

BIMINI CAPITAL MANAGEMENT, INC.  
Form 10-Q  
August 08, 2014

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

FORM 10-Q

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

For the quarterly period ended June 30, 2014

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

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

Commission File Number: 001-32171

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

Maryland  
(State or other jurisdiction of  
incorporation or organization)

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

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

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer   
 Smaller Reporting Company

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

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

Title of each Class	Latest Practicable Date	Shares Outstanding
Class A Common Stock, \$0.001 par value	August 8, 2014	12,313,758
Class B Common Stock, \$0.001 par value	August 8, 2014	31,938
Class C Common Stock, \$0.001 par value	August 8, 2014	31,938

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BIMINI CAPITAL MANAGEMENT, INC.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

BIMINI CAPITAL MANAGEMENT, INC.  
CONSOLIDATED BALANCE SHEETS

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

The following table includes assets to be used to settle liabilities of the consolidated variable interest entity ("VIE"). These assets and liabilities are included in the consolidated balance sheets above. See Note 15 for additional information on our consolidated VIE.

**ASSETS:**

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Mortgage-backed securities	\$876,004,251	\$351,222,512
Cash and cash equivalents and restricted cash	36,868,745	10,615,027
Accrued interest receivable and other assets	5,513,490	1,738,508
<b>LIABILITIES:</b>		
Repurchase agreements	783,700,849	318,557,054
Payable for unsettled securities purchased	6,828,538	-
Accrued interest payable and other liabilities	2,015,928	171,721
See Notes to Consolidated Financial Statements		

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

For the Six and Three Months Ended June 30, 2014 and 2013

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

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Basic and Diluted	\$0.47	\$(0.24	) \$0.27	\$0.02
Weighted Average Shares Outstanding:				
CLASS A COMMON STOCK				
Basic and Diluted	12,071,977	10,626,491	12,294,879	10,984,756
CLASS B COMMON STOCK				
Basic and Diluted	31,938	31,938	31,938	31,938

See Notes to Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(Unaudited)  
For the Six Months Ended June 30, 2014

	Stockholders' Equity				
	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interests	Total
Balances, January 1, 2014	\$ 11,574	\$ 334,810,312	\$(333,078,313)	\$ 31,614,843	\$ 33,358,416
Net income	-	-	5,699,188	12,538,193	18,237,381
Issuance of common shares of Orchid Island Capital, Inc.	-	(1,004,447 )	-	76,120,369	75,115,922
Cash dividends paid to noncontrolling interests	-	-	-	(7,378,350 )	(7,378,350 )
Issuance of Class A common shares for equity plan exercises	527	204,891	-	-	205,418
Amortization of equity plan compensation	-	-	-	16,080	16,080
Class A common shares sold directly to employees	258	97,742	-	-	98,000
Balances, June 30, 2014	\$ 12,359	\$ 334,108,498	\$(327,379,125)	\$ 112,911,135	\$ 119,652,867

See Notes to Consolidated Financial Statements



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

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

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Cash paid during the period for:

Interest	\$1,452,682	\$1,125,152
Income taxes	\$22,267	\$39,386

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY:

Security acquired settled in later period	\$6,828,538	\$-
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See Notes to Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
June 30, 2014

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Business Description

Bimini Capital Management, Inc., a Maryland corporation (“Bimini Capital”), was formed in September 2003 for the purpose of creating and managing a leveraged investment portfolio consisting of residential mortgage-backed securities (“MBS”). Bimini Capital has elected to be taxed as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended (the “Code”). As a REIT, Bimini Capital is generally not subject to federal income tax on its REIT taxable income provided that it distributes to its stockholders at least 90% of its REIT taxable income on an annual basis. In addition, a REIT must meet other provisions of the Code to retain its special tax status. Bimini Capital’s website is located at <http://www.biminicapital.com>.

As used in this document, discussions related to the “Company”, refer to the consolidated entity, including Bimini Capital, our wholly-owned subsidiaries, and our consolidated variable interest entity (“VIE”). References to “Bimini Capital” and the “parent” refer to Bimini Capital Management, Inc. as a separate entity.

On February 20, 2013, Orchid Island Capital, Inc. (“Orchid”) completed the initial public offering (“IPO”) of its common stock. Prior to the completion of its IPO, Orchid was a wholly-owned qualified REIT subsidiary of Bimini Capital. During 2014, Orchid has completed additional offerings of its common stock, and through June 30, 2014, Orchid continues to be consolidated as our VIE. As used in this document, discussions related to REIT qualifying activities include the MBS portfolios of Bimini Capital and Orchid.

Discussions related to Bimini Capital’s taxable REIT subsidiaries or non-REIT eligible assets refer to Bimini Advisors, Inc. and its wholly-owned subsidiary, Bimini Advisors, LLC (together “Bimini Advisors”) and MortCo TRS, LLC (“MortCo”) and its consolidated subsidiaries.

Consolidation

The accompanying consolidated financial statements include the accounts of Bimini Capital, Orchid, Bimini Advisors and MortCo, as well as the wholly-owned subsidiaries of MortCo. All inter-company accounts and transactions have been eliminated from the consolidated financial statements.

ASC Topic 810, Consolidation (“ASC 810”), requires the consolidation of a VIE by an enterprise if it is deemed the primary beneficiary of the VIE. Further, ASC 810 requires a qualitative assessment to determine the primary beneficiary of a VIE and ongoing assessments of whether an enterprise is the primary beneficiary of a VIE as well as additional disclosures for entities that have variable interests in VIEs.

