BIMINI CAPITAL MANAGEMENT, INC.
Form 10-Q
May 08, 2018

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

FORM 10 Q

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

For the quarterly period ended March 31, 2018

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

For the transition period from __________ to ___________

Commission File Number: 001-32171

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

Maryland	72-1571637
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. Check one:

Large accelerated filer	Accelerated filer
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company

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

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

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

Title of each Class	Latest Practicable Date	Shares Outstanding
Class A Common Stock, $0.001 par value	May 8, 2018	12,732,059
Class B Common Stock, $0.001 par value	May 8, 2018	31,938
Class C Common Stock, $0.001 par value	May 8, 2018	31,938

BIMINI CAPITAL MANAGEMENT, INC.

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ITEM 1. CONDENSED FINANCIAL STATEMENTS

BIMINI CAPITAL MANAGEMENT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) March 31, 2018	December 31, 2017
ASSETS:		
Mortgage-backed securities, at fair value		
Pledged to counterparties	$204,728,276	$209,269,791
Unpledged	100,670	422,341
Total mortgage-backed securities	204,828,946	209,692,132
Cash and cash equivalents	4,976,440	6,103,250
Restricted cash	908,530	2,649,610
Orchid Island Capital, Inc. common stock, at fair value	11,202,665	14,105,934
Retained interests in securitizations	271,738	653,380
Accrued interest receivable	739,221	746,121
Property and equipment, net	3,355,256	3,359,312
Deferred tax assets, net	45,421,066	44,524,584
Other assets	3,265,193	2,754,474
Total Assets	$274,969,055	$284,588,797
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Repurchase agreements	$193,819,649	$200,182,751
Junior subordinated notes due to Bimini Capital Trust II	26,804,440	26,804,440
Accrued interest payable	178,976	346,444
Other liabilities	1,544,642	1,562,914
Total Liabilities	222,347,707	228,896,549
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; 100,000 shares designated Series A Junior Preferred Stock, 9,900,000 shares undesignated; no shares issued and outstanding as of March 31, 2018 and December 31, 2017	-	-
Class A Common stock, $0.001 par value; 98,000,000 shares designated: 12,743,959 shares issued and outstanding as of March 31, 2018 and 12,660,627 shares issued and outstanding as of December 31, 2017	12,744	12,661
Class B Common stock, $0.001 par value; 1,000,000 shares designated, 31,938 shares issued and outstanding as of March 31, 2018 and December 31, 2017	32	32
Class C Common stock, $0.001 par value; 1,000,000 shares designated, 31,938 shares issued and outstanding as of March 31, 2018 and December 31, 2017	32	32
Additional paid-in capital	335,081,562	334,878,779
Accumulated deficit	(282,473,022)	(279,199,256)

Stockholders' Equity	52,621,348	55,692,248
Total Liabilities and Stockholders' Equity	$274,969,055	$284,588,797

See Notes to Condensed Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
For the Three Months Ended March 31, 2018 and 2017

	2018	2017
Revenues:		
Advisory services	$2,093,465	$1,670,001
Interest income	2,080,266	1,292,676
Dividend income from Orchid Island Capital, Inc. common stock	471,211	603,415
Total revenues	4,644,942	3,566,092
Interest expense		
Repurchase agreements	(809,266)	(283,194)
Junior subordinated notes	(337,333)	(292,184)
Net revenues	3,498,343	2,990,714
Other expense:		
Unrealized losses on mortgage-backed securities	(4,879,806)	(437,113)
Realized losses on mortgage-backed securities	-	(689)
Unrealized losses on Orchid Island Capital, Inc. common stock	(2,903,269)	(1,127,315)
Gains on derivative instruments	1,740,712	21,500
Losses on retained interests in securitizations	(82,664)	(193,942)
Other income	606	455
Total other expense	(6,124,421)	(1,737,104)
Expenses:		
Compensation and related benefits	1,066,455	935,911
Directors' fees and liability insurance	160,613	167,175
Audit, legal and other professional fees	175,752	137,124
Administrative and other expenses	336,158	359,333
Total expenses	1,738,978	1,599,543
Net loss before income tax benefit	(4,365,056)	(345,933)
Income tax benefit	(1,091,290)	(131,716)
Net loss	$(3,273,766)	$(214,217)
Basic and Diluted Net loss Per Share of:		
CLASS A COMMON STOCK		
Basic and Diluted	$(0.26)	$(0.02)
CLASS B COMMON STOCK		
Basic and Diluted	$(0.26)	$(0.02)
Weighted Average Shares Outstanding:		
CLASS A COMMON STOCK		
Basic and Diluted	12,730,070	12,631,627
CLASS B COMMON STOCK		
Basic and Diluted	31,938	31,938

See Notes to Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
For the Three Months Ended March 31, 2018

	Stockholders' Equity			
	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balances, January 1, 2018	$ 12,725	$ 334,878,779	$ (279,199,256)	$ 55,692,248
Net loss	-	-	(3,273,766)	(3,273,766)
Class A common shares sold directly to employees	83	199,914	-	199,997
Amortization of stock based compensation	-	2,869	-	2,869
Balances, March 31, 2018	$ 12,808	$ 335,081,562	$ (282,473,022)	$ 52,621,348

See Notes to Condensed Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
For the Three Months Ended March 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(3,273,766)	$(214,217)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock based compensation	2,869	7,172
Depreciation	19,449	20,508
Deferred income tax benefit	(896,482)	(144,367)
Losses on mortgage-backed securities, net	4,879,806	437,802
Losses on retained interests in securitizations	82,664	193,942
Unrealized losses on Orchid Island Capital, Inc. common stock	2,903,269	1,127,315
Realized and unrealized losses on TBA securities	523,438	-
Changes in operating assets and liabilities:		
Accrued interest receivable	6,900	21,929
Other assets	(510,719)	(312,913)
Accrued interest payable	(167,468)	75,873
Other liabilities	(541,710)	(938,571)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,028,250	274,473
CASH FLOWS FROM INVESTING ACTIVITIES:		
From mortgage-backed securities investments:		
Purchases	(5,080,712)	-
Sales	-	1,654,834
Principal repayments	5,064,092	2,315,731
Payments received on retained interests in securitizations	298,978	418,769
Purchases of property and equipment	(15,393)	(10,300)
Purchases of Orchid Island Capital, Inc. common stock	-	(1,204,235)
NET CASH PROVIDED BY INVESTING ACTIVITIES	266,965	3,174,799
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from repurchase agreements	439,403,535	184,776,630
Principal repayments on repurchase agreements	(445,766,637)	(188,555,259)
Class A common shares sold directly to employees	199,997	-
NET CASH USED IN FINANCING ACTIVITIES	(6,163,105)	(3,778,629)
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(2,867,890)	(329,357)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of the period	8,752,860	5,651,437
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of the period	$5,884,970	$5,322,080
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$1,314,067	$499,505
Income taxes	$281,808	$105,137

See Notes to Condensed Consolidated Financial Statements

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BIMINI CAPITAL MANAGEMENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
March 31, 2018

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Description

Bimini Capital Management, Inc., a Maryland corporation ("Bimini Capital" or the "Company") formed in September 2003, is a holding company. The Company's principal operating subsidiaries are Bimini Advisors Holdings, LLC and Royal Palm Capital, LLC.

Bimini Advisors Holdings, LLC and its wholly-owned subsidiary, Bimini Advisors, LLC (a registered investment advisor), are collectively referred to as "Bimini Advisors." Bimini Advisors manages a residential mortgage-backed securities ("MBS") portfolio for Orchid Island Capital, Inc. ("Orchid") and receives fees for providing these services.

Royal Palm Capital, LLC maintains an investment portfolio, consisting primarily of MBS investments, for its own benefit. Royal Palm Capital, LLC and its wholly-owned subsidiaries are collectively referred to as "Royal Palm."

Consolidation

The accompanying consolidated financial statements include the accounts of Bimini Capital, Bimini Advisors and Royal Palm. 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 variable interest entity ("VIE") by an enterprise if it is deemed the primary beneficiary of the VIE. Bimini Capital has a common share investment in a trust used in connection with the issuance of Bimini Capital's junior subordinated notes. See Note 9 for a description of the accounting used for this VIE.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they 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 three month period ended March 31, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

The consolidated balance sheet at December 31, 2017 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, 2017.

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 determining the fair values of MBS, investment in Orchid common shares, derivatives and retained interests, determining the amounts of asset valuation allowances, and the computation of the income tax provision or benefit and the deferred tax asset allowances recorded for each accounting period.

Statement of Comprehensive Income

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

Segment Reporting

The Company's operations are classified into two principal reportable segments: the asset management segment and the investment portfolio segment. These segments are evaluated by management in deciding how to allocate resources and in assessing performance. The accounting policies of the operating segments are the same as the Company's accounting policies described in this note with the exception that inter-segment revenues and expenses are included in the presentation of segment results. For further information see Note 16.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on deposit with financial institutions and highly liquid investments with original maturities of three months or less at the time of purchase. Restricted cash includes cash pledged as collateral for repurchase agreements and derivative instruments. The following table presents the Company's cash, cash equivalents and restricted cash as of March 31, 2018 and December 31, 2017.

(in thousands)

	March 31, 2018	December 31, 2017
Cash and cash equivalents	$4,976,440	$6,103,250
Restricted cash	908,530	2,649,610
Total cash, cash equivalents and restricted cash	$5,884,970	$8,752,860

The Company maintains cash balances at several banks and, at times, these 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 March 31, 2018, the Company's cash deposits exceeded federally insured limits by approximately $4.3 million. The Company also maintains excess margin in accounts with derivative exchanges. 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.

Advisory Services

Orchid is externally managed and advised by Bimini Advisors pursuant to the terms of a management agreement. Under the terms of the management agreement, Orchid is obligated to pay Bimini Advisors a monthly management fee and a pro rata portion of certain overhead costs and to reimburse the Company for any direct expenses incurred on its behalf.

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. 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 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

The Company has elected the fair value option for its investment in Orchid common shares. The change in the fair value of this investment and dividends received on this investment are reflected in the consolidated statements of operations. 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 on a national stock exchange. 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

Retained interests in the subordinated tranches of securities created in securitization transactions were initially recorded at their fair value when issued by Royal Palm. Subsequent adjustments to fair value are reflected in the consolidated statements of operations. 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 Treasury Note ("T-Note") and Eurodollar futures contracts, and "to-be-announced" ("TBA") securities transactions, but it may enter into other derivatives in the future.

The Company purchases a portion of its MBS through forward settling transactions, including TBA securities transactions. At times when market conditions are conducive, the Company may choose to move the settlement of these TBA securities transactions out to a later date by entering into an offsetting short position, which is then net settled for cash, and simultaneously entering into a substantially similar TBA securities trade for a later settlement date. Such a set of transactions is referred to as a TBA "dollar roll" transaction. The TBA securities purchased at the later settlement date are typically priced at a discount to securities for settlement in the current month. This difference is referred to as the "price drop." The price drop represents compensation to the Company for foregoing net interest margin and is referred to as TBA "dollar roll income."

The Company accounts for TBA securities as derivative instruments if either the TBA securities do not settle in the shortest period of time possible or if the Company cannot assert that it is probable at inception of the TBA transaction, or throughout its term, that it will take physical delivery of the MBS for a long position, or make delivery of the MBS for a short position, upon settlement of the trade. The Company accounts for TBA dollar roll transactions as a series of derivative transactions. Gains, losses and dollar roll income associated with TBA securities transactions and dollar roll transactions are reported in gain (loss) on derivative instruments in the accompanying consolidated statements of operations. The fair value of TBA securities is estimated based on similar methods used to value MBS securities.

The Company has elected not to 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 the consolidated operations 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 only 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 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 15 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 March 31, 2018 and December 31, 2017, 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 and effective interest rate for these instruments is presented in Note 9 to the consolidated financial statements.

Property and Equipment, net

Property and equipment, net, consists of computer equipment with a depreciable life of 3 years, office furniture and equipment with depreciable lives of 8 to 20 years, land which has no depreciable life, and buildings and improvements with depreciable lives of 30 years. Property and equipment is recorded at acquisition cost and depreciated using the straight-line method over the estimated useful lives of the assets.

Repurchase Agreements

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

Share-Based Compensation

The Company follows the provisions of ASC Topic 718, Compensation – Stock Compensation, to account for stock and stock-based awards. For stock and stock-based awards issued to employees, a compensation charge is recorded against earnings over the vesting period based on the fair value of the award. 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 the issuance of the common stock.

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, if any, on each share of Class A Common Stock. Accordingly, shares of the Class B Common Stock are included in the computation of basic EPS using the two-class method and, consequently, are presented separately from Class A Common Stock.

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

Common Stock were not met.

Income Taxes

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

The Company's U.S. federal income tax returns for years ended on or after December 31, 2014 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. For tax filing purposes, Bimini Capital and Bimini Advisors are consolidated as a single tax paying entity. Royal Palm files as a separate tax paying entity.

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. The Company recognizes tax positions in the financial statements only when it is more likely than not that the position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized upon settlement. The difference between the benefit recognized and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit and is recorded as a liability in the consolidated balance sheets. The Company records income tax-related interest and penalties, if applicable, within the income tax provision.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act (the "Tax Reform Act") was signed into law by President Trump. The Tax Reform Act significantly revised the U.S. corporate income tax code by, among other things, lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018. On the same date, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 118 which specifies, among other things, that reasonable estimates of the income tax effects of the Tax Reform Act should be used, if determinable. The Company has accounted for the effects of the Tax Reform Act using reasonable estimates based on currently available information and its interpretations thereof. This accounting may change due to, among other things, changes in interpretations the Company has made and the issuance of new tax or accounting guidance. GAAP requires that the effects of a change in tax rate on the value of deferred tax assets and deferred tax liabilities be recognized upon enactment.

Reclassifications

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

Recent Accounting Pronouncements

In November 2016, the FASB issued Accounting Standards Update ("ASU") 2016-18, Statement of Cash Flows – (Topic 230): Restricted Cash. ASU 2016-18 requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. ASU 2016-18 is effective for fiscal years, and for interim periods within those years, beginning after December 15, 2017. Early application is permitted. The Company early adopted the ASU beginning with the first quarter of 2017.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows – (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. ASU 2016-15 is effective for fiscal years, and for interim periods within those years, beginning after December 15, 2017. Early application is permitted. The Company's adoption of this ASU did not have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model (referred to as the current expected credit loss (CECL) model). ASU 2016-13 is effective for fiscal years, and for interim periods within those years, beginning after December 15, 2019. Early application is permitted for fiscal periods beginning after December 15, 2018. The Company is currently evaluating the potential effect of this ASU on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 provides guidance for the recognition, measurement, presentation and disclosure of financial assets and financial liabilities. ASU 2016-01 is effective for fiscal years, and for interim periods within those years, beginning after December 15, 2017 and, for most provisions, is effective using the cumulative-effect transition approach. Early application is permitted for certain provisions. The Company's adoption of this ASU did not have a material impact on its consolidated financial statements. In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which implements a common revenue standard and clarifies the principles used for recognizing revenue. The amendments in the ASU clarify that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU No. 2014-09 became effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Interest income from MBS and dividend income for investment in Orchid are scoped out of the new revenue recognition standard. Management fee income is within the scope of the new revenue recognition standard. As a result of the new revenue recognition standard there is no change to the recognition of management fees revenue as management fees are still recognized on a pro-rata basis during the period which the service is provided. Therefore the adoption of this ASU did not have a material impact on its consolidated financial statements.

NOTE 2. ADVISORY SERVICES

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

- One-twelfth of 1.5% of the first $250 million of the Orchid's equity, as defined in the management agreement,
- One-twelfth of 1.25% of the Orchid's equity that is greater than $250 million and less than or equal to $500 million, and
- One-twelfth of 1.00% of the Orchid's equity that is greater than $500 million.

Orchid is obligated to reimburse Bimini Advisors for any direct expenses incurred on its behalf and to pay to Bimini Advisors an amount equal to Orchid's pro rata portion of certain overhead costs set forth in the management agreement. The management agreement has been renewed through February 20, 2019 and provides for automatic one-year extension options thereafter. Should Orchid terminate the management agreement without cause, it will pay to Bimini Advisors a termination fee equal to three times the average annual management fee, as defined in the management agreement, before or on the last day of the current automatic renewal term.

The following table summarizes the advisory services revenue from Orchid for the three months ended March 31, 2018 and 2017.

(in thousands)

	Three Months Ended March 31,	
	2018	2017
Management fee	$1,712	$1,302
Allocated overhead	381	368
Total	$2,093	$1,670

At March 31, 2018 and December 31, 2017, the net amount due from Orchid was approximately $0.8 million and $0.8 million, respectively. These amounts are included in "other assets" in the consolidated balance sheets.

NOTE 3. MORTGAGE-BACKED SECURITIES

The following table presents the Company's MBS portfolio as of March 31, 2018 and December 31, 2017:

(in thousands)

	March 31, 2018	December 31, 2017
Pass-Through MBS:		
Fixed-rate Mortgages	$202,393	$207,179
Total Pass-Through MBS	202,393	207,179
Structured MBS:		
Interest-Only Securities	1,525	1,476
Inverse Interest-Only Securities	911	1,037
Total Structured MBS	2,436	2,513
Total	$204,829	$209,692

At March 31, 2018 and December 31, 2017, the portfolio consisted entirely of securities with contractual maturities in excess of ten years. 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.

NOTE 4. RETAINED INTERESTS IN SECURITIZATIONS

The following table summarizes the estimated fair value of the Company's retained interests in asset backed securities as of March 31, 2018 and December 31, 2017:

(in thousands)

Series	Issue Date	March 31, 2018	December 31, 2017
HMAC 2004-3	June 30, 2004	$ 3	$ 177
HMAC 2004-4	August 16, 2004	235	386
HMAC 2004-5	September 28, 2004	34	90
Total		$ 272	$ 653

NOTE 5. REPURCHASE AGREEMENTS

As of March 31, 2018, the Company had outstanding repurchase agreement obligations of approximately $193.8 million with a net weighted average borrowing rate of 1.94%. These agreements were collateralized by MBS with a fair value, including accrued interest, of approximately $205.5 million, and cash pledged to counterparties of approximately $0.1 million. As of December 31, 2017, the Company had outstanding repurchase agreement obligations of approximately $200.2 million with a net weighted average borrowing rate of 1.52%. These agreements were collateralized by MBS with a fair value, including accrued interest, of approximately $210.0 million, and cash pledged to counterparties of approximately $2.2 million..

As of March 31, 2018 and December 31, 2017, 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
March 31, 2018					
Fair value of securities pledged, including accrued interest receivable	$ -	$ 159,408	$ 46,055	$ -	$ 205,463
Repurchase agreement liabilities associated with these securities	$ -	$ 150,261	$ 43,559	$ -	$ 193,820
Net weighted average borrowing rate	-	1.96 %	1.88 %	-	1.94 %
December 31, 2017					
Fair value of securities pledged, including accrued interest receivable	$ -	$ 94,649	$ 115,350	$ -	$ 209,999
Repurchase agreement liabilities associated with these securities	$ -	$ 90,686	$ 109,497	$ -	$ 200,183
Net weighted average borrowing rate	-	1.47 %	1.56 %	-	1.52 %

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 March 31, 2018 and December 31, 2017, 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 $11.8 million and $11.7 million, respectively. The Company did not have an amount at risk with any individual counterparty greater than 10% of the Company's equity at March 31, 2018 or December 31, 2017.

NOTE 6. 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 and other hedging contracts. To date the Company has entered into Eurodollar and T-Note futures contracts, 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.

In addition, the Company utilizes TBA securities as a means of investing in and financing MBS or as a means of reducing its exposure to MBS. The Company accounts for TBA securities as derivative instruments if either the TBA securities do not settle in the shortest period of time possible or if the Company cannot assert that it is probable at inception and throughout the term of the TBA securities that it will take physical delivery of the MBS for a long position, or make delivery of the MBS for a short position, upon settlement of the trade.

Derivative Assets (Liabilities), at Fair Value

The table below summarizes fair value information about our derivative assets and liabilities as of March 31, 2018 and December 31, 2017.

(in thousands)

Derivative Instruments and Related Accounts	Balance Sheet Location	March 31, 2018	December 31, 2017
Liabilities			
TBA Securities	Other liabilities	$ 523	$ -
Total derivative liabilities, at fair value		$ 523	$ -
Margin Balances Posted to (from) Counterparties			
Futures contracts	Restricted cash	$ 561	$ 442
TBA securities	Restricted cash	281	-
Total margin balances on derivative contracts		$ 842	$ 442

Eurodollar and T-Note futures are cash settled futures contracts on an interest rate, with gains and losses credited or charged to the Company's cash accounts on a daily basis. A minimum balance, or "margin", is required to be maintained in the account on a daily basis. The tables below present information related to the Company's Eurodollar positions at March 31, 2018 and December 31, 2017.

($ in thousands)
As of March 31, 2018

	Repurchase Agreement Funding Hedges			
Expiration Year	Average Contract Notional Amount	Weighted Average Entry Rate	Weighted Average Effective Rate	Open Equity[(1)]
2018	$73,333	2.03 %	2.41 %	$ 206
2019	100,000	2.41 %	2.69 %	284
2020	100,000	2.64 %	2.81 %	166
2021	100,000	2.80 %	2.84 %	39
Total / Weighted Average	$94,667	2.53 %	2.72 %	$ 695

($ in thousands)
As of March 31, 2018

	Junior Subordinated Debt Funding Hedges			
Expiration Year	Average Contract Notional Amount	Weighted Average Entry Rate	Weighted Average Effective Rate	Open Equity[(1)]
2018	$26,000	1.71 %	2.39 %	$ 133
2019	26,000	1.63 %	2.69 %	276
2020	26,000	1.95 %	2.81 %	225
2021	26,000	2.22 %	2.84 %	162
Total / Weighted Average	$26,000	1.89 %	2.70 %	$ 796

($ in thousands)
As of December 31, 2017

	Repurchase Agreement Funding Hedges			
Expiration Year	Average Contract Notional Amount	Weighted Average Entry Rate	Weighted Average Effective Rate	Open Equity[1]
2018	$60,000	1.90 %	1.97 %	$ 41
2019	60,000	2.32 %	2.27 %	(31)
2020	60,000	2.60 %	2.36 %	(145)
2021	60,000	2.80 %	2.42 %	(230)
Total / Weighted Average	$60,000	2.41 %	2.25 %	$ (365)

($ in thousands)
As of December 31, 2017

	Junior Subordinated Debt Funding Hedges			
Expiration Year	Average Contract Notional Amount	Weighted Average Entry Rate	Weighted Average Effective Rate	Open Equity[1]
2018	$26,000	1.84 %	1.97 %	$ 33
2019	26,000	1.63 %	2.27 %	$ 166
2020	26,000	1.95 %	2.36 %	$ 107
2021	26,000	2.22 %	2.42 %	$ 51
Total / Weighted Average	$26,000	1.91 %	2.25 %	$ 357

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

The following table summarizes our contracts to purchase and sell TBA securities as of March 31, 2018.

($ in thousands)

	Notional Amount Long (Short)[1]	Cost Basis[2]	Market Value[3]	Net Carrying Value[4]
March 31, 2018				
30-Year TBA Securities:				
3.0%	$(50,000)	$48,180	$47,657	$(523)

(1) Notional amount represents the par value (or principal balance) of the underlying Agency RMBS.

(2) Cost basis represents the forward price to be paid (received) for the underlying Agency RMBS.

(3) Market value represents the current market value of the TBA securities (or of the underlying Agency RMBS) as of period-end.

(4) Net carrying value represents the difference between the market value and the cost basis of the TBA securities as of period-end and is reported in derivative assets (liabilities), at fair value in our consolidated balance sheets.

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Gains On Derivative Instruments

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of operations for the three months ended March 31, 2018 and 2017.

(in thousands)

	Three Months Ended March 31,	
	2018	2017
Eurodollar futures contracts (short positions)		
Repurchase agreement funding hedges	$ 1,090	$ 15
Junior subordinated debt funding hedges	415	7
T-Note futures contracts (short positions)		
Repurchase agreement funding hedges	759	-
Net TBA securities	(523)	-
Gains on derivative instruments	$ 1,741	$ 22

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. The Company attempts to minimize this risk in several ways. For instruments which are not centrally cleared on a registered exchange, the Company limits its counterparties to major financial institutions with acceptable credit ratings, and by monitoring positions with individual counterparties. In addition, the Company may be required to pledge assets as collateral for its 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, the Company may not receive payments provided for under the terms of its derivative agreements, and may have difficulty recovering its assets pledged as collateral for its derivatives. The cash and cash equivalents pledged as collateral for the Company's derivative instruments are included in restricted cash on the consolidated balance sheets.

NOTE 7. PLEDGED ASSETS

Assets Pledged to Counterparties

The tables below summarize our assets pledged as collateral under our repurchase agreements and derivative agreements pledged related to securities sold but not yet settled, as of March 31, 2018 and December 31, 2017.

($ in thousands)
As of March 31, 2018

Assets Pledged to Counterparties	Repurchase Agreements	Derivative Agreements	Total
PT MBS - at fair value	$ 202,393	$ -	$ 202,393
Structured MBS - at fair value	2,335	-	2,335
Accrued interest on pledged securities	735	-	735
Restricted cash	67	842	909
Total	$ 205,530	$ 842	$ 206,372

($ in thousands)
As of December 31, 2017

Assets Pledged to Counterparties	Repurchase Agreements	Derivative Agreements	Total
PT MBS - at fair value	$ 207,179	$ -	$ 207,179
Structured MBS - at fair value	2,091	-	2,091
Accrued interest on pledged securities	730	-	730
Restricted cash	2,208	442	2,650
Total	$ 212,208	$ 442	$ 212,650

Assets Pledged from Counterparties

The table below summarizes assets pledged to us from counterparties under our repurchase agreements as of March 31, 2018 and December 31, 2017. Cash received as margin is recognized in cash and cash equivalents with a corresponding amount recognized as an increase in repurchase agreements in the consolidated balance sheets.

($ in thousands)

Assets Pledged to Bimini	March 31, 2018	December 31, 2017
PT MBS - at fair value	$ 174	$ -
Cash	26	-
Total	$ 200	$ -

NOTE 8. 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 March 31, 2018 and December 31, 2017.

(in thousands)
Offsetting of Liabilities

				Gross Amount Not Offset in the Consolidated Balance Sheet		
	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	Net Amount
March 31, 2018						
Repurchase Agreements	$ 193,820	$ -	$ 193,820	$ (193,753)	$ (67)	$ -
TBA securities	523	-	523	-	281	804
	$ 194,343	$ -	$ 194,343	$ (193,753)	$ 214	$ 804

December 31, 2017						
Repurchase Agreements	$ 200,183	$ -	$ 200,183	$ (197,975)	$ (2,208)	$ -

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 Note 7 for a discussion of collateral posted for, or received against, repurchase obligations and derivative instruments.

NOTE 9. 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 March 31, 2018 and December 31, 2017, 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 March 31, 2018, the interest rate was 5.62%. The BCTII trust preferred securities and Bimini Capital's BCTII Junior Subordinated Notes require quarterly interest distributions and are redeemable at Bimini Capital's option, in whole or in part and without penalty. Bimini Capital's BCTII Junior Subordinated Notes are subordinate and junior in right of payment to 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, and this investment is accounted for on the equity method.

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 10. COMMON STOCK

The table below presents information related to Bimini Capital's Class A Common Stock issued during the three months ended March 31, 2018 and 2017.

	Three Months Ended March 31,	
Shares Issued Related To:	2018	2017
Shares sold directly to employees	83,332	-
Total shares of Class A Common Stock issued	83,332	-

There were no issuances of Bimini Capital's Class B Common Stock and Class C Common Stock during the three months ended March 31, 2018 and 2017.

Stock Repurchase Plan

On March 26, 2018, the Board of Directors of Bimini Capital Management, Inc. (the "Company") approved a Stock Repurchase Plan ("Repurchase Plan"). Pursuant to Repurchase Plan, the Company may purchase up to 500,000 shares of its Class A Common Stock from time to time, subject to certain limitations imposed by Rule 10b-18 of the Securities Exchange Act of 1934. Share repurchases may be executed through various means, including, without limitation, open market transactions. The Repurchase Plan does not obligate the Company to purchase any shares, and it expires on November 15, 2018. The authorization for the Share Repurchase Plan may be terminated, increased or decreased by the Company's Board of Directors in its discretion at any time.

Through March 31, 2018, the Company had not repurchased any shares under the Repurchase Plan. Subsequent to that date, and through May 8, 2018, the Company has repurchased 11,900 shares for a net cost of approximately $26,000 and a weighted average price of $2.20 per share.

NOTE 11. 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.

Performance Units

The Compensation Committee of the Board of Directors of Bimini Capital (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 the activity related to Performance Units during the three months ended March 31, 2018 and 2017:

($ in thousands, except per share data)

	Three Months Ended March 31,			
	2018		2017	
	Shares	Weighted Average Grant Date Fair Value Per Share	Shares	Weighted Average Grant Date Fair Value Per Share
Unvested, beginning of period	41,000	$ 0.84	70,000	$ 1.23
Granted	-	-	-	-
Vested and issued	-	-	-	-
Unvested, end of period	41,000	$ 0.84	70,000	$ 1.23
Compensation expense during the period		$ 3		$ 7
Unrecognized compensation expense at period end		$ 8		$ 32
Weighted-average remaining vesting term (in years)		0.7		1.3
Intrinsic value of unvested shares at period end		$ 96		$ 186

NOTE 12. COMMITMENTS AND CONTINGENCIES

From time to time, the Company may become involved in various claims and legal actions arising in the ordinary course of business. Management is not aware of any significant reported or unreported contingencies at March 31, 2018.

NOTE 13. INCOME TAXES

The total income tax benefit recorded for the three months ended March 31, 2018 and 2017 was $1.1 million and $0.1 million, respectively, on consolidated pre-tax book loss of $4.4 million and $0.3 million in the three months ended March 31, 2018 and 2017, respectively.

On December 22, 2017, the Tax Reform Act was signed into law by President Trump. The Tax Reform Act significantly revised the U.S. corporate income tax code by, among other things, lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018. On the same date, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 118 which specifies, among other things, that reasonable estimates of the income tax effects of the Tax Reform Act should be used, if determinable. The tax provision for the three months ended March 31, 2018 represents the Company's current best estimate based on management's current interpretation of the Tax Reform Act and may change as the Company receives additional clarification and implementation guidance.

The Company's tax provision is based on a projected effective rate based annualized amounts and includes the expected realization of a portion of the tax benefits of federal and state net operating losses carryforwards ("NOLs"). In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of capital loss and NOL carryforwards is dependent upon the generation of future capital gains and taxable income in periods prior to their expiration. The Company currently provides a valuation allowance against a portion of the NOLs since the Company believes that it is more likely than not that some of the benefits will not be realized in the future. The Company will continue to assess the need for a valuation allowance at each reporting date.

NOTE 14. 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 March 31, 2018 and 2017.

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 March 31, 2018 and 2017.

The Company has dividend eligible stock incentive plan shares that were outstanding during the three months ended March 31, 2018. The basic and diluted per share computations include these unvested incentive plan shares if there is income available to Class A common stock, as they have dividend participation rights. The stock incentive plan shares have no contractual obligation to share in losses. Because there is no such obligation, the incentive plan shares are not included in the basic and diluted EPS computations when no income is available to Class A common stock even though they are considered participating securities.

The table below reconciles the numerator and denominator of EPS for the three months ended March 31, 2018 and 2017.

(in thousands, except per-share information)

	2018	2017
Basic and diluted EPS per Class A common share:		
Loss attributable to Class A common shares:		
Basic and diluted	$(3,266)	$(213)
Weighted average common shares:		
Class A common shares outstanding at the balance sheet date	12,744	12,632
Effect of weighting	(14)	-
Weighted average shares-basic and diluted	12,730	12,632
Loss per Class A common share:		
Basic and diluted	$(0.26)	$(0.02)

(in thousands, except per-share information)

	2018	2017
Basic and diluted EPS per Class B common share:		
Loss attributable to Class B common shares:		
Basic and diluted	$(8)	$(1)
Weighted average common shares:		
Class B common shares outstanding at the balance sheet date	32	32
Effect of weighting	-	-
Weighted average shares-basic and diluted	32	32
Loss per Class B common share:		
Basic and diluted	$(0.26)	$(0.02)

NOTE 15. 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 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 its MBS positions determined by either an independent third-party or could do so internally.

MBS, Orchid common stock, retained interests and TBA securities were all recorded at fair value on a recurring basis during the three months ended March 31, 2018 and 2017. 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 March 31, 2018 and December 31, 2017:

(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)
March 31, 2018				
Mortgage-backed securities	$ 204,829	$ -	$ 204,829	$ -
Orchid Island Capital, Inc. common stock	11,203	11,203	-	-
TBA securities	(523)	-	(523)	-
Retained interests in securitizations	272	-	-	272
December 31, 2017				
Mortgage-backed securities	$ 209,692	$ -	$ 209,692	$ -
Orchid Island Capital, Inc. common stock	14,106	14,106	-	-
Retained interests in securitizations	653	-	-	653

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 three months ended March 31, 2018 and 2017:

(in thousands)

	Retained Interests in Securitizations Three Months Ended March 31,	
	2018	2017
Balances, January 1	$ 653	$ 1,114
Loss included in earnings	(83)	(194)
Collections	(298)	(419)
Balances, March 31	$ 272	$ 501

During the three months ended March 31, 2018 and 2017, 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 March 31, 2018.

Retained interests in securitzations, at fair value (in thousands)			$272
Prepayment Assumption		CPR Range (Weighted Average)	
Constant Prepayment Rate		10% (10 %)	
Default Assumptions	Probability of Default	Severity (Weighted Average)	Range Of Loss Timing
Real Estate Owned	100 %	30.3 %	Next 10 Months
Loans in Foreclosure	100 %	30.3 %	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	3.9 %	45 %	Month 29 and Beyond
Cash Flow Recognition	Valuation Technique	Remaining Life Range (Weighted Average)	Discount Rate Range (Weighted Average)
Nominal Cash Flows	Discounted Cash Flow	11.9 - 16.5 (12.3)	27.50% (27.50 %)
Discounted Cash Flows	Discounted Cash Flow	0.8 - 16.2 (2.6)	27.50% (27.50 %)

NOTE 16. SEGMENT INFORMATION

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

The asset management segment includes the investment advisory services provided by Bimini Advisors to Orchid and Royal Palm. As discussed in Note 2, the revenues of the asset management segment consist of management fees and overhead reimbursements received pursuant to a management agreement with Orchid. Total revenues received under this management agreement for the three months ended March 31, 2018 and 2017, were approximately $2.1 million and $1.7 million, respectively, accounting for approximately 45% and 47% of consolidated revenues, respectively.

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

Segment information for the three months ended March 31, 2018 and 2017 is as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2018					
Advisory services, external customers	$ 2,093	$ -	$ -	$ -	$2,093
Advisory services, other operating segments[1]	58	-	-	(58)	-
Interest and dividend income	-	2,551	-	-	2,551

Interest expense	-	(809)