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 September 30, 2022

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

For the transition period from __________ to ___________

Commission File Number**: 001-32171**

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

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

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

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

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

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

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

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

Title of each Class	**Latest Practicable Date**	**Shares Outstanding**
Class A Common Stock, $0.001 par value	November 14, 2022	10,246,809
Class B Common Stock, $0.001 par value	November 14, 2022	31,938
Class C Common Stock, $0.001 par value	November 14, 2022	31,938

BIMINI CAPITAL MANAGEMENT, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BIMINI CAPITAL MANAGEMENT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) September 30, 2022	December 31, 2021
ASSETS:		
Mortgage-backed securities, at fair value:		
Pledged to counterparties	$ 44,078,712	$ 60,788,129
Unpledged	190,815	15,015
Total mortgage-backed securities	44,269,527	60,803,144
Cash and cash equivalents	5,861,597	8,421,410
Restricted cash	1,537,500	1,391,000
Orchid Island Capital, Inc. common stock, at fair value	4,256,384	11,679,107
Accrued interest receivable	200,104	229,942
Property and equipment, net	2,016,436	2,024,190
Deferred tax assets	36,607,388	35,036,312
Due from affiliates	1,075,189	1,062,155
Other assets	1,045,417	1,437,381
Total Assets	$ 96,869,542	$ 122,084,641
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Repurchase agreements	$ 43,493,999	$ 58,877,999
Long-term debt	27,422,050	27,438,976
Accrued interest payable	134,738	55,610
Other liabilities	1,470,900	2,712,206
Total Liabilities	72,521,687	89,084,791
COMMITMENTS AND CONTINGENCIES (Note 9)		
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; 100,000 shares designated Series A Junior Preferred Stock, 9,900,000 shares undesignated; no shares issued and outstanding as of September 30, 2022 and December 31, 2021	-	-
Class A Common stock, $0.001 par value; 98,000,000 shares designated: 10,246,809 and 10,702,194 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively.	10,247	10,702
Class B Common stock, $0.001 par value; 1,000,000 shares designated, 31,938 shares issued and outstanding as of September 30, 2022 and December 31, 2021	32	32
Class C Common stock, $0.001 par value; 1,000,000 shares designated, 31,938 shares issued and outstanding as of September 30, 2022 and December 31, 2021	32	32
Additional paid-in capital	330,068,058	330,880,252
Accumulated deficit	(305,730,514)	(297,891,168)
Stockholders' Equity	24,347,855	32,999,850
Total Liabilities and Stockholders' Equity	$ 96,869,542	$ 122,084,641

See Notes to Condensed Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
For the Nine and Three Months Ended September 30, 2022 and 2021

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Revenues:				
Advisory services	$ 9,719,703	$ 6,757,799	$ 3,311,962	$ 2,546,578
Interest income	1,328,264	1,726,268	444,808	537,200
Dividend income from Orchid Island Capital, Inc. common stock	1,035,547	1,518,284	282,893	506,095
Total revenues	12,083,514	10,002,351	4,039,663	3,589,873
Interest expense				
Repurchase agreements	(313,843)	(94,926)	(209,928)	(23,729)
Long-term debt	(938,557)	(747,577)	(378,752)	(248,465)
Net revenues	10,831,114	9,159,848	3,450,983	3,317,679
Other income (expense):				
Unrealized losses on mortgage-backed securities	(6,605,850)	(2,221,521)	(2,572,296)	(323,659)
Realized (losses) gains on mortgage-backed securities	(858,001)	69,498	-	69,498
Unrealized losses on Orchid Island Capital, Inc. common stock	(7,422,723)	(856,468)	(3,140,383)	(778,607)
Gains (losses) on derivative instruments	794,500	(280)	844,188	(147)
Gains on retained interests in securitizations	65,928	-	65,928	-
Other income	268	154,122	81	149
Total other expense	(14,025,878)	(2,854,649)	(4,802,482)	(1,032,766)
Expenses:				
Compensation and related benefits	3,835,763	3,219,685	1,230,113	1,029,465
Directors' fees and liability insurance	587,566	568,087	194,519	190,453
Audit, legal and other professional fees	370,323	405,828	103,090	133,925
Administrative and other expenses	1,422,006	939,966	549,585	298,719
Total expenses	6,215,658	5,133,566	2,077,307	1,652,562
Net (loss) income before income tax (benefit) provision	(9,410,422)	1,171,633	(3,428,806)	632,351
Income tax (benefit) provision	(1,571,076)	336,389	(255,618)	167,751
Net (loss) income	**$ (7,839,346)**	**$ 835,244**	**$ (3,173,188)**	**$ 464,600**
Basic and Diluted Net (loss) income Per Share of:				
CLASS A COMMON STOCK				
Basic and Diluted	$ (0.75)	$ 0.07	$ (0.31)	$ 0.04
CLASS B COMMON STOCK				
Basic and Diluted	$ (0.75)	$ 0.07	$ (0.31)	$ 0.04
Weighted Average Shares Outstanding:				
CLASS A COMMON STOCK				
Basic and Diluted	10,467,091	11,358,346	10,288,785	10,866,087
CLASS B COMMON STOCK				
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 Nine and Three Months Ended September 30, 2022 and 2021

	Stockholders' Equity				
	Common Stock		Additional	Accumulated	
	Shares	Par Value	Paid-in Capital	Deficit	Total
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
Net loss	-	-	-	(3,173,188)	(3,173,188)
Class A common shares repurchased and retired	(225,970)	(226)	(362,126)	-	(362,352)
Balances, September 30, 2022	10,310,685	$ 10,311	$ 330,068,058	$ (305,730,514)	$ 24,347,855
Balances, January 1, 2021	11,672,431	$ 11,673	$ 332,642,758	$ (298,166,582)	$ 34,487,849
Net income	-	-	-	1,290,430	1,290,430
Balances, March 31, 2021	11,672,431	$ 11,673	$ 332,642,758	$ (296,876,152)	$ 35,778,279
Net loss	-	-	-	(919,786)	(919,786)
Balances, June 30, 2021	11,672,431	$ 11,673	$ 332,642,758	$ (297,795,938)	$ 34,858,493
Net income	-	-	-	464,600	464,600
Class A common shares repurchases and retired	(814,074)	(815)	(1,569,694)	-	(1,570,509)
Balances, September 30, 2021	10,858,357	$ 10,858	$ 331,073,064	$ (297,331,338)	$ 33,752,584

See Notes to Condensed Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
For the Nine Months Ended September 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (7,839,346)	$ 835,244
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	53,930	51,937
Deferred income tax (benefit) provision	(1,571,076)	336,389
Unrealized losses on mortgage-backed securities	6,605,850	2,221,521
Realized losses on mortgage-backed securities	858,001	(69,498)
Gains on retained interests in securitizations	(65,928)	-
PPP loan forgiveness	-	(153,724)
Unrealized losses on Orchid Island Capital, Inc. common stock	7,422,723	856,468
Changes in operating assets and liabilities:		
Accrued interest receivable	29,838	(45,524)
Due from affiliates	(13,034)	(302,326)
Other assets	391,964	(84,426)
Accrued interest payable	79,128	(51,990)
Other liabilities	(1,241,306)	(98,625)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,710,744	3,495,446
CASH FLOWS FROM INVESTING ACTIVITIES:		
From mortgage-backed securities investments:		
Purchases	(21,009,391)	(26,189,505)
Sales	23,096,853	13,063,248
Principal repayments	6,982,304	11,762,188
Payments received on retained interests in securitizations	65,928	-
Purchases of property and equipment	(46,176)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	9,089,518	(1,364,069)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from repurchase agreements	268,710,690	195,962,000
Principal repayments on repurchase agreements	(284,094,690)	(197,873,114)
Principal repayments on long-term debt	(16,926)	(16,108)
Class A common shares repurchased and retired	(812,649)	(1,570,509)
NET CASH USED IN FINANCING ACTIVITIES	(16,213,575)	(3,497,731)
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(2,413,313)	(1,366,354)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of the period	9,812,410	10,911,357
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of the period	$ 7,399,097	$ 9,545,003
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest expense	$ 1,173,272	$ 896,052

See Notes to Condensed Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
September 30, 2022

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Description

Bimini Capital Management, Inc., a Maryland corporation ("Bimini Capital" or the "Company") formed in September 2003, is a holding company. The Company 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.

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.

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."

Segment Reporting

The Company's operations are classified into two principal reportable segments: the asset management segment and the investment portfolio segment. These segments are evaluated by management in deciding how to allocate resources and in assessing performance. The accounting policies of the operating segments are the same as the Company's accounting policies 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, Bimini Advisors and Royal Palm. 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 nine and three-month periods ended September 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

The consolidated balance sheet at December 31, 2021 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, 2021.

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. Bimini Capital has a common share investment in a trust used in connection with the issuance of Bimini Capital's junior subordinated notes. See Note 7 for a description of the accounting used for this 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 for additional information regarding the Company's investments in mortgage-backed securities. The maximum exposure to loss for these VIEs is the carrying value of the mortgage-backed securities.

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 September 30, 2022 and December 31, 2021.

		September 30, 2022		December 31, 2021
Cash and cash equivalents	$	5,861,597	$	8,421,410
Restricted cash		1,537,500		1,391,000
Total cash, cash equivalents and restricted cash	$	7,399,097	$	9,812,410

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. 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.

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. The Company refers to 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.

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. These retained interests currently have a recorded fair value of 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 Treasury Note (“T-Note”) and Eurodollar 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 nine and three months ended September 30, 2022, the Company only held T-Note futures contracts. The Company recorded income of approximately $0.8 million on these instruments during both the nine and three months ended September 30, 2022. Losses recorded during the nine and three months ended September 30, 2021 were negligible.

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.

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.

Financial Instruments

The fair value of financial instruments for which it is practicable to estimate that value 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 of the consolidated financial statements.

The estimated fair value of cash and cash equivalents, restricted cash, accrued interest receivable, other assets, repurchase agreements, accrued interest payable and other liabilities generally approximates their carrying value as of September 30, 2022 and December 31, 2021, due to the short-term nature of these financial instruments.

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

Property and Equipment, net

Property and equipment, net, consists of computer equipment with a depreciable life of 3 years, office furniture and equipment with depreciable lives of 8 to 20 years, land which has no depreciable life, and 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, 2018 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. The Company does not believe the adoption of this ASU will have a material impact on its consolidated 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, 2022, as reference rate reform activities occur. The Company does not believe the adoption of this ASU will have a material impact on its consolidated financial statements.

NOTE 2. ADVISORY SERVICES

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

- One-twelfth of 1.50% 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 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. The management agreement has been renewed through February 20, 2023 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 automatic renewal term.

The following table summarizes the advisory services revenue from Orchid for the nine and three months ended September 30, 2022 and 2021.

(in thousands)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2022	2021	2022	2021
Management fee	$ 7,881	$ 5,569	$ 2,616	$ 2,157
Allocated overhead	1,482	1,189	522	390
Repurchase, Clearing and Administrative Fee	357	-	174	-
Total	$ 9,720	$ 6,758	$ 3,312	$ 2,547

At September 30, 2022 and December 31, 2021, the net amount due from Orchid was approximately $1.1 million and $1.1 million, respectively.

NOTE 3. MORTGAGE-BACKED SECURITIES

The following table presents the Company's MBS portfolio as of September 30, 2022 and December 31, 2021:

(in thousands)

	September 30, 2022	December 31, 2021
Fixed-rate MBS	$ 41,276	$ 58,029
Structured MBS	2,994	2,774
Total	$ 44,270	$ 60,803

The following table is a summary of the Company's net gain (loss) from the sale of MBS during the nine months ended September 30, 2022 and 2021.

(in thousands)

	2022	2021
Proceeds from sales of MBS	$ 23,097	$ 13,063
Carrying value of MBS sold	(23,955)	(12,994)
Net (loss) gain on sales of MBS	$ (858)	$ 69
Gross gain on sales of MBS	$ -	$ 69
Gross loss on sales of MBS	(858)	-
Net (loss) gain on sales of MBS	$ (858)	$ 69

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 September 30, 2022, the Company had met all margin call requirements.

As of September 30, 2022 and December 31, 2021, the Company's repurchase agreements had remaining maturities as summarized below:

($ in thousands)

	OVERNIGHT (1 DAY OR LESS)	BETWEEN 2 AND 30 DAYS	BETWEEN 31 AND 90 DAYS	GREATER THAN 90 DAYS	TOTAL
September 30, 2022					
Fair value of securities pledged, including accrued interest receivable	$ -	$ 40,788	$ 3,487	$ -	$ 44,275
Repurchase agreement liabilities associated with these securities	$ -	$ 40,223	$ 3,271	$ -	$ 43,494
Net weighted average borrowing rate	-	2.97%	3.14%	-	2.98%
December 31, 2021					
Fair value of securities pledged, including accrued interest receivable	$ -	$ 60,859	$ 159	$ -	$ 61,018
Repurchase agreement liabilities associated with these securities	$ -	$ 58,793	$ 85	$ -	$ 58,878
Net weighted average borrowing rate	-	0.14%	0.70%	-	0.14%

In addition, cash pledged to counterparties for repurchase agreements was approximately $1.2 million and $1.4 million as of September 30, 2022 and December 31, 2021, respectively.

If, during the term of a repurchase agreement, a lender files for bankruptcy, the Company might experience difficulty recovering its pledged assets, which could result in an unsecured claim against the lender for the difference between the amount loaned to the Company plus interest due to the counterparty and the fair value of the collateral pledged to such lender, including the accrued interest receivable and cash posted by the Company as collateral, if any. At September 30, 2022 and December 31, 2021, 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 $2.0 million and $3.5 million, respectively. As of September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021.

($ in thousands)

	September 30, 2022			December 31, 2021		
	Repurchase Agreements	Derivative Agreements	Total	Repurchase Agreements	Derivative Agreements	Total
PT MBS - at fair value	$ 41,276	$ -	$ 41,276	$ 58,029	$ -	$ 58,029
Structured MBS - at fair value	2,803	-	2,803	2,759	-	2,759
Accrued interest on pledged securities	196	-	196	230	-	230
Restricted cash	1,244	294	1,538	1,391	-	1,391
Total	$ 45,519	$ 294	$ 45,813	$ 62,409	$ -	$ 62,409

Assets Pledged from Counterparties

The table below summarizes cash pledged to Bimini from counterparties under repurchase agreements as of September 30, 2022 and December 31, 2021. 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	September 30, 2022	December 31, 2021
Cash	$ 148	$ 106
Total	$ 148	$ 106

NOTE 6. OFFSETTING ASSETS AND LIABILITIES

The Company's derivatives and repurchase agreements are subject to underlying agreements with master netting or similar arrangements, which provide for the right of offset in the event of default or in the event of bankruptcy of either party to the transactions. The Company reports its assets and liabilities subject to these arrangements on a gross basis. The following tables present information regarding those assets and liabilities subject to such arrangements as if the Company had presented them on a net basis as of September 30, 2022 and December 31, 2021.

(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
September 30, 2022						
Repurchase Agreements	$ 43,494	$ -	$ 43,494	$ (42,250)	$ (1,244)	$ -
	$ 43,494	$ -	$ 43,494	$ (42,250)	$ (1,244)	$ -
December 31, 2021						
Repurchase Agreements	$ 58,878	$ -	$ 58,878	$ (57,487)	$ (1,391)	$ -
	$ 58,878	$ -	$ 58,878	$ (57,487)	$ (1,391)	$ -

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 September 30, 2022 and December 31, 2021 is summarized as follows:

(in thousands)

	September 30, 2022	December 31, 2021
Junior subordinated debt	$ 26,804	$ 26,804
Secured note payable	618	635
Total	$ 27,422	$ 27,439

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 September 30, 2022 and December 31, 2021, the outstanding principal balance on the junior subordinated debt securities owed to BCTII was $26.8 million. The BCTII trust preferred securities and Bimini Capital's BCTII Junior Subordinated Notes have a rate of interest that floats at a spread of 3.50% over the prevailing three-month LIBOR rate. As of September 30, 2022, the interest rate was 6.79%. The BCTII trust preferred securities and Bimini Capital's BCTII Junior Subordinated Notes require quarterly distributions of interest and are redeemable at Bimini Capital's option, in whole or in part and without penalty. Bimini Capital's BCTII Junior Subordinated Notes are subordinate and junior in right of payment to all present and future senior indebtedness.

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

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

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 three months of 2022	$	5
For the years ended:		
2023		24
2024		25
2025		26
2026		28
After 2026		27,314
Total	$	27,422

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 nine months ended September 30, 2022 and 2021.

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.

During the nine months ended September 30, 2022, the Company repurchased a total of 455,385 shares under the 2021 Repurchase Plan at an aggregate cost of approximately $0.8 million, including commissions and fees, for a weighted average price of $1.78 per share. From the inception of the 2021 Repurchase Plan through September 30, 2022, the Company repurchased a total of 547,672 shares at an aggregate cost of approximately $1.0 million, including commissions and fees, for a weighted average price of $1.84 per share.

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.

On April 22, 2020, the Company received a demand for payment from Citigroup, Inc. in the amount of $33.1 million related to the indemnification provisions of various mortgage loan purchase agreements ("MLPA's") entered into between Citigroup Global Markets Realty Corp and Royal Palm Capital, LLC (f/k/a Opteum Financial Services, LLC) prior to the date Royal Palm's mortgage origination operations ceased in 2007. In November 2021, Citigroup notified the Company of additional indemnity claims totaling $0.2 million. The demands are based on Royal Palm's alleged breaches of certain representations and warranties in the related MLPA's. The Company believes the demands are without merit and intends to defend against the demands vigorously. 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 September 30, 2022.

NOTE 10. INCOME TAXES

The total income tax (benefit) provision recorded for the nine months ended September 30, 2022 and 2021 was $(0.1) million and $0.3 million, respectively, on consolidated pre-tax book (loss) income of $(9.4) million and $1.2 million in the nine months ended September 30, 2022 and 2021, respectively. The total income tax (benefit) provision recorded for the three months ended September 30, 2022 and 2021 was $(0.3) million and $0.2 million, respectively, on consolidated pre-tax book (loss) income of $(3.4) million and $0.6 million in the three months ended September 30, 2022 and 2021, respectively.

The Company's tax provision is 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 a 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 September 30, 2022 and 2021.

Shares of Class C common stock are not included in the basic EPS computation as these shares do not have participation rights. Shares of Class C common stock are not included in the computation of diluted Class A EPS as the conditions for conversion to Class A common stock were not met at September 30, 2022 and 2021.

The table below reconciles the numerator and denominator of EPS for the nine and three months ended September 30, 2022 and 2021.

(in thousands, except per-share information)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Basic and diluted EPS per Class A common share:				
(Loss) income attributable to Class A common shares:				
Basic and diluted	$ (7,815)	$ 833	$ (3,163)	$ 464
Weighted average common shares:				
Class A common shares outstanding at the balance sheet date	10,247	10,794	10,247	10,794
Effect of weighting	220	564	42	72
Weighted average shares-basic and diluted	10,467	11,358	10,289	10,866
(Loss) income per Class A common share:				
Basic and diluted	$ (0.75)	$ 0.07	$ (0.31)	$ 0.04

(in thousands, except per-share information)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2022	2021	2022	2021
Basic and diluted EPS per Class B common share:				
(Loss) income attributable to Class B common shares:				
Basic and diluted	$ (24)	$ 2	$ (10)	$ 1
Weighted average common shares:				
Class B common shares outstanding at the balance sheet date	32	32	32	32
Weighted average shares-basic and diluted	32	32	32	32
(Loss) income per Class B common share:				
Basic and diluted	$ (0.75)	$ 0.07	$ (0.31)	$ 0.04

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 during the nine and three months ended September 30, 2022 and 2021. 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. Retained interests have a recorded fair value of zero as of September 30, 2022 and December 31, 2021, as the prospect of future cash flows is uncertain. Any cash received from the retained interests is reflected as a gain in the consolidated statements of operations.

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.

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2022 and December 31, 2021:

(in thousands)

	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2022				
Mortgage-backed securities	$ 44,270	$ -	$ 44,270	$ -
Orchid Island Capital, Inc. common stock	4,256	4,256	-	-
December 31, 2021				
Mortgage-backed securities	$ 60,803	$ -	$ 60,803	$ -
Orchid Island Capital, Inc. common stock	11,679	11,679	-	-

During the nine months ended September 30, 2022 and 2021, 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 nine months ended September 30, 2022 and 2021, were approximately $9.7 million and $6.8 million, respectively, accounting for approximately 80% and 68% 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 nine months ended September 30, 2022 and 2021 is as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2022					
Advisory services, external customers	$ 9,720	$ -	$ -	$ -	$ 9,720
Advisory services, other operating segments[1]	85	-	-	(85)	-
Interest and dividend income	-	2,364	-	-	2,364
Interest expense	-	(314)	(938)[2]	-	(1,252)
Net revenues	9,805	2,050	(938)	(85)	10,832
Other expenses	-	(14,092)	66	-	(14,026)
Operating expenses[3]	(4,914)	(1,302)	-	-	(6,216)
Intercompany expenses[1]	-	(85)	-	85	-
Income (loss) before income taxes	$ 4,891	$ (13,429)	$ (872)	$ -	$ (9,410)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2021					
Advisory services, external customers	$ 6,758	$ -	$ -	$ -	$ 6,758
Advisory services, other operating segments[1]	108	-	-	(108)	-
Interest and dividend income	-	3,245	-	-	3,245
Interest expense	-	(95)	(748)[2]	-	(843)
Net revenues	6,866	3,150	(748)	(108)	9,160
Other (expenses) income	-	(3,008)	154	-	(2,854)
Operating expenses[3]	(3,396)	(1,738)	-	-	(5,134)
Intercompany expenses[1]	-	(108)	-	108	-
Income (loss) before income taxes	$ 3,470	$ (1,704)	$ (594)	$ -	$ 1,172

Segment information for the three months ended September 30, 2022 and 2021 is as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2022					
Advisory services, external customers	$ 3,312	$ -	$ -	$ -	$ 3,312
Advisory services, other operating segments (1)	29	-	-	(29)	-
Interest and dividend income	-	728	-	-	728
Interest expense	-	(210)	(379) (2)	-	(589)
Net revenues	3,341	518	(379)	(29)	3,451
Other expenses	-	(4,868)	66	-	(4,802)
Operating expenses (3)	(1,677)	(401)	-	-	(2,078)
Intercompany expenses (1)	-	(29)	-	29	-
Income (loss) before income taxes	$ 1,664	$ (4,780)	$ (313)	$ -	$ (3,429)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2021					
Advisory services, external customers	$ 2,547	$ -	$ -	$ -	$ 2,547
Advisory services, other operating segments (1)	35	-	-	(35)	-
Interest and dividend income	-	1,043	-	-	1,043
Interest expense	-	(24)	(248) (2)	-	(272)
Net revenues	2,582	1,019	(248)	(35)	3,318
Other (expenses) income	-	(1,033)	-	-	(1,033)
Operating expenses (3)	(1,157)	(496)	-	-	(1,653)
Intercompany expenses (1)	-	(35)	-	35	-
Income (loss) before income taxes	$ 1,425	$ (545)	$ (248)	$ -	$ 632

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

(2) Includes interest on long-term debt.

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

Assets in each reportable segment as of September 30, 2022 and December 31, 2021 were as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Total
September 30, 2022	$ 1,967	$ 86,542	8,361	$ 96,870
December 31, 2021	1,901	111,022	9,162	122,085

NOTE 14. RELATED PARTY TRANSACTIONS

Relationships with Orchid

At both September 30, 2022 and December 31, 2021, the Company owned 519,071 shares of Orchid common stock (after giving effect to Orchid’s 1-for-5 reverse stock split), representing approximately 1.5% and 1.5%, respectively, of Orchid’s outstanding common stock on such dates. The Company received dividends on this common stock investment of approximately $1.0 million and $0.3 million during the nine and three months ended September 30, 2022, respectively, and approximately $1.5 million and $0.5 million during the nine and three months ended September 30, 2021, 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, our 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 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.

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.

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.

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 September 30, 2022, we repurchased a total of 547,672 shares at an aggregate cost of approximately $1.0 million, including commissions and fees, for a weighted average price of $1.84 per share. During the nine months ended September 30, 2022, the Company repurchased a total of 455,385 shares at an aggregate cost of approximately $0.8 million, including commissions and fees, for a weighted average price of $1.78 per share.

Factors that Affect our Results of Operations and Financial Condition

A variety of industry and economic factors (including ongoing economic impacts from the COVID-19 pandemic) may impact our results of operations and financial condition. These factors include:

- interest rate trends;
- the difference between Agency MBS yields and our funding and hedging costs;
- competition for, and supply of, investments in Agency MBS;
- 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;
- the equity markets and the ability of Orchid to raise additional capital;
- geo-political events that affect the U.S. and international economies, such as the ongoing crisis in Ukraine; 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 net capital loss carryforwards to reduce our taxable income;
- the impact of possible future changes in tax laws or tax rates;
- increases in our cost of funds resulting from increases in the Fed Funds rate that are controlled by the Fed which have occurred, and are likely to continue to occur, in 2022;
- 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 nine and three months ended September 30, 2022, as compared to the nine and three months ended September 30, 2021.

Net (Loss) Income Summary

Consolidated net loss for the nine months ended September 30, 2022 was $7.8 million, or $0.75 basic and diluted loss per share of Class A Common Stock, as compared to a consolidated net income of $0.8 million, or $0.07 basic and diluted income per share of Class A Common Stock, for the nine months ended September 30, 2021.

Consolidated net loss for the three months ended September 30, 2022 was $3.2 million, or $0.31 basic and diluted loss per share of Class A Common Stock, as compared to consolidated net income of $0.5 million, or $0.04 basic and diluted income per share of Class A Common Stock, for the three months ended September 30, 2021.

The components of net (loss) income for the nine months ended September 30, 2022 and 2021, along with the changes in those components are presented in the table below.

(in thousands)

	Nine Months Ended September 30,			Three Months Ended September 30,		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Advisory services revenues	$ 9,720	$ 6,758	$ 2,962	$ 3,312	$ 2,547	$ 765
Interest and dividend income	2,364	3,245	(881)	728	1,043	(315)
Interest expense	(1,252)	(843)	(409)	(589)	(272)	(317)
Net revenues	10,832	9,160	1,672	3,451	3,318	133
Other expense	(14,026)	(2,855)	(11,171)	(4,802)	(1,033)	(3,769)
Expenses	(6,216)	(5,134)	(1,082)	(2,077)	(1,653)	(424)
Net (loss) income before income tax (benefit) provision	(9,410)	1,171	(10,581)	(3,428)	632	(4,060)
Income tax (benefit) provision	(1,571)	336	(1,907)	(255)	167	(422)
Net (loss) income	$ (7,839)	$ 835	$ (8,674)	$ (3,173)	$ 465	$ (3,638)

GAAP and Non-GAAP Reconciliation

Economic Interest Expense and Economic Net Interest Income

We use derivative instruments, specifically 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 respective amounts 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 unrealized 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 in 2022 and 2021.

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

(in thousands)

	Attributed to Current Period (Non-GAAP)			Attributed to Future Periods (Non-GAAP)			
Three Months Ended	**Repurchase Agreements**	**Long-Term Debt**	**Total**	**Repurchase Agreements**	**Long-Term Debt**	**Total**	**Statement of Operations**
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	-
December 31, 2021	(707)	(60)	(767)	707	60	767	-
September 30, 2021	(709)	(57)	(766)	709	57	766	-
June 30, 2021	(708)	(58)	(766)	708	58	766	-
March 31, 2021	(708)	(58)	(766)	708	58	766	-
Nine Months Ended							
September 30, 2022	$ (555)	$ (144)	$ (699)	$ 1,349	$ 144	$ 1,493	$ 794
September 30, 2021	(2,125)	(173)	(2,298)	2,125	173	2,298	$ -

Economic Net Portfolio Interest Income

(in thousands)

		Interest Expense on Repurchase Agreements			Net Portfolio Interest Income	
Three Months Ended	**Interest Income**	**GAAP Basis**	**Effect of Non-GAAP Hedges(1)**	**Economic Basis(2)**	**GAAP Basis**	**Economic Basis(3)**
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
December 31, 2021	511	21	(707)	728	490	(217)
September 30, 2021	537	24	(709)	733	513	(196)
June 30, 2021	578	31	(708)	739	547	(161)
March 31, 2021	611	40	(708)	748	571	(137)
Nine Months Ended						
September 30, 2022	$ 1,328	$ 314	$ (555)	$ 869	$ 1,014	$ 459
September 30, 2021	1,726	95	(2,125)	2,220	1,631	(494)

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

Economic Net Interest Income

(in thousands)

	Net Portfolio Interest Income		Interest Expense on Long-Term Debt			Net Interest Income (Loss)	
Three Months Ended	**GAAP Basis**	**Economic Basis(1)**	**GAAP Basis**	**Effect of Non-GAAP Hedges(2)**	**Economic Basis(3)**	**GAAP Basis**	**Economic Basis(4)**
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)
December 31, 2021	490	(217)	249	(60)	309	241	(526)
September 30, 2021	513	(196)	248	(57)	305	265	(501)
June 30, 2021	547	(161)	250	(58)	308	297	(469)
March 31, 2021	571	(137)	250	(58)	308	321	(445)
Nine Months Ended							
September 30, 2022	$ 1,014	$ 459	$ 939	$ (144)	$ 1,083	$ 75	$ (624)
September 30, 2021	1,631	(494)	748	(173)	921	883	(1,415)

(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 nine months ended September 30, 2022 and 2021 is as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2022					
Advisory services, external customers	$ 9,720	$ -	$ -	$ -	$ 9,720
Advisory services, other operating segments[1]	85	-	-	(85)	-
Interest and dividend income	-	2,364	-	-	2,364
Interest expense	-	(314)	(938)[2]	-	(1,252)
Net revenues	9,805	2,050	(938)	(85)	10,832
Other expenses	-	(14,092)	66	-	(14,026)
Operating expenses[3]	(4,914)	(1,302)	-	-	(6,216)
Intercompany expenses[1]	-	(85)	-	85	-
Income (loss) before income taxes	$ 4,891	$ (13,429)	$ (872)	$ -	$ (9,410)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2021					
Advisory services, external customers	$ 6,758	$ -	$ -	$ -	$ 6,758
Advisory services, other operating segments[1]	108	-	-	(108)	-
Interest and dividend income	-	3,245	-	-	3,245
Interest expense	-	(95)	(748)[2]	-	(843)
Net revenues	6,866	3,150	(748)	(108)	9,160
Other (expenses) income	-	(3,008)	154	-	(2,854)
Operating expenses[3]	(3,396)	(1,738)	-	-	(5,134)
Intercompany expenses[1]	-	(108)	-	108	-
Income (loss) before income taxes	$ 3,470	$ (1,704)	$ (594)	$ -	$ 1,172

Segment information for the three months ended September 30, 2022 and 2021 is as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2022					
Advisory services, external customers	$ 3,312	$ -	$ -	$ -	$ 3,312
Advisory services, other operating segments[1]	29	-	-	(29)	-
Interest and dividend income	-	728	-	-	728
Interest expense	-	(210)	(379)[2]	-	(589)
Net revenues	3,341	518	(379)	(29)	3,451
Other expenses	-	(4,868)	66	-	(4,802)
Operating expenses[3]	(1,677)	(401)	-	-	(2,078)
Intercompany expenses[1]	-	(29)	-	29	-
Income (loss) before income taxes	$ 1,664	$ (4,780)	$ (313)	$ -	$ (3,429)

	Asset Management	Investment Portfolio	Corporate	Eliminations	Total
2021					
Advisory services, external customers	$ 2,547	$ -	$ -	$ -	$ 2,547
Advisory services, other operating segments[1]	35	-	-	(35)	-
Interest and dividend income	-	1,043	-	-	1,043
Interest expense	-	(24)	(248)[2]	-	(272)
Net revenues	2,582	1,019	(248)	(35)	3,318
Other (expenses) income	-	(1,033)	-	-	(1,033)
Operating expenses[3]	(1,157)	(496)	-	-	(1,653)
Intercompany expenses[1]	-	(35)	-	35	-
Income (loss) before income taxes	$ 1,425	$ (545)	$ (248)	$ -	$ 632

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

(2) Includes interest on long-term debt.

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

Assets in each reportable segment were as follows:

(in thousands)

	Asset Management	Investment Portfolio	Corporate	Total
September 30, 2022	$ 1,967	86,542	$ 8,361	$ 96,870
December 31, 2021	1,901	111,022	9,162	122,085

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 2023 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 automatic renewal term.

The following table summarizes the advisory services revenue received from Orchid in each quarter during 2022 and 2021.

(in thousands)

			Advisory Services			
Three Months Ended	**Average Orchid MBS**	**Average Orchid Equity**	**Management Fee**	**Overhead Allocation**	**Repurchase, Clearing and Administrative Fees**	**Total**
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
December 31, 2021	6,056,259	806,382	2,587	443	-	3,030
September 30, 2021	5,136,331	672,384	2,157	390	-	2,547
June 30, 2021	4,504,887	542,679	1,791	395	-	2,186
March 31, 2021	4,032,716	456,687	1,621	404	-	2,025
Nine Months Ended						
September 30, 2022	$ 4,459,203	$ 853,350	$ 7,881	$ 1,482	$ 357	$ 9,720
September 30, 2021	4,557,978	557,250	5,569	1,189	-	6,758

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 nine months ended September 30, 2022, we generated $1.0 million of net portfolio interest income, consisting of $1.3 million of interest income from MBS assets offset by $0.3 million of interest expense on repurchase liabilities. For the comparable period ended September 30, 2021, we generated $1.6 million of net portfolio interest income, consisting of $1.7 million of interest income from MBS assets offset by $0.1 million of interest expense on repurchase liabilities. The $0.4 million decrease in interest income for the nine months ended September 30, 2022 was due to a $20.3 million decrease in average MBS balances, which was partially offset by a 31 basis point ("bp") increase in yields earned on the portfolio. There was a $0.2 million increase in interest expense for the nine months ended September 30, 2022 that was due to a 70 bp increase in cost of funds which was partially offset by a $21.9 million decrease in average repurchase liabilities.

Our economic interest expense on repurchase liabilities for the nine months ended September 30, 2022 and 2021 was $0.9 million and $2.2 million, respectively, resulting in $0.5 million and ($0.5) million of economic net portfolio interest income (expense), respectively.

During the three months ended September 30, 2022, we generated $0.2 million of net portfolio interest income, consisting of $0.4 million of interest income from MBS assets offset by $0.2 million of interest expense on repurchase liabilities. For the three months ended September 30, 2021, we generated $0.5 million of net portfolio interest income, consisting of approximately $537,000 of interest income from MBS assets offset by approximately $24,000 of interest expense on repurchase liabilities.

Our economic interest expense on repurchase liabilities for the three months ended September 30, 2022 and 2021 was $0.4 million and $0.7 million, respectively, resulting in approximately $0.1 million and ($0.2) million of economic net portfolio interest income (expense), 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 nine months ended September 30, 2022 and 2021 and each quarter in 2022 and 2021 on both a GAAP and economic basis.

($ in thousands)

	Average		Yield on	Average	Interest Expense		Average Cost of Funds	
	MBS	Interest	Average	Repurchase	GAAP	Economic	GAAP	Economic
Three Months Ended	**Held(1)**	**Income(2)**	**MBS**	**Agreements(1)**	**Basis**	**Basis(2)**	**Basis**	**Basis(3)**
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%
December 31, 2021	62,597	511	3.27%	61,019	21	728	0.14%	4.77%
September 30, 2021	66,692	537	3.22%	67,253	24	733	0.14%	4.36%
June 30, 2021	70,925	578	3.26%	72,241	31	739	0.17%	4.09%
March 31, 2021	69,017	611	3.54%	69,104	40	748	0.23%	4.33%
Nine Months Ended								
September 30, 2022	$ 48,584	$ 1,328	3.65%	$ 47,642	$ 314	$ 869	0.88%	2.43%
September 30, 2021	68,878	1,726	3.34%	69,533	95	2,220	0.18%	4.26%

($ in thousands)

Three Months Ended	Net Portfolio Interest Income		Net Portfolio Interest Spread	
	GAAP Basis	Economic Basis(2)	GAAP Basis	Economic Basis(4)
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%
December 31, 2021	490	(217)	3.13%	(1.50)%
September 30, 2021	513	(196)	3.08%	(1.13)%
June 30, 2021	547	(161)	3.09%	(0.83)%
March 31, 2021	571	(137)	3.31%	(0.79)%
Nine Months Ended				
September 30, 2022	$ 1,014	$ 459	2.77%	1.22%
September 30, 2021	1,631	(494)	3.16%	(0.92)%

(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 was $1.3 million for the nine months ended September 30, 2022 and $1.7 million for the nine months ended September 30, 2021. Average MBS holdings were $48.6 million and $68.9 million for the nine months ended September 30, 2022 and 2021, respectively. The $0.4 million decrease in interest income was due to a $20.3 million decrease in average MBS holdings, which was partially offset by a 31 basis point ("bp") increase in yields.

Our interest income was $0.4 million for the three months ended September 30, 2022 and $0.5 million for the three months ended September 30, 2021. Average MBS holdings were $41.4 million and $66.7 million for the three months ended September 30, 2022 and 2021, respectively. The $0.1 million decrease in interest income was due to a $25.3 million decrease in average MBS holdings, which was partially offset by a 108 bp increase in yields in average MBS holdings.

The tables below present the average portfolio size, income and yields of our respective sub-portfolios, consisting of structured and PT MBS, for the nine months ended September 30, 2022 and 2021, and for each quarter during 2022 and 2021.

($ in thousands)

	Average MBS Held			Interest Income			Realized Yield on Average MBS		
Three Months Ended	**PT MBS**	**Structured MBS**	**Total**	**PT MBS**	**Structured MBS**	**Total**	**PT MBS**	**Structured MBS**	**Total**
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%
December 31, 2021	59,701	2,896	62,597	500	11	511	3.35%	1.55%	3.27%
September 30, 2021	64,641	2,051	66,692	533	4	537	3.30%	0.91%	3.22%
June 30, 2021	70,207	718	70,925	579	(1)	578	3.30%	(0.11)%	3.26%
March 31, 2021	68,703	314	69,017	605	6	611	3.53%	6.54%	3.54%
Nine Months Ended									
September 30, 2022	$ 45,596	$ 2,988	$ 48,584	$ 1,188	$ 140	$ 1,328	3.48%	6.22%	3.65%
September 30, 2021	67,851	1,027	68,878	1,717	9	1,726	3.37%	1.25%	3.34%

Interest Expense on Repurchase Agreements and the Cost of Funds

Our average outstanding balances under repurchase agreements were $47.6 million and $69.5 million, generating interest expense of $0.3 million and $0.1 million for the nine months ended September 30, 2022 and 2021, respectively. Our average cost of funds was 0.88% and 0.18% for nine months ended September 30, 2022 and 2021, respectively. There was a 70 bp increase in the average cost of funds and a $21.9 million decrease in average outstanding repurchase agreements during the nine months ended September 30, 2022, as compared to the nine months ended September 30, 2021.

Our economic interest expense was $0.9 million and $2.2 million for the nine months ended September 30, 2022 and 2021, respectively. There was a 183 bp decrease in the average economic cost of funds to 2.43% for the nine months ended September 30, 2022 from 4.26% for the nine months ended September 30, 2021. The $1.3 million decrease in economic interest expense was due to the $21.9 million decrease in average outstanding repurchase agreements, combined with the 183 bp decrease economic cost of funds during the nine months ended September 30, 2022.

Our average outstanding balances under repurchase agreements were $40.2 million and $67.3 million, generating interest expense of approximately $0.2 million and 24,000 for the three months ended September 30, 2022 and 2021, respectively. Our average cost of funds was 2.09% and 0.14% for three months ended September 30, 2022 and 2021, respectively. There was a 195 bp increase in the average cost of funds, which was partially offset by a $27.0 million decrease in average outstanding repurchase agreements during the three months ended September 30, 2022, as compared to the three months ended September 30, 2021.

Our economic interest expense was $0.4 million and $0.7 million for the three months ended September 30, 2022 and 2021, respectively. There was a 44 bp decrease in the average economic cost of funds to 3.92% for the three months ended September 30, 2022 from 4.36% for the three months ended September 30, 2021.

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 10 bps below the average one-month LIBOR and 120 bps below the average six-month LIBOR for the quarter ended September 30, 2022. Our average economic cost of funds was 173 bps above the average one-month LIBOR and 63 bps above the average six-month LIBOR for the quarter ended September 30, 2022. The average term to maturity of the outstanding repurchase agreements decreased from 16 days at December 31, 2021 to 16 days at September 30, 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 LIBOR rates for the nine months ended September 30, 2022 and 2021, and for each quarter in 2022 and 2021, on both a GAAP and economic basis.

($ in thousands)

Three Months Ended	Average Balance of Repurchase Agreements	Interest Expense GAAP Basis	Interest Expense Economic Basis	Average Cost of Funds GAAP Basis	Average Cost of Funds Economic Basis
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%
December 31, 2021	61,019	21	728	0.14%	4.77%
September 30, 2021	67,253	24	733	0.14%	4.36%
June 30, 2021	72,241	31	739	0.17%	4.09%
March 31, 2021	69,104	40	748	0.23%	4.33%
Nine Months Ended					
September 30, 2022	$ 47,642	$ 314	$ 869	0.88%	2.43%
September 30, 2021	69,533	95	2,220	0.18%	4.26%

Three Months Ended	Average LIBOR One-Month	Average LIBOR Six-Month	Average GAAP Cost of Funds Relative to Average One-Month LIBOR	Average GAAP Cost of Funds Relative to Average Six-Month LIBOR	Average Economic Cost of Funds Relative to Average One-Month LIBOR	Average Economic Cost of Funds Relative to Average Six-Month LIBOR
September 30, 2022	2.19%	3.29%	(0.10)%	(1.20)%	1.73%	0.63%
June 30, 2022	0.93%	1.90%	(0.30)%	(1.27)%	1.32%	0.35%
March 31, 2022	0.25%	0.76%	(0.03)%	(0.54)%	1.27%	0.76%
December 31, 2021	0.09%	0.23%	0.05%	(0.09)%	4.68%	4.54%
September 30, 2021	0.09%	0.16%	0.05%	(0.02)%	4.27%	4.20%
June 30, 2021	0.10%	0.18%	0.07%	(0.01)%	3.99%	3.91%
March 31, 2021	0.13%	0.23%	0.10%	0.00%	4.20%	4.10%
Nine Months Ended						
September 30, 2022	1.12%	1.98%	(0.24)%	(1.10)%	1.31%	0.45%
September 30, 2021	0.10%	0.19%	0.08%	(0.01)%	4.16%	4.07%

Dividend Income from Orchid

Effective August 30, 2022, Orchid effected a 1-for-5 reverse stock split, converting every five shares of issued and outstanding Orchid common stock into one share of common stock. All share and per share amounts reported in this quarterly report with respect to Orchid's common stock have been adjusted to reflect this reverse stock split.

At both September 30, 2022 and December 31, 2021, we owned 591,071 shares of Orchid common stock. Orchid paid total dividends of $1.395 and $2.925 per share during the nine months ended September 30, 2022 and 2021, respectively. During the nine months ended September 30, 2022 and 2021, we received dividends on this common stock investment of approximately $1.0 million and $1.5 million, respectively. Orchid paid total dividends of $0.545 and $0.975 per share during the three months ended September 30, 2022 and 2021, respectively. During the three months ended September 30, 2022 and 2021, we received dividends on this common stock investment of approximately $0.3 million and $0.5 million, respectively.

Long-Term Debt

Junior Subordinated Notes

Interest expense on our junior subordinated debt securities was $0.9 million and $0.7 million for the nine months ended September 30, 2022 and 2021, respectively. The average rate of interest paid for the nine months ended September 30, 2022 was 4.64% compared to 3.67% for the comparable period in 2021.

Interest expense on our junior subordinated debt securities was $0.4 million and $0.2 million for the three month periods ended September 30, 2022 and 2021, respectively. The average rate of interest paid for the three months ended September 30, 2022 was 5.58% compared to 3.62% for the comparable period in 2021.

The junior subordinated debt securities pay interest at a floating rate. The rate is adjusted quarterly and set at a spread of 3.50% over the prevailing three-month LIBOR rate on the determination date. As of September 30, 2022, the interest rate was 6.79%.

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 nine and three months ended September 30, 2022 and 2021.

(in thousands)

	Nine Months Ended September 30,			Three Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
Realized (losses) gains on sales of MBS	$ (858)	$ 69	$ (927)	$ -	$ 69	$ (69)
Unrealized losses on MBS	(6,606)	(2,222)	(4,384)	(2,572)	(324)	(2,248)
Total losses on MBS	(7,464)	(2,153)	(5,311)	(2,572)	(255)	(2,317)
Gains (losses) on derivative instruments	795	(280)	1,075	844	(147)	991
Gains on retained interests in securitizations	66	-	66	66	-	66
Unrealized losses on Orchid Island Capital, Inc. common stock	(7,423)	(856)	(6,567)	(3,140)	(779)	(2,361)

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 nine months ended September 30, 2022 and September 30, 2021, we received proceeds of $23.1 million and $13.1 million from the sales of MBS, respectively.

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 2022 and 2021.

	5 Year U.S. Treasury Rate[1]	10 Year U.S. Treasury Rate[1]	15 Year Fixed-Rate Mortgage Rate[2]	30 Year Fixed-Rate Mortgage Rate[2]	Three Month Libor[3]
September 30, 2022	4.04%	3.80%	5.35%	6.11%	3.45%
June 30, 2022	3.00%	2.97%	4.65%	5.52%	1.97%
March 31, 2022	2.42%	2.33%	3.39%	4.17%	0.84%
December 31, 2021	1.26%	1.51%	2.35%	3.10%	0.21%
September 30, 2021	1.00%	1.53%	2.18%	2.90%	0.12%
June 30, 2021	0.87%	1.44%	2.27%	2.98%	0.13%
March 31, 2021	0.94%	1.75%	2.39%	3.08%	0.19%

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

Operating Expenses

For the nine and three months ended September 30, 2022, our total operating expenses were approximately $6.2 million and $2.1 million, respectively, compared to approximately $5.1 million and $1.7 million for the nine and three months ended September 30, 2021, respectively. The table below presents a breakdown of operating expenses for the nine and three months ended September 30, 2022 and 2021.

(in thousands)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Nine Months Change	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Three Months Change
Compensation and related benefits	$ 3,836	$ 3,220	$ 616	$ 1,230	$ 1,029	$ 201
Legal fees	82	113	(31)	18	37	(19)
Accounting, auditing and other professional fees	288	293	(5)	85	97	(12)
Directors' fees and liability insurance	588	568	20	195	190	5
Administrative and other expenses	1,422	940	482	549	300	249
	$ 6,216	$ 5,134	$ 1,082	$ 2,077	$ 1,653	$ 424

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 compensation related expenses of approximately $0.5 million and $0.2 million for the nine and three month periods ended September 30, 2022, and increases in other administrative expenses of approximately $0.4 million and $0.2 million for the nine and three month periods ended September 30, 2022, as compared to the nine and three months ended September 30, 2021.

Income Tax Provision

We recorded an income tax (benefit) provision for the nine months ended September 30, 2022 and 2021 of approximately $(1.6) million and $0.3 million, respectively, on consolidated pre-tax book (loss) income of $(9.4) million and $1.2 million, respectively. We recorded an income tax (benefit) provision for the three months ended September 30, 2022 and 2021 of approximately $(0.3) million and $0.2 million, respectively, on consolidated pre-tax book (loss) income of $(3.4) million and $0.6 million.

Financial Condition:

Mortgage-Backed Securities

As of September 30, 2022, our MBS portfolio consisted of $44.3 million of agency or government MBS at fair value and had a weighted average coupon of 3.62%. During the nine months ended September 30, 2022, we received principal repayments of $7.0 million compared to $11.8 million for the comparable period ended September 30, 2021. The average prepayment speeds for the quarters ended September 30, 2022 and 2021 were 10.8% and 18.3%, 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 (%)
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
December 31, 2021	13.7	35.2	21.1
September 30, 2021	15.5	26.9	18.3
June 30, 2021	21.0	31.3	21.9
March 31, 2021	18.5	16.4	18.3

The following tables summarize certain characteristics of our PT MBS and structured MBS as of September 30, 2022 and December 31, 2021.

($ in thousands)

Asset Category		Fair Value	Percentage of Entire Portfolio	Weighted Average Coupon	Weighted Average Maturity in Months	Longest Maturity
September 30, 2022						
Fixed Rate MBS	$	41,276	93.2%	4.02%	329	1-Jul-52
Structured MBS		2,994	6.8%	2.84%	301	15-May-51
Total MBS Portfolio	$	44,270	100.0%	3.62%	327	1-Jul-52
December 31, 2021						
Fixed Rate MBS	$	58,029	95.4%	3.69%	330	1-Sep-51
Structured MBS		2,774	4.6%	2.88%	306	15-May-51
Total MBS Portfolio	$	60,803	100.0%	3.41%	329	1-Sep-51

($ in thousands)

		September 30, 2022			December 31, 2021	
Agency		Fair Value	Percentage of Entire Portfolio		Fair Value	Percentage of Entire Portfolio
Fannie Mae	$	31,774	71.8%	$	39,703	65.3%
Freddie Mac		12,496	28.2%		21,100	34.7%
Total Portfolio	$	44,270	100.0%	$	60,803	100.0%

	September 30, 2022	December 31, 2021
Weighted Average Pass-through Purchase Price	$ 105.51	$ 109.33
Weighted Average Structured Purchase Price	$ 4.48	$ 4.81
Weighted Average Pass-through Current Price	$ 94.00	$ 109.30
Weighted Average Structured Current Price	$ 13.36	$ 9.87
Effective Duration (1)	4.484	2.103

(1) Effective duration is the approximate percentage change in price for a 100 basis point change in rates. An effective duration of 4.484 indicates that an interest rate increase of 1.0% would be expected to cause a 4.484% decrease in the value of the MBS in our investment portfolio at September 30, 2022. An effective duration of 2.103 indicates that an interest rate increase of 1.0% would be expected to cause a 2.103% decrease in the value of the MBS in our investment portfolio at December 31, 2021. These figures include the structured securities in the portfolio but do 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 nine months ended September 30, 2022 and 2021.

($ in thousands)

	Nine Months Ended September 30,					
	2022			2021		
	Total Cost	Average Price	Weighted Average Yield	Total Cost	Average Price	Weighted Average Yield
PT MBS	$ 21,009	$ 99.14	4.12%	$ 23,337	$ 106.48	1.41%
Structured MBS	-	-	-	2,852	10.01	0.43%

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 September 30, 2022, 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 Value	$ Change in Fair Value -100BPS	$ Change in Fair Value +100BPS	$ Change in Fair Value +200BPS	% Change in Fair Value -100BPS	% Change in Fair Value +100BPS	% Change in Fair Value +200BPS
Fixed Rate MBS	$ 41,276	$ 1,973	$ (2,149)	$ (4,393)	4.78%	(5.21)%	(10.64)%
Structured MBS	2,994	(124)	63	78	(4.14)%	2.10%	2.61%
Total MBS Portfolio	$ 44,270	$ 1,849	$ (2,086)	$ (4,315)	4.18%	(4.71)%	(9.75)%

($ in thousands)

	Notional Amount(1)	$ Change in Fair Value -100BPS	$ Change in Fair Value +100BPS	$ Change in Fair Value +200BPS	% Change in Fair Value -100BPS	% Change in Fair Value +100BPS	% Change in Fair Value +200BPS
Treasury Futures Contracts							
Repurchase Agreement Hedges	$ 14,400	$ (1,115)	$ 1,037	$ 1,998	(7.75)%	7.20%	13.88%
	$ 14,400	$ (1,115)	$ 1,037	$ 1,998			
Gross Totals		$ 734	$ (1,049)	$ (2,317)			

(1) Represents the average contract/notional amount of Eurodollar 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 September 30, 2022, 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 September 30, 2022, we had obligations outstanding under the repurchase agreements of approximately $43.5 million with a net weighted average borrowing cost of 2.98%. The remaining maturity of our outstanding repurchase agreement obligations ranged from 11 to 31 days, with a weighted average maturity of 16 days. Securing the repurchase agreement obligation as of September 30, 2022 are MBS with an estimated fair value, including accrued interest, of $44.3 million and a weighted average maturity of 329 months. Through November 10, 2022, we have been able to maintain our repurchase facilities with comparable terms to those that existed at September 30, 2022 with maturities through December 19, 2022.

The table below presents information about our period-end, maximum and average repurchase agreement obligations for each quarter in 2022 and 2021.

($ in thousands)

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	Difference Between Ending Repurchase Agreements and Average Repurchase Agreements: Percent
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)%
December 31, 2021	58,878	62,139	61,019	(2,141)	(3.51)%
September 30, 2021	63,160	72,047	67,253	(4,093)	(6.09)%
June 30, 2021	71,346	72,372	72,241	(895)	(1.24)%
March 31, 2021	73,136	76,004	69,104	4,032	5.83%

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 generated 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 have previously, and may again in the future, 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 posted margin 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 repurchase transaction basis.

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 repurchase market. This structured MBS strategy has been a core element of the Company's overall investment strategy since 2008. However, we have and may continue to pledge a portion of our structured MBS in order to raise our cash levels, but 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 September 30, 2022, we had cash and cash equivalents of $5.9 million. We generated cash flows of $8.3 million from principal and interest payments on our MBS portfolio and had average repurchase agreements outstanding of $47.6 million during the nine months ended September 30, 2022. In addition, during the nine months ended September 30, 2022, we received approximately $9.7 million in management fees and expense reimbursements as manager of Orchid and approximately $1.0 million in dividends from our investment in Orchid common stock.

Outlook

Orchid Island Capital Inc.

Orchid Island Capital reported a third quarter 2022 loss of $84.5 million and its shareholders equity declined from $506.4 million to $400.4 million. The market conditions described below led to the loss as agency MBS underperformed comparable duration treasuries and the Orchid's hedge positions. The decline in shareholders equity is likely to lead to reduced management fees at Bimini Advisors going forward if Orchid is unable to rebuild its shareholders equity since the amount of the management fees paid to the Company are a function of Orchid's equity. Orchid also reduced its monthly dividend once during the quarter from $0.225 per month to $0.16 per month. The reduction in the dividend decreased the monthly dividend revenues to the Company.

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 evolution of economic and market developments pivoted in the third quarter of 2022. Trends in place since late 2021 have changed in the third quarter. The outlook for the domestic economy of the United States, particularly with respect to inflation, the level of interest rates and expectations for monetary policy from the Fed changed during the quarter. As the second quarter of 2022 ended, the market expected that the monetary tightening policies implemented by the Fed to control inflation would soon succeed, and that by early in 2023 the Fed would likely start to unwind their rate increases in order to avert an economic slowdown resulting from these policies. The catalyst for the changes that occurred during the third quarter of 2022 was clear evidence that not only was inflation persisting, but that it was becoming more broad based and entrenched. As the Fed and the various members of the FOMC became aware of this, their public comments consistently sought to dispel the notion that they would be easing monetary policy in early 2023 as the futures markets were pricing. As the quarter unfolded and the inflation data continued to reflect this trend, the market grew to accept that the Fed would have to raise the Fed Funds target further into restrictive territory. At the conclusion of their meeting on November 2, 2022, Fed chairman Powell expressed the view that since the incoming economic data since their September meeting was so strong, the terminal funds rate would likely have to be higher than the Fed expected in September. The market reacted quickly to this guidance and the terminal rate priced into the Fed funds futures market was nearly 5.15% on November 4, 2022. The market is now very sensitive to income economic data, particularly inflation data.

Contributing to the change in economic and interest rate trends were developments abroad, particularly in Europe and the United Kingdom. While inflation has proven to be more robust and challenging to control in the U.S., it has been even more so in Europe and most of the world outside of China, which is grappling with persistent COVID-19 cases that have forced the government to intermittently lock down various population centers. The war in Ukraine has contributed significantly to food and energy price pressures globally, more so than in the U.S. The result is essentially all central banks across the globe – outside of China and Japan – are raising rates. Like the Fed, the central banks' efforts have yet to slow inflation and more rate hikes are very likely. Food and energy inflation poses additional pressure on governments who are eager to ease the burden of elevated prices for essentials like food and energy, but are constrained because their efforts themselves might increase inflationary pressures and run counter to central bank actions that are attempting to constrain economic activity and demand.

A further complicating factor has been the U.S. dollar. As the Fed is forced to continue to raise rates in the U.S., the dollar has appreciated against all other currencies. This in turn forces other central banks to raise rates to protect their own currencies, often above and beyond what their domestic economic circumstances might warrant.

Risk sentiment is at extremely depressed levels and all asset classes across the financial markets have generated negative year-to-date returns for 2022, outside of energy and certain food commodities. Economic growth is expected to continue to slow over the balance of the year, both in the U.S. and globally, and likely contract in 2023.

Interest Rates

As the market incorporated inflation data and the Fed's response through the second quarter of 2022, interest rates began to rise significantly. On August 1, 2022, the 10-year U.S. Treasury Note closed with a yield of 2.5759%, shortly before the FOMC began to temper market expectations that the Fed would pivot away from their tightening and begin to lower the Fed Funds rate in early 2023. The yield on the 10-year U.S. Treasury Note closed just above 3.83% on September 30, 2022, and just under 4.25% on October 24, 2022. This increase was much less than the increase in short-term rates. Interest rates on U.S. Treasury Note maturities inside one year increased by well over 100 basis points and by more than 160 basis points for maturities of three months or less – in each case by the end of the third quarter of 2022. With the continued increases in market expectations of the Fed's terminal rate, maturities of three or fewer months have increased by more than 250 basis points from the end of the second quarter through November 10, 2022. As of September 30, 2022, market pricing implied the terminal rate for the current cycle would be approximately 4.53%, which would be reached late in the first quarter of 2023. As of November 10, 2022, pricing is for a terminal rate of approximately 4.85% sometime late in June of 2023 and with the Fed Funds rate still approximately 4.25% in early 2024.

The Fed has repeatedly acknowledged their efforts to bring inflation under control and taking the Fed Funds rate above neutral may cause the economy to enter a recession. They deem these steps as necessary to prevent inflation from remaining higher than the Fed's target rate of inflation. However, as it appears the Fed will have to increase the Fed Funds rate considerably higher than was believed to be the case even a few months ago, and central banks across the globe are doing likewise, financial conditions have begun to deteriorate and liquidity in many financial markets has declined. If such trends persist and evidence appears that certain financial markets are not operating smoothly, or financial conditions are prohibiting economic activity from operating smoothly, central banks may face a dilemma of continuing to increase interest rates or implementing accommodations to permit the smooth operation of financial markets and the economy – assuming this were to occur before inflation could be brought under control. The outcome in such a scenario cannot be predicted with any confidence at this time.

The Agency MBS Market

Returns for the Agency MBS market for the third quarter of 2022 were (5.4)% and these returns were 1.7% lower than comparable duration LIBOR swaps. The largest MBS investors have generally been selling or decreasing their exposure to the sector. Agency MBS spreads relative to benchmark interest rates increased to levels observed in March of 2020 by the end of the third quarter of 2022 and have exceeded those levels in October of 2022. The largest investors of Agency MBS, the Fed via quantitative easing (which is now quantitative tightening as the Fed allows their holdings of Agency MBS to run-off), large domestic banks (which due to quantitative tightening by the Fed are experiencing declines in reserves/deposits) and large money managers (which have experienced significant outflows as investors leave fixed income investments), are collectively causing demand for Agency MBS to decline materially and driving the spread widening. As the U.S. dollar has strengthened against most other currencies across the globe, there is the chance certain central banks – namely the Bank of Japan – may be forced to intervene in the currency markets to support their local currency, in this case the Yen. They would do so by selling U.S. dollar-denominated assets and buying Yen. The only U.S. dollar-denominated assets they own are U.S. Treasuries and Agency MBS, and selling these would represent another source of downward pressure on Agency MBS. The relative performance across the Agency MBS universe was skewed in favor of higher coupon, 30-year securities that are currently in production by originators. Lower coupon securities, especially those held in large amounts by the Fed, and which may eventually be sold by the Fed, have performed the worst. These results are consistent with the relative duration of the securities, as higher coupons have shorter durations, or less sensitivity to movements in interest rates.

As both the domestic and the global economies appear to be slowing, the more credit sensitive sectors of the fixed income markets have come under pressure and are likely to weaken further if the economies do indeed contract. Actions by the Fed as described above may prevent the sector from performing well in the near term but, if the economy does contract and enter a recession, the sector could do well on a relative performance basis owing to the lack of credit exposure of Agency MBS. This is consistent with the sector's history of performance in a counter-cyclical manner – doing well when the economy is soft and relatively poorly when the economy is strong.

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 third quarter of 2022 up 167% from the comparable period in 2021, but still remaining slightly below pre-pandemic levels.

In January 2019, the Trump administration made statements of its plans to work with Congress to overhaul Fannie Mae and Freddie Mac and expectations to announce a framework for the development of a policy for comprehensive housing finance reform soon. On September 30, 2019, the FHFA announced that Fannie Mae and Freddie Mac 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 Fannie Mae and Freddie Mac being privatized and represents the first concrete step on the road to GSE reform. On June 30, 2020, the FHFA released a proposed rule on a new regulatory framework for the GSEs which seeks to implement both a risk-based capital framework and minimum leverage capital requirements. The final rule on the new capital framework for the GSEs was published in the federal register in December 2020. On January 14, 2021, the U.S. Treasury and the FHFA executed letter agreements allowing the GSEs 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 GSE has common equity Tier 1 capital of at least 3% of its assets, (ii) the GSEs will comply with the FHFA's regulatory capital framework, (iii) higher-risk single-family mortgage acquisitions will be restricted to current levels, and (iv) the U.S. Treasury and the FHFA will establish a timeline and process for future GSE reform. However, no definitive proposals or legislation have been released or enacted with respect to ending the conservatorship, unwinding the GSEs, or materially reducing the roles of the GSEs 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 GSE capital framework established in December 2020 by, among other things, replacing the fixed leverage buffer equal to 1.5% of a GSE's adjusted total assets with a dynamic leverage buffer equal to 50% of a GSE's stability capital buffer, reducing the risk weight floor from 10% to 5%, and removing the requirement that the GSEs must apply an overall effectiveness adjustment to their credit risk transfer exposures. On June 14, 2022, the GSEs announced that they will 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 GSE capital framework. Industry groups have expressed concern that this poses a risk to the fungibility of the Uniform Mortgage-Backed Security ("UMBS"), which could negatively impact liquidity and pricing in the market for TBA securities.

In 2017, policymakers announced that LIBOR will be replaced by December 31, 2021. The directive was spurred by the fact that banks are uncomfortable contributing to the LIBOR panel given the shortage of underlying transactions on which to base levels and the liability associated with submitting an unfounded level. However, the ICE Benchmark Administration, in its capacity as administrator of USD LIBOR, has announced that it intends to extend publication of USD LIBOR (other than one-week and two-month tenors) by 18 months to June 2023. Notwithstanding this extension, a joint statement by key regulatory authorities calls on banks to cease entering into new contracts that use USD LIBOR as a reference rate by no later than December 31, 2021.

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. Since the GSEs have generally been using 30-day average SOFR in their newly issued multifamily loans and other structured products, the Fed proposed that the benchmark replacement for Agency MBS be the 30-day average SOFR plus the applicable tenor spread adjustment specified in the LIBOR Act. Comments for the proposed rule closed August 29, 2022, and any final rule will go into effect 30 days after publication in the Federal Register.

The LIBOR Act also attempts to forestall challenges that it is impairing contracts. It provides that the discontinuance of LIBOR and the automatic statutory transition to a replacement rate neither impairs or affects the rights of a party to receive payment under such contracts, nor allows a party to discharge their performance obligations or to declare a breach of contract. It amends the Trust Indenture Act of 1939 to state that the "the right of any holder of any indenture security to receive payment of the principal of and interest on such indenture security shall not be deemed to be impaired or affected" by application of the LIBOR Act to any indenture security.

Effective January 1, 2021, Fannie Mae, in alignment with Freddie Mac, extended the timeframe for its delinquent loan buyout policy for Single-Family Uniform Mortgage-Backed Securities (UMBS) and Mortgage-Backed Securities (MBS) from four consecutively missed monthly payments to twenty-four consecutively missed monthly payments (i.e., 24 months past due). This new timeframe applied to outstanding single-family pools and newly issued single-family pools and was first reflected when January 2021 factors were released on the fourth business day in February 2021.

For Agency MBS investors, when a delinquent loan is bought out of a pool of mortgage loans, the removal of the loan from the pool is the same as a total prepayment of the loan. The respective GSEs anticipated, however, that delinquent loans will be repurchased in most cases before the 24-month deadline under one of the following exceptions listed below.

- a loan that is paid in full, or where the related lien is released and/or the note debt is satisfied or forgiven;
- a loan repurchased by a seller/servicer under applicable selling and servicing requirements;
- a loan entering a permanent modification, which generally requires it to be removed from the MBS (during any modification trial period, the loan will remain in the MBS until the trial period ends);
- a loan subject to a short sale or deed-in-lieu of foreclosure; or
- a loan referred to foreclosure.

Because of these exceptions, the GSEs believe based on prevailing assumptions and market conditions this change will have only a marginal impact on prepayment speeds, in aggregate. Cohort level impacts may vary. For example, more than half of loans referred to foreclosure are historically referred within six months of delinquency. The degree to which speeds are affected depends on delinquency levels, borrower response, and referral to foreclosure timelines.

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 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

In a continuation of the extremely turbulent and volatile market conditions that have existed since the onset of the COVID-19 pandemic, during the third quarter of 2022 the state of the markets and the outlook changed materially. The perception of inflation on the part of the Fed has shaped the rates markets, currency markets and the outlook for the economy since the spring of 2021. This is when inflation first began to accelerate in the U.S. During the third quarter, the Fed's outlook, or more accurately, the markets perception of how the Fed saw inflation, changed significantly. Through early August of 2022 the markets perceived that, while inflation was not transitory, the Fed would be able to dampen demand by raising rates and cause inflation to decrease back towards the Fed's long-term target of 2%. Further, the market anticipated this would happen by early in 2023 and that the Fed would then start to loosen monetary policy shortly thereafter. The Fed, through repeated public comments by various Fed officials and ultimately by the Chairman at the Fed's annual central banker symposium in Jackson Hole, Wyoming in late August, stressed that this was not going to be the case. Incoming economic data over the period was persistently strong, indicating the rate increases to date had yet to slow demand. More importantly, incoming inflation data showed no evidence of slowing at all and was in fact becoming more widespread, possibly even well entrenched. This reinforced the notion the Fed will have to take rates higher and for longer.

The result of these developments was significant and widespread. Germane to Royal Palm and levered Agency MBS investors were increases in market interest rates and a widening in the spreads that Agency MBS securities trade relative to comparable duration U.S. Treasuries or swaps. The yield on the 10-year closed just above 3.83% on September 30, 2022, and nearly 4.25% on October 24, 2022. As of November 10, 2022, the market is pricing in a terminal rate of 4.85% in June of 2023. As the market has continued to increase expectations of the Fed's terminal rate, all shorter maturity U.S. Treasuries have increased in yield as well.

Interest rates on maturities inside one year increased by well over 100 basis points and by more than 160 basis points for maturities of three months or less – in each case by the end of the quarter. Maturities of three months or less have increased by over 250 basis points since the end of the second quarter – a very rare event in the U.S. Treasury market.

Agency MBS spreads relative to benchmark interest rates increased to levels observed in March of 2020 by the end of the third quarter of 2022 and have exceeded those levels in October of 2022. Returns for the Agency MBS market for the third quarter of 2022 were (5.4)% and these returns were 1.7% lower than comparable duration LIBOR swaps. The relative performance across the Agency MBS universe is skewed in favor of higher coupon, 30-year securities that are currently in production by originators. Lower coupon securities, especially those held in large amounts by the Fed, and which may eventually be sold by the Fed, have performed the worst. These results are consistent with the relative duration of the securities, as higher coupons have shorter durations, or less sensitivity to movements in interest rates. Actions by the Fed may prevent the sector from performing well in the near term but, if the economy does contract and enter a recession, the sector could do well on a relative performance basis owing to the lack of credit exposure of Agency MBS. This is consistent with the sector's history of performance in a counter-cyclical manner – doing well when the economy is soft and relatively poorly when the economy is strong.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with GAAP. GAAP requires our management to make some complex and subjective decisions and assessments. Our most critical accounting policies involve decisions and assessments which could significantly affect reported assets, liabilities, revenues and expenses, and these decisions and assessments can change significantly 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, 2021.

Capital Expenditures

At September 30, 2022, we had no material commitments for capital expenditures.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

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

On April 22, 2020, the Company received a demand for payment from Citigroup, Inc. in the amount of $33.1 million related to the indemnification provisions of various mortgage loan purchase agreements (“MLPA’s”) entered into between Citigroup Global Markets Realty Corp and Royal Palm Capital, LLC (f/k/a Opteum Financial Services, LLC) prior to the date Royal Palm’s mortgage origination operations ceased in 2007. In November 2021, Citigroup notified the Company of additional indemnity claims totaling $0.2 million. The demands are based on Royal Palm’s alleged breaches of certain representations and warranties in the related MLPA’s. The Company believes the demands are without merit and intends to defend against the demands vigorously. 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, 2021, filed with the SEC on March 11, 2022.

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 table below presents the Company’s share repurchase activity for the three months ended September 30, 2022.

	Total Number of Shares Repurchased	Weighted-Average Price Paid Per Share	Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Amount of Shares That May Yet be Repurchased Under the Authorization
July 1, 2022 - July 30, 2022	218,311	$ 1.61	218,311	$ 1,505,329
August 1, 2022 - August 31, 2022	3,611	1.47	3,611	1,500,007
September 1, 2022 - September 30, 2022	4,048	1.37	4,048	1,494,444
Totals / Weighted Average	225,970	$ 1.60	225,970	$ 1,494,444

The Company did not have any unregistered sales of its equity securities during the three months ended September 30, 2022.

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**

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

* Filed herewith.

** Furnished herewith

*** Submitted electronically herewith.

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:	November 14, 2022	By:	/s/ Robert E. Cauley Robert E. Cauley Chairman and Chief Executive Officer
Date:	November 14, 2022	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)

Exhibit 31.1

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: November 14, 2022

/s/ Robert E. Cauley

Robert E. Cauley

Chairman of the Board and Chief Executive Officer

Exhibit 31.2

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: November 14, 2022

/s/ G. Hunter Haas, IV

G. Hunter Haas, IV
President and Chief Financial Officer

Exhibit 32.1

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 September 30, 2022 (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

November 14, 2022	/s/ Robert E.Cauley
	Robert E. Cauley, Chairman of the Board and Chief Executive Officer

Exhibit 32.2

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 September 30, 2022 (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

November 14, 2022

/s/ G. Hunter Haas, IV
G. Hunter Haas, IV
President and Chief Financial Officer