-
Cash dividends paid to noncontrolling interest	(7,378)	(1,275)
Balance, June 30	$112,911	$33,316

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 June 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 June 30, 2014 and December 31, 2013 (excluding intercompany balances).

(in thousands)

	June 30, 2014	December 31, 2013
ASSETS:		
Mortgage-backed securities, at fair value		
Pledged to counterparties	$833,384	$335,775
Unpledged	42,620	15,448
Total mortgage-backed securities	876,004	351,223
Cash and cash equivalents	33,285	8,169
Restricted cash	3,584	2,446
Accrued interest receivable	3,798	1,559
Derivative asset, at fair value	1,200	-
Other assets	515	179
Total Assets	$918,386	$363,576
LIABILITIES:		
Repurchase agreements	$783,701	$318,557
Payable for unsettled security purchased	6,829	-
Accrued interest payable	308	91
Other liabilities	1,708	80
Total Liabilities	$792,546	$318,728

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

(in thousands)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2014	2013(1)	2014	2013
Interest income	$10,372	$3,460	$6,589	$2,429
Interest expense	(1,087)	(459)	(676)	(322)
Net interest income	9,285	3,001	5,913	2,107
Unrealized gains (losses) on mortgage-backed securities	10,124	(8,618)	8,584	(9,130)
Realized gains (losses) on mortgage-backed securities	3,891	(824)	2,980	(923)
(Losses) gains on derivative financial instruments	(7,421)	6,368	(5,728)	6,852
Net portfolio income (deficiency)	15,879	(73)	11,749	(1,094)
Expenses:				
Accrued incentive compensation	225	-	225	-
Directors' fees and liability insurance	240	124	156	83
Audit, legal and other professional fees	245	152	172	106
Direct REIT operating expenses	88	74	44	36
Other administrative	118	53	88	41

Total expenses	916	403	685	266
Net income (loss)	$14,963	$(476)	$11,064	$(1,360)

(1) Consists of the period beginning February 20, 2013 through June 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 Bimini Advisors, LLC (together, "Bimini Advisors") and to MortCo TRS, LLC ("MortCo") and its consolidated subsidiaries. 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, MortCo and MortCo's consolidated subsidiaries.

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 as of June 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 June 30, 2014, the Company has continued to consolidate Orchid in its Consolidated Financial Statements even though, as of June 30, 2014, Bimini owned 10.2% 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 expects to qualify and elect 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. Generally, 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. 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 six and three months ended June 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 declared a special dividend in December 2009 and a regular dividend in each of the six quarters thereafter. 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 $1.08 during the six months ended June 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 estimated $17.9 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 six and three months ended June 30, 2014, as compared to the six and three months ended June 30, 2013.

Net Income (Loss) Summary

Consolidated net income for the six months ended June 30, 2014 was $5.7 million, or $0.47 basic and diluted income per share of Class A Common Stock, as compared to consolidated net loss of $2.6 million, or $0.24 basic and diluted loss per share of Class A Common Stock, for the six months ended June 30, 2013.

Consolidated net income for the three months ended June 30, 2014 was $3.3 million, or $0.27 basic and diluted income per share of Class A Common Stock, as compared to consolidated net income of $0.2 million, or $0.02 basic and diluted income per share of Class A Common Stock, for the three months ended June 30, 2013.

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The components of net income (loss) for the six and three months ended June 30, 2014 and 2013, along with the changes in those components are presented in the table below:

(in thousands)

	Six Months Ended June 30,			Three Months Ended June 30,		
	2014	2013	Change	2014	2013	Change
Net portfolio interest income	$10,053	$3,398	$6,655	$6,391	$2,119	$4,272
Interest expense on junior subordinated notes	(489)	(496)	7	(245)	(248)	3
Gains (losses) on MBS and derivative instruments	7,725	(5,162)	12,887	6,804	(4,275)	11,079
Net portfolio income (deficiency)	17,289	(2,260)	19,549	12,950	(2,404)	15,354
Other income	2,426	4,784	(2,358)	2,243	2,801	(558)
Expenses, including income taxes	(1,478)	(5,625)	4,147	(2,279)	(1,288)	(991)
Net income (loss)	18,237	(3,101)	21,338	12,914	(891)	13,805
Income (loss) attributable to noncontrolling interests	12,538	(531)	13,069	9,584	(1,092)	10,676
Net income (loss) attributable to Bimini Capital Management, Inc.	$5,699	$(2,570)	$8,269	$3,330	$201	$3,129

As described below, “other income” includes gains on fair value adjustments on retained interests in securitizations. During the six and three months ended June 30, 2013, “other income” also includes approximately $3.0 million 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 Eurodollar futures contracts and an interest rate swaption, to hedge the interest rate risk on its repurchase agreements and junior subordinate notes in a rising rate environment. Each Eurodollar 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 one interest rate swaption agreement in place, giving us the option to enter into a swap 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 June 30, 2014, the Company has Eurodollar futures contracts in place through 2018, and one interest rate swaption agreement in place covering periods beginning in 2015 through 2020. 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, under ASC 815, because the Company has not elected hedging treatment, 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 six months ended June 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			
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)
Six Months Ended			
June 30, 2014	$(7,450)	$ (141)	$(7,591)
June 30, 2013	6,360	236	6,596

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

(in thousands)

	Repurchase Agreements	Junior Subordinated Debt	Total
Three Months Ended			
June 30, 2014	$(3)	$ (127)	$(130)
March 31, 2014	(136)	(109)	(245)
December 31, 2013	(153)	(94)	(247)
September 30, 2013	(121)	(79)	(200)
June 30, 2013	(79)	(105)	(184)
March 31, 2013	(121)	(101)	(222)
Six Months Ended			
June 30, 2014	$(139)	$ (236)	$(375)
June 30, 2013	(200)	(206)	(406)

Gains (Losses) on Derivative Instruments - Attributed to Future Periods (Non-GAAP)

(in thousands)

	Repurchase Agreements	Junior Subordinated Debt	Total
Three Months Ended			
June 30, 2014	$(5,754)	$ 10	$(5,744)
March 31, 2014	(1,557)	85	(1,472)
December 31, 2013	882	56	938
September 30, 2013	(2,162)	(88)	(2,250)
June 30, 2013	6,920	335	7,255
March 31, 2013	(360)	107	(253)
Six Months Ended			
June 30, 2014	$(7,311)	$ 95	$(7,216)
June 30, 2013	6,560	442	7,002

Economic Net Portfolio Interest Income

(in thousands)

		Interest Expense on Repurchase Agreements			Net Portfolio Interest Income	
	Interest Income	GAAP Basis	Effect of Non-GAAP Hedges(1)	Economic Basis(2)	GAAP Basis	Economic Basis(3)
Three Months Ended						
June 30, 2014	$7,119	$728	$3	$731	$6,391	$6,388
March 31, 2014	4,116	454	136	590	3,662	3,526
December 31, 2013	3,021	343	153	496	2,678	2,525
September 30, 2013	2,768	329	121	450	2,439	2,318
June 30, 2013	2,480	361	79	440	2,119	2,040
March 31, 2013	1,526	247	121	368	1,279	1,158
Six Months Ended						

June 30, 2014	$11,235	$1,182	$139	$1,321	$10,053	$9,914
June 30, 2013	4,006	608	200	808	3,398	3,198

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

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

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

Economic Net Interest Income

(in thousands)

	Net Portfolio Interest Income		Interest Expense on Junior Subordinated Notes			Net Interest Income	
	GAAP Basis	Economic Basis(1)	GAAP Basis	Effect of Non-GAAP Hedges(2)	Economic Basis(3)	GAAP Basis	Economic Basis(4)
Three Months Ended							
June 30, 2014	$6,391	$6,388	$245	$(127)	$372	$6,146	$6,016
March 31, 2014	3,662	3,526	243	(109)	352	3,419	3,174
December 31, 2013	2,678	2,525	249	(94)	343	2,429	2,182
September 30, 2013	2,439	2,318	251	(80)	331	2,188	1,987
June 30, 2013	2,119	2,040	248	(105)	353	1,871	1,687
March 31, 2013	1,279	1,158	247	(101)	348	1,032	810
Six Months Ended							
June 30, 2014	$10,053	$9,914	$488	$(236)	$724	$9,565	$9,190
June 30, 2013	3,398	3,198	495	(206)	701	2,903	2,497

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

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

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

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

Net Portfolio Income

During the six months ended June 30, 2014, the Company generated $10.1 million of net portfolio interest income, consisting of $11.2 million of interest income from MBS assets offset by $1.2 million of interest expense on repurchase liabilities. For the comparable period ended June 30, 2013, the Company generated $3.4 million of net portfolio interest income, consisting of $4.0 million of interest income from MBS assets offset by $0.6 million of interest expense on repurchase liabilities. The $7.2 million increase in interest income and $0.6 million increase in interest expense for the six months ended June 30, 2014 primarily reflects the deployment of the proceeds from Orchid's 2014 common stock offerings into the MBS portfolio on a leveraged basis.

The Company's economic interest expense on repurchase liabilities for the six months ended June 30, 2014 and 2013 was $1.3 million and $0.8 million, respectively, resulting in $9.9 million and $3.2 million of economic net portfolio interest income, respectively.

During the six months ended June 30, 2014, Bimini Capital generated $0.8 million of net portfolio interest income, consisting of $0.9 million of interest income from MBS assets offset by $0.1 million of interest expense on repurchase liabilities. For the comparable period ended June 30, 2013, Bimini Capital generated $0.1 million of net portfolio interest income, consisting of $0.2 million of interest income from MBS assets offset by $0.1 million of interest expense on repurchase liabilities.

During the three months ended June 30, 2014, the Company generated $6.4 million of net portfolio interest income, consisting of $7.1 million of interest income from MBS assets offset by $0.7 million of interest expense on repurchase

liabilities. For the three months ended June 30, 2013, the Company generated $2.1 million of net portfolio interest income, consisting of $2.5 million of interest income from MBS assets offset by $0.4 million of interest expense on repurchase liabilities. The deployment of the proceeds from Orchid's common stock offerings in 2014 on a leveraged basis was the main driver for the increase in both interest income and interest expense for the three months ended June 30, 2014 compared to the same period in 2013.

The Company's economic interest expense on repurchase liabilities for the three months ended June 30, 2014 and 2013 was $0.7 million and $0.4 million, respectively, resulting in $6.4 million and $2.0 million of economic net portfolio interest income, respectively.

During the three months ended June 30, 2014, Bimini Capital generated $0.48 million of net portfolio interest income, consisting of $0.53 million of interest income from MBS assets offset by $0.05 million of interest expense on repurchase liabilities. For the three months ended June 30, 2013, Bimini Capital generated $0.01 million of net portfolio interest income, consisting of $0.05 million of interest income from MBS assets offset by $0.04 million of interest expense on repurchase liabilities.

The tables below provide consolidated information on our portfolio average balances, interest income, yield on assets, average repurchase agreement balances, interest expense, cost of funds, net interest income and net interest rate spread for the six months ended June 30, 2014 and 2013 and each quarter in 2014 and 2013 on both a GAAP and economic basis.

($ in thousands)

	Average MBS Securities Held(1)	Interest Income(2)	Yield on Average MBS Securities	Average Repurchase Agreements(1)	Interest Expense		Average Cost of Funds	
					GAAP Basis	Economic Basis(2)	GAAP Basis	Economic Basis(3)
Three Months Ended								
June 30, 2014	$882,591	$7,119	3.23 %	$ 783,323	$728	$731	0.37 %	0.37 %
March 31, 2014	601,441	4,116	2.74 %	533,008	454	590	0.34 %	0.44 %
December 31, 2013	380,341	3,021	3.18 %	345,068	343	496	0.40 %	0.57 %
September 30, 2013	375,950	2,768	2.94 %	341,468	329	450	0.39 %	0.53 %
June 30, 2013	392,429	2,480	2.53 %	350,714	361	440	0.41 %	0.50 %
March 31, 2013	286,226	1,526	2.13 %	252,763	247	368	0.39 %	0.58 %
Six Months Ended								
June 30, 2014	$742,016	$11,235	3.03 %	$ 658,165	$1,182	$1,321	0.36 %	0.40 %
June 30, 2013	339,327	4,006	2.36 %	301,738	608	808	0.40 %	0.54 %

($ in thousands)

	Net Portfolio Interest Income		Net Portfolio Interest Spread	
	GAAP Basis	Economic Basis(2)	GAAP Basis	Economic Basis(4)
Three Months Ended				
June 30, 2014	$6,391	$6,388	2.86 %	2.86 %
March 31, 2014	3,662	3,526	2.40 %	2.30 %
December 31, 2013	2,678	2,525	2.78 %	2.61 %
September 30, 2013	2,438	2,317	2.55 %	2.41 %
June 30, 2013	2,119	2,040	2.12 %	2.03 %
March 31, 2013	1,279	1,158	1.74 %	1.55 %
Six Months Ended				
June 30, 2014	$10,053	$9,914	2.67 %	2.63 %
June 30, 2013	3,398	3,198	1.96 %	1.82 %

(1)

Portfolio yields and costs of borrowings presented in the table above and the tables on pages 37 and 39 are calculated based on the average balances of the underlying investment portfolio/repurchase agreement balances and are annualized for the periods presented. Average balances for quarterly periods are calculated using two data points, the beginning and ending balances.

(2) Economic interest expense and economic net interest income presented in the tables above and the tables on page 39 include the effect of derivative instrument hedges for only the period presented.

(3) Represents interest cost of our borrowings and the effect of derivative instrument hedges attributed to the period related to hedging activities divided by Average MBS Held.

(4) Economic Net Interest Spread is calculated by subtracting Average Economic Cost of Funds from Yield on Average MBS Securities.

Interest Income and Average Earning Asset Yield

Interest income for the Company was $11.2 million for the six months ended June 30, 2014 and $4.0 million for the six months ended June 30, 2013. Average MBS holdings were $742.0 million and $339.3 million for the six months ended June 30, 2014 and 2013, respectively. The $7.2 million increase in interest income was due to a $402.7 million increase in average MBS holdings, combined with a 67 basis point increase in yields. The increase in average MBS during the six months ended June 30, 2014 reflects the deployment of the proceeds of Orchid's common stock offerings during 2014 on a leveraged basis.

Interest income for Bimini Capital was $0.9 million for the six months ended June 30, 2014 and $0.2 million for the six months ended June 30, 2013. Average MBS holdings were $61.3 million and $45.6 million for the six months ended June 30, 2014 and 2013, respectively. The $0.7 million increase in interest income was due to a combination of a 210 basis point increase in yields and a $15.8 million increase in average MBS holdings.

Interest income for the Company was $7.1 million for the three months ended June 30, 2014 and $2.5 million for the three months ended June 30, 2013. Average MBS holdings were $882.6 million and $392.4 million for the three months ended June 30, 2014 and 2013, respectively. The $4.6 million increase in interest income was due to a $490.2 million increase in average MBS holdings, combined with a 70 basis point increase in yields. The increase in average MBS during the three months ended June 30, 2014 reflects the deployment of the proceeds of Orchid's 2014 common stock offerings, on a leveraged basis.

Interest income for Bimini Capital was $0.53 million for the three months ended June 30, 2014 and $0.05 million for the three months ended June 30, 2013. Average MBS holdings were $70.7 million and $42.7 million for the three months ended June 30, 2014 and 2013, respectively. The $0.48 million increase in interest income was due to a combination of a 252 basis point increase in yields and a $28.0 million increase in average MBS holdings.

The table below presents the consolidated average portfolio size, income and yields of our respective sub-portfolios, consisting of structured MBS and pass-through MBS ("PT MBS").

($ in thousands)

	Average MBS Held			Interest Income			Realized Yield on Average MBS		
	PT MBS	Structured MBS	Total	PT MBS	Structured MBS	Total	PT MBS	Structured MBS	Total
Three Months Ended									
June 30, 2014	$833,497	$ 49,094	$882,591	$8,303	$ (1,184)	$7,119	3.98%	(9.64)%	3.23%
March 31, 2014	564,540	36,901	601,441	4,852	(736)	4,116	3.44%	(7.97)%	2.74%
December 31, 2013	355,868	24,473	380,341	3,011	10	3,021	3.38%	0.16%	3.18%
September 30, 2013	352,252	23,698	375,950	2,704	64	2,768	3.07%	1.07%	2.94%
June 30, 2013	366,862	25,567	392,429	2,805	(325)	2,480	3.06%	(5.09)%	2.53%
March 31, 2013	268,024	18,202	286,226	1,714	(188)	1,526	2.56%	(4.13)%	2.13%

Six Months Ended										
June 30, 2014	$699,018	$ 42,998	$742,016	$13,155	$ (1,920)	$11,235	3.76 %	(8.93)%	3.03 %	
June 30, 2013	317,443	21,884	339,327	4,519	(513)	4,006	2.85 %	(4.69)%	2.36 %	

Interest Expense on Repurchase Agreements and the Cost of Funds

Average outstanding repurchase agreements for the Company were $658.2 million and $301.7 million, generating interest expense of $1.2 million and $0.6 million for the six months ended June 30, 2014 and 2013, respectively. Our average cost of funds was 0.36% and 0.40% for six months ended June 30, 2014 and 2013, respectively. There was a 4 basis point decrease in the average cost of funds and a $356.4 million increase in average outstanding repurchase agreements during the six months ended June 30, 2014 as compared to the six months ended June 30, 2013. The increase in average outstanding repurchase agreements, and the corresponding increase in interest expense, reflects the leveraging by Orchid of the proceeds from its common stock offerings during 2014.

The Company's economic interest expense was $1.3 million and $0.8 million for the six months ended June 30, 2014 and 2013, respectively. There was a 14 basis point decrease in the average economic cost of funds to 0.40% for the six months ended June 30, 2014 from 0.54% for the six months ended June 30, 2013. The absolute increase in economic interest expense was primarily due to the increase in average outstanding repurchase agreements during the six months ended June 30, 2014, while the decrease in economic interest expense in percentage terms was primarily due to the effect of derivative instruments.

Average outstanding repurchase agreements for Bimini Capital were $57.0 million and total interest expense was $0.1 million for the six months ended June 30, 2014. During the six months ended June 30, 2013, average outstanding repurchase agreements for Bimini Capital were $40.3 million and total interest expense was $0.1 million. Bimini Capital's average cost of funds was 0.34% and 0.42% for the six months ended June 30, 2014 and 2013, respectively.

Bimini Capital's economic interest expense was $0.2 million and $0.2 million for the six months ended June 30, 2014 and 2013, respectively. There was a 36 basis point decrease in the average economic cost of funds to 0.71% for the six months ended June 30, 2014 from 1.07% for the six months ended June 30, 2013.

Average outstanding repurchase agreements for the Company were $783.3 million and $350.7 million, generating interest expense of $0.7 million and $0.4 million for the three months ended June 30, 2014 and 2013, respectively. Our average cost of funds was 0.37% and 0.41% for three months ended June 30, 2014 and 2013, respectively. There was a 4 basis point decrease in the average cost of funds and a $432.6 million increase in average outstanding repurchase agreements during the three months ended June 30, 2014 as compared to the three months ended June 30, 2013. The increase in average outstanding repurchase agreements, and the corresponding increase in interest expense, reflects the leveraging by Orchid of the proceeds from its common stock offerings during 2014.

The Company's economic interest expense was $0.7 million and $0.4 million for the three months ended June 30, 2014 and 2013, respectively. There was a 13 basis point decrease in the average economic cost of funds to 0.37% for the three months ended June 30, 2014 from 0.50% for the three months ended June 30, 2013. The absolute increase in economic interest expense was primarily due to the increase in average outstanding repurchase agreements during the three months ended June 30, 2014, while the decrease in economic interest expense in percentage terms was primarily due to the effect of derivative instruments.

Average outstanding repurchase agreements for Bimini Capital were $65.8 million and total interest expense was $0.05 million for the three months ended June 30, 2014. During the three months ended June 30, 2013, average outstanding repurchase agreements for Bimini Capital were $38.1 million and total interest expense was $0.04 million. Bimini Capital's average cost of funds was 0.32% and 0.41% for the three months ended June 30, 2014 and 2013, respectively.

Bimini Capital's economic interest expense was $0.05 million and $0.11 million for the three months ended June 30, 2014 and 2013, respectively. There was a 88 basis point decrease in the average economic cost of funds to 0.32% for the three months ended June 30, 2014 from 1.20% for the three months ended June 30, 2013.

Because all of our repurchase agreements are short-term, changes in market rates directly affect our interest expense. The Company's average cost of funds calculated on a GAAP basis was 22 basis points above the average one-month LIBOR and 4 basis points above the average six-month LIBOR for the quarter ended June 30, 2014. The Company's average economic cost of funds was 22 basis points above the average one-month LIBOR and 4 basis points above the average six-month LIBOR for the quarter ended June 30, 2014. The average term to maturity of the outstanding repurchase agreements increased from 15 days at December 31, 2013 to 27 days at June 30, 2014.

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The tables below present the consolidated average outstanding balances under our repurchase agreements, interest expense and average economic cost of funds, and average one-month and six-month LIBOR rates for the six months ended June 30, 2014 and 2013 and each quarter in 2014 and 2013 on both a GAAP and economic basis.

($ in thousands)

	Average Balance of Repurchase Agreements	Interest Expense		Average Cost of Funds	
		GAAP Basis	Economic Basis	GAAP Basis	Economic Basis
Three Months Ended					
June 30, 2014	$783,323	$728	$731	0.37 %	0.37 %
March 31, 2014	533,008	454	590	0.34 %	0.44 %
December 31, 2013	345,068	343	496	0.40 %	0.57 %
September 30, 2013	341,468	329	450	0.39 %	0.53 %
June 30, 2013	350,714	361	440	0.41 %	0.50 %
March 31, 2013	252,763	247	368	0.39 %	0.58 %
Six Months Ended					
June 30, 2014	$658,165	$1,182	$1,321	0.36 %	0.40 %
June 30, 2013	301,738	608	808	0.40 %	0.54 %

	Average LIBOR		Average GAAP Cost of Funds Relative to Average		Average Economic Cost of Funds Relative to Average	
	One-Month	Six-Month	One-Month LIBOR	Six-Month LIBOR	One-Month LIBOR	Six-Month LIBOR
Three Months Ended						
June 30, 2014	0.15 %	0.33 %	0.22 %	0.04 %	0.22 %	0.04 %
March 31, 2014	0.16 %	0.34 %	0.18 %	0.00 %	0.28 %	0.10 %
December 31, 2013	0.17 %	0.36 %	0.23 %	0.04 %	0.40 %	0.21 %
September 30, 2013	0.19 %	0.40 %	0.20 %	(0.01)%	0.34 %	0.13 %
June 30, 2013	0.20 %	0.43 %	0.21 %	(0.02)%	0.30 %	0.07 %
March 31, 2013	0.21 %	0.48 %	0.18 %	(0.09)%	0.37 %	0.10 %
Six Months Ended						
June 30, 2014	0.16 %	0.33 %	0.20 %	0.03 %	0.24 %	0.07 %
June 30, 2013	0.20 %	0.46 %	0.20 %	(0.06)%	0.34 %	0.08 %

Junior Subordinated Notes

Interest expense on the Company's junior subordinated debt securities was $0.49 million for the six months ended June 30, 2014 compared to $0.50 million for the comparable period in 2013. The average rate of interest paid for the six months ended June 30, 2014 was 3.74% compared to 3.79% for the comparable period in 2013.

Interest expense on the Company's junior subordinated debt securities was $0.25 million for the three months ended June 30, 2014 compared to $0.25 million for the comparable period in 2013. The average rate of interest paid for the three months ended June 30, 2014 was 3.73% compared to 3.78% for the comparable period in 2013.

The junior subordinated debt securities pay interest at a floating rate. The rate is adjusted quarterly and set at a spread of 3.50% over the prevailing three-month LIBOR rate on the determination date. As of June 30, 2014, the interest rate

was 3.73%.

Gains or Losses and Other Income

The table below presents the Company's gains or losses for the six and three months ended June 30, 2014 and 2013.

(in thousands)

	Six Months Ended June 30,			Three Months Ended June 30,		
	2014	2013	Change	2014	2013	Change
Realized gains (losses) on sales of MBS	$4,049	$(874)	$4,923	$2,980	$(934)	$3,914
Unrealized gains (losses) on MBS	11,266	(10,885)	22,151	9,698	(10,413)	20,111
Total gains (losses) on MBS	15,315	(11,759)	27,074	12,678	(11,347)	24,025
(Losses) gains on Eurodollar futures	(6,306)	6,596	(12,902)	(4,745)	7,072	(11,817)
Gains on retained interests	2,447	1,755	692	2,253	(230)	2,483
Loss on payer swaptions	(1,285)	-	(1,285)	(1,129)	-	(1,129)
Gains on release of loan loss reserves	-	3,037	(3,037)	-	3,037	(3,037)

We invest in MBS with the intent to earn net income from the realized yield on those assets over their related funding and hedging costs, and not for purposes of making short term gains from sales. However, we have sold, and may continue to sell, existing assets to acquire new assets, which our management believes might have higher risk-adjusted returns in light of current or anticipated interest rates, federal government programs or general economic conditions or to manage our balance sheet as part of our asset/liability management strategy. During the six and three months ended June 30, 2014, the Company received proceeds of $434.6 million and $279.5 million, respectively, from the sales of MBS compared to $214.7 million and $146.5 million, for the six and three months ended June 30, 2013, respectively.

The increase in sales volume reflects the repositioning of our portfolio following Orchid's equity offerings in 2014. The net realized gains (losses) on MBS for the six and three months ended June 30, 2014 and 2013 were the result of sales executed to replace securities that no longer offered attractive risk adjusted returns with those that did. Gains (losses) on Eurodollar futures contracts are a result of lower (higher) short term and intermediate term rates and the resulting impact on implied forward rates during the six and three months ended June 30, 2014 and 2013. The table below presents historical interest rate data for each quarter end during 2014 and 2013.

Three Months Ended,	10 Year Treasury Rate(1)	15 Year Fixed-Rate Mortgage Rate(2)	30 Year Fixed-Rate Mortgage Rate(2)	Three Month Libor(3)
June 30, 2014	2.52 %	3.27 %	4.16 %	0.23 %
March 31, 2014	2.72 %	3.36 %	4.34 %	0.23 %
December 31, 2013	3.03 %	3.48 %	4.46 %	0.24 %
September 30, 2013	2.62 %	3.52 %	4.49 %	0.25 %
June 30, 2013	2.48 %	3.17 %	4.07 %	0.27 %
March 31, 2013	1.85 %	2.76 %	3.57 %	0.28 %

(1) Historical 10 Year Treasury Rates are obtained from quoted end of day prices on the CBOE.

(2)

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

(3) Historical LIBOR are obtained from the Intercontinental Exchange Benchmark Administration Ltd.

The retained interests in securitizations represent the residual net interest spread remaining after payments on the notes issued through the securitization. Fluctuations in value of retained interests are primarily driven by projections of future interest rates (the forward LIBOR curve), the discount rate used to determine the present value of the residual cash flows and prepayment and loss estimates on the underlying mortgage loans. During the six and three months ended June 30, 2014, the Company recorded gains on retained interests of $2.4 million and $2.3 million, respectively, compared to gains (losses) of $1.8 million and ($0.2) million, respectively, for the six and three months ended June 30, 2013.

Operating Expenses

For the six and three months ended June 30, 2014, the Company's total operating expenses were approximately $3.6 million and $2.3 million, respectively, compared to approximately $5.6 million and $1.3 million for the six and three months ended June 30, 2013, repsectively. The table below presents a breakdown of operating expenses for the six and three months ended June 30, 2014 and 2013.

(in thousands)

	Six Months Ended June 30,			Three Months Ended June 30,		
	2014	2013	Change	2014	2013	Change
Compensation and benefits	$1,357	$853	$504	$911	$422	$489
Legal fees	624	263	361	445	176	269
Accounting, auditing and other professional fees	465	460	5	244	190	54
Directors' fees and liability insurance	544	391	153	303	222	81
Direct REIT operating expenses	229	234	(5)	114	99	15
Other G&A expenses	391	342	49	236	174	62
Orchid Island Capital, Inc. IPO expenses(1)	-	3,042	(3,042)	-	1	(1)
	$3,610	$5,585	$(1,975)	$2,253	$1,284	$969

(1) Consists of underwriting, legal and other costs associated with the Orchid IPO, which was completed on February 20, 2013. Bimini Capital and Bimini Advisors acted as the sponsor of the offering by paying all such expenses.

Financial Condition:

Mortgage-Backed Securities

As of June 30, 2014, the Company's MBS portfolio consisted of $951.6 million of agency or government MBS at fair value and had a weighted average coupon of 4.17%. During the six months ended June 30, 2014, the Company received principal repayments of $28.8 million compared to $21.0 million for the comparable period ended June 30, 2013. The average prepayment speeds for the quarters ended June 30, 2014 and 2013 were 8.6% and 19.5%, respectively.

The following table presents the constant prepayment rate ("CPR") experienced on the Company's structured and PT MBS sub-portfolios, on an annualized basis, for the quarterly periods presented. Assets that were not owned for the entire period have been excluded from the calculation. The exclusion of certain assets during periods of high trading activity can create a very high, and often volatile, reliance on a small sample of underlying loans.

Three Months Ended	PT MBS Portfolio (%)	Structured MBS Portfolio (%)	Total Portfolio (%)
June 30, 2014	4.1	17.0	8.6
March 31, 2014	3.9	16.0	9.8
December 31, 2013	5.1	19.2	11.0
September 30, 2013	7.1	30.1	15.1

June 30, 2013	7.2	33.0	19.5
March 31, 2013	12.7	32.6	23.9

The following tables summarize certain characteristics of the Company's PT MBS and structured MBS as of June 30, 2014 and December 31, 2013:

($ in thousands)

Asset Category	Fair Value	Percentage of Entire Portfolio	Weighted Average Coupon	Weighted Average Maturity in Months	Longest Maturity	Weighted Average Coupon Reset in Months	Weighted Average Lifetime Cap	Weighted Average Periodic Cap
June 30, 2014								
Adjustable Rate MBS	$ 4,650	0.5%	4.11%	239	1-Sep-35	0.51	10.16%	2.00%
Fixed Rate MBS	820,831	86.3%	4.29%	313	1-Jun-44	NA	NA	NA
Hybrid Adjustable Rate MBS	75,734	8.0%	2.56%	344	1-Aug-43	103.04	7.57%	1.99%
Total PT MBS	901,215	94.8%	4.14%	315	1-Jun-44	97.1	7.72%	1.99%
Interest-Only Securities	39,608	4.1%	4.38%	276	25-Jan-43	NA	NA	NA
Inverse Interest-Only Securities	10,818	1.1%	6.03%	306	15-Dec-40	NA	6.18%	NA
Total Structured MBS	50,426	5.2%	4.73%	282	25-Jan-43	NA	NA	NA
Total Mortgage Assets	$ 951,641	100.0%	4.17%	314	1-Jun-44	NA	NA	NA
December 31, 2013								
Adjustable Rate MBS	$ 5,334	1.4%	3.92%	247	1-Sep-35	3.77	10.13%	2.00%
Fixed Rate MBS	267,481	68.7%	3.99%	314	1-Dec-43	NA	NA	NA
Hybrid Adjustable Rate MBS	90,487	23.2%	2.61%	349	1-Aug-43	108.23	7.61%	1.99%
Total PT MBS	363,302	93.3%	3.65%	322	1-Dec-43	102.41	7.75%	1.99%
Interest-Only Securities	20,443	5.3%	4.36%	262	25-Nov-40	NA	NA	NA
Inverse Interest-Only Securities	5,596	1.4%	5.91%	316	15-Dec-40	NA	6.07%	NA
Total Structured MBS	26,039	6.7%	4.69%	274	15-Dec-40	NA	NA	NA
Total Mortgage Assets	$ 389,341	100.0%	3.72%	318	1-Dec-43	NA	NA	NA

($ in thousands)

	June 30, 2014		December 31, 2013	
Agency	Fair Value	Percentage of Entire Portfolio	Fair Value	Percentage of Entire Portfolio
Fannie Mae	$577,576	60.69 %	$236,660	60.78 %
Freddie Mac	362,966	38.14 %	133,689	34.34 %
Ginnie Mae	11,099	1.17 %	18,992	4.88 %
Total Portfolio	$951,641	100.00 %	$389,341	100.00 %

	June 30, 2014	December 31, 2013
Weighted Average Pass Through Purchase Price	$106.83	$105.64
Weighted Average Structured Purchase Price	$9.38	$7.52
Weighted Average Pass Through Current Price	$107.67	$102.71

Weighted Average Structured Current Price	$12.8	$12.15
Effective Duration (1)	2.834	4.116

(1) Effective duration is the approximate percentage change in price for a 100 basis point change in rates. An effective duration of 2.834 indicates that an interest rate increase of 1.0% would be expected to cause a 2.834% decrease in the value of the MBS in the Company's investment portfolio at June 30, 2014. An effective duration of 4.116 indicates that an interest rate increase of 1.0% would be expected to cause a 4.116% decrease in the value of the MBS in the Company's investment portfolio at December 31, 2013. These figures include the structured securities in the portfolio but do include the effect of the Company's funding cost hedges. Effective duration quotes for individual investments are obtained from The Yield Book, Inc.

The following table presents a summary of the Company's portfolio assets acquired during the six months ended June 30, 2014 and 2013.

($ in thousands)

	2014				2013			
	Total Cost	Average Price	Weighted Average Yield		Total Cost	Average Price	Weighted Average Yield	
PT MBS	$978,252	$107.50	3.07	%	$435,754	$104.81	2.14	%
Structured MBS	32,155	14.65	(5.02	)%	24,336	15.37	0.54	%

The Company's portfolio of PT MBS is typically comprised of adjustable-rate MBS, fixed-rate MBS and hybrid adjustable-rate MBS. The Company generally seeks to acquire low duration assets that offer high levels of protection from mortgage prepayments provided they are reasonably priced by the market. Although the duration of an individual asset can change as a result of changes in interest rates, the Company strives to maintain a hedged PT MBS portfolio with an effective duration of less than 2.0. The stated contractual final maturity of the mortgage loans underlying the Company's portfolio of PT MBS generally ranges up to 30 years. However, the effect of prepayments of the underlying mortgage loans tends to shorten the resulting cash flows from the Company's investments substantially. Prepayments occur for various reasons, including refinancing of underlying mortgages and loan payoffs in connection with home sales.

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

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

The Company faces the risk that the market value of its PT MBS assets will increase or decrease at different rates than that of its structured MBS or liabilities, including its hedging instruments. Accordingly, the Company assesses its interest rate risk by estimating the duration of its assets and the duration of its liabilities. The Company generally calculates duration and effective duration using various third party models or obtains these quotes from third parties. However, empirical results and various third party models may produce different duration numbers for the same securities.

The following sensitivity analysis shows the estimated impact on the fair value of our interest rate-sensitive investments and hedge positions as of June 30, 2014, assuming rates instantaneously fall 100 basis points ("bps"), rise 100 bps and rise 200 bps, adjusted to reflect the impact of convexity, which is the measure of the sensitivity of our hedge positions and Agency MBS' effective duration to movements in interest rates.

($ in thousands)

		$ Change in Fair Value			% Change in Fair Value		
MBS Portfolio	Fair Value	-100BPS	+100BPS	+200BPS	-100BPS	+100BPS	+200BPS
Adjustable Rate MBS	$4,650	$7	$(27)	$(52)	0.15%	(0.57)%	(1.13)%
Hybrid Adjustable Rate MBS	75,734	2,932	(4,369)	(8,957)	3.87%	(5.77)%	(11.83)%
Fixed Rate MBS	820,831	23,643	(44,917)	(93,808)	2.88%	(5.47)%	(11.43)%
Interest-Only MBS	39,608	(12,685)	12,783	18,210	(32.03)%	32.28%	45.98%
Inverse Interest-Only MBS	10,818	(1,377)	(256)	(2,094)	(12.73)%	(2.36)%	(19.36)%
Total MBS Portfolio	$951,641	$12,520	$(36,786)	$(86,701)	1.32%	(3.87)%	(9.11)%

($ in thousands)

		$ Change in Fair Value			% Change in Fair Value		
	Notional Amount(1)	-100BPS	+100BPS	+200BPS	-100BPS	+100BPS	+200BPS
Eurodollar Futures Contracts							
Repurchase Agreement Hedges	$ 7,646,000	$ (15,673)	$ 19,115	$ 38,230	(0.83)%	1.02%	2.03%
Junior Subordinated Debt Hedges	364,000	(750)	910	1,820	(0.84)%	1.02%	2.04%
	$ 8,010,000	$ (16,423)	$ 20,025	$ 40,050	(0.83)%	1.02%	2.03%
Payer Swaption Repurchase Agreement Hedges	$ 100,000	$ (982)	$ 3,214	$ 7,823	(0.98)%	3.21%	7.82%

(1) Represents the total cumulative contract/notional amount of Eurodollar futures contracts and payer swaption outstanding.

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

and adverse to the Company's stockholders.

Repurchase Agreements

As of June 30, 2014, the Company had established borrowing facilities in the repurchase agreement market with 16 counterparties which we believe provide borrowing capacity in excess of our needs. None of these lenders are affiliated with the Company. As of June 30, 2014, we had funding in place with all 14 of the counterparties. These borrowings are secured by the Company's MBS and bear interest rates that are based on a spread to LIBOR.

As of June 30, 2014, the Company had obligations outstanding under the repurchase agreements of approximately $854.0 million with a net weighted average borrowing cost of 0.35%. The remaining maturity of the Company's outstanding repurchase agreement obligations ranged from 2 to 95 days, with a weighted average maturity of 27 days. Securing the repurchase agreement obligation as of June 30, 2014 are MBS with an estimated fair value, including accrued interest, of $911.1 million and a weighted average maturity of 316 months. Through August 8, 2014, the Company has been able to maintain its repurchase facilities with comparable terms to those that existed at June 30, 2014 with maturities through February 2, 2015.

The table below presents information about our period-end and average repurchase agreement obligations for each quarter in 2014 and 2013.

($ in thousands)

Three Months Ended	Ending Balance of Repurchase Agreements	Average Balance of Repurchase Agreements	Difference Between Ending Repurchase Agreements and Average Repurchase Agreements		
			Amount	Percent	
June 30, 2014	$ 854,026	$ 783,323	$ 70,703	9.03	%
March 31, 2014	712,620	533,008	179,612	33.70	%(1)
December 31, 2013	353,396	345,068	8,328	2.41	%
September 30, 2013	336,739	341,468	(4,729)	(1.38)	)%
June 30, 2013	346,197	350,714	(4,517)	(1.29)	)%
March 31, 2013	355,231	252,763	102,468	40.54	%(2)

(1) The higher ending balance relative to the average balance during the quarter ended March 31, 2014 reflects the deployment of the proceeds, on a leveraged basis, of Orchid's January and March 2014 equity offerings. During the quarter ended March 31, 2014, the Company's investment in PT RMBS increased $402.5 million.

(2) The higher ending balance relative to the average balance during the quarter ended March 31, 2013 reflects the deployment of the proceeds, on a leveraged basis, of Orchid's IPO. During the quarter ended March 31, 2013, the Company's investment in PT RMBS increased $219.3 million.

Liquidity and Capital Resources

Liquidity is our ability to turn non-cash assets into cash, purchase additional investments, repay principal and interest on borrowings, fund overhead, fulfill margin calls and pay dividends. Our principal immediate sources of liquidity include cash balances, unencumbered assets and borrowings under repurchase agreements. Our borrowing capacity will vary over time as the market value of our interest earning assets varies. Our balance sheet also generates liquidity on an on-going basis through payments of principal and interest we receive on our MBS portfolio, and from cash flows received from the retained interests and the collection of servicing advances. Management believes that we currently have sufficient liquidity and capital resources available for (a) the acquisition of additional investments consistent with the size and nature of our existing MBS portfolio, (b) the repayments on borrowings and (c) the payment of overhead and operating expenses.

Because our PT MBS portfolio consists entirely of government and agency securities, we do not anticipate having difficulty converting our assets to cash should our liquidity needs ever exceed our immediately available sources of cash. Our structured MBS portfolio also consists entirely of governmental agency securities, although they typically do not trade with comparable bid / ask spreads as PT MBS. However, we anticipate that we would be able to liquidate such securities readily, even in distressed markets, although we would likely do so at prices below where such securities could be sold in a more stable market. To enhance our liquidity even further, we may pledge a portion of our structured MBS as part of a repurchase agreement funding but retain the cash in lieu of acquiring additional assets. In this way, we can, at a modest cost, retain higher levels of cash on hand and decrease the likelihood we will have to sell assets in a distressed market in order to raise cash.

The Company's master repurchase agreements have no stated expiration, but can be terminated at any time at the Company's option or at the option of the counterparty. However, once a definitive repurchase agreement under a master repurchase agreement has been entered into, it generally may not be terminated by either party. A negotiated termination can occur, but may involve a fee to be paid by the party seeking to terminate the repurchase agreement transaction.

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

As discussed above, the Company invests a portion of its capital in structured MBS. We do not fund the purchase of these investments in the repurchase market but instead purchase them directly, thus reducing – but not eliminating - the Company's reliance on access to repurchase agreement funding. The leverage inherent in the structured securities replaces the leverage obtained by acquiring PT securities and funding them in the repurchase market. This structured MBS strategy has been a core element of the Company's overall investment strategy since 2008. However, we have and may continue to pledge a portion of our structured MBS in order to raise our cash levels, but will not pledge these securities in order to acquire additional assets.

In an effort to increase assets under management and generate additional revenues needed to cover operating costs, Bimini Capital and Bimini Advisors acted as the sponsor of the initial public offering of common stock for Orchid, which closed on February 20, 2013. Bimini Advisors paid all of the underwriting, legal and other costs incurred in connection with the offering. Bimini Advisors did so in anticipation of receiving fees from Orchid for acting as its manager as well as the ability to share certain overhead expenses. To the extent Orchid is able to increase its capital base over time, Bimini Advisors will benefit via increased management fees. The independent members of the Orchid Board of Directors have the ability to terminate the management agreement and thus end the ability of Bimini Advisors to collect management fees and share overhead costs. However, if Orchid were to terminate the management agreement without cause, Orchid would be required to pay a termination fee to Bimini Advisors.

In the coming periods, we expect to continue to finance our activities in a manner that is consistent with our operations via repurchase agreements. As of June 30, 2014, the Company had cash and cash equivalents of $37.2 million. We generated cash flows of $37.7 million from principal and interest payments on our MBS portfolio and $1.8 million from retained interests and had average repurchase agreements outstanding of $658.2 million during the six months ended June 30, 2014.

The table below summarizes the effect on our liquidity and cash flows from certain future contractual obligations as of June 30, 2014.

(in thousands)

	Obligations Maturing				
	Within One Year	One to Three Years	Three to Five Years	More than Five Years	Total
Repurchase agreements	$854,026	$-	$-	$-	$854,026
Interest expense on repurchase agreements(1)	535	-	-	-	535
Junior subordinated notes(2)	-	-	-	26,000	26,000
Interest expense on junior subordinated notes(1)	1,024	1,970	1,967	16,198	21,159
Payable for unsettled security purchased	6,829	-	-	-	6,829
Totals	$862,414	$1,970	$1,967	$42,198	$908,549

(1) Interest expense on repurchase agreements and junior subordinated notes are based on current interest rates as of June 30, 2014 and the remaining term of liabilities existing at that date.
(2) The Company holds a common equity interest in Bimini Capital Trust II. The amount presented represents the net cash outlay of the Company.

Outlook

Bimini Capital

Prior to 2008, MortCo incurred significant losses in the operation of a mortgage loan origination business. Bimini Capital materially downsized its investment portfolio to raise cash to fund the MortCo operations, leaving Bimini Capital with a significantly smaller capital base. This smaller capital base makes it difficult to generate sufficient net interest income to cover expenses. Since MortCo terminated its operations in 2007, Bimini Capital has taken several significant steps designed to increase its probability of generating profits going forward, including a re-structuring of the portfolio, reducing expenses, retiring debt, and settling various litigation matters. In general, Bimini Capital still needed to increase its capital base, and/or create alternative sources of revenues, to ensure the generation of profits over the long-term. However, primarily because of litigation arising out of MortCo's prior mortgage business, raising capital directly into Bimini Capital was not possible.

Orchid Island Capital Inc.

On October 22, 2012, Orchid filed a Form S-11 Registration Statement with the Securities and Exchange Commission related to a proposed IPO of its common equity. The Registration Statement was declared effective on February 14, 2013 and Orchid closed on its IPO of common stock on February 20, 2013. Bimini Capital and Bimini Advisors acted as the sponsor of the offering by paying for the underwriting, legal and other costs associated with the offering. During the year ended December 31, 2013, the Company incurred costs related to this offering of approximately $3.0 million. On an economic basis, Bimini Capital and Bimini Advisors incurred these costs in anticipation of receiving fees from Orchid for acting as its manager as well as the ability to share certain overhead expenses. The economic benefit of the management fees and the expense reduction will be recorded to the extent they are realized over time. Bimini Capital believes it will ultimately recover the expenses associated with the Orchid public offering; however, the time frame for this recovery will extend into future periods. To the extent Orchid is able to increase its capital base over time, Bimini Capital will benefit via increased management fees.

During the six months ended June 30, 2014, Orchid completed several additional offerings of its common stock. As of March 31, 2014, Orchid reached $100 million of stockholders equity for the first time. As a result, pursuant to the management agreement between Bimini Advisors and Orchid, Bimini Advisors will begin to allocate certain overhead costs to Orchid on a pro rata basis commencing on July 1, 2014. As a stockholder of Orchid, Bimini will also continue to share in distributions, if any, paid by Orchid to its stockholders.

The independent Board of Directors of Orchid has the ability to terminate the management agreement and thus end the ability of the Bimini Advisors and Bimini Capital to collect management fees and share overhead costs. However, if Orchid were to terminate the management agreement without cause, Orchid would be required to pay a termination fee to Bimini Advisors.

Tax Matters

For the year ended December 31, 2013, Bimini Capital generated a REIT taxable loss. As more fully described in footnote 11 to the accompanying consolidated financial statements, REIT taxable income or loss generated by qualifying REIT activities is computed in accordance with the Internal Revenue Code, which is different from the Company's financial statement income or loss as computed in accordance with GAAP. In addition, Bimini Capital had REIT tax NOL carryforwards of approximately $17.9 million as of December 31, 2013 which are immediately available to offset future REIT taxable income.

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The Company has used the term "REIT taxable income" throughout this document as being the amount available for distribution to its stockholders before any NOLs are applied, and before any distributions. In arriving at income that could be subjected to taxation at the REIT entity level for a given year, dividends paid in the current year and any NOLs carried-over from prior periods are deducted (in that order) from current period income first. NOLs expire 20 years from the year they are incurred. Since Bimini Capital currently has NOLs from prior periods available to offset income in 2014 and in future periods, Bimini Capital has the option, but not the obligation, to apply such NOLs against REIT taxable income. As a result, Bimini Capital could have income in 2014 and in future years, but not make distributions to stockholders. This would occur if Bimini Capital had sufficient NOLs available to entirely offset the REIT income earned in a given year and chose to apply such NOLs. Bimini Capital could also apply available NOLs against a portion of future period earnings and reduce the distributions to stockholders. Bimini Capital is unlikely to declare and pay dividends to stockholders until existing NOLs have been consumed.

Regulatory Developments with Respect to Fannie Mae and Freddie Mac and the Dodd-Frank Act

In response to the credit market disruption and the deteriorating financial conditions of Fannie Mae and Freddie Mac, Congress and the U.S. Treasury undertook a series of actions that culminated with putting Fannie Mae and Freddie Mac in conservatorship in September 2008. The Federal Housing Finance Agency ("FHFA") now operates Fannie Mae and Freddie Mac as conservator, in an effort to stabilize the entities. The FHFA also noted that during the conservatorship period, it would work to enact new regulations for minimum capital standards, prudent safety and soundness standards and portfolio limits of Fannie Mae and Freddie Mac.

Although the U.S. Government has committed significant resources to Fannie Mae and Freddie Mac, Agency MBS guaranteed by either Fannie Mae or Freddie Mac are not backed by the full faith and credit of the United States. Moreover, the Secretary of the U.S. Treasury noted that the guarantee structure of Fannie Mae and Freddie Mac requires examination and that changes in the structures of the entities were necessary to reduce risk to the financial system. Such changes may involve an explicit U.S. Government backing of Fannie Mae and Freddie Mac Agency MBS or the express elimination of any implied U.S. Government guarantee and, therefore, creation of credit risk with respect to Fannie Mae and Freddie Mac Agency MBS. Additionally, on February 11, 2011, the U.S. Treasury issued a White Paper titled "Reforming America's Housing Finance Market" that lays out, among other things, proposals to limit or potentially wind down the role that Fannie Mae and Freddie Mac play in the mortgage market.

On October 4, 2012, the FHFA released a white paper entitled Building a New Infrastructure for the Secondary Mortgage Market (the "FHFA White Paper"). This release follows up on the FHFA's February 21, 2012 Strategic Plan for Enterprise Conservatorships, which set forth three goals for the next phase of the Fannie Mae and Freddie Mac conservatorships. These three goals are to (i) build a new infrastructure for the secondary mortgage market, (ii) gradually contract Fannie Mae and Freddie Mac's presence in the marketplace while simplifying and shrinking their operations, and (iii) maintain foreclosure prevention activities and credit availability for new and refinanced mortgages. The FHFA White Paper proposes a new infrastructure for Fannie Mae and Freddie Mac that has two basic goals.

The first such goal is to replace the current, outdated infrastructures of Fannie Mae and Freddie Mac with a common, more efficient infrastructure that aligns the standards and practices of the two entities, beginning with core functions performed by both entities such as issuance, master servicing, bond administration, collateral management and data integration. The second goal is to establish an operating framework for Fannie Mae and Freddie Mac that is consistent with the progress of housing finance reform and encourages and accommodates the increased participation of private capital in assuming credit risk associated with the secondary mortgage market. The FHFA recognizes that there are a number of impediments to their goals which may or may not be surmountable, such as the absence of any significant secondary mortgage market mechanisms beyond Fannie Mae, Freddie Mac and Ginnie Mae, and that their proposals

are in the formative stages. As a result, it is unclear if the proposals will be enacted. If such proposals are enacted, it is unclear how closely the enactment would resemble the proposals from the FHFA White Paper or what the effects of the enactment will be. As the economy has recovered, home prices have increased off the low levels seen in the aftermath of the financial crisis and a significant portion of the shadow inventory of homes that resulted from foreclosures has been worked off. The combination of recovering home prices, attractive financing levels and decreased liquidations of homes via foreclosures have resulted in an acceleration in refinancing activity.

On June 25, 2013, Senators Bob Corker (R-TN) and Mark Warner (D-VA), with Senators Mike Johanns (R-NE), Jon Tester (D-MT), Dean Heller (R-NV), Heidi Heitkamp (D-ND), Jerry Moran (R-KS) and Kay Hagan (D-NC), formally introduced the Housing Finance Reform and Taxpayer Protection Act of 2013 (the "Corker-Warner Bill") into the U.S. Senate. While the current draft of the Corker-Warner Bill will likely undergo significant changes as it is debated, it is expected to serve as a basis of discussion for congressional efforts to reform Fannie Mae and Freddie Mac.

As currently drafted, the Corker-Warner Bill has three key provisions:

i. the establishment of the Federal Mortgage Insurance Corporation (the "FMIC");
ii. the creation of a Mortgage Insurance Fund (the "Fund"); and
iii. the wind-down of Fannie Mae and Freddie Mac.

The FMIC would be a government guarantor modeled after the Federal Deposit Insurance Corporation (the "FDIC") in that it would collect insurance premiums and maintain a deposit fund on all outstanding obligations. Every mortgage-backed security issued through the FMIC would have a private investor bearing the first risk of loss and holding at least $0.10 in equity capital for every dollar of risk. This private capital buffer would serve to protect taxpayers from the risk of default on the mortgages underlying securities issued by the FMIC. Thus, the ultimate purpose of the FMIC would be to bring in credit investors to bear the risk of default while providing liquidity, transparency and access to mortgage credit for the housing finance system.

The FHFA would be abolished after the establishment of the FMIC, and all current responsibilities of the FHFA, as well as its resources, would be transferred to the FMIC. In particular, the Corker-Warner Bill specifies that the FMIC would maintain a database of uniform loan-level information on eligible mortgages, develop standard uniform securitization agreements and oversee the common securitization platform currently being developed by the FHFA.

In the event losses due to default on underlying mortgages exceed the first position losses of private credit investors in securities issued by the FMIC, the FMIC would cover such losses out of the Fund. The Corker-Warner Bill specifies that the FMIC would endeavor to attain a reserve balance of 1.25% of the aggregate outstanding principal balance of covered securities within five years of the establishment of the FMIC and 2.50% of such amount within ten years of the establishment of the FMIC. The Fund would be paid with insurance premiums, akin to user fees, paid by private investors with various reporting and transparency requirements.

As currently proposed, the Corker-Warner Bill would revoke the charters of Fannie Mae and Freddie Mac upon the establishment of the FMIC. Fannie Mae and Freddie Mac would wind down as expeditiously as possible while maximizing returns to taxpayers as their assets are sold off.

On July 11, 2013, members of the U.S. House of Representatives introduced the Protecting American Taxpayers and Homeowners Act ("PATH"), a broad financing reform bill that serves as a counterpart to the Corker-Warner Bill. PATH would also revoke the charters of Fannie Mae and Freddie Mac and remove barriers to private investment. However, PATH would maintain the FHFA and give it oversight over a new non-government, not-for-profit National Mortgage Market Utility whose mission would be to develop best practices standards for the private origination, servicing, pooling and securitizing of mortgages and operate a publicly accessible securitization outlet to match loan originators with investors. Additional provisions of PATH include the reduction in size and scope of the Federal Housing Administration ("FHA"), targeting its mission specifically to first-time borrowers and low- and moderate- income borrowers except in periods of significant credit contraction.

Fannie Mae and Freddie Mac reform regained momentum in the first quarter of 2014 when Senators Tim Johnson (D-SD) and Mike Crapo (R-ID), the two most senior members of the Senate Banking Committee, released a proposed bill (the "Johnson-Crapo Bill"), which is generally based on the Corker-Warner Bill. However, this momentum was lost in the second quarter of 2014 when the Johnson-Crapo Bill was approved by the Senate Banking Committee, but failed to secure enough support to be considered by Congress. The final outcome of the Johnson-Crapo Bill remains uncertain, as reports indicate that the House Republican leadership continues to favor a very different approach. As the FHFA and both houses of Congress are each working on separate measures intended to dramatically restructure the U.S. housing finance system and the operations of Fannie Mae and Freddie Mac, we expect debate and discussion on the topic to continue throughout 2014. It is unclear which, if any, of these measures will be enacted, and, if any are enacted, what the effects would be.

The effect of the actions taken and to be taken by the U.S. Treasury, Congress or FHFA remains uncertain. New and recently enacted laws, regulations and programs related to Fannie Mae and Freddie Mac may adversely affect the pricing, supply, liquidity and value of Agency MBS and otherwise materially harm our business and operations.

The Dodd-Frank Act provides for new regulations on financial institutions and creates new supervisory and advisory bodies, including the new Consumer Financial Protection Bureau. The Dodd-Frank Act tasks many agencies with issuing a variety of new regulations, including rules related to mortgage origination and servicing, securitization and derivatives. Because a significant number of regulations under the Dodd-Frank Act have either not yet been proposed or not yet been adopted in final form, it is not possible for us to predict how the Dodd-Frank Act will impact our business.

Interest Rates

The Federal Reserve has taken a number of steps over the last few years to lower both short and long-term interest rates. In August 2011, the Federal Reserve announced that it expected to maintain the Federal Funds Rate at a low level at least through mid-2013, and on January 25, 2012 it extended that outlook through late 2014. Additionally, on September 21, 2011, the Federal Reserve announced the extension of the maturities of its U.S. Treasury securities portfolio by selling approximately $400 billion in short-term U.S. Treasury securities and purchasing an equivalent amount of longer-term U.S. Treasury securities. This program, known as "Operation Twist," lasted through December 2012. The goal of Operation Twist was to lower the yields on longer-term U.S. Treasury securities, which the Federal Reserve believed would lower interest rates tied to such yields, such as mortgage rates and interest rates on commercial loans.

In September 2012, the Federal Reserve announced an open-ended program to expand its holdings of long-term securities by purchasing an additional $40 billion of Agency MBS per month until key economic indicators, such as the unemployment rate, showed signs of improvement. This program, known as "QE3", when combined with other programs to extend the average maturity of the Federal Reserve's holdings of securities and reinvest principal payments from the Federal Reserve's holdings of agency debt and Agency MBS into Agency MBS, was expected to increase the Federal Reserve's holdings of long-term securities by $85 billion each month. The Federal Reserve also announced that it would keep the target range for the Federal Funds Rate between zero and 0.25% through at least mid-2015, which was six months longer than previously expected.

The Federal Reserve provided further guidance to the market in December 2012 by stating that it intended to keep the Federal Funds Rate close to zero while the unemployment rate is above 6.5% and as long as inflation does not rise above 2.5%. In December 2012, the Federal Reserve also announced that it would initially begin buying $45 billion of long-term Treasury bonds each month and noted that such amount may increase in the future. This bond purchase program replaced Operation Twist.

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The Federal Reserve Open Market Committee (the "FOMC") meeting minutes released on April 10, 2013 revealed that the FOMC had begun considering when the Federal Reserve should begin tapering the pace of Agency MBS purchases set in September 2012. The FOMC meeting minutes released on May 22, 2013 announced that the Federal Reserve was considering beginning to taper such purchase as early as June 2013. In minutes released on June 25, 2013, the FOMC stated that the Federal Reserve would begin to scale back Agency MBS purchases later in 2013 and that such purchases would cease entirely when the unemployment rate reached 7%. On October 30, 2013, the FOMC announced that it would continue reinvesting principal payments from its holdings of agency debt and Agency MBS into Agency MBS and U.S. Treasury securities at the current pace indefinitely. The October 30, 2013 announcement provided no additional guidance as to when tapering might begin.

At its December 18, 2013 meeting, the FOMC indicated that it saw improvement in economic activity and labor market conditions. As a result, the FOMC announced that, beginning in January 2014, it would reduce its monthly purchases of Agency MBS from $40 billion to $35 billion and U.S. Treasury securities from $45 billion to $40 billion. The FOMC further stated that it would continue reinvesting principal payments from its holdings of these securities in Agency MBS and rolling over maturing Treasury bonds at auction. Subsequently, the FOMC has announced additional $5 billion reductions to its monthly purchases of both Agency MBS and Treasury bonds. Beginning in August 2014, the FOMC's purchases will be reduced to a pace of $10 billion per month of Agency RMBS and $15 billion of U.S. Treasury securities. The FOMC has indicated that it will end its bond buying program in October 2014. The FOMC expects even the lower level of purchases to maintain downward pressure on longer-term interest rates, support mortgage markets and make broader financial conditions more accommodative, which it believes should promote economic recovery and control inflation.

Although historically correlated with movements in the Federal Funds Rate, European inter-bank lending rates, specifically LIBOR, are independently affected by the fiscal and budgetary problems of the member countries of the European Union. In recent years, the European Central Bank, International Monetary Fund and member countries have provided emergency funding mechanisms to support members facing the inability to raise new debt at acceptable levels (such as Greece, Ireland, Portugal and Spain). To the extent this crisis persists or worsens, LIBOR may increase substantially.

Although long-term interest rates are currently at historically low levels, they are still high relative to short-term interest rates. We believe that the relationship between long and short-term interest rates will remain relatively unchanged so long as the U.S. economic recovery and inflation rates remain tepid. The FOMC also recently reiterated its continued long-term goals of reaching maximum employment and inflation at 2% before adjusting the target Federal Funds Rate. If the economic recovery were to strengthen or inflation rates increase, the Federal Reserve may decide to abandon its current low-interest rate policies and/or increase interest rates. Although an increase in the Federal Funds Rate would most likely result in an increase in LIBOR, other European-specific factors, such as a credit disruption in the European inter-bank credit market, could cause an increase in LIBOR independent of movements in the Federal Funds Rate.

Prepayment Rates, Refinancings and Loan Modification Programs

As a result of the Federal Reserve's interest rate policy and global economic conditions, prevailing interest rates, especially mortgage interest rates, are at historically low levels. Generally, lower mortgage interest rates leads to increased refinancings and, consequently, prepayments on mortgages and MBS. In addition to the proposed reforms and/or changes of Fannie Mae and Freddie Mac suggested by the U.S. Treasury and the FHFA, Congress has to date introduced three legislative proposals that seek to provide changes to the current housing finance infrastructure. However, refinancing activity has yet to react to prevailing interest rate incentives available to borrowers as market participants expected.

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To further stimulate the level of refinancing activity, the Obama administration has instituted programs to assist borrowers struggling with their mortgage payments or unable to refinance. For example, the government has expanded the HARP program, which is a program whereby eligible borrowers who owe more money on their mortgage loans than the value of their homes (commonly known as being "underwater" on a mortgage loan) can receive assistance refinancing their mortgage loans by loosening the eligibility requirements for refinancing. On April 11, 2013, the FHFA extended the HARP program by two years to December 31, 2015. In response to the expanded HARP program, Fannie Mae and Freddie Mac have announced guidelines for compliance with the expanded program.

Current programs such as the Home Affordable Modification Program and the Principal Reduction Alternative are designed to assist borrowers in modifying their mortgage loans.

Effect on Us

Regulatory developments, movements in interest rates and prepayment rates as well as loan modification programs affect us in many ways, including the following:

Effects on our Assets

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

Lower long-term interest rates can affect the value of our Agency MBS in a number of ways. If prepayment rates are relatively low (due, in part, to the refinancing problems described above), lower long-term interest rates can increase the value of higher-coupon Agency MBS. This is because investors typically place a premium on assets with yields that are higher than market yields. Although lower long-term interest rates may increase asset values in our portfolio, we may not be able to invest new funds in similarly-yielding assets.

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

Because we base our investment decisions on risk management principles rather than anticipated movements in interest rates, in a volatile interest rate environment, we may allocate more capital to structured Agency MBS with shorter durations, such as short-term fixed and floating rate CMOs. We believe these securities have a lower sensitivity to changes in long-term interest rates than other asset classes. We may attempt to mitigate our exposure to

changes in long-term interest rates by investing in IOs and IIOs, which typically have different sensitivities to changes in long-term interest rates than pass-through Agency MBS, particularly pass-through Agency MBS backed by fixed-rate mortgages.

We do not believe our investment portfolio will be materially affected by loan modification programs because Agency MBS backed by loans that would qualify for such programs (e.g. seriously delinquent loans) will be purchased by Fannie Mae and Freddie Mac at their par value prior to the implementation of such programs. However, if Fannie Mae and Freddie Mac were to modify or end their repurchase programs or if the U.S. Government modified its loan modification programs to modify non-delinquent mortgage loans, our investment portfolio could be negatively impacted.

Effects on our borrowing costs

We leverage our pass-through Agency MBS portfolio and a portion of our structured Agency MBS with principal balances through the use of short-term repurchase agreement transactions. The interest rates on our debt are determined by market levels of both the Federal Funds Rate and LIBOR. An increase in the U.S. Federal Funds Rate or LIBOR would increase our borrowing costs, which could affect our interest rate spread if there is no corresponding increase in the interest we earn on our assets. This would be most prevalent with respect to our Agency MBS backed by fixed rate mortgage loans because the interest rate on a fixed-rate mortgage loan does not change even though market rates may change.

In order to protect our net interest margin against increases in short-term interest rates, we may enter into interest rate swaps, which effectively convert our floating-rate repurchase agreement debt to fixed-rate debt, or utilize other hedging instruments such as Eurodollar futures contracts of interest rate swaptions.

Summary

The relatively large spread between short and long-term interest rates has positively affected our net interest margin. However, changes in prepayment rates could negatively affect our net interest margin and the value of our assets. Furthermore, increases in the Federal Funds Rate and LIBOR could significantly increase our financing costs, which could lower our net interest margin.

Critical Accounting Policies

Management’s discussion and analysis of financial condition and results of operations is based on the amounts reported in our financial statements. These financial statements are prepared in accordance with GAAP. The Company’s significant accounting policies are described in Note 1 to the Company’s accompanying Consolidated Financial Statements.

GAAP requires the Company’s management to make complex and subjective decisions and assessments. The Company’s most critical accounting policies involve decisions and assessments which could significantly affect reported assets and liabilities, as well as reported revenues and expenses. The Company believes that all of the decisions and assessments upon which its financial statements are based were reasonable at the time made based upon information available to it at that time. There have been no changes to our critical accounting policies as discussed in our annual report on Form 10-K for the year ended December 31, 2013.

Capital Expenditures

At June 30, 2014, we had no material commitments for capital expenditures.

Off-Balance Sheet Arrangements

At June 30, 2014, we did not have any off-balance sheet arrangements.

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Inflation

Virtually all of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance far more so than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. Our financial statements are prepared in accordance with GAAP and our distributions will be determined by our Board of Directors consistent with our obligation to distribute to our stockholders at least 90% of our REIT taxable income on an annual basis in order to maintain our REIT qualification; in each case, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Controls over Financial Reporting

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company is involved in various lawsuits and claims, both actual and potential, 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 is inherently unpredictable. 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 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, 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 Capital 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 Capital 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 are currently briefing summary judgment motions. A trial date for the action has not yet been scheduled. Bimini Capital 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.

ITEM 1A. RISK FACTORS.

There have been no material changes from the risk factors disclosed in the “Risk Factors” section of our Annual Report on Form 10-K filed with the SEC on March 12, 2014.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No

31.1 Certification of the Principal Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2 Certification of the Principal Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1 Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
32.2 Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

101.INS Instance Document***
101.SCH Taxonomy Extension Schema Document***
101.CAL Taxonomy Extension Calculation Linkbase Document***
101.DEF Additional Taxonomy Extension Definition Linkbase Document***
101.LAB Taxonomy Extension Label Linkbase Document***
101.PRE Taxonomy Extension Presentation Linkbase Document***

* Filed herewith.
** Furnished herewith
*** Submitted electronically herewith. Users of this data are advised that, pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not filed as part of a registration statement or prospectus for purposes of sections 11 and 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934 and otherwise is not subject to liability under these sections

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Signatures

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

BIMINI CAPITAL MANAGEMENT, INC.

Date: August 8, 2014

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

Date: August 8, 2014

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