

**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 June 30, 2023**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission File Number: **001-32171**



**Bimini Capital Management, Inc.**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

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

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

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

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

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

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

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

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

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

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

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

<b><u>Title of each Class</u></b>	<b><u>Latest Practicable Date</u></b>	<b><u>Shares Outstanding</u></b>
Class A Common Stock, \$0.001 par value	August 10, 2023	10,019,888
Class B Common Stock, \$0.001 par value	August 10, 2023	31,938
Class C Common Stock, \$0.001 par value	August 10, 2023	31,938



**BIMINI CAPITAL MANAGEMENT, INC.**

**TABLE OF CONTENTS**

	<u>Page</u>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<u>ITEM 1. Financial Statements</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets (unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations (unaudited)</u>	<u>2</u>
<u>Condensed Consolidated Statement of Stockholders' Equity (unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows (unaudited)</u>	<u>4</u>
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	<u>5</u>
<u>ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>19</u>
<u>ITEM 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>39</u>
<u>ITEM 4. Controls and Procedures</u>	<u>39</u>
<b><u>PART II. OTHER INFORMATION</u></b>	
<u>ITEM 1. Legal Proceedings</u>	<u>40</u>
<u>ITEM 1A. Risk Factors</u>	<u>40</u>
<u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>40</u>
<u>ITEM 3. Defaults Upon Senior Securities</u>	<u>40</u>
<u>ITEM 4. Mine Safety Disclosures</u>	<u>40</u>
<u>ITEM 5. Other Information</u>	<u>40</u>
<u>ITEM 6. Exhibits</u>	<u>41</u>
<u>SIGNATURES</u>	<u>42</u>

---

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**BIMINI CAPITAL MANAGEMENT, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	(Unaudited)	
	June 30, 2023	December 31, 2022
<b>ASSETS:</b>		
Mortgage-backed securities, at fair value:		
Pledged to counterparties	\$ 63,610,592	\$ 45,716,793
Unpledged	159,882	176,643
<b>Total mortgage-backed securities</b>	<b>63,770,474</b>	<b>45,893,436</b>
Cash and cash equivalents	5,013,583	6,010,799
Restricted cash	553,800	763,000
Orchid Island Capital, Inc. common stock, at fair value	5,889,885	5,975,248
Accrued interest receivable	285,513	204,018
Property and equipment, net	1,959,068	1,997,313
Deferred tax assets, net	22,741,823	23,178,243
Due from affiliates	1,240,826	1,130,713
Other assets	1,175,638	1,164,181
<b>Total Assets</b>	<b>\$ 102,630,610</b>	<b>\$ 86,316,951</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Repurchase agreements	\$ 60,694,589	\$ 43,817,999
Long-term debt	27,404,399	27,416,239
Accrued interest payable	202,066	194,629
Other liabilities	914,497	2,764,005
<b>Total Liabilities</b>	<b>89,215,551</b>	<b>74,192,872</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 9)</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
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 June 30, 2023 and December 31, 2022	-	-
Class A Common stock, \$0.001 par value; 98,000,000 shares designated: 10,019,888 shares issued and outstanding as of June 30, 2023 and December 31, 2022	10,020	10,020
Class B Common stock, \$0.001 par value; 1,000,000 shares designated, 31,938 shares issued and outstanding as of June 30, 2023 and December 31, 2022	32	32
Class C Common stock, \$0.001 par value; 1,000,000 shares designated, 31,938 shares issued and outstanding as of June 30, 2023 and December 31, 2022	32	32
Additional paid-in capital	329,828,268	329,828,268
Accumulated deficit	(316,423,293)	(317,714,273)
<b>Total Stockholders' Equity</b>	<b>13,415,059</b>	<b>12,124,079</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 102,630,610</b>	<b>\$ 86,316,951</b>

*See Notes to Condensed Consolidated Financial Statements*

**BIMINI CAPITAL MANAGEMENT, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
For the Six and Three Months Ended June 30, 2023 and 2022

	Six Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
<b>Revenues:</b>				
Advisory services	\$ 6,898,860	\$ 6,407,741	\$ 3,516,450	\$ 3,332,379
Interest income	1,123,796	883,456	566,408	392,067
Dividend income from Orchid Island Capital, Inc. common stock	546,308	752,654	273,154	350,374
<b>Total revenues</b>	<b>8,568,964</b>	<b>8,043,851</b>	<b>4,356,012</b>	<b>4,074,820</b>
<b>Interest expense:</b>				
Repurchase agreements	(1,072,033)	(103,915)	(563,963)	(72,673)
Long-term debt	(1,111,457)	(559,805)	(565,322)	(303,739)
<b>Net revenues</b>	<b>6,385,474</b>	<b>7,380,131</b>	<b>3,226,727</b>	<b>3,698,408</b>
<b>Other income (expense):</b>				
Unrealized losses on mortgage-backed securities	(262,634)	(4,033,554)	(920,753)	(919,350)
Realized losses on mortgage-backed securities	-	(858,001)	-	(858,001)
Unrealized losses on Orchid Island Capital Inc. common stock	(85,363)	(4,282,340)	(216,247)	(1,038,143)
Gains (losses) on derivative instruments	241,672	(49,688)	515,547	(49,688)
Other income	120	187	56	90
<b>Other expense, net</b>	<b>(106,205)</b>	<b>(9,223,396)</b>	<b>(621,397)</b>	<b>(2,865,092)</b>
<b>Expenses:</b>				
Compensation and related benefits	2,641,742	2,605,650	1,278,046	1,261,694
Direct advisory services costs	821,298	556,206	368,252	347,949
Directors' fees and liability insurance	413,266	393,047	206,768	197,149
Audit, legal and other professional fees	307,979	267,233	178,749	122,544
Administrative and other expenses	367,584	316,215	191,197	183,536
<b>Total expenses</b>	<b>4,551,869</b>	<b>4,138,351</b>	<b>2,223,012</b>	<b>2,112,872</b>
Net income (loss) before income tax provision (benefit)	1,727,400	(5,981,616)	382,318	(1,279,556)
Income tax provision (benefit)	436,420	(1,315,458)	96,811	(92,982)
<b>Net income (loss)</b>	<b>\$ 1,290,980</b>	<b>\$ (4,666,158)</b>	<b>\$ 285,507</b>	<b>\$ (1,186,574)</b>
<b>Basic and Diluted Net Income (Loss) Per Share of:</b>				
<b>CLASS A COMMON STOCK</b>				
Basic and Diluted	\$ 0.13	\$ (0.44)	\$ 0.03	\$ (0.11)
<b>CLASS B COMMON STOCK</b>				
Basic and Diluted	\$ 0.13	\$ (0.44)	\$ 0.03	\$ (0.11)
<b>Weighted Average Shares Outstanding:</b>				
<b>CLASS A COMMON STOCK</b>				
Basic and Diluted	10,019,888	10,557,721	10,019,888	10,491,615
<b>CLASS B COMMON STOCK</b>				
Basic and Diluted	31,938	31,938	31,938	31,938

*See Notes to Condensed Consolidated Financial Statements*

**BIMINI CAPITAL MANAGEMENT, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(Unaudited)**  
**For the Six and Three Months Ended June 30, 2023 and 2022**

	Stockholders' Equity					Total
	Common Stock Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit		
Balances, January 1, 2023	10,083,764	\$ 10,084	\$ 329,828,268	\$ (317,714,273)	\$ 12,124,079	
Net income	-	-	-	1,005,473	1,005,473	
Balances, March 31, 2023	10,083,764	\$ 10,084	\$ 329,828,268	\$ (316,708,800)	\$ 13,129,552	
Net income	-	-	-	285,507	285,507	
Balances, June 30, 2023	10,083,764	\$ 10,084	\$ 329,828,268	\$ (316,423,293)	\$ 13,415,059	
<hr/>						
Balances, January 1, 2022	10,766,070	\$ 10,766	\$ 330,880,252	\$ (297,891,168)	\$ 32,999,850	
Net loss	-	-	-	(3,479,584)	(3,479,584)	
Class A common shares repurchased and retired	(188,280)	(188)	(377,110)	-	(377,298)	
Balances, March 31, 2022	10,577,790	\$ 10,578	\$ 330,503,142	\$ (301,370,752)	\$ 29,142,968	
Net loss	-	-	-	(1,186,574)	(1,186,574)	
Class A common shares repurchased and retired	(41,135)	(41)	(72,958)	-	(72,999)	
Balances, June 30, 2022	10,536,655	\$ 10,537	\$ 330,430,184	\$ (302,557,326)	\$ 27,883,395	

*See Notes to Condensed Consolidated Financial Statements*

**BIMINI CAPITAL MANAGEMENT, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**For the Six Months Ended June 30, 2023 and 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 1,290,980	\$ (4,666,158)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	38,245	34,808
Deferred income tax provision (benefit)	436,420	(1,315,458)
Unrealized losses on mortgage-backed securities	262,634	4,033,554
Realized losses on mortgage-backed securities	-	858,001
Unrealized losses on Orchid Island Capital, Inc. common stock	85,363	4,282,340
Changes in operating assets and liabilities:		
Accrued interest receivable	(81,495)	56,039
Due from affiliates	(110,113)	(75,404)
Other assets	(11,457)	229,331
Accrued interest payable	7,437	48,956
Other liabilities	(1,849,508)	(1,710,376)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>68,506</b>	<b>1,775,633</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
From mortgage-backed securities investments:		
Purchases	(20,045,750)	(10,821,877)
Sales	-	23,096,853
Principal repayments	1,906,078	5,101,563
Purchases of property and equipment	-	(21,447)
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(18,139,672)</b>	<b>17,355,092</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from repurchase agreements	245,355,590	169,460,690
Principal repayments on repurchase agreements	(228,479,000)	(191,412,690)
Principal repayments on long-term debt	(11,840)	(11,271)
Class A common shares repurchased and retired	-	(450,297)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>16,864,750</b>	<b>(22,413,568)</b>
<b>NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(1,206,416)</b>	<b>(3,282,843)</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of the period</b>	<b>6,773,799</b>	<b>9,812,410</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of the period</b>	<b>\$ 5,567,383</b>	<b>\$ 6,529,567</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest expense	\$ 2,176,053	\$ 614,764

*See Notes to Condensed Consolidated Financial Statements*

**BIMINI CAPITAL MANAGEMENT, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**June 30, 2023**

**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Business Description**

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

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

Bimini Advisors Holdings, LLC and its wholly-owned subsidiary, Bimini Advisors, LLC (an investment advisor registered with the Securities and Exchange Commission), are collectively referred to as “Bimini Advisors.” Bimini Advisors manages a residential mortgage-backed securities (“MBS”) portfolio for Orchid Island Capital, Inc. (“Orchid”) and receives fees for providing these services. Effective April 1, 2022, Bimini Advisors started providing certain repurchase agreement trading, clearing and administrative services to Orchid that were previously provided by a third party. Bimini Advisors also manages the MBS portfolio of Royal Palm Capital, LLC.

**Segment Reporting**

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

**Consolidation**

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

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they may not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six and three-month periods ended June 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

The consolidated balance sheet at December 31, 2022 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, 2022.



**Use of Estimates**

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

**Variable Interest Entities (“VIEs”)**

A variable interest entity (“VIE”) is consolidated by an enterprise if it is deemed the primary beneficiary of the VIE. The Company obtains interests in VIEs through its investments in mortgage-backed securities. The interests in these VIEs are passive in nature and are not expected to result in the Company obtaining a controlling financial interest in these VIEs in the future. As a result, the Company does not consolidate these VIEs and accounts for the interest in these VIEs as mortgage-backed securities. See Note 3. The maximum exposure to loss for these VIEs is the carrying value of the mortgage-backed securities. Bimini Capital has a common share investment in a trust, Bimini Capital Trust II, (“BCTII”), used in connection with the issuance of Bimini Capital’s junior subordinated notes. BCTII is a VIE, as the holders of the equity investment at risk do not have adequate decision making ability over BCTII’s activities. Bimini Capital’s investment was financed directly by BCTII as a result of its loan of the proceeds to Bimini Capital, therefore that investment is not an equity investment at risk and is not a variable interest. Since Bimini Capital is not the primary beneficiary of BCTII, the Company has not consolidated the financial statements of BCTII into its consolidated financial statements, and this investment is accounted for on the equity method. See Note 7.

**Cash and Cash Equivalents and Restricted Cash**

Cash and cash equivalents include cash on deposit with financial institutions and highly liquid investments with original maturities of three months or less at the time of purchase. Restricted cash includes cash pledged as collateral for repurchase agreements and derivative instruments. The following table presents the Company’s cash, cash equivalents and restricted cash as of June 30, 2023 and December 31, 2022.

	June 30, 2023		December 31, 2022	
Cash and cash equivalents	\$	5,013,583	\$	6,010,799
Restricted cash		553,800		763,000
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$</b>	<b>5,567,383</b>	<b>\$</b>	<b>6,773,799</b>

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

**Advisory Services**

Orchid is externally managed and advised by Bimini Advisors pursuant to the terms of a management agreement. See Note 2. Under the terms of the management agreement, Orchid is obligated to pay Bimini Advisors a monthly management fee and a pro rata portion of certain overhead costs and to reimburse the Company for any direct expenses incurred on its behalf. Revenues from management fees are recognized over the period of time in which the service is performed in accordance with FASB Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*.

**Mortgage-Backed Securities**

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

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

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

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

### **Orchid Island Capital, Inc. Common Stock**

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

### **Retained Interests in Securitizations**

The Company holds retained interests in the subordinated tranches of securities created in securitization transactions. The carrying value of these retained interests is zero, as the prospect of future cash flows being received is uncertain. Any cash received from the retained interests is reflected as a gain in the consolidated statements of operations.

### **Derivative Financial Instruments**

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

During the six and three months ended June 30, 2023 and 2022, the Company only held T-Note futures contracts. The Company recorded gains of approximately \$0.2 million and \$0.5 million on these instruments during six and three months ended June 30, 2023, respectively, and losses of \$0.05 million during both the six and three months ended June 30, 2022.

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

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

### **Financial Instruments**

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

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 Level 2 assets under the fair value hierarchy as of June 30, 2023 and December 31, 2022, due to the short-term nature of these financial instruments.

The fair value of the Company's junior subordinated debt approximates its carrying value. The carrying value is a reasonable estimate of fair value since the instrument carries a floating rate that resets frequently. Further information regarding this instrument is presented in Note 7.

### **Property and Equipment, net**

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

### **Repurchase Agreements**

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

### **Earnings Per Share**

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

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

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

## Income Taxes

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

The Company's U.S. federal income tax returns for years ended on or after December 31, 2019 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 its includable subsidiaries, and Royal Palm and its includable subsidiaries, file as separate tax paying entities.

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

## Recent Accounting Pronouncements

In March 2020, the FASB issued Accounting Standards Update ("ASU") 2020-04 "Reference Rate Reform (Topic 848): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting.*" ASU 2020-04 provides optional expedients and exceptions to GAAP requirements for modifications on debt instruments, leases, derivatives, and other contracts, related to the expected market transition from the London Interbank Offered Rate ("LIBOR,"), and certain other floating rate benchmark indices, or collectively, IBORs, to alternative reference rates. ASU 2020-04 generally considers contract modifications related to reference rate reform to be an event that does not require contract remeasurement at the modification date nor a reassessment of a previous accounting determination. The guidance in ASU 2020-04 is optional and may be elected over time, through December 31, 2022, as reference rate reform activities occur. In December 2022, the FASB issued ASU 2022-06 "Reference Rate Reform (Topic 848)," deferring the sunset date provided in ASU 2020-04 from December 31, 2022 to December 31, 2024. The Company adopted this ASU during the second quarter of 2023 as the Secured Overnight Financing Rate ("SOFR") replaced LIBOR for the Company's junior subordinated debt positions. The adoption of this ASU did not have a material impact on the Company's financial statements.

In January 2021, the FASB issued ASU 2021-01 "Reference Rate Reform (Topic 848)". ASU 2021-01 expands the scope of ASC 848 to include all affected derivatives and give market participants the ability to apply certain aspects of the contract modification and hedge accounting expedients to derivative contracts affected by the discounting transition. In addition, ASU 2021-01 adds implementation guidance to permit a company to apply certain optional expedients to modifications of interest rate indexes used for margining, discounting or contract price alignment of certain derivatives as a result of reference rate reform initiatives and extends optional expedients to account for a derivative contract modified as a continuation of the existing contract and to continue hedge accounting when certain critical terms of a hedging relationship change to modifications made as part of the discounting transition. The guidance in ASU 2021-01 is effective immediately and available generally through December 31, 2024, as reference rate reform activities occur. The Company adopted this ASU during the second quarter of 2023 as SOFR replaced LIBOR for the Company's junior subordinated debt positions. The adoption of this ASU did not have a material impact on the Company's 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 1.50% of the first \$250 million of Orchid’s month-end equity, as defined in the management agreement,
- One-twelfth of 1.25% of Orchid’s month-end equity that is greater than \$250 million and less than or equal to \$500 million, and
- One-twelfth of 1.00% of Orchid’s month-end equity that is greater than \$500 million.

On April 1, 2022, pursuant to the third amendment to the management agreement entered into on November 16, 2021, the Company began providing certain repurchase agreement trading, clearing and administrative services to Orchid that had been previously provided by a third party. In consideration for such services, Orchid will pay the following fees to the Company:

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

Orchid is obligated to reimburse Bimini Advisors for any direct expenses incurred on its behalf and to pay to Bimini Advisors an amount equal to Orchid's pro rata portion of certain overhead costs set forth in the management agreement. Orchid is required to pay Bimini Advisors by the 15th day of the month following the month the services are performed. The management agreement has been renewed through February 20, 2024 and provides for automatic one-year extension options thereafter. Should Orchid terminate the management agreement without cause, it will be obligated to pay Bimini Advisors a termination fee equal to three times the average annual management fee, as defined in the management agreement, before or on the last day of the applicable renewal term.

The following table summarizes the advisory services revenue from Orchid for the six and three months ended June 30, 2023 and 2022.

*(in thousands)*

	Six Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
Management fee	\$ 5,346	\$ 5,265	\$ 2,704	\$ 2,631
Allocated overhead	1,215	960	639	519
Repurchase, Clearing and Administrative Fee	338	183	173	183
<b>Total</b>	<b>\$ 6,899</b>	<b>\$ 6,408</b>	<b>\$ 3,516</b>	<b>\$ 3,333</b>

At June 30, 2023 and December 31, 2022, the net amount due from Orchid was approximately \$1.2 million and \$1.1 million, respectively.

### NOTE 3. MORTGAGE-BACKED SECURITIES

The following table presents the Company’s MBS portfolio as of June 30, 2023 and December 31, 2022:

*(in thousands)*

	June 30, 2023	December 31, 2022
Fixed-rate MBS	\$ 61,159	\$ 42,974
Structured MBS	2,611	2,919
<b>Total</b>	<b>\$ 63,770</b>	<b>\$ 45,893</b>

The following table is a summary of the Company's net loss from the sale of RMBS for the six months ended June 30, 2023 and 2022.

(in thousands)

	2023		2022	
Proceeds from sales of MBS	\$	-	\$	23,097
Carrying value of MBS sold		-		(23,955)
Net loss on sales of MBS	\$	-	\$	(858)
Gross gain on sales of MBS	\$	-	\$	-
Gross loss on sales of MBS		-		(858)
Net loss on sales of MBS	\$	-	\$	(858)

#### NOTE 4. REPURCHASE AGREEMENTS

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

As of June 30, 2023 and December 31, 2022, 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
<b>June 30, 2023</b>					
Fair value of securities pledged, including accrued interest receivable	\$ -	\$ 39,138	\$ 24,756	\$ -	\$ 63,894
Repurchase agreement liabilities associated with these securities	\$ -	\$ 37,062	\$ 23,633	\$ -	\$ 60,695
Net weighted average borrowing rate	-	5.22%	5.38%	-	5.28%
<b>December 31, 2022</b>					
Fair value of securities pledged, including accrued interest receivable	\$ -	\$ 42,553	\$ 3,364	\$ -	\$ 45,917
Repurchase agreement liabilities associated with these securities	\$ -	\$ 40,492	\$ 3,326	\$ -	\$ 43,818
Net weighted average borrowing rate	-	4.50%	4.29%	-	4.48%

In addition, cash pledged to counterparties for repurchase agreements was approximately \$0.5 million as of December 31, 2022. The Company had no cash pledged to counterparties as of June 30, 2023.

If, during the term of a repurchase agreement, a lender files for bankruptcy, the Company might experience difficulty recovering its pledged assets, which could result in an unsecured claim against the lender for the difference between the amount loaned to the Company plus interest due to the counterparty and the fair value of the collateral pledged to such lender, including the accrued interest receivable, and cash posted by the Company as collateral, if any. At June 30, 2023 and December 31, 2022, 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 \$3.1 million and \$2.5 million, respectively. As of June 30, 2023 and December 31, 2022, the Company did not have an amount at risk with any individual counterparty greater than 10% of the Company's equity.

**NOTE 5. PLEDGED ASSETS**
**Assets Pledged to Counterparties**

The table below summarizes Bimini's assets pledged as collateral under its repurchase agreements and derivative agreements as of June 30, 2023 and December 31, 2022.

(\$ in thousands)

	June 30, 2023			December 31, 2022		
	Repurchase Agreements	Derivative Agreements	Total	Repurchase Agreements	Derivative Agreements	Total
PT MBS - at fair value	\$ 61,159	\$ -	\$ 61,159	\$ 42,975	\$ -	\$ 42,975
Structured MBS - at fair value	2,452	-	2,452	2,742	-	2,742
Accrued interest on pledged securities	283	-	283	200	-	200
Restricted cash	-	554	554	454	309	763
<b>Total</b>	<b>\$ 63,894</b>	<b>\$ 554</b>	<b>\$ 64,448</b>	<b>\$ 46,371</b>	<b>\$ 309</b>	<b>\$ 46,680</b>

**Assets Pledged from Counterparties**

The table below summarizes cash pledged to Bimini from counterparties under repurchase agreements as of June 30, 2023 and December 31, 2022. 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	June 30, 2023	December 31, 2022
Cash	\$ 122	\$ 148
<b>Total</b>	<b>\$ 122</b>	<b>\$ 148</b>

**NOTE 6. OFFSETTING ASSETS AND LIABILITIES**

The Company's derivatives and repurchase agreements are subject to underlying agreements with master netting or similar arrangements, which provide for the right of offset in the event of default or in the event of bankruptcy of either party to the transactions. The Company reports its assets and liabilities subject to these arrangements on a gross basis. The following tables present information regarding those assets and liabilities subject to such arrangements as if the Company had presented them on a net basis as of June 30, 2023 and December 31, 2022.

(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
<b>June 30, 2023</b>						
Repurchase Agreements	\$ 60,695	\$ -	\$ 60,695	\$ (60,695)	\$ -	\$ -
	\$ 60,695	\$ -	\$ 60,695	\$ (60,695)	\$ -	\$ -
<b>December 31, 2022</b>						
Repurchase Agreements	\$ 43,818	\$ -	\$ 43,818	\$ (43,364)	\$ (454)	\$ -
	\$ 43,818	\$ -	\$ 43,818	\$ (43,364)	\$ (454)	\$ -

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

**NOTE 7. LONG-TERM DEBT**

Long-term debt at June 30, 2023 and December 31, 2022 is summarized as follows:

*(in thousands)*

	June 30, 2023	December 31, 2022
Junior subordinated debt	\$ 26,804	\$ 26,804
Secured note payable	600	612
<b>Total</b>	<b>\$ 27,404</b>	<b>\$ 27,416</b>

**Junior Subordinated Debt**

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

As of June 30, 2023 and December 31, 2022, the outstanding principal balance on the junior subordinated debt securities owed to BCTII was \$26.8 million. The BCTII trust preferred securities and Bimini Capital's BCTII Junior Subordinated Notes have a rate of interest that floats at a spread of 3.50% over the prevailing three-month LIBOR rate. As of June 30, 2023, the interest rate was 9.05%. Starting June 30, 2023, the underlying index converted from three-month LIBOR to CME Term SOFR plus a tenor spread adjustment of 0.26161%. The interest rate for subsequent accrual periods will be CME Term SOFR on the applicable reset date plus the tenor spread adjustment of 0.26161% plus the coupon spread of 3.50%. The CME Term SOFR index is in effect for all interest rate resets after July 3, 2023. The 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.

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.

**Secured Note Payable**

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

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

*(in thousands)*

Last six months of 2023	\$ 11
For the years ended:	
2024	25
2025	26
2026	28
2027	29
After 2027	27,285
<b>Total</b>	<b>\$ 27,404</b>



## **NOTE 8. COMMON STOCK**

There were no issuances of Bimini Capital's Class A Common Stock, Class B Common Stock or Class C Common Stock during the six months ended June 30, 2023 and 2022.

### **Stock Repurchase Plans**

On March 26, 2018, the Board of Directors of the Company (the "Board") approved a Stock Repurchase Plan (the "2018 Repurchase Plan"). Pursuant to the 2018 Repurchase Plan, the Company could 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. The 2018 Repurchase Plan was terminated on September 16, 2021.

On September 16, 2021, the Board authorized a share repurchase plan pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934 (the "2021 Repurchase Plan"). Pursuant to the 2021 Repurchase Plan, the Company may purchase shares of its Class A Common Stock from time to time for an aggregate purchase price not to exceed \$2.5 million. Share repurchases may be executed through various means, including, without limitation, open market transactions. The 2021 Repurchase Plan does not obligate the Company to purchase any shares, and it expires on September 16, 2023. The authorization for the 2021 Repurchase Plan may be terminated, increased or decreased by the Company's Board of Directors in its discretion at any time.

The Inflation Reduction Act of 2022 signed into law during in August 2022 includes a provision for an excise tax equal to 1% of the fair market value of any stock repurchased by covered corporations during a taxable year, subject to certain limits and provisions. The excise tax is effective beginning in 2023. No accrual for this excise tax has been recorded during 2023.

## **NOTE 9. COMMITMENTS AND CONTINGENCIES**

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

In April 2020 and November 2021, the Company received demands for payment from Citigroup, Inc. in the total amount of \$33.3 million related to the indemnification provisions of various mortgage loan purchase agreements entered into prior to the date Royal Palm's mortgage origination operations ceased in 2007. The Company believes the demands are without merit and intends to defend against the demands vigorously if pursued by Citigroup. No provision or accrual has been recorded related to the Citigroup demands.

Management is not aware of any other significant reported or unreported contingencies at June 30, 2023.

## **NOTE 10. INCOME TAXES**

The total income tax provision (benefit) recorded for the six months ended June 30, 2023 and 2022 was \$0.4 million and \$(1.3) million, respectively, on consolidated pre-tax book income (loss) of \$1.7 million and \$(6.0) million. The total income tax provision (benefit) recorded for the three months ended June 30, 2023 and 2022 was \$0.1 million and \$(0.1) million, respectively, on consolidated pre-tax book income (loss) of \$0.4 million and (1.3) million.

The Company's tax provisions are based on a projected effective rate based on annualized amounts applied to actual income to date 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, and the amount of, the valuation allowance at each reporting date.

**NOTE 11. EARNINGS PER SHARE**

Shares of Class B common stock, participating and convertible into Class A common stock, are entitled to receive dividends in an amount equal to the dividends declared on each share of Class A common stock if, and when, authorized and declared by the Board of Directors. The Class B common stock is included in the computation of basic EPS using the two-class method, and consequently is presented separately from Class A common stock. Shares of Class B common stock are not included in the computation of diluted Class A EPS as the conditions for conversion to Class A common stock were not met at June 30, 2023 and 2022.

Shares of Class C common stock are not included in the basic EPS computation as these shares do not have participation rights. Shares of Class C common stock are not included in the computation of diluted Class A EPS as the conditions for conversion to Class A common stock were not met at June 30, 2023 and 2022.

The table below reconciles the numerator and denominator of EPS for the six and three months ended June 30, 2023 and 2022.

*(in thousands, except per-share information)*

	Six Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
<b>Basic and diluted EPS per Class A common share:</b>				
Income (loss) attributable to Class A common shares:				
Basic and diluted	\$ 1,287	\$ (4,652)	\$ 285	\$ (1,183)
Weighted average common shares:				
Class A common shares outstanding at the balance sheet date	10,020	10,473	10,020	10,473
Effect of weighting	-	85	-	19
Weighted average shares-basic and diluted	10,020	10,558	10,020	10,492
Income (loss) per Class A common share:				
Basic and diluted	\$ 0.13	\$ (0.44)	\$ 0.03	\$ (0.11)

*(in thousands, except per-share information)*

	Six Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
<b>Basic and diluted EPS per Class B common share:</b>				
Income (loss) attributable to Class B common shares:				
Basic and diluted	\$ 4	\$ (14)	\$ 1	\$ (4)
Weighted average common shares:				
Class B common shares outstanding at the balance sheet date	32	32	32	32
Weighted average shares-basic and diluted	32	32	32	32
Income (loss) per Class B common share:				
Basic and diluted	\$ 0.13	\$ (0.44)	\$ 0.03	\$ (0.11)

**NOTE 12. FAIR VALUE**

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price). A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of non-performance. Required disclosures include 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.

MBS, Orchid common stock, retained interests and TBA securities were all recorded at fair value on a recurring basis as of June 30, 2023 and December 31, 2022. When determining fair value measurements, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset. When possible, the Company looks to active and observable markets to price identical assets. When identical assets are not traded in active markets, the Company looks to market observable data for similar assets.

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

The Company's futures contracts are Level 1 valuations, as they are exchange-traded instruments and quoted market prices are readily available. Futures contracts are settled daily. The Company's interest rate swaps and interest rate swaptions are Level 2 valuations. The fair value of interest rate swaps is determined using a discounted cash flow approach using forward market interest rates and discount rates, which are observable inputs. The fair value of interest rate swaptions is determined using an option pricing model. Retained interests have a recorded fair value of zero as of June 30, 2023 and December 31, 2022, as the prospect of future cash flows is uncertain based on a Level 3 valuation analysis. Any cash received from the retained interests is reflected as a gain in the consolidated statements of operations.

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 and December 31, 2022:

(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)
<b>June 30, 2023</b>				
Mortgage-backed securities	\$ 63,770	\$ -	\$ 63,770	\$ -
Orchid Island Capital, Inc. common stock	5,890	5,890	-	-
<b>December 31, 2022</b>				
Mortgage-backed securities	\$ 45,893	\$ -	\$ 45,893	\$ -
Orchid Island Capital, Inc. common stock	5,975	5,975	-	-

During the six months ended June 30, 2023 and 2022, there were no transfers of financial assets or liabilities between levels 1, 2 or 3.

### NOTE 13. SEGMENT INFORMATION

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

The asset management segment includes the investment advisory services provided by Bimini Advisors to Orchid and Royal Palm. As discussed in Note 2, the revenues of the asset management segment consist of management fees and overhead reimbursements received pursuant to a management agreement with Orchid. Total revenues received under this management agreement for the six and three months ended June 30, 2023, were approximately \$6.9 million and \$3.5 million, respectively, accounting for approximately 81% of consolidated revenues in each respective period. Total revenues received under this management agreement for the six and three months ended June 30, 2022, were approximately \$6.4 million and \$3.3 million, respectively, accounting for approximately 80% and 82% of consolidated revenues, respectively.

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

Segment information for the six months ended June 30, 2023 and 2022 is as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
<b>2023</b>					
Advisory services, external customers	\$ 6,899	\$ -	\$ -	\$ -	\$ 6,899
Advisory services, other operating segments <sup>(1)</sup>	56	-	-	(56)	-
Interest and dividend income	-	1,669	1	-	1,670
Interest expense <sup>(2)</sup>	-	(1,072)	(1,112)	-	(2,184)
Net revenues	6,955	597	(1,111)	(56)	6,385
Other expenses	-	(106)	-	-	(106)
Operating expenses <sup>(3)</sup>	(3,602)	(950)	-	-	(4,552)
Intercompany expenses <sup>(1)</sup>	-	(56)	-	56	-
Income (loss) before income taxes <sup>(4)</sup>	\$ 3,353	\$ (515)	\$ (1,111)	\$ -	\$ 1,727

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
<b>2022</b>					
Advisory services, external customers	\$ 6,408	\$ -	\$ -	\$ -	\$ 6,408
Advisory services, other operating segments <sup>(1)</sup>	56	-	-	(56)	-
Interest and dividend income	-	1,636	-	-	1,636
Interest expense <sup>(2)</sup>	-	(104)	(560)	-	(664)
Net revenues	6,464	1,532	(560)	(56)	7,380
Other expenses	-	(9,223)	-	-	(9,223)
Operating expenses <sup>(3)</sup>	(3,237)	(901)	-	-	(4,138)
Intercompany expenses <sup>(1)</sup>	-	(56)	-	56	-
Income (loss) before income taxes <sup>(4)</sup>	\$ 3,227	\$ (8,649)	\$ (560)	\$ -	\$ (5,982)

Segment information for the three months ended June 30, 2023 and 2022 is as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
<b>2023</b>					
Advisory services, external customers	\$ 3,516	\$ -	\$ -	\$ -	\$ 3,516
Advisory services, other operating segments <sup>(1)</sup>	30	-	-	(30)	-
Interest and dividend income	-	839	1	-	840
Interest expense <sup>(2)</sup>	-	(564)	(565)	-	(1,129)
Net revenues	3,546	275	(564)	(30)	3,227
Other expenses	-	(621)	-	-	(621)
Operating expenses <sup>(3)</sup>	(1,765)	(458)	-	-	(2,223)
Intercompany expenses <sup>(1)</sup>	-	(30)	-	30	-
Income (loss) before income taxes <sup>(4)</sup>	\$ 1,781	\$ (835)	\$ (564)	\$ -	\$ 382

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
<b>2022</b>					
Advisory services, external customers	\$ 3,332	\$ -	\$ -	\$ -	\$ 3,332
Advisory services, other operating segments <sup>(1)</sup>	27	-	-	(27)	-
Interest and dividend income	-	742	-	-	742
Interest expense <sup>(2)</sup>	-	(73)	(303)	-	(376)
Net revenues	3,359	669	(303)	(27)	3,698
Other expenses	-	(2,865)	-	-	(2,865)
Operating expenses <sup>(3)</sup>	(1,695)	(418)	-	-	(2,113)
Intercompany expenses <sup>(1)</sup>	-	(27)	-	27	-
Income (loss) before income taxes <sup>(4)</sup>	\$ 1,664	\$ (2,641)	\$ (303)	\$ -	\$ (1,280)

(1) Includes fees paid by Royal Palm to Bimini Advisors for advisory services.

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

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

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

Assets in each reportable segment as of June 30, 2023 and December 31, 2022 were as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Total
June 30, 2023	\$ 2,187	\$ 93,323	7,121	\$ 102,631
December 31, 2022	1,970	77,483	6,864	86,317

#### NOTE 14. RELATED PARTY TRANSACTIONS

##### Relationships with Orchid

At both June 30, 2023 and December 31, 2022, the Company owned 569,071 shares of Orchid common stock, representing approximately 1.3% and 1.6%, respectively, of Orchid's outstanding common stock on such dates. The Company received dividends on this common stock investment of approximately \$0.6 million and \$0.8 million during the six months ended June 30, 2023 and 2022, respectively, and \$0.3 million and \$0.4 million during the three months ended June 30, 2023 and 2022, respectively.

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

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

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

### Overview

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

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

Bimini Advisors Holdings, LLC and its wholly-owned subsidiary, Bimini Advisors, LLC (an investment advisor registered with the Securities and Exchange Commission), are collectively referred to as "Bimini Advisors." Bimini Advisors serves as the external manager of the portfolio of Orchid Island Capital, Inc. ("Orchid"). From this arrangement, the Company receives management fees and expense reimbursements. As manager, Bimini Advisors is responsible for administering Orchid's business activities and day-to-day operations and, commencing April 1, 2022, provides certain repurchase agreement trading, clearing and administrative services. Pursuant to the terms of the management agreement, Bimini Advisors provides Orchid with its management team, including its officers, along with appropriate support personnel. Bimini Advisors is at all times subject to the supervision and oversight of Orchid's board of directors and has only such functions and authority as delegated to it.

### Stock Repurchase Plan

On September 16, 2021, the Board authorized a share repurchase plan pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934 (the "2021 Repurchase Plan"). Pursuant to the 2021 Repurchase Plan, we may purchase shares of our Class A Common Stock from time to time for an aggregate purchase price not to exceed \$2.5 million. Share repurchases may be executed through various means, including, without limitation, open market transactions. The 2021 Repurchase Plan does not obligate the Company to purchase any shares, and it expires on September 16, 2023. The authorization for the 2021 Repurchase Plan may be terminated, increased or decreased by the Company's Board of Directors in its discretion at any time. From the commencement of the 2021 Repurchase Plan, through June 30, 2023, we repurchased a total of 774,593 shares at an aggregate cost of approximately \$1.2 million, including commissions and fees, for a weighted average price of \$1.61 per share.

The Inflation Reduction Act of 2022, signed into law in August 2022, includes a provision for an excise tax equal to 1% of the fair market value of any stock repurchased by covered corporations during a taxable year, subject to certain limits and other provisions. The excise tax is effective beginning in 2023. While we may complete transactions subject to the new excise tax, we do not expect this tax to have a material impact to our financial condition or result of operations.

## Factors that Affect our Results of Operations and Financial Condition

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

- interest rate trends;
- increases in our cost of funds resulting from increases in the Federal Funds rate, that is controlled by the Fed, that occurred in 2022, through July 2023 and may continue to occur;
- the difference between Agency MBS yields and our funding and hedging costs;
- competition for, and supply of, Agency MBS for us to invest in;
- actions taken by the U.S. government, including the presidential administration, the U.S. Federal Reserve (the “Fed”), the Federal Open Market Committee (the “FOMC”), the Federal Housing Finance Agency (the “FHFA”) and the U.S. Treasury;
- prepayment rates on mortgages underlying our Agency MBS, and credit trends insofar as they affect prepayment rates;
- geo-political events that affect the U.S. and international economies; and
- other market developments.

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

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

## Results of Operations

Described below are the Company’s results of operations for the six and three months ended June 30, 2023, as compared to the six and three months ended June 30, 2022.

### Net Income (Loss) Summary

Consolidated net income for the six months ended June 30, 2023 was \$1.3 million, or \$0.13 basic and diluted income per share of Class A Common Stock, as compared to a consolidated net loss of \$4.7 million, or \$0.44 basic and diluted loss per share of Class A Common Stock, for the six months ended June 30, 2022.

Consolidated net income for the three months ended June 30, 2023 was \$0.3 million, or \$0.03 basic and diluted income per share of Class A Common Stock, as compared to a consolidated net loss of \$1.2 million, or \$0.11 basic and diluted loss per share of Class A Common Stock, for the three months ended June 30, 2022.

The components of net income (loss) for the six and three months ended June 30, 2023 and 2022, along with the changes in those components are presented in the table below.

(in thousands)

	Six Months Ended June 30,			Three Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Advisory services revenues	\$ 6,899	\$ 6,408	\$ 491	\$ 3,516	\$ 3,332	\$ 184
Interest and dividend income	1,670	1,636	34	840	742	98
Interest expense	(2,184)	(664)	(1,520)	(1,129)	(376)	(753)
Net revenues	6,385	7,380	(995)	3,227	3,698	(471)
Other (expense) revenue	(106)	(9,223)	9,117	(621)	(2,865)	2,244
Expenses	(4,552)	(4,138)	(414)	(2,223)	(2,113)	(110)
Net income (loss) before income tax provision (benefit)	1,727	(5,981)	7,708	383	(1,280)	1,663
Income tax provision (benefit)	436	(1,315)	1,751	97	(93)	190
Net income (loss)	\$ 1,291	\$ (4,666)	\$ 5,957	\$ 286	\$ (1,187)	\$ 1,473

## GAAP and Non-GAAP Reconciliation

### *Economic Interest Expense and Economic Net Interest Income*

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

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

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

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

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



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

The tables below present a reconciliation of the adjustments discussed above to interest expense shown for each period relative to our derivative instruments, and the consolidated statements of operations line item, gains (losses) on derivative instruments, calculated in accordance with GAAP for each quarter and six-month period in 2023 and 2022.

### Gains (Losses) on Derivative Instruments

(in thousands)

	Attributed to Current Period (Non-GAAP)			Attributed to Future Periods (Non-GAAP)			Statement of Operations
	Repurchase Agreements	Long-Term Debt	Total	Repurchase Agreements	Long-Term Debt	Total	
<b>Three Months Ended</b>							
June 30, 2023	\$ (18)	\$ -	\$ (18)	\$ 534	\$ -	\$ 534	\$ 516
March 31, 2023	(33)	-	(33)	(241)	-	(241)	(274)
December 31, 2022	(185)	(48)	(233)	192	48	240	7
September 30, 2022	(184)	(48)	(232)	1,028	48	1,076	844
June 30, 2022	(186)	(48)	(234)	136	48	184	(50)
March 31, 2022	(185)	(48)	(233)	185	48	233	-
<b>Six Months Ended</b>							
June 30, 2023	\$ (51)	\$ -	\$ (51)	\$ 293	\$ -	\$ 293	\$ 242
June 30, 2022	(371)	(96)	(467)	321	96	417	(50)

### Economic Net Portfolio Interest Income

(in thousands)

	Interest Income	Interest Expense on Repurchase Agreements			Net Portfolio Interest Income	
		GAAP Basis	Effect of Non-GAAP Hedges(1)	Economic Basis(2)	GAAP Basis	Economic Basis(3)
<b>Three Months Ended</b>						
June 30, 2023	\$ 567	\$ 564	\$ 18	\$ 582	\$ 3	\$ (15)
March 31, 2023	557	508	33	541	49	16
December 31, 2022	534	401	185	586	133	(52)
September 30, 2022	445	210	184	394	235	51
June 30, 2022	392	73	186	259	319	133
March 31, 2022	491	31	185	216	460	275
<b>Six Months Ended</b>						
June 30, 2023	\$ 1,124	\$ 1,072	\$ 51	\$ 1,123	\$ 52	\$ 1
June 30, 2022	883	104	371	475	779	408

- (1) Reflects the effect of derivative instrument hedges for only the period presented.
- (2) Calculated by subtracting the effect of derivative instrument hedges attributed to the period presented from GAAP interest expense.
- (3) Calculated by adding the effect of derivative instrument hedges attributed to the period presented to GAAP net portfolio interest income.

### Economic Net Interest Income

(in thousands)

Three Months Ended	Net Portfolio Interest Income		Interest Expense on Long-Term Debt			Net Interest Income (Loss)	
	GAAP Basis	Economic Basis(1)	GAAP Basis	Effect of Non-GAAP Hedges(2)	Economic Basis(3)	GAAP Basis	Economic Basis(4)
	June 30, 2023	\$ 3	\$ (15)	\$ 565	\$ -	\$ 565	\$ (562)
March 31, 2023	49	16	546	-	546	(497)	(530)
December 31, 2022	133	(52)	477	48	525	(344)	(577)
September 30, 2022	235	51	379	48	427	(144)	(376)
June 30, 2022	319	133	304	48	352	15	(219)
March 31, 2022	460	275	256	48	304	204	(29)
<b>Six Months Ended</b>							
June 30, 2023	\$ 52	\$ 1	\$ 1,111	\$ -	\$ 1,111	\$ (1,059)	\$ (1,110)
June 30, 2022	779	408	560	96	656	219	(248)

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

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

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

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

### Segment Information

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

Segment information for the six months ended June 30, 2023 and 2022 is as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
<b>2023</b>					
Advisory services, external customers	\$ 6,899	\$ -	\$ -	\$ -	\$ 6,899
Advisory services, other operating segments(1)	56	-	-	(56)	-
Interest and dividend income	-	1,669	1	-	1,670
Interest expense(2)	-	(1,072)	(1,112)	-	(2,184)
Net revenues	6,955	597	(1,111)	(56)	6,385
Other expenses	-	(106)	-	-	(106)
Operating expenses(3)	(3,602)	(950)	-	-	(4,552)
Intercompany expenses(1)	-	(56)	-	56	-
Income (loss) before income taxes(4)	\$ 3,353	\$ (515)	\$ (1,111)	\$ -	\$ 1,727

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
<b>2022</b>					
Advisory services, external customers	\$ 6,408	\$ -	\$ -	\$ -	\$ 6,408
Advisory services, other operating segments(1)	56	-	-	(56)	-
Interest and dividend income	-	1,636	-	-	1,636
Interest expense(2)	-	(104)	(560)	-	(664)
Net revenues	6,464	1,532	(560)	(56)	7,380
Other expenses	-	(9,223)	-	-	(9,223)
Operating expenses(3)	(3,237)	(901)	-	-	(4,138)
Intercompany expenses(1)	-	(56)	-	56	-
Income (loss) before income taxes(4)	\$ 3,227	\$ (8,649)	\$ (560)	\$ -	\$ (5,982)

Segment information for the three months ended June 30, 2023 and 2022 is as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
<b>2023</b>					
Advisory services, external customers	\$ 3,516	\$ -	\$ -	\$ -	\$ 3,516
Advisory services, other operating segments <sup>(1)</sup>	30	-	-	(30)	-
Interest and dividend income	-	839	1	-	840
Interest expense <sup>(2)</sup>	-	(564)	(565)	-	(1,129)
Net revenues	3,546	275	(564)	(30)	3,227
Other expenses	-	(621)	-	-	(621)
Operating expenses <sup>(3)</sup>	(1,765)	(458)	-	-	(2,223)
Intercompany expenses <sup>(1)</sup>	-	(30)	-	30	-
Income (loss) before income taxes <sup>(4)</sup>	\$ 1,781	\$ (835)	\$ (564)	\$ -	\$ 382
<b>2022</b>					
Advisory services, external customers	\$ 3,332	\$ -	\$ -	\$ -	\$ 3,332
Advisory services, other operating segments <sup>(1)</sup>	27	-	-	(27)	-
Interest and dividend income	-	742	-	-	742
Interest expense <sup>(2)</sup>	-	(73)	(303)	-	(376)
Net revenues	3,359	669	(303)	(27)	3,698
Other expenses	-	(2,865)	-	-	(2,865)
Operating expenses <sup>(3)</sup>	(1,695)	(418)	-	-	(2,113)
Intercompany expenses <sup>(1)</sup>	-	(27)	-	27	-
Income (loss) before income taxes <sup>(4)</sup>	\$ 1,664	\$ (2,641)	\$ (303)	\$ -	\$ (1,280)

(1) Includes advisory services revenue received by Bimini Advisors from Royal Palm.

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

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

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

Assets in each reportable segment were as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Total
June 30, 2023	\$ 2,187	\$ 93,323	7,121	\$ 102,631
December 31, 2022	1,970	77,483	6,864	86,317

### Asset Management Segment

#### Advisory Services Revenue

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

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

On April 1, 2022, pursuant to the third amendment to the management agreement entered into on November 16, 2021, the Company began providing certain repurchase agreement trading, clearing and administrative services to Orchid that had been previously provided by AVM, L.P. under an agreement terminated on March 31, 2022. In consideration for such services, Orchid pays the following fees to the Company:

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

In addition, Orchid is obligated to reimburse us for any direct expenses incurred on its behalf and to pay to us an amount equal to Orchid's pro rata portion of certain overhead costs set forth in the management agreement. The management agreement has been renewed through February 2024 and provides for automatic one-year extension options. Should Orchid terminate the management agreement without cause, it will be obligated to pay to us a termination fee equal to three times the average annual management fee, as defined in the management agreement, before or on the last day of the applicable renewal term.

The following table summarizes the advisory services revenue received from Orchid in each quarter and six-month period during 2023 and 2022.

(in thousands)

Three Months Ended	Advisory Services					Total
	Average Orchid MBS	Average Orchid Equity	Management Fee	Overhead Allocation	Repurchase, Clearing and Administrative Fees	
June 30, 2023	\$ 4,186,939	\$ 899,109	\$ 2,704	\$ 639	\$ 173	\$ 3,516
March 31, 2023	3,769,954	865,722	2,641	576	165	3,382
December 31, 2022	3,370,608	823,516	2,566	560	150	3,276
September 30, 2022	3,571,037	839,935	2,616	522	174	3,312
June 30, 2022	4,260,727	866,539	2,631	519	183	3,333
March 31, 2022	5,545,844	853,576	2,634	441	-	3,075
<b>Six Months Ended</b>						
June 30, 2023	\$ 3,978,447	\$ 882,415	\$ 5,345	\$ 1,215	\$ 338	\$ 6,898
June 30, 2022	4,903,286	860,058	5,265	960	183	6,408

### Investment Portfolio Segment

#### Net Portfolio Interest Income

We define net portfolio interest income as interest income on MBS less interest expense on repurchase agreement funding. During the six months ended June 30, 2023, we generated \$52,000 of net portfolio interest income, consisting of \$1.1 million of interest income from MBS assets offset by \$1.1 million of interest expense on repurchase liabilities. For the comparable period ended June 30, 2022, we generated \$0.8 million of net portfolio interest income, consisting of \$0.9 million of interest income from MBS assets offset by \$0.1 million of interest expense on repurchase liabilities. The \$241,000 increase in interest income was due to a 108 basis point ("bp") increase in yields, which was partially offset by a \$1.9 million decrease in average MBS holdings. There was a \$968,000 increase in interest expense for the six months ended June 30, 2023 that was due to a 410 bp increase in cost of funds which was partially offset by a \$3.7 million decrease in average repurchase liabilities.

Our economic interest expense on repurchase liabilities for the six months ended June 30, 2023 and 2022 was \$1.1 million and \$0.5 million, respectively, resulting in \$1,000 and \$408,000 of economic net portfolio interest income, respectively.

During the three months ended June 30, 2023, we generated \$3,000 of net portfolio interest income, consisting of \$567,000 of interest income from MBS assets offset by \$564,000 of interest expense on repurchase liabilities. For the comparable period ended June 30, 2022, we generated \$319,000 of net portfolio interest income, consisting of \$392,000 of interest income from MBS assets offset by \$73,000 of interest expense on repurchase liabilities. The \$175,000 increase in interest income was due to a 78 basis point ("bp") increase in yields, combined with an \$8.1 million increase in average MBS holdings. There was a \$491,000 increase in interest expense for the three months ended June 30, 2023 that was due to a 372 bp increase in cost of funds, combined with a \$6.0 million increase in average repurchase liabilities.

Our economic interest expense on repurchase liabilities for the three months ended June 30, 2023 and 2022 was \$582,000 and \$259,000, respectively, resulting in \$(15,000) and \$133,000 of economic net portfolio interest (expense) income, respectively.

The tables below provide information on our portfolio average balances, interest income, yield on assets, average repurchase agreement balances, interest expense, cost of funds, net interest income and net interest rate spread for the six months ended June 30, 2023 and 2022 and each quarter in 2023 and 2022 on both a GAAP and economic basis.

(\$ in thousands)

Three Months Ended	Average MBS Held <sup>(1)</sup>	Interest Income	Yield on Average MBS	Average Repurchase Agreements <sup>(1)</sup>	Interest Expense		Average Cost of Funds		
					GAAP Basis	Economic Basis <sup>(2)</sup>	GAAP Basis	Economic Basis <sup>(3)</sup>	
June 30, 2023	\$ 54,705	\$ 567	4.14%	\$ 51,893	\$ 564	\$ 582	4.35%	4.49%	
March 31, 2023	45,767	557	4.87%	43,455	508	541	4.68%	4.98%	
December 31, 2022	45,081	534	4.74%	43,656	401	586	3.68%	5.37%	
September 30, 2022	41,402	445	4.30%	40,210	210	394	2.09%	3.92%	
June 30, 2022	46,607	392	3.36%	45,870	73	259	0.63%	2.25%	
March 31, 2022	57,741	491	3.40%	56,846	31	216	0.22%	1.52%	
<b>Six Months Ended</b>									
June 30, 2023	\$ 50,236	\$ 1,124	4.47%	\$ 47,674	\$ 1,072	\$ 1,123	4.50%	4.71%	
June 30, 2022	52,174	883	3.39%	51,358	104	475	0.40%	1.85%	

(\$ in thousands)

Three Months Ended	Net Portfolio Interest Income		Net Portfolio Interest Spread	
	GAAP Basis	Economic Basis <sup>(2)</sup>	GAAP Basis	Economic Basis <sup>(4)</sup>
June 30, 2023	\$ 3	\$ (15)	(0.21)%	(0.35)%
March 31, 2023	49	16	0.19%	(0.11)%
December 31, 2022	133	(52)	1.06%	(0.63)%
September 30, 2022	235	51	2.21%	0.38%
June 30, 2022	319	133	2.73%	1.11%
March 31, 2022	460	275	3.18%	1.88%
<b>Six Months Ended</b>				
June 30, 2023	\$ 52	\$ 1	(0.03)%	(0.24)%
June 30, 2022	779	408	2.99%	1.54%

- (1) Portfolio yields and costs of borrowings presented in the tables above and the tables on pages 32 and 33 are calculated based on the average balances of the underlying investment portfolio/repurchase agreement balances and are annualized for the periods presented. Average balances for quarterly periods are calculated using two data points, the beginning and ending balances.
- (2) Economic interest expense and economic net interest income presented in the tables above and the tables on page 33 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.
- (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

Our interest income for the six months ended June 30, 2023 was approximately \$1.1 million, compared to \$0.9 million for the comparable period ended June 30, 2022. Average MBS holdings during the six months ended June 30, 2023 and 2022 were \$50.2 million and \$52.2 million, respectively, and yields were 4.47% and 3.39%, for the same time periods, respectively.

Our interest income was approximately \$567,000 for the three months ended June 30, 2023 and \$392,000 for the three months ended June 30, 2022. Average MBS holdings were \$54.7 million and \$46.6 million for the three months ended June 30, 2023 and 2022, respectively. The \$175,000 increase in interest income was due to a 78 bp increase in yields, combined with a \$8.1 million increase in average MBS holdings.

The tables below present the average portfolio size, income and yields of our respective sub-portfolios, consisting of structured MBS and PT MBS, for the six months ended June 30, 2023 and 2022, and for each quarter during 2023 and 2022.

(\$ in thousands)

Three Months Ended	Average MBS Held			Interest Income			Realized Yield on Average MBS		
	PT MBS	Structured MBS	Total	PT MBS	Structured MBS	Total	PT MBS	Structured MBS	Total
June 30, 2023	\$ 52,004	\$ 2,701	\$ 54,705	\$ 508	\$ 59	\$ 567	3.91%	8.59%	4.14%
March 31, 2023	42,912	2,855	45,767	500	57	557	4.66%	8.09%	4.87%
December 31, 2022	42,125	2,956	45,081	473	61	534	4.49%	8.31%	4.74%
September 30, 2022	38,384	3,018	41,402	383	62	445	3.99%	8.17%	4.30%
June 30, 2022	43,568	3,039	46,607	333	59	392	3.06%	7.75%	3.36%
March 31, 2022	54,836	2,905	57,741	472	19	491	3.45%	2.61%	3.40%
<b>Six Months Ended</b>									
June 30, 2023	\$ 47,458	\$ 2,778	\$ 50,236	\$ 1,008	\$ 116	\$ 1,124	4.25%	8.33%	4.47%
June 30, 2022	49,202	2,972	52,174	805	78	883	3.27%	5.24%	3.39%

#### Interest Expense on Repurchase Agreements and the Cost of Funds

Our average outstanding balances under repurchase agreements were \$47.7 million and \$51.4 million, generating interest expense of approximately \$1.1 million and \$0.1 million for the six months ended June 30, 2023 and 2022, respectively. Our average cost of funds was 4.50% and 0.40% for six months ended June 30, 2023 and 2022, respectively. There was a 410 bp increase in the average cost of funds and a \$3.7 million decrease in average outstanding repurchase agreements during the six months ended June 30, 2023, as compared to the six months ended June 30, 2022.

Our economic interest expense was \$1.1 million and \$0.5 million for the six months ended June 30, 2023 and 2022, respectively. There was a 286 bp increase in the average economic cost of funds to 4.71% for the six months ended June 30, 2023 from 1.85% for the six months ended June 30, 2022. The \$0.6 million increase in economic interest expense was due to the \$3.7 million decrease in average outstanding repurchase agreements, combined with the increase in economic cost of funds during the six months ended June 30, 2023.

Our average outstanding balances under repurchase agreements were \$51.9 million and \$45.9 million, generating interest expense of approximately \$564,000 and \$73,000 for the three months ended June 30, 2023 and 2022, respectively. Our average cost of funds was 4.35% and 0.63% for three months ended June 30, 2023 and 2022, respectively. There was a 372 bp increase in the average cost of funds and a \$6.0 million increase in average outstanding repurchase agreements during the three months ended June 30, 2023, as compared to the three months ended June 30, 2022.

Our economic interest expense was \$582,000 and \$259,000 for the three months ended June 30, 2023 and 2022, respectively. There was a 224 bp increase in the average economic cost of funds to 4.49% for the three months ended June 30, 2023 from 2.25% for the three months ended June 30, 2022. The \$323,000 increase in economic interest expense was due to the \$6.0 million increase in average outstanding repurchase agreements, combined with the increase in economic cost of funds during the three months ended June 30, 2023.

Because all of our repurchase agreements are short-term, changes in market rates have a more immediate impact on our interest expense. Our average cost of funds calculated on a GAAP basis was 72 bps below the average one-month SOFR and 43 bps below the average six-month SOFR for the quarter ended June 30, 2023. Our average economic cost of funds was 58 bps below the average one-month SOFR and 29 bps below the average six-month SOFR for the quarter ended June 30, 2023. The average term to maturity of the outstanding repurchase agreements was 45 days at June 30, 2023, compared to 15 days at December 31, 2022.

The tables below present the average outstanding balances under our repurchase agreements, interest expense and average economic cost of funds, and average one-month and six-month SOFR rates for the six months ended June 30, 2023 and 2022, and for each quarter in 2023 and 2022, on both a GAAP and economic basis.

(\$ in thousands)

Three Months Ended	Average Balance of Repurchase Agreements		Interest Expense				Average Cost of Funds	
			GAAP		Economic		GAAP	Economic
			Basis	Basis	Basis	Basis	Basis	Basis
June 30, 2023	\$	51,893	\$	564	\$	582	4.35%	4.49%
March 31, 2023		43,455		508		541	4.68%	4.98%
December 31, 2022		43,656		401		586	3.68%	5.37%
September 30, 2022		40,210		210		394	2.09%	3.92%
June 30, 2022		45,870		73		259	0.63%	2.25%
March 31, 2022		56,846		31		216	0.22%	1.52%
<b>Six Months Ended</b>								
June 30, 2023	\$	47,674	\$	1,072	\$	1,123	4.50%	4.71%
June 30, 2022		51,358		104		475	0.40%	1.85%

Three Months Ended	Average SOFR		Average GAAP Cost of Funds Relative to Average		Average Economic Cost of Funds Relative to Average	
			One-Month	Six-Month	One-Month	Six-Month
			SOFR	SOFR	SOFR	SOFR
June 30, 2023	5.07%	4.78%	(0.72)%	(0.43)%	(0.58)%	(0.29)%
March 31, 2023	4.63%	4.09%	0.05%	0.59%	0.35%	0.89%
December 31, 2022	4.06%	2.89%	(0.38)%	0.79%	1.31%	2.48%
September 30, 2022	2.47%	1.43%	(0.38)%	0.66%	1.45%	2.49%
June 30, 2022	1.09%	0.39%	(0.46)%	0.24%	1.16%	1.86%
March 31, 2022	0.16%	0.07%	0.06%	0.15%	1.36%	1.45%
<b>Six Months Ended</b>						
June 30, 2023	4.85%	4.44%	(0.35)%	0.06%	(0.14)%	0.27%
June 30, 2022	0.63%	0.23%	(0.23)%	0.17%	1.22%	1.62%

#### Dividend Income from Orchid

During the six months ended June 30, 2023 and 2022, we owned 569,071 and 519,071 shares of Orchid common stock, respectively. Orchid paid total dividends of \$0.960 and \$1.450 per share during the six months ended June 30, 2023 and 2022, respectively, resulting in dividend income on this common stock investment of approximately \$0.6 million and \$0.8 million, respectively. Orchid paid total dividends of \$0.48 and \$0.675 per share during the three months ended June 30, 2023 and 2022, respectively. During the three months ended June 30, 2023 and 2022, we received dividends on this common stock investment of approximately \$0.3 million and \$0.4 million, respectively.

#### Long-Term Debt

##### Junior Subordinated Debt

The junior subordinated debt securities pay interest at a floating rate, adjusted quarterly and set at a spread of 3.50% over the prevailing three-month LIBOR rate on the determination date. As of June 30, 2023, the interest rate was 9.05%. Starting June 30, 2023, the underlying index converted from three-month LIBOR to CME Term SOFR plus a tenor spread adjustment of 0.26161%. The interest rate for subsequent accrual periods will be CME Term SOFR on the applicable reset date plus the tenor spread adjustment of 0.26161% plus the coupon spread of 3.50%. The CME Term SOFR index is in effect for all interest rate resets after July 3, 2023. The LIBOR rate increases since January 2022 have negatively impacted our interest expense.

Interest expense on our junior subordinated debt securities was \$1.1 million and \$0.5 million for the six months ended June 30, 2023 and 2022, respectively. The average rate of interest paid for the six months ended June 30, 2023 was 8.39% compared to 4.16% for the comparable period in 2022.

[Table of Contents](#)

Interest expense on our junior subordinated debt securities was \$0.6 million and \$0.3 million for the three month periods ended June 30, 2023 and 2022, respectively. The average rate of interest paid for the three months ended June 30, 2022 was 8.49% compared to 4.50% for the comparable period in 2022.

*Note Payable*

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

**Gains or Losses and Other Income**

The table below presents our gains or losses and other income for the six and three months ended June 30, 2023 and 2022.

(in thousands)

	Six Months Ended June 30,			Three Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Realized losses on sales of MBS	\$ -	\$ (858)	\$ 858	\$ -	\$ (858)	\$ 858
Unrealized losses on MBS	(263)	(4,034)	3,771	(921)	(919)	(2)
Total losses on MBS	(263)	(4,892)	4,629	(921)	(1,777)	856
Gains (losses) on derivative instruments	242	(50)	292	516	(50)	566
Unrealized losses on Orchid Island Capital, Inc. common stock	(85)	(4,282)	4,197	(216)	(1,038)	822

We invest in MBS with the intent to earn net income from the realized yield on those assets over their related funding and hedging costs, and not for the purpose of making short term gains from trading in these securities. However, we have sold, and may continue to sell, existing assets to acquire new assets, which our management believes might have higher risk-adjusted returns in light of current or anticipated interest rates, federal government programs or general economic conditions or to manage our balance sheet as part of our asset/liability management strategy. During the six months ended June 30, 2022, we sold MBS with a fair value of \$23.1 million. We did not sell any MBS during the six months ended June 30, 2023.

The fair value of our MBS portfolio and derivative instruments, and the gains (losses) reported on those financial instruments, are driven by changes in yields and interest rates, the spreads that MBS trade relative to comparable duration U.S. Treasuries or swaps, as well as varying levels of demand for MBS. The table below presents historical interest rate data as of the end of quarter during 2023 and 2022.

The fair value of our MBS portfolio and derivative instruments, and the gains (losses) reported on those financial instruments, are driven in part by changes in yields and interest rates, the spreads that MBS trade relative to comparable duration U.S. Treasuries or swaps, as well as varying levels of demand for MBS, which affect the pricing of the securities in our portfolio. The unrealized gains and losses on MBS may also include the premium lost as a result of prepayments on the underlying mortgages, decreasing unrealized gains or increasing unrealized losses as prepayment speeds or premiums increase. To the extent MBS are carried at a discount to par, unrealized gains or losses on MBS would also include discount accreted as a result of prepayments on the underlying mortgages, increasing unrealized gains or decreasing unrealized losses as speeds on discounts increase. Gains and losses on interest rate futures contracts are affected by changes in implied forward rates during the reporting period. The table below presents historical interest rate data for each quarter end during 2023 and 2022.

	5 Year U.S. Treasury Rate <sup>(1)</sup>	10 Year U.S. Treasury Rate <sup>(1)</sup>	15 Year Fixed-Rate Mortgage Rate <sup>(2)</sup>	30 Year Fixed-Rate Mortgage Rate <sup>(2)</sup>	Three Month SOFR <sup>(3)</sup>
June 30, 2023	4.13%	3.82%	6.06%	6.71%	5.00%
March 31, 2023	3.61%	3.49%	5.56%	6.32%	4.51%
December 31, 2022	4.00%	3.88%	5.68%	6.42%	3.62%
September 30, 2022	4.04%	3.80%	5.96%	6.70%	2.13%
June 30, 2022	3.00%	2.97%	4.83%	5.70%	0.70%
March 31, 2022	2.42%	2.33%	3.83%	4.67%	0.09%

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

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

(3) Historical SOFR is obtained from the Federal Reserve Bank of New York.



### Operating Expenses

For the six and three months ended June 30, 2023, our total operating expenses were approximately \$4.6 million and \$2.2 million, respectively, compared to approximately \$4.1 million and \$2.1 million, respectively, for the six and three months ended June 30, 2022. The table below presents a breakdown of operating expenses for the six and three months ended June 30, 2023 and 2022.

(in thousands)

	Six Months Ended June 30,			Three Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Compensation and related benefits	\$ 2,642	\$ 2,606	\$ 36	\$ 1,278	\$ 1,262	\$ 16
Direct advisory services costs	821	556	265	368	348	20
Legal fees	38	64	(26)	20	29	(9)
Accounting, auditing and other professional fees	270	203	67	159	94	65
Directors' fees and liability insurance	413	393	20	207	197	10
Administrative and other expenses	368	316	52	191	183	8
	\$ 4,552	\$ 4,138	\$ 414	\$ 2,223	\$ 2,113	\$ 110

Beginning with the second quarter of 2022, Bimini began providing certain repurchase agreement trading, clearing and administrative services to Orchid. Providing these services required Bimini to increase staffing and other resources, causing an increase in direct advisory services costs of approximately \$265,000 and \$20,000 for the six and three month periods ended June 30, 2023, as compared to the six and three months ended June 30, 2022.

### Income Tax Provision

We recorded an income tax provision (benefit) for the six months ended June 30, 2023 and 2022 of approximately \$0.4 million and \$(1.3) million, respectively, on consolidated pre-tax book income (loss) of \$1.7 million and \$(6.0) million, respectively.

We recorded an income tax provision (benefit) for the three months ended June 30, 2022 and 2021 of approximately \$0.1 million and \$(0.1) million, respectively, on a consolidated pre-tax book income (loss) of \$0.4 million and \$(1.3) million, respectively.

### Financial Condition:

#### Mortgage-Backed Securities

As of June 30, 2023, our MBS portfolio consisted of \$63.8 million of agency or government MBS at fair value and had a weighted average coupon of 4.12%. During the six months ended June 30, 2023, we received principal repayments of \$1.9 million compared to \$5.1 million for the comparable period ended June 30, 2022. The average prepayment speeds for the quarters ended June 30, 2023 and 2022 were 9.6% and 20.0 %, respectively.

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

Three Months Ended	PT MBS Portfolio (%)	Structured MBS Portfolio (%)	Total Portfolio (%)
June 30, 2023	8.0	13.0	9.6
March 31, 2023	2.4	10.3	5.0
December 31, 2022	8.2	8.4	8.3
September 30, 2022	13.1	7.5	10.8
June 30, 2022	17.2	22.9	20.0
March 31, 2022	18.5	25.6	20.9

The following tables summarize certain characteristics of our PT MBS and structured MBS as of June 30, 2023 and December 31, 2022:

(\$ in thousands)

Asset Category	Fair Value	Percentage of Entire Portfolio	Weighted Average Coupon	Weighted Average Maturity in Months	Longest Maturity
<b>June 30, 2023</b>					
Fixed Rate MBS	\$ 61,159	95.9%	4.52%	335	1-May-53
Structured MBS	2,611	4.1%	2.84%	293	15-May-51
Total MBS Portfolio	\$ 63,770	100.0%	4.12%	333	1-May-53
<b>December 31, 2022</b>					
Fixed Rate MBS	\$ 42,974	93.6%	4.07%	329	1-Aug-52
Structured MBS	2,919	6.4%	2.84%	300	15-May-51
Total MBS Portfolio	\$ 45,893	100.0%	3.67%	327	1-Aug-52

(\$ in thousands)

Agency	June 30, 2023		December 31, 2022	
	Fair Value	Percentage of Entire Portfolio	Fair Value	Percentage of Entire Portfolio
Fannie Mae	\$ 32,502	51.0%	\$ 33,883	73.8%
Freddie Mac	31,268	49.0%	12,010	26.2%
Total Portfolio	\$ 63,770	100.0%	\$ 45,893	100.0%

	June 30, 2023	December 31, 2022
Weighted Average Pass-through Purchase Price	\$ 104.23	\$ 105.30
Weighted Average Structured Purchase Price	\$ 4.48	\$ 4.48
Weighted Average Pass-through Current Price	\$ 96.78	\$ 95.58
Weighted Average Structured Current Price	\$ 13.03	\$ 13.37
Effective Duration (1)	4.130	4.323

(1) Effective duration is the approximate percentage change in price for a 100 basis point change in rates. An effective duration of 4.130 indicates that an interest rate increase of 1.0% would be expected to cause a 4.130% decrease in the value of the MBS in our investment portfolio at June 30, 2023. An effective duration of 4.323 indicates that an interest rate increase of 1.0% would be expected to cause a 4.323% decrease in the value of the MBS in our investment portfolio at December 31, 2022. These figures include the structured securities in the portfolio but do not include the effect of our hedges. Effective duration quotes for individual investments are obtained from The Yield Book, Inc.

The following table presents a summary of our portfolio assets acquired during the six months ended June 30, 2023 and 2022.

(\$ in thousands)

	Six Months Ended June 30,					
	2023			2022		
	Total Cost	Average Price	Weighted Average Yield	Total Cost	Average Price	Weighted Average Yield
PT MBS	\$ 20,046	\$ 100.45	4.90%	\$ 10,822	\$ 99.42	4.08%
Structured MBS	-	-	-	-	-	-

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

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

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

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

The following sensitivity analysis shows the estimated impact on the fair value of our interest rate-sensitive investments and hedge positions as of June 30, 2023, assuming rates instantaneously fall 100 bps, rise 100 bps and rise 200 bps, adjusted to reflect the impact of convexity, which is the measure of the sensitivity of our hedge positions and Agency MBS' effective duration to movements in interest rates.

(\$ in thousands)

MBS Portfolio	Fair	\$ Change in Fair Value			% Change in Fair Value		
	Value	-100BPS	+100BPS	+200BPS	-100BPS	+100BPS	+200BPS
Fixed Rate MBS	\$ 61,159	\$ 2,486	\$ (2,896)	\$ (6,114)	4.06%	(4.74)%	(10.00)%
Structured MBS	2,611	(85)	39	38	(3.26)%	1.49%	1.46%
<b>Total MBS Portfolio</b>	<b>\$ 63,770</b>	<b>\$ 2,401</b>	<b>\$ (2,857)</b>	<b>\$ (6,076)</b>	<b>3.77%</b>	<b>(4.48)%</b>	<b>(9.53)%</b>

  

Repurchase Agreement Hedges	Notional	\$ Change in Fair Value			% Change in Fair Value		
	Amount <sup>(1)</sup>	-100BPS	+100BPS	+200BPS	-100BPS	+100BPS	+200BPS
Treasury Futures Contracts	22,400	(1,652)	1,541	3,002	(7.38)%	6.88%	13.40%
<b>Gross Totals</b>		<b>\$ 749</b>	<b>\$ (1,316)</b>	<b>\$ (3,074)</b>			

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

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

### Repurchase Agreements

As of June 30, 2023, we had established borrowing facilities in the repurchase agreement market with a number of commercial banks and other financial institutions and had borrowings in place with five of these counterparties. We believe these facilities provide borrowing capacity in excess of our needs. None of these lenders are affiliated with us. These borrowings are secured by our MBS.

As of June 30, 2023, we had obligations outstanding under the repurchase agreements of approximately \$60.7 million with a net weighted average borrowing cost of 5.28%. The remaining maturity of our outstanding repurchase agreement obligations ranged from 12 to 80 days, with a weighted average maturity of 45 days. Securing the repurchase agreement obligation as of June 30, 2023 are MBS with an estimated fair value, including accrued interest, of \$63.9 million and a weighted average maturity of 334 months. Through August 10, 2023, we have been able to maintain our repurchase facilities with comparable terms to those that existed at June 30, 2023 with maturities through September 21, 2023.

The table below presents information about our period-end, maximum and average repurchase agreement obligations for each quarter in 2023 and 2022.

Three Months Ended	Ending Balance of Repurchase Agreements	Maximum Balance of Repurchase Agreements	Average Balance of Repurchase Agreements	Difference Between Ending Repurchase Agreements and Average Repurchase Agreements	
				Amount	Percent
June 30, 2023	\$ 60,695	\$ 60,695	\$ 51,893	\$ 8,802	16.96%
March 31, 2023	43,092	43,936	43,455	(363)	(0.84)%
December 31, 2022	43,818	44,780	43,656	162	0.37%
September 30, 2022	43,494	46,977	40,210	3,284	8.17%
June 30, 2022	36,926	53,289	45,870	(8,944)	(19.50)%
March 31, 2022	54,815	58,772	56,846	(2,031)	(3.57)%

## Liquidity and Capital Resources

Liquidity is our ability to turn non-cash assets into cash, purchase additional investments, repay principal and interest on borrowings, fund overhead and fulfill margin calls. We have both internal and external sources of liquidity. However, our material unused sources of liquidity include cash balances, unencumbered assets and our ability to sell encumbered assets to raise cash. Our balance sheet also generates liquidity on an on-going basis through payments of principal and interest we receive on our MBS portfolio and dividends we receive on our investment in Orchid common stock.

### Internal Sources of Liquidity

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

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

### External Sources of Liquidity

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

Under our repurchase agreement funding arrangements, we are required to post margin at the initiation of the borrowing. The margin posted represents the haircut, which is a percentage of the market value of the collateral pledged. To the extent the market value of the asset collateralizing the financing transaction declines, the market value of our posted margin will be insufficient and we will be required to post additional collateral. Conversely, if the market value of the asset pledged increases in value, we would be over collateralized and we would be entitled to have excess margin returned to us by the counterparty. Our lenders typically value our pledged securities daily to ensure the adequacy of our margin and make margin calls as needed, as do we. Typically, but not always, the parties agree to a minimum threshold amount for margin calls so as to avoid the need for nuisance margin calls on a daily basis. Our master repurchase agreements do not specify the haircut; rather haircuts are determined on an individual repo transaction basis. We did not experience any significant margin call activity in the quarter ended June 30, 2023.

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

In future periods we expect to continue to finance our activities through repurchase agreements and through revenues from our advisory services business. As of June 30, 2023, we had cash and cash equivalents of \$5.0 million. We generated cash flows of \$3.0 million from principal and interest payments on our MBS portfolio and had average repurchase agreements outstanding of \$47.7 million during the six months ended June 30, 2023. In addition, during the six months ended June 30, 2023, we received approximately \$6.9 million in management fees and expense reimbursements as manager of Orchid and approximately \$0.6 million in dividends from our investment in Orchid common stock.

## **Outlook**

### ***Orchid Island Capital Inc.***

Orchid Island Capital reported second quarter 2023 net income of \$10.2 million and its shareholders equity increased from \$451.4 million to \$490.1 million. The market conditions described below led to the gains as Orchid reported gains on its derivatives of \$93.4 million, exceeding MBS losses of \$69.5 million. Further, Orchid raised additional equity capital of approximately \$47.6 million during the second quarter of 2023. Orchid is obligated to reimburse us for direct expenses paid on its behalf and to pay to us Orchid's pro rata share of overhead as defined in the management agreement. As a stockholder of Orchid, we will also continue to share in distributions, if any, paid by Orchid to its stockholders. Our operating results are also impacted by changes in the market value of our holdings of Orchid common shares, although these market value changes do not impact our cash flows from Orchid.

### ***Economic Summary***

The regional banking crisis that emerged in March of 2023 seems to have been contained by the various macro-prudential measures implemented by the Fed and U. S. Treasury. As the perceived risk that the numerous rate increases by the Fed would not cause any problems that could not be contained, the market was left to focus on the economic fundamentals. As a result, the outlook for the economy and monetary policy quickly reverted to where they were in early March before there were any signs of stress in the banking system. The key elements of the outlook were persistently high core inflation, particularly what the Fed referred to as core services inflation excluding shelter costs, or "super core" inflation, likely driven by a strong and tight labor market. Measures of super core inflation were persistently high and not falling in the second quarter, and most measures of the labor market implied wage pressures and strong employment would continue to buttress service-related inflation. Inflation was persistently high in Canada, the United Kingdom and Europe, among other countries, in the second quarter. Because these economies are intertwined with the United States, central bank policy amongst these countries was working in parallel and their bond markets were highly correlated. The breadth of inflationary pressures across the globe and persistent efforts by the various central banks to contain inflation have impacted bond markets and the outlook for interest rates.

Risk sentiment across the U.S. and most of the globe was weak and precarious in the second quarter as markets expected tight financial conditions and elevated levels of interest rates for an extended period. Exacerbating conditions further in the U.S. was a prolonged impasse over the debt ceiling between the Republican-controlled House of Representatives and the administration of President Biden. The Secretary of the Treasury, Janet Yellen, anticipated the government would be unable to function without an increase in its borrowing capacity by mid-June of 2023. The tension mounted as the two sides slowly worked towards a compromise and peaked in late May before a settlement was reached. In the late stages of the stand-off, risk sentiment across all markets deteriorated, including the Agency MBS market - the market the Company invests in exclusively.

Once a settlement was reached between the Republican leadership in the House of Representatives and the Biden administration, risk sentiment in the markets quickly improved. However, while the risk of a government shutdown, or worse, was averted, the economic data did not change. Public comments by Fed officials as well as other central bankers remained very hawkish as inflation measures remained persistently high, labor markets remained very strong and economic activity appeared very resilient to Fed rate increases. The Fed increased the Fed Funds rate by 25 bps in early May and, after skipping a rate increase at their June meeting, they did again at the July meeting and signaled to the market that they may hike again if economic conditions warrant.

Economic data released the first few days of July was very strong, especially labor market data, and public comments by Fed officials were extremely hawkish, leading the markets to react accordingly. More recent data seems to indicate inflation and labor market tightness are showing early signs of softening, perhaps indicating that the cumulative rate increases by the Fed may be finally impacting the economy.

While the regional banking crisis was contained by effective macro-prudential policies implemented by the Fed and U.S. Treasury, banks that failed were taken over by the FDIC and their assets were liquidated. The banks had substantial Agency MBS portfolios. The process of liquidating approximately \$113 billion of various securities began on April 18, 2023, and continued throughout the second quarter of 2023 and into the third quarter.

### ***Interest Rates***

The Fed continues to raise interest rates in an effort to slow persistently high core inflation. As the market senses the Fed will have to increase overnight rates more, and potentially leave them high for an extended period, yields on U.S. Treasuries have increased as well. Specifically, yields of shorter maturity U.S. Treasuries increased more than longer maturity U.S. Treasuries, reflecting the need for higher overnight rates in the near term and the likelihood the Fed would ultimately be successful in containing inflation, such that longer maturity U.S. Treasury yields increased far less. This process led the U.S. Treasury curve to continue to invert. The yield spread between the 2-year U.S. Treasury and the 10-year U.S. Treasury reached a cycle peak of -1.084% in early July. Yields on the 2-year U.S. Treasury peaked at just under 5% in early July after dropping to less than 3.80% in April. The 2-year U.S. Treasury yield reached 5.073% in early March of 2023, just before the regional banking crisis emerged.

Prior to the developments described above, futures markets were pricing terminal Fed Funds rates slightly above then current levels with several rate decreases throughout the balance of 2023 and beyond. As of June 30, 2023, the futures markets were pricing a terminal rate peaking at 5.41% in late 2023 and no rate decreases in 2023.

Mortgage rates available to borrowers for Agency MBS were once again more stable during the second quarter than U.S. Treasury yields. The Mortgage Bankers Association 30-year survey rate averaged 6.62% for the second quarter, with a high of 6.91% and a low of 6.30% for the quarter. The second quarter is typically the seasonal peak for housing activity and, with rates still generally far above levels available to borrowers a year or more ago, refinancing activity during the second quarter remained very low versus historical norms and remains close to the lowest level observed since the year 2000.

### ***The Agency MBS Market***

The Agency MBS market generated a total return of (0.5)% for the second quarter of 2023. However, the sector outperformed comparable duration SOFR swaps by 1.0% for the second quarter. Performance for the quarter benefited from reduced rate volatility. Performance across the 30-year Agency MBS sector, where essentially all of the Company's capital is invested, versus comparable duration SOFR swaps was even better than the Agency MBS market as a whole, and lower coupon securities outperformed intermediate and higher coupon securities.

The Agency MBS sector underperformed investment grade and sub-investment grade corporates both on an absolute and relative basis (to comparable duration swaps) for the second quarter. Performance versus most other sectors of the domestic fixed income markets varied, outperforming higher credit sectors and underperforming lower credit sectors.

The FDIC liquidated the assets of two failed banks commencing on April 18, 2023, including approximately \$61 billion of Agency MBS assets, in many cases securities very similar to the securities held by the Company. As of August 3, 2023, the FDIC has liquidated close to 90% of the Agency MBS holdings seized from these banks. The liquidations had a far more muted impact on the performance of the Agency MBS market than feared when the auction process was announced, as evidenced by the return figures described above. Agency MBS performance was particularly strong once the debt ceiling impasse was settled in late May, as the sector generated excess returns over comparable duration SOFR swaps of 0.6%.

### ***Recent Legislative and Regulatory Developments***

In response to the deterioration in the markets for U.S. Treasuries, Agency MBS and other mortgage and fixed income markets resulting from the impacts of the COVID-19 pandemic, the Fed implemented a program of quantitative easing. Through November of 2021, the Fed was committed to purchasing \$80 billion of U.S. Treasuries and \$40 billion of Agency MBS each month. In November of 2021, it began tapering its net asset purchases each month and ended net asset purchases entirely by early March of 2022. On May 4, 2022, the FOMC announced a plan for reducing the Fed's balance sheet. In June of 2022, in accordance with this plan, the Fed began reducing its balance sheet by a maximum of \$30 billion of U.S. Treasuries and \$17.5 billion of Agency MBS each month. On September 21, 2022, the FOMC announced the Fed's decision to continue reducing the balance sheet by a maximum of \$60 billion of U.S. Treasuries and \$35 billion of Agency MBS per month.

On January 29, 2021, the CDC issued guidance extending eviction moratoriums for covered persons put in place by the CARES Act through March 31, 2021. The FHFA subsequently extended the foreclosure moratorium for loans backed by Fannie Mae and Freddie Mac and the eviction moratorium for real estate owned by Fannie Mae and Freddie Mac until July 31, 2021 and September 30, 2021, respectively. The U.S. Housing and Urban Development Department subsequently extended the FHA foreclosure and eviction moratoria to July 31, 2021, and September 30, 2021, respectively. Despite the expirations of these foreclosure moratoria, a final rule adopted by the CFPB on June 28, 2021, effectively prohibited servicers from initiating a foreclosure before January 1, 2022, in most instances. Foreclosure activity has risen since the end of the moratorium, with foreclosure starts in the first half of 2023 up 13% and 185% from the comparable periods in 2022 and 2021, respectively, and at 106% and 54% of the comparable period 5-year and 10-year historic averages, respectively.

On September 30, 2019, the FHFA announced that Fannie Mae and Freddie Mac (the "Enterprises") were allowed to increase their capital buffers to \$25 billion and \$20 billion, respectively, from the prior limit of \$3 billion each. This step could ultimately lead to the Enterprises being privatized and represents the first concrete step on the road to Enterprise reform. In December 2020, the FHFA released a final rule on a new regulatory framework for the Enterprises which seeks to implement both a risk-based capital framework and minimum leverage capital requirements. On January 14, 2021, the U.S. Treasury and the FHFA executed letter agreements allowing the Enterprises to continue to retain capital up to their regulatory minimums, including buffers, as prescribed in the December rule. These letter agreements provide, in part, (i) there will be no exit from conservatorship until all material litigation is settled and the Enterprise has common equity Tier 1 capital of at least 3% of its assets, (ii) the Enterprises will comply with the FHFA's regulatory capital framework, (iii) higher-risk single-family mortgage acquisitions will be restricted to then current levels, and (iv) the U.S. Treasury and the FHFA will establish a timeline and process for future Enterprise reform. However, no definitive proposals or legislation have been released or enacted with respect to ending the conservatorship, unwinding the Enterprises, or materially reducing the roles of the Enterprises in the U.S. mortgage market. On September 14, 2021, the U.S. Treasury and the FHFA suspended certain policy provisions in the January agreement, including limits on loans acquired for cash consideration, multifamily loans, loans with higher risk characteristics and second homes and investment properties. On February 25, 2022, the FHFA published a final rule, effective as of April 26, 2022, amending the Enterprise capital framework established in December 2020 by, among other things, replacing the fixed leverage buffer equal to 1.5% of an Enterprise's adjusted total assets with a dynamic leverage buffer equal to 50% of an Enterprise's stability capital buffer, reducing the risk weight floor from 10% to 5%, and removing the requirement that the Enterprises must apply an overall effectiveness adjustment to their credit risk transfer exposures. On June 14, 2022, the Enterprises announced that they would each charge a 50 bps fee for commingled securities issued on or after July 1, 2022 to cover the additional capital required for such securities under the Enterprise capital framework, which was subsequently reduced on January 19, 2023 to 9.375 bps for commingled securities issued on or after April 1, 2023 to address industry concern that the fee posed a risk to the fungibility of the Uniform Mortgage-Backed Security ("UMBS") and negatively impacted liquidity and pricing in the market for TBA securities.

On December 7, 2021, the CFPB released a final rule that amends Regulation Z, which implemented the Truth in Lending Act, aimed at addressing cessation of LIBOR for both closed-end (e.g., home mortgage) and open-end (e.g., home equity line of credit) products. The rule, which mostly became effective in April of 2022, establishes requirements for the selection of replacement indices for existing LIBOR-linked consumer loans. Although the rule does not mandate the use of SOFR as the alternative rate, it identifies SOFR as a comparable rate for closed-end products and states that for open-end products, the CFPB has determined that ARRC's recommended spread-adjusted indices based on SOFR for consumer products to replace the one-month, three-month, or six-month USD LIBOR index "have historical fluctuations that are substantially similar to those of the LIBOR indices that they are intended to replace." The CFPB reserved judgment, however, on a SOFR-based spread-adjusted replacement index to replace the one-year USD LIBOR until it obtained additional information.

On March 15, 2022, the Adjustable Interest Rate (LIBOR) Act (the “LIBOR Act”) was signed into law as part of the Consolidated Appropriations Act, 2022 (H.R. 2471). The LIBOR Act provides for a statutory replacement benchmark rate for contracts that use LIBOR as a benchmark and do not contain any fallback mechanism independent of LIBOR. Pursuant to the LIBOR Act, SOFR becomes the new benchmark rate by operation of law for any such contract. The LIBOR Act establishes a safe harbor from litigation for claims arising out of or related to the use of SOFR as the recommended benchmark replacement. The LIBOR Act makes clear that it should not be construed to disfavor the use of any benchmark on a prospective basis.

On July 28, 2022, the Fed published a proposed rule to implement the LIBOR Act, which was adopted on December 16, 2022. The final rule, which went into effect on February 27, 2023, sets benchmark SOFR rates to replace overnight, one-month, three-month, six-month and 12-month LIBOR contracts and provides mechanisms for converting most existing LIBOR contracts, including Agency MBS, to SOFR no later than June 30, 2023. The last remaining LIBOR bank panel ended June 30, 2023. Overnight and 12-month U.S. dollar LIBOR settings have permanently ceased, and 1-, 3- and 6-month U.S. dollar LIBOR will continue to be calculated using a synthetic methodology through September 2024.

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

### ***Effect on Us***

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

#### *Effects on our Assets*

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

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

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

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



As described above, the Agency MBS market began to experience severe dislocations in mid-March 2020 as a result of the economic, health and market turmoil brought about by COVID-19. On March 23, 2020, the Fed announced that it would purchase Agency MBS and U.S. Treasuries in the amounts needed to support smooth market functioning, which largely stabilized the Agency MBS market, but ended these purchases in March 2022 and announced plans to reduce its balance sheet. The Fed's planned reduction of its balance sheet could negatively impact our investment portfolio. Further, the moratoriums on foreclosures and evictions described above will likely delay potential defaults on loans that would otherwise be bought out of Agency MBS pools as described above. Depending on the ultimate resolution of the foreclosure or evictions, when and if it occurs, these loans may be removed from the pool into which they were securitized. If this were to occur, it would have the effect of delaying a prepayment on the Company's securities until such time. To the extent the Company's Agency MBS assets were acquired at a premium to par, this will tend to increase the realized yield on the asset in question. To the extent they were acquired at a discount, this will tend to decrease the realized yield on the asset in question.

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

#### *Effects on our borrowing costs*

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

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

#### *Summary*

The regional banking crisis that emerged in March of 2023 elicited a severe reaction in the financial markets as fear that accelerated rates increases by the Fed over the past year were beginning to have very adverse effects on some sectors of the economy. The Fed and U.S. Treasury were very responsive to these developments and the damage was quickly contained by effective macro-prudential policy. By late April, market focus began to shift away from the prospects of contagion from a couple of high-profile bank failures to persistently high inflation and an economy that appeared to be far more resilient to rate increases than anticipated. Market sentiment was also influenced by the fact that essentially all of the world's major central banks were also combatting persistently high inflation and in most cases were likely to continue with rate hikes as well.

As the regional banking crisis ebbed, the market was faced with an impasse between congressional Republicans and the Biden administration over the debt ceiling that hurt market sentiment in May before the impasse was resolved late in the month. The Agency MBS market in particular was negatively impacted as the spread between the Agency MBS current coupon and the 5-year U.S. Treasury reached approximately 187.5 bps on May 26, 2023.

While the debt ceiling impasse was resolved before the government ran out of borrowing capacity and risk sentiment improved modestly, the economic data, particularly with respect to core inflation and the labor market, did not improve at all. The U.S. Treasury curve inversion peaked in early July, interest rates continued to rise as the 2-year U.S. Treasury approached 5% and the Fed increased the Fed funds rate another 25 basis points on July 26th. Until there is clear evidence the labor market is softening and inflation is subsiding the market will anticipate interest rates will remain elevated and the Fed may continue to tighten monetary policy.

The Agency MBS market generated a total return of -0.5% for the second quarter of 2023. However, the sector outperformed comparable duration SOFR swaps by 1.0% for the second quarter. Performance for the quarter benefited from reduced rate volatility. Performance across the 30-year Agency MBS sector, where essentially all of the Company's capital is invested, versus comparable duration SOFR swaps was even better than the Agency MBS market as a whole, and lower coupon securities outperformed intermediate and higher coupon securities.

As the third quarter unfolds, markets and the Fed are closely focused on incoming economic data as it pertains to inflation and the labor markets. To the extent incoming data supports the notion that the effects of the 500 plus bps of rate increases are having the desired effect, the market will likely anticipate eventual rate decreases by the Fed and the U.S. Treasury curve should steepen, with yields on the front of the curve coming down. This would likely be very supportive of Agency MBS performance and the financial results of the Company. To the extent the data is not supportive, the yield curve will likely remain very inverted and Agency MBS performance will be muted.

### **Critical Accounting Estimates**

Our consolidated financial statements are prepared in accordance with GAAP, which requires our management to make some complex and subjective decisions, estimates and assessments. Our most critical accounting policies involve decisions, estimates and assessments which can have a material impact on reported assets, liabilities, revenues and expenses, and these estimates can change each reporting period. There have been no changes to the processes used to determine our critical accounting estimates as discussed in our annual report on Form 10-K for the year ended December 31, 2022.

### **Capital Expenditures**

At June 30, 2023, we had no material commitments for capital expenditures.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

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

### **ITEM 4. CONTROLS AND PROCEDURES.**

#### **Evaluation of Disclosure Controls and Procedures**

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

#### **Changes in Internal Control over Financial Reporting**

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

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

In April 2020 and November 2021, the Company received demands for payment from Citigroup, Inc. in the total amount of \$33.3 million related to the indemnification provisions of various mortgage loan purchase agreements entered into prior to the date Royal Palm's mortgage origination operations ceased in 2007. The Company believes the demands are without merit and intends to defend against the demands vigorously if pursued by Citigroup. No provision or accrual has been recorded related to the Citigroup demands.

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

### ITEM 1A. RISK FACTORS.

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 10, 2023.

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

On September 16, 2021, the Board authorized a share repurchase plan pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934 (the "2021 Repurchase Plan"). Pursuant to the 2021 Repurchase Plan, the Company may purchase shares of its Class A Common Stock from time to time for an aggregate purchase price not to exceed \$2.5 million.

The Company did not repurchase shares of its common stock during the three months ended June 30, 2023.

The Company did not have any unregistered sales of its equity securities during the three months ended June 30, 2023.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

### ITEM 5. OTHER INFORMATION

None.

**ITEM 6. EXHIBITS**

Exhibit No

- 3.1 [Articles of Amendment and Restatement, incorporated by reference to Exhibit 3.1 to the Company's Form S-11/A, filed with the SEC on April 29, 2004](#)
- 3.2 [Articles Supplementary, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, dated November 3, 2005, filed with the SEC on November 8, 2005](#)
- 3.3 [Articles of Amendment, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, dated February 10, 2006, filed with the SEC on February 15, 2006](#)
- 3.4 [Articles of Amendment, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, dated September 24, 2007, filed with the SEC on September 24, 2007](#)
- 3.5 [Amended and Restated Bylaws, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, dated September 24, 2007, filed with the SEC on September 24, 2007](#)
- 31.1 [Certification of the Principal Executive Officer, pursuant to Rule 13a-14\(a\) or 15d-14\(a\) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002\\*](#)
- 31.2 [Certification of the Principal Financial Officer, pursuant to Rule 13a-14\(a\) or 15d-14\(a\) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002\\*](#)
- 32.1 [Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002\\*\\*](#)
- 32.2 [Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002\\*\\*](#)

- Exhibit 101.INS Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.\*\*\*
- Exhibit 101.SCH Inline XBRL Taxonomy Extension Schema Document\*\*\*
- Exhibit 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document\*\*\*
- Exhibit 101.DEF Inline XBRL Additional Taxonomy Extension Definition Linkbase Document\*\*\*
- Exhibit 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document\*\*\*
- Exhibit 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document\*\*\*
- Exhibit 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

- \* Filed herewith.
- \*\* Furnished herewith
- \*\*\* Submitted electronically herewith.

**Signatures**

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

BIMINI CAPITAL MANAGEMENT, INC.

Date: August 11, 2023

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

Date: August 11, 2023

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

## CERTIFICATIONS

I, Robert E. Cauley, certify that:

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

Date: August 11, 2023

/s/ Robert E. Cauley

Robert E. Cauley

Chairman of the Board and Chief Executive Officer

## CERTIFICATIONS

I, G. Hunter Haas, certify that:

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

Date: August 11, 2023

/s/ G. Hunter Haas, IV

G. Hunter Haas, IV

President and Chief Financial Officer

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

I, Robert E. Cauley, in compliance 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2023 (the "Report") filed with the Securities and Exchange Commission:

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

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

August 11, 2023

/s/ Robert E. Cauley

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



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

I, G. Hunter Haas, in compliance 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2023 (the "Report") filed with the Securities and Exchange Commission:

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

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

August 11, 2023

/s/ G. Hunter Haas, IV

\_\_\_\_\_  
G. Hunter Haas, IV

President and Chief Financial Officer