

BIMINI CAPITAL MANAGEMENT, INC.
Form 10-Q
November 06, 2015

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

FORM 10-Q

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

For the quarterly period ended September 30, 2015

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

For the transition period from _____ to _____

Commission File Number: 001-32171

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

Maryland
(State or other jurisdiction of
incorporation or organization)

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

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

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

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

Edgar Filing: BIMINI CAPITAL MANAGEMENT, INC. - Form 10-Q

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 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

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

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

Title of each Class	Latest Practicable Date	Shares Outstanding
Class A Common Stock, \$0.001 par value	November 6, 2015	12,373,294
Class B Common Stock, \$0.001 par value	November 6, 2015	31,938
Class C Common Stock, \$0.001 par value	November 6, 2015	31,938

BIMINI CAPITAL MANAGEMENT, INC.

TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
ITEM 1. Financial Statements	1
Consolidated Balance Sheets as of September 30, 2015 (unaudited) and December 31, 2014	1
Consolidated Statements of Operations (unaudited) for the nine and three months ended September 30, 2015 and 2014	2
Consolidated Statement of Stockholders' Equity (unaudited) for the nine months ended September 30, 2015	3
Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2015 and 2014	4
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	28
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	53
ITEM 4. Controls and Procedures	53
PART II. OTHER INFORMATION	
ITEM 1. Legal Proceedings	54
ITEM 1A. Risk Factors	55
ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds	55
ITEM 3. Defaults Upon Senior Securities	55
ITEM 4. Mine Safety Disclosures	55
ITEM 5. Other Information	55
ITEM 6. Exhibits	56
SIGNATURES	57

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
BIMINI CAPITAL MANAGEMENT, INC.
CONSOLIDATED BALANCE SHEETS

	(Unaudited) September 30, 2015	December 31, 2014
ASSETS:		
Mortgage-backed securities, at fair value		
Pledged to counterparties	\$ 120,856,466	\$ 116,026,180
Unpledged	2,257,098	1,804,852
Total mortgage-backed securities	123,113,564	117,831,032
Cash and cash equivalents	4,079,740	4,699,059
Restricted cash	446,900	733,660
Orchid Island Capital, Inc. common stock, at fair value	9,080,401	12,810,728
Retained interests in securitizations	1,633,605	1,899,684
Accrued interest receivable	488,439	460,326
Property and equipment, net	3,514,996	3,584,603
Deferred tax assets, net	1,276,920	1,900,064
Other assets	2,867,438	2,960,042
Total Assets	\$ 146,502,003	\$ 146,879,198
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Repurchase agreements	\$ 113,677,303	\$ 109,963,995
Junior subordinated notes due to Bimini Capital Trust II	26,804,440	26,804,440
Accrued interest payable	68,736	94,397
Other liabilities	2,211,374	814,597
Total Liabilities	142,761,853	137,677,429
STOCKHOLDERS' EQUITY:		
Preferred stock	-	-
Common stock	12,419	12,388
Additional paid-in capital	334,600,801	334,522,850
Accumulated deficit	(330,873,070)	(325,333,469)
Stockholders' equity	3,740,150	9,201,769
Total Liabilities and Stockholders' Equity	\$ 146,502,003	\$ 146,879,198

See Notes to Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

For the Nine and Three Months Ended September 30, 2015 and 2014

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2015	2014	2015	2014
Interest income	\$3,277,241	\$21,270,241	\$995,985	\$10,034,747
Interest expense	(305,726)	(2,068,056)	(107,392)	(885,440)
Net interest income, before interest on junior subordinated notes	2,971,515	19,202,185	888,593	9,149,307
Interest expense on junior subordinated notes	(743,603)	(736,432)	(252,142)	(247,916)
Net interest income	2,227,912	18,465,753	636,451	8,901,391
Unrealized (losses) gains on mortgage-backed securities	(910,896)	9,626,963	(713,497)	(1,639,465)
Realized (losses) gains on mortgage-backed securities	(2,108)	2,057,582	(2,108)	(1,991,895)
(Losses) gains on derivative instruments	(1,999,650)	(4,185,049)	(990,575)	3,405,926
Net portfolio (loss) income	(684,742)	25,965,249	(1,069,729)	8,675,957
Other income (expense):				
Gains on retained interests in securitizations	2,739,353	2,643,068	200,773	196,482
Unrealized losses on Orchid Island Capital, Inc. common stock	(3,730,327)	-	(1,924,063)	-
Orchid Island Capital, Inc. dividends	1,472,498	-	412,299	-
Management fees	2,929,200	-	1,060,500	-
Other income (expense), net	19,748	(43,261)	41,901	(23,007)
Total other income (expense)	3,430,472	2,599,807	(208,590)	173,475
Expenses:				
Compensation and related benefits	1,863,819	2,124,080	600,376	766,773
Directors' fees and liability insurance	514,406	855,787	171,703	312,274
Audit, legal and other professional fees	1,281,993	1,653,898	234,542	565,108
Direct REIT operating expenses	54,825	331,500	17,967	102,184
Settlement of litigation	3,500,000	-	-	-
Other administrative expenses	168,062	841,911	49,371	450,836
Total expenses	7,383,105	5,807,176	1,073,959	2,197,175
Net (loss) income before income tax provision (benefit)	(4,637,375)	22,757,880	(2,352,278)	6,652,257
Income tax provision (benefit)	902,226	(2,055,075)	293,915	76,683
Net (loss) income	(5,539,601)	24,812,955	(2,646,193)	6,575,574
Less: income attributable to noncontrolling interests	-	18,767,100	-	6,228,907
Net (Loss) Income attributable to Bimini Capital stockholders	\$(5,539,601)	\$6,045,855	\$(2,646,193)	\$346,667
Basic and Diluted Net (Loss) Income Per Share of:				
CLASS A COMMON STOCK				
Basic and Diluted	\$(0.45)	\$0.50	\$(0.21)	\$0.03

CLASS B COMMON STOCK								
Basic and Diluted	\$	(0.45)	\$0.50	\$	(0.21)	\$0.03
Weighted Average Shares Outstanding:								
CLASS A COMMON STOCK								
Basic and Diluted		12,344,613		12,153,388		12,354,951		12,313,556
CLASS B COMMON STOCK								
Basic and Diluted		31,938		31,938		31,938		31,938

See Notes to Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
 (Unaudited)
 For the Nine Months Ended September 30, 2015

	Stockholders' Equity			Total
	Common Stock	Additional Paid-in Capital	Accumulated Deficit	
Balances, January 1, 2015	\$ 12,388	\$ 334,522,850	\$(325,333,469)	\$ 9,201,769
Net loss	-	-	(5,539,601)	(5,539,601)
Issuance of Class A common shares for board compensation	31	63,934	-	63,965
Amortization of equity plan compensation	-	14,017	-	14,017
Balances, September 30, 2015	\$ 12,419	\$ 334,600,801	\$(330,873,070)	\$ 3,740,150
See Notes to Consolidated Financial Statements				

BIMINI CAPITAL MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
For the Nine Months Ended September 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$(5,539,601)	\$24,812,955
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Stock based compensation	77,982	261,602
Depreciation	69,607	78,858
Deferred income tax provision (benefit)	623,144	(2,077,342)
Losses (gains) on mortgage-backed securities	913,004	(11,684,545)
Gains on retained interests in securitizations	(2,739,353)	(2,643,068)
Loss on disposal of property and equipment	-	12,886
Unrealized losses on Orchid Island Capital, Inc. common stock	3,730,327	-
Realized and unrealized losses on interest rate swaptions	-	1,119,525
Changes in operating assets and liabilities:		
Accrued interest receivable	(28,113)	(4,200,581)
Other assets	92,604	(253,487)
Accrued interest payable	(25,661)	305,835
Other liabilities	1,396,777	763,837
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(1,429,283)	6,496,475
CASH FLOWS FROM INVESTING ACTIVITIES:		
From mortgage-backed securities investments:		
Purchases	(26,396,648)	(1,605,257,665)
Sales	4,316,964	499,227,793
Principal repayments	15,884,148	56,361,141
Payments received on retained interests in securitizations	3,005,432	3,186,805
Decrease (increase) in restricted cash	286,760	(5,567,535)
Purchases of property and equipment	-	(36,851)
Purchase of interest rate swaptions, net of margin cash received	-	(1,249,625)
NET CASH USED IN INVESTING ACTIVITIES	(2,903,344)	(1,053,335,937)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from repurchase agreements	748,150,368	5,851,128,876
Principal repayments on repurchase agreements	(744,437,060)	(4,865,328,741)
Issuance of common shares of Orchid Island Capital, Inc.	-	121,525,917
Cash dividends paid to noncontrolling interests	-	(12,953,922)
Class A common shares sold directly to employees	-	98,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,713,308	1,094,470,130
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(619,319)	47,630,668
CASH AND CASH EQUIVALENTS, beginning of the period	4,699,059	11,959,292
CASH AND CASH EQUIVALENTS, end of the period	\$4,079,740	\$59,589,960

BIMINI CAPITAL MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

For the Nine Months Ended September 30, 2015 and 2014

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the period for:

Interest	\$1,074,990	\$2,498,653
Income taxes	\$137,001	\$22,267

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:

Securities acquired settled in later period	\$-	\$66,812,482
Securities sold settled in later period	\$-	\$249,410,368

See Notes to Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
September 30, 2015

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. As further described in Note 11, Income Taxes, certain events may have caused, or may cause, the Bimini Capital to no longer qualify as a REIT under the Code. Bimini Capital’s website is located at <http://www.biminicapital.com>.

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. Since Orchid’s IPO and until December 31, 2014, Orchid was consolidated as a variable interest entity (“VIE”). Effective December 31, 2014, Orchid was deconsolidated.

As used in this document, discussions related to REIT qualifying activities include the MBS portfolios of both Bimini Capital and Orchid for 2014, and only the MBS portfolio of Bimini Capital for 2015. Discussions related to the “Company” refer to the consolidated entity, including Bimini Capital, our wholly-owned subsidiaries, and, through December 31, 2014, our VIE. References to “Bimini Capital” and the “parent” refer to Bimini Capital Management, Inc. as a separate entity. 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 and its consolidated subsidiaries (“MortCo”).

Consolidation

The accompanying consolidated financial statements include the accounts of Bimini Capital, Bimini Advisors and MortCo. The accounts of Orchid are included in the consolidated statements of operations for the nine and three months ended September 30, 2014, and in the statement of cash flows for the nine months ended September 30, 2014. All inter-company accounts and transactions have been eliminated from the consolidated financial statements.

Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification (“ASC”) Topic 810, Consolidation, 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, an ongoing assessment of whether an enterprise is the primary beneficiary of a VIE, and additional disclosures for entities that have variable interests in VIEs.

From the effective date of Orchid’s IPO and until December 31, 2014, management concluded, pursuant to ASC 810, that Orchid was a VIE. As a result, subsequent to Orchid’s IPO and until December 31, 2014, the Company consolidated Orchid in its financial statements. The results of operations of Orchid were included in the Company’s 2014 consolidated statements of operations and cash flows, however, net income attributable to Bimini Capital stockholders did not include the portion of net income attributable to noncontrolling interests.

In December 2014, management re-evaluated the conditions resulting in the consolidation of Orchid and concluded that, due to Bimini's decreased percentage ownership interest in Orchid, there was no longer a variable interest requiring consolidation. As a result, in accordance with ASC 810, the Company deconsolidated Orchid from the consolidated balance sheet as of December 31, 2014. However, as a VIE which was deconsolidated on December 31, 2014, Orchid's results of operations were included in the consolidated statements of operations and cash flows through December 31, 2014, and are excluded in subsequent periods.

Assets recognized as a result of consolidating Orchid in prior periods did 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 did not represent additional claims on Bimini Capital's assets; rather, they represented 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

In 2006 and 2007, there were significant losses incurred which were attributable to the former mortgage origination operations of MortCo. These losses significantly reduced Bimini Capital's equity capital base and the size of its MBS portfolio when compared to pre-2006 levels. This 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, the Company began a series of actions to respond to the losses and their impact on our capital base. One of these actions was to evaluate and pursue capital raising opportunities for Orchid. Orchid completed its initial public offering of common stock on February 20, 2013. In accordance with the management agreement between Bimini Advisors and Orchid, Bimini Advisors receives fees for managing the MBS portfolio of Orchid, and certain overhead costs are allocated to Orchid on a pro rata basis commencing on July 1, 2014. As a stockholder of Orchid, Bimini Capital shares in distributions when paid by Orchid to its stockholders. These actions improved the Company's liquidity outlook.

At September 30, 2015, the Company had cash and cash equivalents of approximately \$4.1 million, an MBS portfolio of approximately \$123.1 million and an equity capital base of approximately \$3.7 million. The Company generated cash flows of approximately \$19.1 million from principal and interest payments on its MBS portfolio and approximately \$3.0 million from retained interests in securitizations during the nine months ended September 30, 2015. In addition, during the nine months ended September 30, 2015, the Company received approximately \$3.6 million in management fees and expense reimbursements as manager of Orchid and approximately \$1.5 million in dividends from its investment in Orchid common shares. However, if cash resources are, at any time, insufficient to satisfy the Company's liquidity requirements, such as when cash flows from operations are materially negative, the Company may be required to pledge additional assets to meet margin calls, liquidate assets, sell additional debt or equity securities or pursue other financing alternatives.

In May 2015, Bimini Capital agreed to settle a legal action as more fully described in Note 10. In connection with the settlement and in accordance with GAAP, a loss of \$3.5 million has been charged to operations for the nine months ended September 30, 2015. Although payments under the settlement agreement will reduce the Company's liquidity, management believes that the Company will be able to generate sufficient cash from its operations to meet the payment obligations as they come due.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine and three month periods ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

The consolidated balance sheet at December 31, 2014 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, 2014.

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 consolidated financial statements include the fair values of MBS, investment in Orchid common shares, Eurodollar futures contracts, interest rate swaptions and retained interests, and asset valuation allowances and deferred tax allowances.

Statement of Comprehensive (Loss) Income

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

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on deposit with financial institutions and highly liquid investments with original maturities of three months or less at the time of purchase. At September 30, 2015, restricted cash consisted of approximately \$0.4 million of cash held by a broker as margin on Eurodollar futures contracts. At December 31, 2014, restricted cash consisted of approximately \$0.5 million of cash held by a broker as margin on Eurodollar futures contracts and \$0.3 million of cash held on deposit as collateral with repurchase agreement counterparties.

The Company maintains cash balances at four banks, and, at times, balances may exceed federally insured limits. The Company has not experienced any losses related to these balances. The Federal Deposit Insurance Corporation insures eligible accounts up to \$250,000 per depositor at each financial institution. At September 30, 2015, the Company’s cash deposits exceeded federally insured limits by approximately \$3.1 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 limits uninsured balances to only large, well-known banks 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”). The Company has elected to account for its investment in MBS under the fair value option. Electing the fair value option requires the Company to record changes in fair value in the consolidated statement of operations, which, in management’s view, more appropriately reflects the results of our operations for a particular reporting period and is consistent with the underlying economics and how the portfolio is managed.

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

The fair value of the Company’s investment in MBS is governed by ASC Topic 820, Fair Value Measurement. The definition of fair value in ASC Topic 820 focuses on the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market for the asset or liability, or in the absence of a principal market, occurs in the most advantageous market for the asset or liability. Estimated fair values for MBS are based on independent pricing sources and/or third-party broker quotes, when available.

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

Orchid Island Capital, Inc. Common Stock

At the date of Orchid’s deconsolidation, the Company elected the fair value option for its continuing investment in Orchid common shares. The change in the fair value of this investment and dividends received on this investment are reflected in other income in the consolidated statements of operations for the nine and three months ended September 30, 2015. We estimate the fair value of our investment in Orchid on a market approach using “Level 1” inputs based on the quoted market price of Orchid’s common stock. Electing the fair value option requires the Company to record changes in fair value in the consolidated statements of operations, which, in management’s view, more appropriately reflects the results of our operations for a particular reporting period and is consistent with how the investment is managed.

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 in order to align the accounting treatment of its derivative instruments with the treatment of its portfolio assets under the fair value option. 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

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, Orchid Island Capital, Inc. common stock, Eurodollar futures contracts, interest rate swaptions and retained interests in securitization transactions are accounted for at fair value in the consolidated balance sheets. The methods and assumptions used to estimate fair value for these instruments are presented in Note 13 of the consolidated financial statements.

The estimated fair value of cash and cash equivalents, restricted cash, accrued interest receivable, other assets, repurchase agreements, accrued interest payable and other liabilities generally approximates their carrying value as of September 30, 2015 and December 31, 2014, 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.

-10-

Repurchase Agreements

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

Share-Based Compensation

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

Earnings Per Share

The Company follows the provisions of ASC Topic 260, Earnings Per Share, which requires companies with complex capital structures, common stock equivalents or two (or more) classes of securities that participate in dividend distributions to present both basic and diluted earnings per share ("EPS") on the face of the consolidated statement of operations. Basic EPS is calculated as income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the treasury stock or two-class method, as applicable for common stock equivalents. However, the common stock equivalents are not included in computing diluted EPS if the result is anti-dilutive.

Outstanding shares of Class B Common Stock, participating and convertible into Class A Common Stock, are entitled to receive dividends in an amount equal to the dividends declared 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"). 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. As further described in Note 11,

Income Taxes, certain events may have caused, or may cause, Bimini Capital to no longer qualify as a REIT under the Code. Bimini Advisors and MortCo are taxpaying entities for income tax purposes and are taxed separately from Bimini Capital.

The Company's U.S. federal income tax returns for years ended on or after December 31, 2012 remain open for examination. Although management believes its calculations for tax returns are correct and the positions taken thereon are reasonable, the final outcome of tax audits could be materially different from the tax returns filed by the Company, and those differences could result in significant costs or benefits to the Company.

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

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. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

NOTE 2. MORTGAGE-BACKED SECURITIES

The following table presents the Company's MBS portfolio as of September 30, 2015 and December 31, 2014:

(in thousands)

	September 30, 2015	December 31, 2014
Pass-Through MBS:		
Hybrid Adjustable-rate Mortgages	\$120	\$442
Fixed-rate Mortgages	117,762	112,174
Total Pass-Through MBS	117,882	112,616
Structured MBS:		
Interest-Only Securities	2,647	2,276
Inverse Interest-Only Securities	2,585	2,939
Total Structured MBS	5,232	5,215
Total	\$123,114	\$117,831

The following table summarizes the Company's MBS portfolio as of September 30, 2015 and December 31, 2014, according to the contractual maturities of the securities in the portfolio. Actual maturities of MBS investments are generally shorter than stated contractual maturities and are affected by the contractual lives of the underlying mortgages, periodic payments of principal, and prepayments of principal.

(in thousands)

	September 30, 2015	December 31, 2014
Greater than five years and less than ten years	\$7	\$16
Greater than or equal to ten years	123,107	117,815
Total	\$123,114	\$117,831

NOTE 3. RETAINED INTERESTS IN SECURITIZATIONS

The following table summarizes the estimated fair value of the Company's retained interests in asset backed securities as of September 30, 2015 and December 31, 2014:

(in thousands)

Series	Issue Date	September 30, 2015	December 31, 2014
HMAC 2004-2	May 10, 2004	\$150	\$320
HMAC 2004-3	June 30, 2004	677	753
HMAC 2004-4	August 16, 2004	104	496
HMAC 2004-5	September 28, 2004	321	331
HMAC 2004-6	November 17, 2004	382	-
Total		\$1,634	\$1,900

NOTE 4. REPURCHASE AGREEMENTS

As of September 30, 2015, the Company had outstanding repurchase agreement obligations of approximately \$113.7 million with a net weighted average borrowing rate of 0.45%. These agreements were collateralized by MBS with a fair value, including accrued interest, of approximately \$121.3 million. As of December 31, 2014, the Company had outstanding repurchase agreement obligations of approximately \$110.0 million with a net weighted average borrowing rate of 0.36%. These agreements were collateralized by MBS with a fair value, including accrued interest, of approximately \$116.4 million, and cash pledged to counterparties of approximately \$0.3 million.

As of September 30, 2015 and December 31, 2014, the Company's repurchase agreements had remaining maturities as summarized below:

(\$ in thousands)

	OVERNIGHT (1 DAY OR LESS)	BETWEEN 2 AND 30 DAYS	BETWEEN 31 AND 90 DAYS	GREATER THAN 90 DAYS	TOTAL
September 30, 2015					
Fair value of securities pledged, including accrued interest receivable	\$ -	\$121,277	\$-	\$-	\$121,277

Edgar Filing: BIMINI CAPITAL MANAGEMENT, INC. - Form 10-Q

Repurchase agreement liabilities associated with

these securities	\$ -	\$113,677	\$-	\$-	\$113,677	
Net weighted average borrowing rate	-	0.45	%	-	0.45	%

December 31, 2014

Fair value of securities pledged, including accrued

interest receivable	\$ -	\$114,433	\$1,998	\$-	\$116,431
---------------------	------	-----------	---------	-----	-----------

Repurchase agreement liabilities associated with

these securities	\$ -	\$108,074	\$1,890	\$-	\$109,964			
Net weighted average borrowing rate	-	0.36	%	0.33	%	-	0.36	%

If, during the term of a repurchase agreement, a lender files for bankruptcy, the Company might experience difficulty recovering its pledged assets, which could result in an unsecured claim against the lender for the difference between the amount loaned to the Company plus interest due to the counterparty and the fair value of the collateral pledged to such lender, including the accrued interest receivable, and cash posted by the Company as collateral, if any. At September 30, 2015 and December 31, 2014, the Company had an aggregate amount at risk (the difference between the amount loaned to the Company, including interest payable, and the fair value of securities and cash pledged (if any), including accrued interest on such securities) with all counterparties of approximately \$7.4 million and \$6.7 million, respectively. Summary information regarding amounts at risk with individual counterparties greater than 10% of stockholders' equity at September 30, 2015 and December 31, 2014 is as follows:

(\$ in thousands)

	Amount at Risk	% of Stockholders' Equity at Risk	Weighted Average Maturity (in Days)
Repurchase Agreement Counterparties			
September 30, 2015			
Citigroup Global Markets, Inc.	\$3,459	92.5 %	10
ED&F Man Capital Markets Inc.	2,283	61.1 %	17
South Street Securities, LLC	744	19.9 %	21
CRT Capital Group, LLC	701	18.8 %	16
December 31, 2014			
JVB Financial Group, LLC	\$1,807	19.6 %	8
ED&F Man Capital Markets Inc.	1,490	16.2 %	22

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

In connection with its interest rate risk management strategy, the Company economically hedges a portion of the cost of its repurchase agreement funding and junior subordinated notes by entering into derivatives, such as Eurodollar futures contracts and interest rate swaptions, but may enter into other contracts in the future. 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 September 30, 2015 and December 31, 2014, 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 sheets as part of restricted cash.

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

The tables below present information related to the Company's Eurodollar futures positions at September 30, 2015 and December 31, 2014.

(\$ in thousands)

As of September 30, 2015

Expiration Year	Repurchase Agreement Funding Hedges			
	Average Contract Notional Amount	Weighted Average Entry Rate	Weighted Average Effective Rate	Open Equity(1)
2015	\$56,000	0.82 %	0.42 %	\$(56)
2016	56,000	1.45 %	0.72 %	(408)
2017	56,000	2.23 %	1.26 %	(545)
2018	56,000	2.65 %	1.60 %	(293)
Total / Weighted Average	\$56,000	1.90 %	1.05 %	\$(1,302)

(\$ in thousands)

As of September 30, 2015

Expiration Year	Junior Subordinated Debt Funding Hedges			
	Average Contract Notional Amount	Weighted Average Entry Rate	Weighted Average Effective Rate	Open Equity(1)
2015	\$26,000	1.73 %	0.42 %	\$(86)
2016	26,000	1.77 %	0.72 %	(272)
2017	26,000	2.49 %	1.26 %	(319)
2018	26,000	2.94 %	1.60 %	(173)
Total / Weighted Average	\$26,000	2.24 %	1.05 %	\$(850)

(\$ in thousands)

As of December 31, 2014

Expiration Year	Repurchase Agreement Funding Hedges			
	Average Contract Notional Amount	Weighted Average Entry Rate	Weighted Average Effective Rate	Open Equity(1)
2015	\$36,500	0.65 %	0.63 %	\$(5)
2016	56,000	1.45 %	1.54 %	46
2017	56,000	2.23 %	2.23 %	(3)
2018	56,000	2.65 %	2.51 %	(38)
Total / Weighted Average	\$50,429	1.72 %	1.72 %	\$-

(\$ in thousands)

As of December 31, 2014

Expiration Year	Junior Subordinated Debt Funding Hedges			
	Average Contract Notional Amount	Weighted Average Entry Rate	Weighted Average Effective Rate	Open Equity(1)
2015	\$26,000	1.48 %	0.57 %	\$(237)
2016	26,000	1.77 %	1.54 %	(61)
2017	26,000	2.49 %	2.23 %	(67)
2018	26,000	2.94 %	2.51 %	(56)
Total / Weighted Average	\$26,000	2.06 %	1.60 %	\$(421)

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

Loss (Gain) From Derivative Instruments, Net

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of operations for the nine and three months ended September 30, 2015 and 2014. The consolidated information for 2014 includes the activity of Orchid, as it was included in the consolidated statements of operations for those periods.

(in thousands)

Nine Months Ended September 30,	Consolidated		Parent-Only	
	2015	2014	2015	2014
Eurodollar futures contracts (short positions)	\$(2,000)	\$(3,151)	\$(2,000)	\$165
Payer swaptions	-	(1,120)	-	-
T-Note futures contracts (short positions)	-	86	-	14
Net (losses) gains on derivative instruments	\$(2,000)	\$(4,185)	\$(2,000)	\$179

(in thousands)

Three Months Ended September 30,	Consolidated		Parent-Only	
	2015	2014	2015	2014
Eurodollar futures contracts (short positions)	\$(991)	\$3,154	\$(991)	\$334
Payer swaptions	-	166	-	-
T-Note futures contracts (short positions)	-	86	-	14
Net (losses) gains on derivative instruments	\$(991)	\$3,406	\$(991)	\$348

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 attempt to 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 table presents information regarding those assets and liabilities subject to such arrangements as if the Company had presented them on a net basis as of September 30, 2015 and December 31, 2014.

(in thousands)

	Offsetting of Liabilities			Gross Amount Not Offset in the Consolidated Balance Sheet		Net Amount
	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Consolidated Balance Sheet	Net Amount of Liabilities Presented in the Consolidated Balance Sheet	Financial Instruments Posted as Collateral	Cash Posted as Collateral	
September 30, 2015						
Repurchase Agreements	\$ 113,677	\$-	\$ 113,677	\$(113,677)	\$-	\$-
December 31, 2014						
Repurchase Agreements	\$ 109,964	\$-	\$ 109,964	\$(109,706)	\$(258)	\$-

The amounts disclosed for collateral received by or posted to the same counterparty are limited to the amount sufficient to reduce the asset or liability presented in the consolidated balance sheet to zero 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 for, or received against, repurchase obligations and derivative instruments.

NOTE 7. TRUST PREFERRED SECURITIES

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

As of September 30, 2015 and December 31, 2014, the outstanding principal balance on the junior subordinated debt securities owed to BCTII was \$26.8 million. The BCTII trust preferred securities and Bimini Capital's BCTII Junior Subordinated Notes have a rate of interest that floats at a spread of 3.50% over the prevailing three-month LIBOR rate. As of September 30, 2015, the interest rate was 3.84%. The BCTII trust preferred securities and Bimini Capital's BCTII Junior Subordinated Notes require quarterly interest distributions and became 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.

BCTII is a VIE because the holders of the equity investment at risk do not have adequate decision making ability over BCTII's activities. Since Bimini Capital's investment in BCTII's common equity securities was financed directly by BCTII 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 consolidated financial statements.

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

NOTE 8. COMMON STOCK

At September 30, 2015 and December 31, 2014, Bimini Capital's common stock is comprised of the following:

	September 30, 2015	December 31, 2014
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; designated, 1,800,000 shares as Class A Redeemable and 2,000,000 shares as Class B Redeemable; no shares issued and outstanding as of September 30, 2015 and December 31, 2014	\$-	\$-
Class A Common Stock, \$0.001 par value; 98,000,000 shares designated: 12,355,045 shares issued and outstanding as of September 30, 2015 and 12,324,391 shares issued and outstanding as of December 31, 2014	12,355	12,324
Class B Common Stock, \$0.001 par value; 1,000,000 shares designated, 31,938 shares issued and outstanding as of September 30, 2015 and December 31, 2014	32	32
Class C Common Stock, \$0.001 par value; 1,000,000 shares designated, 31,938 shares issued and outstanding as of September 30, 2015 and December 31, 2014	32	32
	\$12,419	\$12,388

Issuances of Common Stock

The table below presents information related to Bimini Capital's Class A Common Stock issued during the nine months ended September 30, 2015 and 2014.

Shares Issued Related To:	Nine Months Ended September 30,		Three Months Ended, September 30,	
	2015	2014	2015	2014
Directors' compensation	30,654	46,107	8,669	18,576
Vesting incentive plan shares(1)	-	500,000	-	-
Shares sold directly to employees(1)	-	257,895	-	-
Total shares of Class A Common Stock issued	30,654	804,002	8,669	18,576

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

There were no issuances of Bimini Capital's Class B Common Stock and Class C Common Stock during the nine months ended September 30, 2015 and 2014.

NOTE 9. STOCK INCENTIVE PLANS

On August 12, 2011, Bimini Capital's shareholders approved the 2011 Long Term Compensation Plan (the "2011 Plan") to assist the Company in recruiting and retaining employees, directors and other service providers by enabling them to participate in the success of Bimini Capital and to associate their interests with those of the Company and its stockholders. The 2011 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.

Share Awards

In February 2014, the Compensation Committee of the Board of Directors of Bimini Capital (the “Committee”) 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 does not affect the results of operations for the nine and three months ended September 30, 2014.

A summary of share award activity during the nine months ended September 30, 2014 is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Fully vested shares granted	500,000	\$0.38

Performance Units

The Committee may issue Performance Units under the 2011 Plan to certain officers and employees. “Performance Units” represent the participant’s right to receive an amount, based on the value of a specified number of shares of Common Stock, if the terms and conditions prescribed by the Committee are satisfied. The Committee will determine the requirements that must be satisfied before Performance Units are earned, including but not limited to any applicable performance period and performance goals. Performance goals may relate to the Company’s financial performance or the participant’s performance or such other criteria determined by the Committee, including goals stated with reference to the performance measures discussed below. If Performance Units are earned, they will be settled in cash, shares of Common Stock or a combination thereof.

The following table presents information related to Performance Units outstanding at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Nonvested performance units outstanding at period end	31,500	31,500
Weighted-average grant date fair price	\$1.78	\$1.78
Unrecognized compensation expense at period end	\$41,274	\$55,291
Weighted-average remaining vesting term (in years)	2.30	3.00
Intrinsic value of unvested shares at period end	\$41,895	\$59,850

NOTE 10. COMMITMENTS AND CONTINGENCIES

Litigation

The Company may from time to time be involved in various lawsuits and claims, both pending and threatened, including some that it has asserted against others, in which monetary and other damages are sought. These lawsuits and claims relate primarily to contractual disputes arising out of the ordinary course of the Company's business. The outcome of such lawsuits and claims, as well as the costs to defend them, is inherently unpredictable, and management may choose to settle certain matters based on a cost-benefit analysis.

-19-

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 (“BNY Mellon”) and Hexagon Securities LLC (“Hexagon”) and nominal defendants BNY Mellon and Preferred Term Securities XX, Ltd. (“PreTSL XX”), captioned Hildene Capital Management, LLC, et al. v. The Bank of New York Mellon, et. al. The complaint, filed by Hildene Capital Management, LLC and Hildene Opportunities Fund, Ltd. (“Hildene”), alleged that Hildene suffered losses as a result of Bimini Capital’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 alleged claims against BNY Mellon for breach of the Indenture, breach of fiduciary duties and breach of the 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 BNY Mellon. (Subsequently, Hexagon and Nominal Defendant PreTSL XX were voluntarily dismissed without prejudice by Hildene.) PreTSL XX, Ltd. moved to intervene as an additional plaintiff in the action, and Bimini and BNY Mellon 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 BNY Mellon, 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 BNY Mellon, and PreTSL XX and BNY Mellon.

On May 15, 2015, Hildene and Bimini Capital agreed to settle the case, and on July 10, 2015, a Stipulation of Discontinuance was filed dismissing all claims and counterclaims between and among Hildene and Bimini Capital. In connection with the settlement and in accordance with GAAP, a loss of \$3.5 million was accrued at March 31, 2015 and has been charged to operations for the nine months ended September 30, 2015. During the three months ended September 30, 2015 payments totaling \$2.25 million were made, as required by the settlement agreement. The remaining \$1.25 million is scheduled to be paid in installments through July 2019 and is included in other liabilities in the September 30, 2015 consolidated balance sheet.

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, 2014, Bimini Capital had a REIT tax net operating loss carryforward (“NOL carryforwards” or “NOLs”) of approximately \$17.3 million that is immediately available to offset future REIT taxable income. These REIT NOLs will expire in years 2028 through 2034, if not previously used to offset future REIT taxable income.

Bimini Capital’s qualification as a REIT depends upon its ability to meet, on an annual or in some cases quarterly basis, various complex requirements under the Code relating to, among other things, the sources of its gross income, the composition and values of its assets, its distribution levels and the diversity of ownership of its shares. As described more fully below, certain events may have caused, or may cause, Bimini Capital to no longer qualify as a REIT under the Code.

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 and from each other. Therefore, Bimini Advisors and MortCo each separately report an income tax provision or benefit based on their own taxable activities. For the nine months ended September 30, 2015 and 2014, MortCo did not have taxable income primarily due to the utilization of their respective NOL carryforwards. During the nine months ended September 30, 2015, Bimini Advisors is projected to have exhausted its available NOLs and generated taxable income, net of those NOLs, of approximately \$0.4 million. The Company’s payment of taxes reported on the consolidated statement of cash flows results from alternative minimum taxes (“AMT”) which become due when NOLs are used to offset taxable income. Bimini Advisors did not make any Federal Income tax payments during the quarter, although a provision for Federal Income taxes was recorded.

The income tax provision (benefit) for the nine and three months ended September 30, 2015 and 2014 is solely attributable to the TRSs. For Bimini Advisors, the provision for the 2015 period was determined by applying the statutory Federal rate of 35% to its pre-tax income or loss. Bimini Advisors’ NOL is projected to be fully used during the 2015 tax year to offset taxable income. During 2014, a benefit was recorded for the release of Bimini Advisor’s deferred tax valuation allowance related to an intangible asset and NOL carryforwards. For MortCo, its provision is generally zero, and it differs from the statutory Federal rate 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 NOL carryforwards. The payment of AMT is included in the tax provision in the period it is paid.

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 asset related to the intangible asset at September 30, 2015 total approximately \$1.3 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. During 2014, the Company re-evaluated its previous position regarding its ability to realize Bimini Advisors’ deferred tax assets and determined that there was sufficient positive evidence to conclude that the realization of Bimini Advisors’ deferred tax assets was more likely than not. As a result, Bimini Advisors recorded a deferred income tax benefit of approximately \$2.1 million during the nine months ended September 30, 2014 related to the release of the valuation allowance.

As of September 30, 2015, MortCo has estimated federal NOL carryforwards of approximately \$261.5 million and estimated available Florida NOLs of approximately \$34.0 million, both of which will begin to expire in 2025, and are fully available to offset future federal and Florida taxable income, respectively. The net deferred tax assets for MortCo at September 30, 2015 are approximately \$93.9 million. As of September 30, 2015 and December 31, 2014, management did not believe that it had sufficient positive evidence to conclude that the realization of MortCo’s deferred tax assets was more likely than not; therefore, a valuation allowance was provided for the entire balance of MortCo’s deferred tax assets.

MortCo holds residual interests in various real estate mortgage investment conduits (“REMICs”), which were issued in 2004, 2005 and 2006, some of which generate excess inclusion income (“EII”), a type of taxable income pursuant to specific provisions of the Code. In 2008, based on a re-evaluation of its tax position regarding REMIC income, MortCo recorded a liability of approximately \$2.1 million for taxes, interest and penalties related to this uncertain tax position. During 2010 (as part of the filing of its 2009 tax returns), MortCo reached a tax filing position related to the EII taxable income, reported EII taxable income of approximately \$2.1 million, paid \$0.8 million of income tax, interest and penalties, and included a notice of inconsistent treatment in its tax returns. Because of the uncertainty surrounding the taxation of EII, MortCo accounted for the pre-2008 tax position as being more likely than not that the tax position would not be fully sustained upon examination. On September 15, 2013, the statute of limitations for the IRS to challenge MortCo’s pre-2008 tax position expired. As such, the remaining balance of the liability recorded in 2008 was reversed during the year ended December 31, 2013, which resulted in a tax benefit of \$1.3 million. MortCo continues to file its tax returns following its 2009 tax filing position, and it continues to include a notice of inconsistent treatment in each return.

Qualification as a REIT

As discussed above, our qualification as a REIT depends upon our ability to meet, on an annual or in some cases quarterly basis, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares. Certain trends or events experienced during 2015 may have caused, or may cause, Bimini Capital to no longer qualify as a REIT under the Code. In particular, additional offerings of common stock by Orchid in the first two quarters of 2015 have increased revenue attributable to management fees received from Orchid by Bimini Advisors. In addition, payments that have been and will be made by Bimini Capital pursuant to a litigation settlement agreement entered into in May, 2015 have reduced and may continue to reduce the value of Bimini Capital’s assets and revenues generated by our MBS portfolio. As a result, the value of our two TRSs (MortCo and Bimini Advisors) has increased in relation to the value of Bimini Capital’s assets.

The failure to qualify as a REIT would subject Bimini Capital to taxation as a regular “C” corporation, with the entity’s taxable income being subject to federal and state income tax at regular corporate rates, and dividends paid to stockholders would not be deductible by Bimini Capital in computing our taxable income. However, as described above, Bimini Capital and MortCo each have NOL carryforwards that will be available to offset any 2015 or future taxable income. As of December 31, 2014, federal NOL carryforwards for Bimini Capital and MortCo were approximately \$17.3 million and \$263.9 million, respectively. Given Bimini Capital’s current ownership structure, the NOL carryforwards of each entity may generally be applied only to offset the taxable income of that entity.

If Bimini Capital fails to qualify as a REIT, management is considering the feasibility of certain internal restructuring transactions that would maximize its ability to utilize the existing federal NOL carryforwards. These transactions, if completed, would not materially change the overall consolidated operations or assets of the Company.

It is not known if Bimini Capital will qualify as a REIT for the tax year 2015; management has sought the advice of outside advisors and valuation experts, but as of November 6, 2015, this analysis is not complete. Should the REIT status be unavailable for the tax year 2015, Bimini Capital will consider the feasibility of the transactions referred to above. There can be no assurance that all or any of such transactions will be completed or that all or any portion of the various NOL carryforwards will be available to offset future taxable income.

NOTE 12. EARNINGS PER SHARE

Shares of Class B Common Stock, participating and convertible into Class A Common Stock, are entitled to receive dividends in an amount equal to the dividends declared on each share of Class A Common Stock if, and when, authorized and declared by the Board of Directors. Following the provisions of FASB ASC 260, the Class B Common Stock is included in the computation of basic EPS using the two-class method, and consequently is presented separately from Class A Common Stock. Shares of Class B Common Stock are not included in the computation of diluted Class A EPS as the conditions for conversion to Class A Common Stock were not met at September 30, 2015 and 2014.

Shares of Class C Common Stock are not included in the basic EPS computation as these shares do not have participation rights. Shares of Class C Common Stock are not included in the computation of diluted Class A EPS as the conditions for conversion to Class A Common Stock were not met at September 30, 2015 and 2014.

The Company has dividend eligible stock incentive plan shares that were outstanding during the nine and three months ended September 30, 2015. 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 average number of dividend eligible stock incentive plan shares that were anti-dilutive and not included in diluted earnings per share for both the nine and three months ended September 30, 2015 was 31,600.

The table below reconciles the numerator and denominator of EPS for the nine and three months ended September 30, 2015 and 2014.

(in thousands, except per-share information)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2015	2014	2015	2014
Basic and diluted EPS per Class A common share:				
(Loss) income attributable to Class A common shares:				
Basic and diluted	\$ (5,526)	\$ 6,030	\$ (2,639)	\$ 346
Weighted average common shares:				
Class A common shares outstanding at the balance sheet date	12,355	12,314	12,355	12,314
Effect of weighting	(10)	(161)	-	-
Weighted average shares-basic and diluted	12,345	12,153	12,355	12,314
(Loss) income per Class A common share:				
Basic and diluted	\$ (0.45)	\$ 0.50	\$ (0.21)	\$ 0.03

(in thousands, except per-share information)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2015	2014	2015	2014
Basic and diluted EPS per Class B common share:				
(Loss) income attributable to Class B common shares:				
Basic and diluted	\$ (14)	\$ 16	\$ (7)	\$ 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
(Loss) income per Class B common share:				
Basic and diluted	\$ (0.45)	\$ 0.50	\$ (0.21)	\$ 0.03

NOTE 13. FAIR VALUE

Authoritative accounting literature establishes a framework for using fair value to measure assets and liabilities and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price). A fair

value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of non-performance. Required disclosures include stratification of balance sheet amounts measured at fair value based on inputs the Company uses to derive fair value measurements. These stratifications are:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Company-specific data. These unobservable assumptions reflect the Company's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

The Company's MBS are valued using Level 2 valuations, and such valuations currently are determined by the Company based on independent pricing sources and/or third-party broker quotes, when available. Because the price estimates may vary, the Company must make certain judgments and assumptions about the appropriate price to use to calculate the fair values. Alternatively, the Company could opt to have the value of all of our MBS positions determined by either an independent third-party or do so internally.

MBS, retained interests, Eurodollar futures contracts, Orchid common stock and interest rate swaptions were recorded at fair value on a recurring basis during the nine and three months ended September 30, 2015 and 2014. When determining fair value measurements, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset. When possible, the Company looks to active and observable markets to price identical assets. When identical assets are not traded in active markets, the Company looks to market observable data for similar assets. Fair value measurements for the retained interests are generated by a model that requires management to make a significant number of assumptions.

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2015 and December 31, 2014:

(in thousands)

	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2015				
Mortgage-backed securities	\$ 123,114	\$-	\$123,114	\$ -
Eurodollar futures contracts	447	447	-	-
Orchid Island Capital, Inc. common stock	9,080	9,080	-	-
Retained interests	1,634	-	-	1,634
December 31, 2014				
Mortgage-backed securities	\$ 117,831	\$-	\$117,831	\$ -
Eurodollar futures contracts	476	476	-	-
Orchid Island Capital, Inc. common stock	12,811	12,811	-	-
Retained interests	1,900	-	-	1,900

The following table illustrates a roll forward for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended September 30, 2015 and 2014:

(in thousands)

	Retained Interests	
	2015	2014
Balances, January 1	\$1,900	\$2,531
Gain included in earnings	2,739	2,643
Collections	(3,005)	(3,187)
Balances, September 30	\$1,634	\$1,987

During the nine months ended September 30, 2015 and 2014, there were no transfers of financial assets or liabilities between levels 1, 2 or 3.

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

The following table summarizes the significant quantitative information about our level 3 fair value measurements as of September 30, 2015.

Retained interests fair value (in thousands)		\$	1,634
		CPR Range	
Prepayment Assumption		(Weighted Average)	
Constant Prepayment Rate		10% (10%)	
		Severity	
Default Assumptions	Probability of Default	(Weighted Average)	Range Of Loss Timing
Real Estate Owned	100%	42%	Next 10 Months
Loans in Foreclosure	100%	42%	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	2.5%	45%	Month 29 and Beyond
		Remaining Life	
		Range	Discount Rate Range
Cash Flow Recognition	Valuation Technique	(Weighted Average)	(Weighted Average)
	Discounted Cash		
Nominal Cash Flows	Flow	0.2 - 15.1 (6.6)	27.50% (27.50%)
	Discounted Cash		
Discounted Cash Flows	Flow	0.2 - 9.7 (1.1)	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 \$71,000 for the nine months ended September 30, 2015 and \$75,000 for the nine months ended September 30, 2014.

NOTE 15. CONSOLIDATED VARIABLE INTEREST ENTITY AND NONCONTROLLING INTERESTS

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.

-25-

As discussed in Note 1, Orchid completed its IPO on February 20, 2013. Management concluded that, after the close of its IPO, Orchid was 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 also concluded that Bimini Capital was the primary beneficiary of Orchid because, under the terms of the management agreement, Bimini Capital had 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 until December 31, 2014, the Company continued to consolidate Orchid in its consolidated financial statements.

Orchid completed additional offerings of its common stock during the year ended December 31, 2014. Management continued to re-evaluate the conditions resulting in the consolidation of Orchid and at December 31, 2014 concluded that, due to Bimini's decreased percentage ownership interest in Orchid, there was no longer a variable interest requiring consolidation. In accordance with ASC 810, the Company deconsolidated Orchid from the consolidated balance sheet as of December 31, 2014. Orchid's activities were included in the consolidated statements of operations, equity and cash flows through December 31, 2014 and are excluded in subsequent periods.

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

(\$ in thousands)

Net income attributable to Bimini Capital	\$6,046
Transfers from the noncontrolling interests	
Decrease in Bimini Capital's paid-in capital for the sale of 9,682,784 common shares of Orchid and the effect of the 24,000 shares of unvested restricted shares of Orchid	(793)
Change from net income attributable to Bimini Capital and transfers from noncontrolling interest	\$5,253

Net income of Orchid for the nine and three months ended September 30, 2014 is allocated between the noncontrolling interests and to Bimini Capital in proportion to their relative ownership interests in Orchid. The following is a roll forward of the noncontrolling interest during the nine months ended September 30, 2014.

(in thousands)

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

The following table summarizes the operating results of Orchid (excluding intercompany transactions) for the nine and three months ended September 30, 2014, which are reflected in the consolidated statements of operations for the nine and three months ended September 30, 2014.

(in thousands)

	Nine Months Ended September 30, 2014	Three Months Ended September 30, 2014
Interest income	\$ 19,658	\$ 9,286
Interest expense	(1,905)	(818)
Net interest income	17,753	8,468
Unrealized gains (losses) on mortgage-backed securities	8,720	(1,404)
Realized gains (losses) on mortgage-backed securities	1,931	(1,960)
(Losses) gains on derivative instruments	(4,364)	3,057
Net portfolio income	24,040	8,161
Expenses:		
Accrued incentive compensation	450	225
Directors' fees and liability insurance	405	165
Audit, legal and other professional fees	406	160
Direct REIT operating expenses	124	36
Other administrative	183	66
Total expenses	1,568	652
Net income	\$ 22,472	\$ 7,509

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

Bimini Capital was formed in September 2003 to invest primarily in residential mortgage-backed securities ("MBS") 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. Beginning in 2013, and as further described below, the Company, through its wholly-owned subsidiary, also began to be an external manager of the portfolio of Orchid, and from this arrangement the Company receives management fees and expense reimbursements. In addition, the Company receives dividends from its investment in Orchid common shares. The Company treats its 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.

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, and until December 31, 2014, Orchid continued 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 both Bimini Capital and Orchid through December 31, 2014, and Bimini Capital only in 2015. References to Bimini Capital's taxable REIT subsidiaries or non-REIT eligible assets refer to Bimini Advisors, Inc., and its wholly-owned subsidiary, Bimini Advisors, LLC (together as "Bimini Advisors") and to MortCo TRS, LLC and its consolidated subsidiaries (collectively, "MortCo"). MortCo, which was previously named Opteum Financial Services, LLC, (referred to as "OFS") was renamed Orchid Island TRS, LLC (referred to as "OITRS") effective July 3, 2007 and then renamed MortCo TRS, LLC effective March 8, 2011. Hereinafter, any historical mention, discussion or references to Opteum Financial Services, LLC, Orchid Island TRS, LLC, OFS or to OITRS (such as in previously filed documents or Exhibits) now mean MortCo.

Qualification as a REIT

Our qualification as a REIT depends upon our ability to meet, on an annual or in some cases quarterly basis, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares. Certain trends or events experienced during 2015 may have caused, or may cause, Bimini Capital to no longer qualify as a REIT under the Code. In particular, additional offerings of common stock by Orchid in the first two quarters of 2015 have increased revenue attributable to management fees received from Orchid by Bimini Advisors. In addition,

payments that have been and will be made by Bimini Capital pursuant to a litigation settlement agreement entered into in May, 2015 have reduced and may continue to reduce the value of Bimini Capital's assets and revenues generated by our MBS portfolio. As a result, the value of our two TRSs (MortCo and Bimini Advisors) has increased in relation to the value of Bimini Capital's assets.

-28-

The failure to qualify as a REIT would subject Bimini Capital to taxation as a regular “C” corporation, with the entity’s taxable income being subject to federal and state income tax at regular corporate rates, and dividends paid to stockholders would not be deductible by Bimini Capital in computing our taxable income. However, as described above, Bimini Capital and MortCo each have NOL carryforwards that will be available to offset any 2015 or future taxable income. As of December 31, 2014, federal NOL carryforwards for Bimini Capital and MortCo were approximately \$17.3 million and \$263.9 million, respectively. Given Bimini Capital’s current ownership structure, the NOL carryforwards of each entity may generally be applied only to offset the taxable income of that entity.

If Bimini Capital fails to qualify as a REIT, management is considering the feasibility of certain internal restructuring transactions that would maximize its ability to utilize the existing federal NOL carryforwards. These transactions, if completed, would not materially change the overall consolidated operations or assets of the Company.

It is not known if Bimini Capital will qualify as a REIT for the tax year 2015; management has sought the advice of outside advisors and valuation experts, but as of November 6, 2015, this analysis is not complete. Should the REIT status be unavailable for the tax year 2015, Bimini Capital will consider the feasibility of the transactions referred to above. There can be no assurance that all or any of such transactions will be completed or that all or any portion of the various NOL carryforwards will be available to offset future taxable income.

Management of Orchid

Upon completion of its initial public offering, Orchid became externally managed and advised by Bimini Advisors pursuant to the terms of a management agreement. As Manager, Bimini Advisors is responsible for administering Orchid’s business activities and day-to-day operations. Pursuant to the terms of the management agreement, Bimini Advisors provides Orchid with its management team, including its officers, along with appropriate support personnel. Bimini Advisors is at all times subject to the supervision and oversight of Orchid’s board of directors and has only such functions and authority as delegated to it.

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;
 - 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.

-29-

Consolidation of Orchid Island Capital, Inc.

Subsequent to Orchid's IPO and until December 31, 2014, management concluded that Orchid was a VIE, as defined in generally accepted accounting principles, because Orchid's equity holders lacked the ability through voting rights to make decisions about the activities that have a significant effect on the success of Orchid. Management also concluded that Bimini Capital was the primary beneficiary of Orchid because, under the management agreement between Bimini Advisors and Orchid, Bimini Capital had the power to direct the activities of Orchid that most significantly impact its economic performance. As a result, subsequent to Orchid's IPO and until December 31, 2014, the Company continued to consolidate Orchid in its consolidated financial statements.

In December 2014, management of Bimini Capital re-evaluated the conditions resulting in the consolidation of Orchid and concluded that, due to Bimini Capital's decreased percentage ownership interest in Orchid, there was no longer a variable interest requiring consolidation. As a result, in accordance with ASC 810, the Company deconsolidated Orchid from the consolidated balance sheet as of December 31, 2014. However, as a VIE which was deconsolidated on December 31, 2014, Orchid's results of operations were included in the consolidated statements of operations, equity and cash flows through December 31, 2014, and are excluded in subsequent periods.

During the period of time in which Orchid was a VIE, the net income of Orchid has been allocated to 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 during the period of time in which Orchid was a VIE gave the appearance of a much larger organization. However, the assets recognized as a result of consolidating Orchid did not represent additional assets that could be used to satisfy claims against Bimini Capital's assets, nor did they represent amounts that are available to be distributed to Bimini Capital's stockholders. Conversely, liabilities recognized as a result of consolidating Orchid did not represent additional claims on Bimini Capital's assets; rather, they represented claims against the assets of Orchid.

Impact of Consolidation on Period-to-Period Comparisons

The discussion and tables set forth below present information as of certain dates and for certain periods of time in which Orchid was consolidated as a VIE. In particular, unless stated otherwise balance sheet data as of March 31, 2014, June 30, 2014 and September 30, 2014 and statement of operations data for the year ended December 31, 2014 and each quarter of 2014 reflect the consolidation of Orchid as a VIE.

The discussion and tables set forth below also present information as of certain dates and for certain periods of time in which Orchid was not consolidated as a VIE. Unless stated otherwise, balance sheet data as of December 31, 2014, March 31, 2015, June 30, 2015 and September 30, 2015, statement of operations data for the nine and three months ended September 30, 2015, and the statement of cash flows for the nine months ended September 30, 2015 do not reflect the consolidation of Orchid as a VIE.

Certain discussion and tables below provide period-to-period comparisons in which Orchid was consolidated on the first date or period and deconsolidated on the second date or period. The changes reflected in those period-to-period comparisons are due in large part to the consolidation (or deconsolidation) of Orchid.

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.

-30-

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

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

During the nine and three months ended September 30, 2015, Bimini Capital made no dividend distributions. All distributions are made at the discretion of the Company's Board of Directors and will depend on the Company's results of operations, financial conditions, maintenance of REIT status, availability of net operating losses and other factors that may be deemed relevant. Bimini Capital continues to evaluate its dividend payment policy. However, as more fully described below, due to net operating losses ("NOLs") incurred in prior periods, Bimini Capital is unlikely to declare and pay dividends to stockholders until such NOLs have been consumed.

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 \$17.3 million of NOLs available as of December 31, 2014 against such taxable income until the NOLs are exhausted in lieu of making distributions to stockholders. Further, Bimini Capital could avoid the obligation to pay excise taxes through a combination of qualifying dividends and the application of NOLs. In any case, future distributions to stockholders are expected to be less than REIT taxable income until the existing NOLs are consumed.

Results of Operations

Described below are the Company's results of operations for the nine and three months ended September 30, 2015, as compared to the nine and three months ended September 30, 2014.

Net (Loss) Income Summary

Consolidated net loss for the nine months ended September 30, 2015 was \$5.5 million, or \$0.45 basic and diluted loss per share of Class A Common Stock, as compared to consolidated net income of \$6.0 million, or \$0.50 basic and diluted income per share of Class A Common Stock, for the nine months ended September 30, 2014.

Consolidated net loss for the three months ended September 30, 2015 was \$2.6 million, or \$0.21 basic and diluted loss per share of Class A Common Stock, as compared to consolidated net income of \$0.3 million, or \$0.03 basic and diluted income per share of Class A Common Stock, for the three months ended September 30, 2014.

-31-

Edgar Filing: BIMINI CAPITAL MANAGEMENT, INC. - Form 10-Q

The components of net (loss) income for the nine and three months ended September 30, 2015 and 2014, along with the changes in those components are presented in the table below:

(in thousands)

	Nine Months Ended September 30,			Three Months Ended September 30,		
	2015	2014(1)	Change	2015	2014(1)	Change
Net portfolio interest	\$2,972	\$19,202	\$(16,230)	\$889	\$9,149	\$(8,260)
Interest expense on junior subordinated notes	(744)	(736)	(8)	(253)	(248)	(5)
(Losses) gains on MBS and derivative instruments	(2,913)	7,499	(10,412)	(1,706)	(225)	(1,481)
Net portfolio (loss) income	(685)	25,965	(26,650)	(1,070)	8,676	(9,746)
Other income (expense)	3,430	2,600	830	(209)	173	(382)
Expenses, including income taxes	(8,285)	(3,752)	(4,533)	(1,367)	(2,273)	906
Net (loss) income	(5,540)	24,813	(30,353)	(2,646)	6,576	(9,222)
Income attributable to noncontrolling interests	-	18,767	(18,767)	-	6,229	(6,229)
Net (loss) income attributable to Bimini Capital Management, Inc.	\$(5,540)	\$6,046	\$(11,586)	\$(2,646)	\$347	\$(2,993)

(1) Information presented in the table above for the nine and three months ended September 30, 2014 includes the activities of Orchid Island Capital, Inc.

GAAP and Non-GAAP Reconciliation

To date, the Company has used derivatives, specifically interest rate futures contracts, such as Eurodollar futures contracts, and interest rate swaptions, to hedge a portion of the interest rate risk on its repurchase agreements and junior subordinate notes in a rising rate environment. Each interest rate futures contract covers a specific three month period, but the Company typically has many contracts in place at any point in time — usually covering several years in the aggregate.

The Company has not elected to designate its derivative holdings for hedge accounting treatment under the Financial Accounting Standards Board, (the “FASB”), Accounting Standards Codification, (“ASC”), Topic 815, Derivatives and Hedging. Changes in fair value of these instruments are presented in a separate line item in the Company’s consolidated statements of operations and not included in interest expense. As such, for financial reporting purposes, interest expense and cost of funds are not impacted by the fluctuation in value of the derivative instruments. In the future, the Company may use other derivative instruments to hedge its interest expense and/or elect to designate its derivative holdings for hedge accounting treatment.

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

-32-

However, because the Company has not elected hedging treatment under ASC Topic 815, the gains or losses on all of the Company's derivative instruments held during the period are reflected in our consolidated 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 consolidated statements of operations line item, losses on derivative instruments, calculated in accordance with GAAP for the nine months ended September 30, 2015 and 2014 and for each quarter in 2015 and 2014.

Gains (Losses) on Derivative Instruments - Recognized in Consolidated Statement of Operations (GAAP)
(in thousands)

Three Months Ended	Repurchase Agreements	Junior Subordinated Debt	Total
Consolidated			
September 30, 2015	\$(676)	\$ (315)	\$(991)
June 30, 2015	7	(1)	6
March 31, 2015	(687)	(328)	(1,015)
December 31, 2014	(9,719)	(287)	(10,006)
September 30, 2014	3,257	149	3,406
June 30, 2014	(5,757)	(117)	(5,874)
March 31, 2014	(1,693)	(24)	(1,717)
Bimini Capital Only			
September 30, 2015	\$(676)	\$ (315)	\$(991)
June 30, 2015	7	(1)	6
March 31, 2015	(687)	(328)	(1,015)
December 31, 2014	(158)	(287)	(445)
September 30, 2014	200	149	349
June 30, 2014	(29)	(117)	(146)

March 31, 2014 - (24) (24)

(in thousands)

	Repurchase	Junior	
	Agreements	Subordinated	Total
Nine Months Ended		Debt	
Consolidated			
September 30, 2015	\$ (1,356)	\$ (644)	\$ (2,000)
September 30, 2014	(4,193)	8	(4,185)
Bimini Capital Only			
September 30, 2015	\$ (1,356)	\$ (644)	\$ (2,000)
September 30, 2014	171	8	179

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

(in thousands)

	Repurchase	Junior	
	Agreements	Subordinated	Total
Three Months Ended		Debt	
Consolidated			
September 30, 2015	\$ (20)	\$ (74)	\$ (94)
June 30, 2015	(9)	(64)	(73)
March 31, 2015	(1)	(54)	(55)
December 31, 2014	(145)	(136)	(281)
September 30, 2014	(24)	(141)	(165)
June 30, 2014	(3)	(127)	(130)
March 31, 2014	(136)	(109)	(245)
Bimini Capital Only			
September 30, 2015	\$ (20)	\$ (74)	\$ (94)
June 30, 2015	(9)	(64)	(73)
March 31, 2015	(1)	(54)	(55)
December 31, 2014	-	(136)	(136)
September 30, 2014	-	(141)	(141)
June 30, 2014	-	(127)	(127)
March 31, 2014	(106)	(109)	(215)

(in thousands)

	Repurchase	Junior	
	Agreements	Subordinated	Total
Nine Months Ended		Debt	
Consolidated			
September 30, 2015	\$ (30)	\$ (192)	\$ (222)
September 30, 2014	(163)	(377)	(540)
Bimini Capital Only			
September 30, 2015	\$ (30)	\$ (192)	\$ (222)
September 30, 2014	(106)	(377)	(483)

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

(in thousands)

Three Months Ended	Repurchase Agreements	Junior Subordinated Debt	Total
Consolidated			
September 30, 2015	\$ (656)	\$ (241)	\$ (897)
June 30, 2015	16	63	79
March 31, 2015	(686)	(274)	(960)
December 31, 2014	(9,574)	(151)	(9,725)
September 30, 2014	3,281	290	3,571
June 30, 2014	(5,754)	10	(5,744)
March 31, 2014	(1,557)	85	(1,472)
Bimini Capital Only			
September 30, 2015	\$ (656)	\$ (241)	\$ (897)
June 30, 2015	16	63	79
March 31, 2015	(686)	(274)	(960)
December 31, 2014	(158)	(151)	(309)
September 30, 2014	199	290	489
June 30, 2014	(29)	10	(19)
March 31, 2014	106	85	191

(in thousands)

Nine Months Ended	Repurchase Agreements	Junior Subordinated Debt	Total
Consolidated			
September 30, 2015	\$ (1,326)	\$ (452)	\$ (1,778)
September 30, 2014	(4,030)	385	(3,645)
Bimini Capital Only			
September 30, 2015	\$ (1,326)	\$ (452)	\$ (1,778)
September 30, 2014	276	385	661

Economic Net Portfolio Interest Income

(in thousands)

Three Months Ended	Interest Income	Interest Expense on Repurchase Agreements Effect of			Net Portfolio Interest Income	
		GAAP Basis	Non-GAAP Hedges(1)	Economic Basis(2)	GAAP Basis	Economic Basis(3)
Consolidated						
September 30, 2015	\$996	\$107	\$(20)	\$127	\$889	\$869
June 30, 2015	1,074	98	(9)	107	976	967
March 31, 2015	1,207	100	(1)	101	1,107	1,106
December 31, 2014	13,168	1,213	(145)	1,358	11,955	11,810
September 30, 2014	10,035	886	(24)	910	9,149	9,125
June 30, 2014	7,119	728	(3)	731	6,391	6,388
March 31, 2014	4,116	454	(136)	590	3,662	3,526
Bimini Capital Only						
September 30, 2015	\$996	\$107	\$(20)	\$127	\$889	\$869
June 30, 2015	1,074	98	(9)	107	976	967
March 31, 2015	1,207	100	(1)	101	1,107	1,106
December 31, 2014	1,022	87	1	86	935	936
September 30, 2014	749	67	-	67	682	682
June 30, 2014	530	52	(1)	53	478	477
March 31, 2014	333	43	(106)	149	290	184

(in thousands)

Nine Months Ended	Interest Income	Interest Expense on Repurchase Agreements Effect of			Net Portfolio Interest Income	
		GAAP Basis	Non-GAAP Hedges(1)	Economic Basis(2)	GAAP Basis	Economic Basis(3)
Consolidated						
September 30, 2015	\$3,277	\$305	\$(30)	\$335	\$2,972	\$2,942
September 30, 2014	21,270	2,068	(163)	2,231	19,202	19,039
Bimini Capital Only						
September 30, 2015	\$3,277	\$305	\$(30)	\$335	\$2,972	\$2,942
September 30, 2014	1,612	162	(107)	269	1,450	1,343

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

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

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

Economic Net Interest Income

(in thousands)

Three Months Ended	Net Portfolio Interest Income		Interest Expense on Junior Subordinated Notes			Net Interest Income	
	GAAP	Economic	GAAP	Effect of Non-GAAP	Economic	GAAP	Economic
	Basis	Basis(1)	Basis	Hedges(2)	Basis(3)	Basis	Basis(4)
Consolidated							
September 30, 2015	\$889	\$869	\$252	\$(74)	\$326	\$637	\$543
June 30, 2015	976	967	248	(64)	312	728	655
March 31, 2015	1,107	1,106	243	(54)	297	864	809
December 31, 2014	11,955	11,810	248	(136)	384	11,707	11,426
September 30, 2014	9,149	9,125	248	(141)	389	8,901	8,736
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
Bimini Capital Only							
September 30, 2015	\$889	\$869	\$252	\$(74)	\$326	\$637	\$543
June 30, 2015	976	967	248	(64)	312	728	655
March 31, 2015	1,107	1,106	243	(54)	297	864	809
December 31, 2014	935	935	248	(136)	384	687	551
September 30, 2014	682	682	248	(141)	389	434	293
June 30, 2014	478	478	245	(127)	372	233	106
March 31, 2014	290	184	243	(109)	352	47	(168)

(in thousands)

Nine Months Ended	Net Portfolio Interest Income		Interest Expense on Junior Subordinated Notes			Net Interest Income	
	GAAP	Economic	GAAP	Effect of Non-GAAP	Economic	GAAP	Economic
	Basis	Basis(1)	Basis	Hedges(2)	Basis(3)	Basis	Basis(4)
Consolidated							
September 30, 2015	\$2,972	\$2,942	\$744	\$(192)	\$936	\$2,228	\$2,006
September 30, 2014	19,202	19,039	736	(377)	1,113	18,466	17,926
Bimini Capital Only							
September 30, 2015	\$2,972	\$2,942	\$744	\$(192)	\$936	\$2,229	\$2,007
September 30, 2014	1,450	1,344	736	(377)	1,113	714	231

- (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 subtracting the effect of derivative instrument hedges attributed to the period presented from GAAP net interest income.

Net Portfolio Income

During the nine months ended September 30, 2015, the Company generated \$3.0 million of net portfolio interest income, consisting of \$3.3 million of interest income from MBS assets offset by \$0.3 million of interest expense on repurchase liabilities. For the comparable period ended September 30, 2014, the Company generated \$19.2 million of net portfolio interest income, consisting of \$21.3 million of interest income from MBS assets offset by \$2.1 million of interest expense on repurchase liabilities. The \$18.0 million decrease in interest income and \$1.8 million decrease in interest expense for the nine months ended September 30, 2015 primarily reflects the deconsolidation of Orchid's assets and liabilities from the balance sheet beginning December 31, 2014 and the effect this had on the Company's consolidated statement of operations.

The Company's economic interest expense on repurchase liabilities for the nine months ended September 30, 2015 and 2014 was \$0.3 million and \$2.2 million, respectively, resulting in \$2.9 million and \$19.0 million of economic net portfolio interest income, respectively.

During the three months ended September 30, 2015, the Company generated \$0.9 million of net portfolio interest income, consisting of \$1.0 million of interest income from MBS assets offset by \$0.1 million of interest expense on repurchase liabilities. For the three months ended September 30, 2014, the Company generated \$9.1 million of net portfolio interest income, consisting of \$10.0 million of interest income from MBS assets offset by \$0.9 million of interest expense on repurchase liabilities. The deployment of the proceeds from Orchid's capital raising activities in 2014 on a leveraged basis, followed by the deconsolidation of Orchid as of December 31, 2014, were the main reasons for the decrease in both interest income and interest expense for the three months ended September 30, 2015 as compared to the same period in 2014.

The Company's economic interest expense on repurchase liabilities for the three months ended September 30, 2015 and 2014 was \$0.1 million and \$0.9 million, respectively, resulting in \$0.9 million and \$9.1 million of economic net portfolio interest income, respectively.

The discussion above and in the following sections related to the Company's net portfolio income during the nine and three months ended September 30, 2014 includes the activities of Orchid as a VIE. Orchid's activities are not included for the nine and three months September 30, 2015. During the nine months ended September 30, 2015, Bimini Capital generated \$3.0 million of net portfolio interest income, consisting of \$3.3 million of interest income from MBS assets offset by \$0.3 million of interest expense on repurchase liabilities. For the comparable period ended September 30, 2014, Bimini Capital generated \$1.4 million of net portfolio interest income, consisting of \$1.6 million of interest income from MBS assets offset by \$0.2 million of interest expense on repurchase liabilities.

During the three months ended September 30, 2015, Bimini Capital generated \$0.89 million of net portfolio interest income, consisting of \$1.00 million of interest income from MBS assets offset by \$0.11 million of interest expense on repurchase liabilities. For the three months ended September 30, 2014, Bimini Capital generated \$0.68 million of net portfolio interest income, consisting of \$0.75 million of interest income from MBS assets offset by \$0.07 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 nine months ended September 30, 2015 and 2014 and each quarter in 2015 and 2014 on both a GAAP and economic basis.

(\$ in thousands)

Three Months Ended	Average MBS Held(1)	Interest Income(2)	Yield on Average		Average Repurchase Agreements(1)	Interest Expense		Average Cost of Funds			
			MBS			GAAP	Economic	GAAP	Economic		
September 30, 2015	\$ 115,437	\$ 996	3.45	%	\$ 107,442	\$ 107	\$ 127	0.40	%	0.47	%
June 30, 2015	111,674	1,074	3.85	%	103,750	98	107	0.38	%	0.41	%
March 31, 2015	116,709	1,207	4.14	%	108,129	100	101	0.37	%	0.37	%
December 31, 2014	1,466,048	13,168	3.59	%	1,442,905	1,213	1,358	0.34	%	0.38	%
September 30, 2014	1,108,367	10,035	3.62	%	1,096,611	886	910	0.32	%	0.33	%
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	%
Bimini Capital Only											
September 30, 2015	\$ 115,437	\$ 996	3.45	%	\$ 107,442	\$ 107	\$ 127	0.40	%	0.47	%
June 30, 2015	111,674	1,074	3.85	%	103,750	98	107	0.38	%	0.41	%
March 31, 2015	116,709	1,207	4.14	%	108,129	100	101	0.37	%	0.37	%
December 31, 2014	103,696	1,022	3.94	%	96,591	87	86	0.36	%	0.36	%
September 30, 2014	82,599	749	3.63	%	76,772	67	67	0.35	%	0.35	%
June 30, 2014	70,710	530	3.00	%	65,849	53	53	0.32	%	0.32	%
March 31, 2014	51,951	333	2.57	%	48,106	43	149	0.36	%	1.24	%

(\$ in thousands)

Nine Months Ended	Average		Yield	Average		Interest Expense		Average Cost of	
	MBS	Interest	on	Repurchase	GAAP	Economic	GAAP	Economic	
	Held(1)	Income(2)	Average	Agreements(1)	Basis	Basis(2)	Basis	Basis(3)	
Consolidated									
September 30, 2015	\$ 114,607	\$ 3,277	3.81 %	\$ 106,440	\$ 305	\$ 335	0.38 %	0.42 %	
September 30, 2014	864,133	21,270	3.28 %	804,314	2,068	2,231	0.34 %	0.37 %	
Bimini Capital Only									
September 30, 2015	\$ 114,607	\$ 3,277	3.81 %	\$ 106,440	\$ 305	\$ 335	0.38 %	0.42 %	
September 30, 2014	68,420	1,612	3.14 %	63,576	163	269	0.34 %	0.56 %	

(\$ in thousands)

Three Months Ended	Net Portfolio		Net Portfolio	
	GAAP	Economic	GAAP	Economic
	Basis	Basis(2)	Basis	Basis(4)
Consolidated				
September 30, 2015	\$ 889	\$ 869	3.05 %	2.98 %
June 30, 2015	976	967	3.47 %	3.44 %
March 31, 2015	1,107	1,106	3.77 %	3.77 %
December 31, 2014	11,955	11,810	3.25 %	3.21 %
September 30, 2014	9,149	9,125	3.30 %	3.29 %
June 30, 2014	6,391	6,388	2.86 %	2.86 %
March 31, 2014	3,662	3,526	2.40 %	2.30 %
Bimini Capital Only				
September 30, 2015	\$ 889	\$ 869	3.05 %	2.98 %
June 30, 2015	976	967	3.47 %	3.44 %
March 31, 2015	1,107	1,106	3.77 %	3.77 %
December 31, 2014	935	935	3.58 %	3.58 %
September 30, 2014	682	682	3.28 %	3.28 %
June 30, 2014	478	478	2.68 %	2.68 %
March 31, 2014	290	184	2.21 %	1.33 %

(\$ in thousands)

Nine Months Ended	Net Portfolio		Net Portfolio	
	GAAP	Economic	GAAP	Economic
	Basis	Basis(2)	Basis	Basis(4)
Consolidated				
September 30, 2015	\$ 2,972	\$ 2,942	3.43 %	3.39 %
September 30, 2014	19,202	19,039	2.94 %	2.91 %
Bimini Capital Only				
September 30, 2015	\$ 2,972	\$ 2,942	3.43 %	3.39 %
September 30, 2014	1,450	1,344	2.80 %	2.58 %

(1) Portfolio yields and costs of borrowings presented in the tables above and the tables on pages 40-43 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 pages 42 and 43 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.

Interest Income and Average Earning Asset Yield

Interest income for the Company was \$3.3 million for the nine months ended September 30, 2015 and \$21.3 million for the nine months ended September 30, 2014. Average MBS holdings were \$114.6 million and \$864.1 million for the nine months ended September 30, 2015 and 2014, respectively. The \$18.0 million decrease in interest income was due to a \$749.5 million decrease in average MBS holdings, offset by a 53 basis point increase in yields. The decrease in average MBS during the nine months ended September 30, 2015 reflects the deconsolidation of Orchid's assets as of December 31, 2014.

Interest income for the Company was \$1.0 million for the three months ended September 30, 2015 and \$10.0 million for the three months ended September 30, 2014. Average MBS holdings were \$115.4 million and \$1,108.4 million for the three months ended September 30, 2015 and 2014, respectively. The \$9.0 million decrease in interest income was due to a \$993.0 million decrease in average MBS holdings as a result of the deconsolidation of Orchid as of December 31, 2014, combined with a 17 basis point decrease in yields.

Interest income for Bimini Capital was \$3.3 million for the nine months ended September 30, 2015 and \$1.6 million for the nine months ended September 30, 2014. Average MBS holdings were \$114.6 million and \$68.4 million for the nine months ended September 30, 2015 and 2014, respectively. The \$1.7 million increase in interest income was due to a combination of a 67 basis point increase in yields and a \$46.2 million increase in average MBS holdings.

Interest income for Bimini Capital was \$1.00 million for the three months ended September 30, 2015 and \$0.75 million for the three months ended September 30, 2014. Average MBS holdings were \$115.4 million and \$82.6 million for the three months ended September 30, 2015 and 2014, respectively. The \$0.3 million increase in interest income was due to a combination of a \$32.8 million increase in average MBS holdings and an 18 basis point decrease in yields.

The tables below present the consolidated average portfolio size, income and yields of our respective sub-portfolios, consisting of structured MBS and pass-through MBS ("PT MBS") for the nine months ended September 30, 2015 and 2014 and for each quarter during 2015 and 2014.

(\$ in thousands)

Three Months Ended	Average MBS Held			Interest Income			Realized Yield on Average MBS		
	PT	Structured	Total	PT	Structured	Total	PT	Structured	Total
Consolidated									
September 30, 2015	\$109,582	\$5,855	\$115,437	\$1,038	\$(42)	\$996	3.79 %	(2.90) %	3.45 %
June 30, 2015	105,368	6,306	111,674	1,031	43	1,074	3.91 %	2.75 %	3.85 %
March 31, 2015	111,035	5,674	116,709	1,090	117	1,207	3.93 %	8.25 %	4.14 %
December 31, 2014	1,397,518	68,530	1,466,048	13,719	(551)	13,168	3.93 %	(3.21) %	3.59 %
	1,048,424	59,943	1,108,367	10,266	(231)	10,035	3.92 %	(1.55) %	3.62 %

Edgar Filing: BIMINI CAPITAL MANAGEMENT, INC. - Form 10-Q

September 30, 2014											
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 %	
Bimini Capital Only											
September 30, 2015	\$ 109,582	\$ 5,855	\$ 115,437	\$ 1,038	\$ (42)	\$ 996	3.79 %	(2.90)%		3.45 %	
June 30, 2015	105,368	6,306	111,674	1,031	43	1,074	3.91 %	2.75 %		3.85 %	
March 31, 2015	111,035	5,674	116,709	1,090	117	1,207	3.93 %	8.25 %		4.14 %	
December 31, 2014	98,552	5,144	103,696	957	65	1,022	3.89 %	5.01 %		3.94 %	
September 30, 2014	79,390	3,209	82,599	784	(35)	749	3.95 %	(4.36)%		3.63 %	
June 30, 2014	69,298	1,412	70,710	629	(99)	530	3.63 %	(27.87)%		3.00 %	
March 31, 2014	50,315	1,636	51,951	450	(117)	333	3.58 %	(28.49)%		2.57 %	

(\$ in thousands)

Nine Months Ended	Average MBS Held			Interest Income			Realized Yield on Average MBS			
	PT	Structured	Total	PT	Structured	Total	PT	Structured	Total	
Consolidated										
September 30, 2015	\$108,662	\$5,945	\$114,607	\$3,159	\$118	\$3,277	3.88 %	2.65 %	3.81 %	
September 30, 2014	815,487	48,646	864,133	23,421	(2,151)	21,270	3.83 %	(5.89)%	3.28 %	
Bimini Capital Only										
September 30, 2015	\$108,662	\$5,945	\$114,607	\$3,159	\$118	\$3,277	3.88 %	2.65 %	3.81 %	
September 30, 2014	66,334	2,086	68,420	1,863	(251)	1,612	3.74 %	(15.98)%	3.14 %	

Interest Expense on Repurchase Agreements and the Cost of Funds

Average outstanding repurchase agreements for the Company were \$106.4 million and \$804.3 million, generating interest expense of \$0.3 million and \$2.1 million for the nine months ended September 30, 2015 and 2014, respectively. Our average cost of funds was 0.38% and 0.34% for nine months ended September 30, 2015 and 2014, respectively. There was a 4 basis point increase in the average cost of funds and a \$697.9 million decrease in average outstanding repurchase agreements during the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. The decrease in average outstanding repurchase agreements, and the corresponding decrease in interest expense, reflects the deconsolidation of Orchid as of December 31, 2014.

The Company's economic interest expense was \$0.3 million and \$2.2 million for the nine months ended September 30, 2015 and 2014, respectively. There was a 5 basis point increase in the average economic cost of funds to 0.42% for the nine months ended September 30, 2015 from 0.37% for the nine months ended September 30, 2014. The \$1.9 million decrease in economic interest expense was primarily due to the \$697.9 million decrease in average outstanding repurchase agreements during the nine months ended September 30, 2015, offset by the increase in the economic cost of funds rate.

Average outstanding repurchase agreements for the Company were \$107.4 million and \$1,096.6 million, generating interest expense of \$0.1 million and \$0.9 million for the three months ended September 30, 2015 and 2014, respectively. Our average cost of funds was 0.40% and 0.32% for three months ended September 30, 2015 and 2014, respectively. There was an 8 basis point increase in the average cost of funds and a \$989.2 million decrease in average outstanding repurchase agreements during the three months ended September 30, 2015 as compared to the three months ended September 30, 2014.

The Company's economic interest expense was \$0.1 million and \$0.9 million for the three months ended September 30, 2015 and 2014, respectively. There was a 14 basis point increase in the average economic cost of funds to 0.47% for the three months ended September 30, 2015 from 0.33% for the three months ended September 30, 2014. The \$0.8 million decrease in economic interest expense was primarily due to the \$989.2 million decrease in average

outstanding repurchase agreements during the three months ended September 30, 2015, partially offset by the increase in the economic cost of funds rate.

Average outstanding repurchase agreements for Bimini Capital were \$106.4 million and total interest expense was \$0.3 million for the nine months ended September 30, 2015. During the nine months ended September 30, 2014, average outstanding repurchase agreements for Bimini Capital were \$63.6 million and total interest expense was \$0.2 million. Bimini Capital's average cost of funds was 0.38% and 0.34% for the nine months ended September 30, 2015 and 2014, respectively.

Bimini Capital's economic interest expense was \$0.3 million for each of the nine months ended September 30, 2015 and 2014. There was a 14 basis point decrease in the average economic cost of funds to 0.42% for the nine months ended September 30, 2015 from 0.56% for the nine months ended September 30, 2014.

Average outstanding repurchase agreements for Bimini Capital were \$107.4 million and total interest expense was \$0.11 million for the three months ended September 30, 2015. During the three months ended September 30, 2014, average outstanding repurchase agreements for Bimini Capital were \$76.8 million and total interest expense was \$0.07 million. Bimini Capital's average cost of funds was 0.40% and 0.35% for the three months ended September 30, 2015 and 2014, respectively.

Bimini Capital's economic interest expense was \$0.1 million for each of the three months ended September 30, 2015 and 2014. There was a 12 basis point increase in the average economic cost of funds to 0.47% for the three months ended September 30, 2015 from 0.35% for the three months ended September 30, 2014.

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 21 basis points above the average one-month LIBOR and 9 basis points below the average six-month LIBOR for the quarter ended September 30, 2015. The Company's average economic cost of funds was 28 basis points above the average one-month LIBOR and 2 basis points below the average six-month LIBOR for the quarter ended September 30, 2015. The average term to maturity of the outstanding repurchase agreements increased from 14 days at December 31, 2014 to 15 days at September 30, 2015.

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 nine months ended September 30, 2015 and 2014 and each quarter in 2015 and 2014 on both a GAAP and economic basis.

(\$ in thousands)

Three Months Ended	Average Balance of Repurchase Agreements	Interest Expense		Average Cost of Funds			
		GAAP Basis	Economic Basis	GAAP Basis		Economic Basis	
Consolidated							
September 30, 2015	\$ 107,442	\$ 107	\$ 127	0.40	%	0.47	%
June 30, 2015	103,750	98	107	0.38	%	0.41	%
March 31, 2015	108,129	100	101	0.37	%	0.37	%
December 31, 2014	1,442,905	1,213	1,358	0.34	%	0.38	%
September 30, 2014	1,096,611	886	910	0.32	%	0.33	%
June 30, 2014	783,323	728	731	0.37	%	0.37	%
March 31, 2014	533,008	454	590	0.34	%	0.44	%
Bimini Capital Only							
September 30, 2015	\$ 107,442	\$ 107	\$ 127	0.40	%	0.47	%
June 30, 2015	103,750	98	107	0.38	%	0.41	%
March 31, 2015	108,129	100	101	0.37	%	0.37	%
December 31, 2014	96,591	87	86	0.36	%	0.36	%
September 30, 2014	76,772	67	67	0.35	%	0.35	%
June 30, 2014	65,849	53	53	0.32	%	0.32	%
March 31, 2014	48,106	43	149	0.36	%	1.24	%

(\$ in thousands)

Nine Months Ended	Average Balance of Repurchase Agreements	Interest Expense		Average Cost of Funds			
		GAAP Basis	Economic Basis	GAAP Basis	Economic Basis		
Consolidated							
September 30, 2015	\$ 106,440	\$ 305	\$ 335	0.38	%	0.42	%
September 30, 2014	804,314	2,068	2,231	0.34	%	0.37	%
Bimini Capital Only							
September 30, 2015	\$ 106,440	\$ 305	\$ 335	0.38	%	0.42	%
September 30, 2014	63,576	163	269	0.34	%	0.56	%

Three Months Ended	Average LIBOR				Average GAAP Cost of Funds				Average Economic Cost of Funds			
	One-Month		Six-Month		One-Month		Six-Month		One-Month		Six-Month	
	LIBOR	Relative to Average	LIBOR	Relative to Average	LIBOR	Relative to Average	LIBOR	Relative to Average	LIBOR	Relative to Average	LIBOR	Relative to Average
Consolidated												
September 30, 2015	0.19	%	0.49	%	0.21	%	(0.09)	)%	0.28	%	(0.02))%
June 30, 2015	0.18	%	0.40	%	0.20	%	(0.02)	)%	0.23	%	0.01	%
March 31, 2015	0.17	%	0.35	%	0.20	%	0.02	%	0.20	%	0.02	%
December 31, 2014	0.16	%	0.34	%	0.18	%	0.00	%	0.22	%	0.04	%
September 30, 2014	0.15	%	0.33	%	0.17	%	(0.01)	)%	0.18	%	0.00	%
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	%
Bimini Capital Only												
September 30, 2015	0.19	%	0.49	%	0.21	%	(0.09)	)%	0.28	%	(0.02))%
June 30, 2015	0.18	%	0.40	%	0.20	%	(0.02)	)%	0.23	%	0.01	%
March 31, 2015	0.17	%	0.35	%	0.20	%	0.02	%	0.20	%	0.02	%
December 31, 2014	0.16	%	0.34	%	0.20	%	0.02	%	0.20	%	0.02	%
September 30, 2014	0.15	%	0.33	%	0.20	%	0.02	%	0.20	%	0.02	%
June 30, 2014	0.15	%	0.33	%	0.17	%	(0.01)	)%	0.17	%	(0.01))%
March 31, 2014	0.16	%	0.34	%	0.20	%	0.02	%	1.08	%	0.90	%

Nine Months Ended	Average LIBOR				Average GAAP Cost of Funds				Average Economic Cost of Funds			
	One-Month		Six-Month		One-Month		Six-Month		One-Month		Six-Month	
	LIBOR	Relative to Average	LIBOR	Relative to Average	LIBOR	Relative to Average	LIBOR	Relative to Average	LIBOR	Relative to Average	LIBOR	Relative to Average
Consolidated												
September 30, 2015	0.18	%	0.41	%	0.20	%	(0.03)	)%	0.24	%	0.01	%
September 30, 2014	0.16	%	0.33	%	0.18	%	0.01	%	0.21	%	0.04	%
Bimini Capital Only												
September 30, 2015	0.18	%	0.41	%	0.20	%	(0.03)	)%	0.24	%	0.01	%
September 30, 2014	0.16	%	0.33	%	0.18	%	0.01	%	0.40	%	0.23	%

Junior Subordinated Notes

Interest expense on the Company's junior subordinated debt securities was \$0.7 million for each of the nine months ended September 30, 2015 and 2014. The average rate of interest paid for the nine months ended September 30, 2015 was 3.77% compared to 3.74% for the comparable period in 2014.

Interest expense on the Company's junior subordinated debt securities was \$0.3 million and \$0.2 million for the three month periods ended September 30, 2015 and 2014, respectively. The average rate of interest paid for the three months ended September 30, 2015 was 3.79% compared to 3.73% for the comparable period in 2014.

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 September 30, 2015, the interest rate was 3.84%.

Gains or Losses and Other Income

The table below presents the Company's gains or losses and other income for the nine and three months ended September 30, 2015 and 2014.

(in thousands)

	Nine Months Ended September 30,			Three Months Ended September 30,		
	2015	2014	Change	2015	2014	Change
Realized (losses) gains on sales of MBS	\$(2)	\$2,058	\$(2,060)	\$(2)	\$(1,992)	\$1,990
Unrealized (losses) gains on MBS	(911)	9,627	(10,538)	(713)	(1,639)	926
Total (losses) gains on MBS	(913)	11,685	(12,598)	(715)	(3,631)	2,916
(Losses) gains on interest rate futures	(2,000)	(3,065)	1,065	(991)	3,240	(4,231)
Gains on retained interests	2,739	2,643	96	201	196	5
Gain (loss) on payer swaption	-	(1,120)	1,120	-	166	(166)
Unrealized losses on Orchid Island Capital, Inc.	(3,730)	-	(3,730)	(1,924)	-	(1,924)
Orchid Island Capital, Inc. dividends	1,472	-	1,472	412	-	412
Management fees	2,929	-	2,929	1,061	-	1,061

We invest in MBS with the intent to earn net income from the realized yield on those assets over the related funding and hedging costs, and not for purposes of making short term gains from trading in these securities. However, we have sold, and may continue to sell, existing assets to acquire new assets, which our management believes might have

higher risk-adjusted returns in light of current or anticipated interest rates, federal government programs or general economic conditions or to manage our balance sheet as part of our asset/liability management strategy. During the nine and three months ended September 30, 2015, the Company received proceeds of \$4.3 million from the sales of MBS. For the nine and three months ended September 30, 2014, the Company received proceeds of \$499.2 million and \$64.6 million, respectively, from the sales of MBS.

The higher MBS trading activities in the nine and three months ended September 30, 2014 reflects the repositioning of our portfolio following Orchid's capital raising activities. The fair value adjustments on MBS for the nine months ended September 30, 2015 and 2014 were the result of changes in market conditions. Losses on Eurodollar futures contracts reflect the declining forward LIBOR during the nine months ended September 30, 2015 and 2014. The table below presents historical interest rate data as of each quarter end during 2015 and 2014.

	5 Year Treasury Rate(1)	%	10 Year Treasury Rate(1)	%	15 Year Fixed-Rate Mortgage Rate(2)	%	30 Year Fixed-Rate Mortgage Rate(2)	%	Three Month Libor(3)	%
September 30, 2015	1.38	%	2.06	%	3.10	%	3.89	%	0.33	%
June 30, 2015	1.63	%	2.34	%	3.19	%	3.98	%	0.28	%
March 31, 2015	1.38	%	1.93	%	3.04	%	3.77	%	0.27	%
December 31, 2014	1.65	%	2.17	%	3.13	%	3.86	%	0.25	%
September 30, 2014	1.78	%	2.51	%	3.31	%	4.16	%	0.23	%
June 30, 2014	1.63	%	2.52	%	3.27	%	4.16	%	0.23	%
March 31, 2014	1.73	%	2.72	%	3.36	%	4.34	%	0.23	%

- (1) Historical 10 Year Treasury Rates are obtained from quoted end of day prices on the Chicago Board Options Exchange.
- (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 nine and three months ended September 30, 2015, the Company recorded gains on retained interests of \$2.7 million and \$0.2 million, respectively, compared to gains of \$2.6 million and \$0.2 million, respectively, for the nine and three months ended September 30, 2014.

Operating Expenses

For the nine and three months ended September 30, 2015, the Company's total operating expenses were approximately \$7.4 million and \$1.1 million, respectively, compared to approximately \$5.8 million and \$2.2 million for the nine and three months ended September 30, 2014, respectively. The table below presents a breakdown of operating expenses for the nine and three months ended September 30, 2015 and 2014.

(in thousands)

	Nine Months Ended September 30,			Three Months Ended September 30,		
	2015	2014	Change	2015	2014	Change
Compensation and benefits	\$1,864	\$2,124	\$(260)	\$600	\$767	\$(167)
Legal fees	845	936	(91)	132	312	(180)
	437	718	(281)	103	253	(150)

Accounting, auditing and other professional fees						
Directors' fees and liability insurance						
	514	856	(342)	172	312	(140)
Direct REIT operating expenses	55	332	(277)	18	102	(84)
Settlement of litigation	3,500	-	3,500	-	-	-
Other G&A expenses	168	841	(673)	49	451	(402)
	\$7,383	\$5,807	\$1,576	\$1,074	\$2,197	\$(1,123)

In May 2015, Bimini Capital agreed to settle a legal action as more fully described in Note 10 to the consolidated financial statements. In connection with the settlement, a loss of \$3.5 million has been charged to operations for the nine months ended September 30, 2015. Also, the year-over-year comparability of the data in the table above is affected by the inclusion of Orchid in the 2014 periods. Expenses attributed to Orchid were approximately \$1.8 million and \$0.8 million for the nine and three months ended September 30, 2014, respectively.

Financial Condition:

Mortgage-Backed Securities

As of September 30, 2015, the Company's MBS portfolio consisted of \$123.1 million of agency or government MBS at fair value and had a weighted average coupon of 4.35%. During the nine months ended September 30, 2015, the Company received principal repayments of \$15.9 million compared to \$56.4 million for the comparable period ended September 30, 2014. The average prepayment speeds for the quarters ended September 30, 2015 and 2014 were 13.0% and 12.3%, 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 (including the impact of Orchid for all periods presented prior to Orchid's deconsolidation on December 31, 2014). CPR is a method of expressing the prepayment rate for a mortgage pool that assumes that a constant fraction of the remaining principal is prepaid each month or year. Specifically, the CPR in the chart below represents the three month prepayment rate of the securities in the respective asset category. Assets that were not owned for the entire quarter 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. The increase in prepayments during the three months ended June 30, 2015 was primarily due to the effects of lower residential mortgage rates in the previous quarter.

	PT MBS Portfolio (%)	Structured MBS Portfolio (%)	Total Portfolio (%)
Three Months Ended			
September 30, 2015	13.4	12.4	13.0
June 30, 2015	16.2	15.3	15.9
March 31, 2015	9.6	12.3	10.5
December 31, 2014	4.3	15.0	8.1
September 30, 2014	7.9		