

Orchid Island Capital, Inc.
Form S-11/A
February 04, 2013
Table of Contents

As filed with the Securities and Exchange Commission on February 4, 2013

Registration No. 333-184538

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

Amendment No. 4
to
Form S-11
FOR REGISTRATION
UNDER
THE SECURITIES ACT OF 1933
OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

ORCHID ISLAND CAPITAL, INC.

(Exact name of registrant as specified in its governing instruments)

Edgar Filing: Orchid Island Capital, Inc. - Form S-11/A

3305 Flamingo Drive, Vero Beach, Florida 32963

(772) 231-1400

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Robert E. Cauley

Chairman and Chief Executive Officer

Orchid Island Capital, Inc.

3305 Flamingo Drive, Vero Beach, Florida 32963

(772) 231-1400

(Name, address, including zip code and telephone number, including area code, of agent for service)

copies to:

S. Gregory Cope, Esq.

Hunton & Williams LLP

Riverfront Plaza, East Tower

951 East Byrd Street

Richmond, VA 23219

(804) 788-8388

(804) 343-4833 (facsimile)

David Alan Miller, Esq.

Graubard Miller

405 Lexington Avenue, 19th Floor

New York, New York 10174

(212) 818-8800

(212) 818-8881 (facsimile)

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Edgar Filing: Orchid Island Capital, Inc. - Form S-11/A

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

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. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale thereof is not permitted.

Subject to Completion, dated February 4, 2013

PROSPECTUS

2,360,000 Shares

Common Stock

Orchid Island Capital, Inc., a Maryland corporation, invests in residential mortgage-backed securities the principal and interest payments of which are guaranteed by a U.S. Government agency or a U.S. Government-sponsored entity. Upon completion of this offering, we will be externally managed and advised by Bimini Advisors, LLC, or our Manager, a wholly-owned subsidiary of Bimini Capital Management, Inc., or Bimini, which is our current manager. Our Manager is an investment advisor registered with the Securities and Exchange Commission, or SEC. Bimini is an existing real estate investment trust for U.S. federal income tax purposes, or REIT, whose common stock is traded on the OTC Bulletin Board under the symbol BMNM.

This is our initial public offering. We are offering 2,360,000 shares of our common stock. We currently expect the initial public offering price of our common stock to be between \$14.00 and \$16.00 per share. Prior to this offering, there has been no public market for our common stock. We intend to apply to have our common stock listed on the NYSE MKT under the symbol ORC.

Upon the completion of this offering, Bimini will own approximately 29.38% of our aggregate outstanding common stock, or 26.56% if the underwriters exercise their overallotment option in full.

We are organized and intend to conduct our operations to qualify as a REIT. To assist us in qualifying as a REIT, among other purposes, ownership of our stock by any person is generally limited to 9.8% in value or number of shares, whichever is more restrictive, of any class or series of our stock, except that Bimini may own up to 35.0% of our common stock so long as Bimini continues to qualify as a REIT. Our charter also contains various other restrictions on the ownership and transfer of our common stock, see Description of Capital Stock Restrictions on Ownership and Transfer.

We are an emerging growth company as that term is used in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 25 of this prospectus.

Edgar Filing: Orchid Island Capital, Inc. - Form S-11/A

	Per Share	Total
Price to the public	\$	\$
Underwriting discounts and commissions ⁽¹⁾	\$	\$
Proceeds to us (after expenses) ⁽¹⁾	\$	\$

⁽¹⁾ Our Manager will pay all of our offering expenses and the other costs of the offering, including underwriting discounts and commissions. For a full description of the underwriting compensation, see Underwriting.

We have granted the underwriters the option to purchase up to an additional 354,000 shares of common stock within 45 days after the date of this prospectus to cover overallocments, if any.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Ladenburg Thalmann & Co. Inc., on behalf of the underwriters, expects to deliver the shares on or about February , 2013.

Ladenburg Thalmann & Co. Inc.

Joint Book Running Managers

Mitsubishi UFJ Securities

Lead Manager

Aegis Capital Corp.

Maxim Group LLC

Co-managers

Prospectus dated , 2013

Oppenheimer & Co.

National Securities Corporation

Table of Contents

TABLE OF CONTENTS

	Page
<u>PROSPECTUS SUMMARY</u>	1
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	23
<u>RISK FACTORS</u>	25
<u>USE OF PROCEEDS</u>	58
<u>DISTRIBUTION POLICY</u>	59
<u>CAPITALIZATION</u>	60
<u>DILUTION</u>	61
<u>SELECTED FINANCIAL DATA</u>	62
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	64
<u>QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK</u>	81
<u>BUSINESS</u>	85
<u>OUR MANAGER AND THE MANAGEMENT AGREEMENT</u>	101
<u>OUR MANAGEMENT</u>	111
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	120
<u>DESCRIPTION OF CAPITAL STOCK</u>	123
<u>STOCK AVAILABLE FOR FUTURE SALE</u>	128
<u>CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS</u>	129
<u>PRINCIPAL STOCKHOLDERS</u>	134
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS</u>	135
<u>ERISA CONSIDERATIONS</u>	158
<u>UNDERWRITING</u>	160
<u>LEGAL MATTERS</u>	167
<u>EXPERTS</u>	167
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	167
<u>INDEX TO FINANCIAL STATEMENTS</u>	F-1

You should rely only on the information contained in this prospectus and any free writing prospectus that we authorize to be delivered to you. We have not, and the underwriters have not, authorized any other person to provide you with any additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus or another date specified herein. Our business, financial condition and prospects may have changed since such dates.

Table of Contents

PROSPECTUS SUMMARY

This section summarizes information contained elsewhere in this prospectus. It is not complete and may not contain all of the information that you may want to consider before making an investment in our common stock. You should read this entire prospectus carefully, including the section titled "Risk Factors" and our financial statements and related notes, before making an investment in our common stock. As used in this prospectus, Orchid, Company, we, our, and us refer to Orchid Island Capital, Inc., except where the context otherwise requires. References to our Manager refer to Bimini Advisors, LLC, a wholly-owned subsidiary of Bimini Capital Management, Inc. References to Bimini and Bimini Capital refer to Bimini Capital Management, Inc. Unless otherwise indicated, the information in this prospectus assumes (i) the underwriters will not exercise their option to purchase up to an additional 354,000 shares of our common stock to cover overallocments, if any, and (ii) that the shares of our common stock to be sold in this offering will be sold at \$15.00, which is the midpoint of the price range set forth on the front cover of this prospectus. Unless otherwise indicated or the context requires, all information in this prospectus relating to the number of shares of our common stock to be outstanding after the completion of this offering reflects a stock dividend of 5.37 shares for each share of common stock that we will effect immediately prior to the completion of this offering. See "Description of Capital Stock General."

Our Company

Orchid Island Capital, Inc. is a specialty finance company that invests in residential mortgage-backed securities, or RMBS. The principal and interest payments of these RMBS are guaranteed by the Federal National Mortgage Association, or Fannie Mae, the Federal Home Loan Mortgage Corporation, or Freddie Mac, or the Government National Mortgage Association, or Ginnie Mae, and are backed primarily by single-family residential mortgage loans. We refer to these types of RMBS as Agency RMBS. Our investment strategy focuses on, and our portfolio consists of, two categories of Agency RMBS: (i) traditional pass-through Agency RMBS and (ii) structured Agency RMBS, such as collateralized mortgage obligations, or CMOs, interest only securities, or IOs, inverse interest only securities, or IIOs, and principal only securities, or POs, among other types of structured Agency RMBS.

Our business objective is to provide attractive risk-adjusted total returns to our investors over the long term through a combination of capital appreciation and the payment of regular monthly distributions. We intend to achieve this objective by investing in and strategically allocating capital between the two categories of Agency RMBS described above. We seek to generate income from (i) the net interest margin, which is the spread or difference between the interest income we earn on our assets and the interest cost of our related borrowing and hedging activities, on our leveraged pass-through Agency RMBS portfolio and the leveraged portion of our structured Agency RMBS portfolio, and (ii) the interest income we generate from the unleveraged portion of our structured Agency RMBS portfolio. We intend to fund our pass-through Agency RMBS and certain of our structured Agency RMBS, such as fixed and floating rate tranches of CMOs and POs, through short-term borrowings structured as repurchase agreements. However, we do not intend to employ leverage on the securities in our structured Agency RMBS portfolio that have no principal balance, such as IOs and IIOs. We do not intend to use leverage in these instances because these securities contain structural leverage.

Pass-through Agency RMBS and structured Agency RMBS typically exhibit materially different sensitivities to movements in interest rates. Declines in the value of one portfolio may be offset by appreciation in the other. The percentage of capital that we allocate to our two Agency RMBS asset categories will vary and will be actively managed in an effort to maintain the level of income generated by the combined portfolios, the stability of that income stream and the stability of the value of the combined portfolios. We believe that this strategy will enhance our liquidity, earnings, book value stability and asset selection opportunities in various interest rate environments.

Table of Contents

We were formed by Bimini in August 2010 and commenced operations on November 24, 2010. Bimini has managed our portfolio since inception by utilizing the same investment strategy that we expect our Manager, an investment advisor registered with the Securities and Exchange Commission, or SEC, and its experienced RMBS investment team to continue to employ after completion of this offering. As of September 30, 2012, our Agency RMBS portfolio had a fair value of approximately \$66.8 million and was comprised of approximately 89.3% pass-through Agency RMBS and 10.7% structured Agency RMBS. Our net asset value as of September 30, 2012 was approximately \$15.0 million.

We intend to qualify and will elect to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, or the Code, commencing with our short taxable year ending December 31, 2013. We generally will not be subject to U.S. federal income tax to the extent that we annually distribute all of our REIT taxable income to our stockholders and qualify as a REIT.

We are an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and will remain such for up to five years. However, if our non-convertible debt issued within a three year period or our total revenues exceed \$1 billion or the market value of our shares of common stock that are held by non-affiliates exceeds \$700 million on the last day of the second fiscal quarter of any given fiscal year, we would cease to be an emerging growth company as of the following fiscal year. Although we are an emerging growth company under the JOBS Act, we have elected to opt out of the extended transition period for complying with new or revised accounting standards, and such election is irrevocable.

Our Manager

We are currently managed by Bimini. Upon completion of this offering, we will be externally managed and advised by Bimini Advisors, LLC, or our Manager, pursuant to the terms of a management agreement. Our Manager is a Maryland corporation that is a wholly-owned subsidiary of Bimini. Our Manager will be responsible for administering our business activities and day-to-day operations, subject to the supervision and oversight of our Board of Directors. Members of Bimini's and our Manager's senior management team will also serve as our executive officers. We will not have any employees.

Bimini is a mortgage REIT that has operated since 2003 and, as of September 30, 2012, had approximately \$125.7 million of pass-through Agency RMBS and structured Agency RMBS. Bimini has employed its investment strategy with its own portfolio since the third quarter of 2008 and with our portfolio since our inception. We expect that our Manager will continue to employ this strategy after the completion of this offering. We were formed and have been managed by Bimini as a vehicle through which Bimini could employ the same investment strategy and pursue growth and capital-raising opportunities. As a result of the adverse impact of its legacy mortgage origination business, Bimini has been unable to raise capital on attractive terms to finance the growth of its own portfolio. Bimini may seek to raise capital in the future if and when it is able to do so. For additional information regarding Bimini, see [About Bimini](#).

Our Investment and Capital Allocation Strategy

Our Investment Strategy

Our business objective is to provide attractive risk-adjusted total returns to our investors over the long term through a combination of capital appreciation and the payment of regular monthly distributions. We intend to achieve this objective by investing in and strategically allocating capital between pass-through Agency RMBS and structured Agency RMBS. We seek to generate income from (i) the net interest margin on our leveraged pass-through Agency RMBS portfolio and the leveraged portion of our structured Agency RMBS portfolio, and (ii) the interest income we generate from the unleveraged portion of our structured Agency RMBS portfolio. We also seek to minimize the volatility of both the net asset value of, and income from, our portfolio through a process which emphasizes capital allocation, asset selection, liquidity and active interest rate risk management.

Table of Contents

We intend to fund our pass-through Agency RMBS and certain of our structured Agency RMBS, such as fixed and floating rate tranches of CMOs and POs, through repurchase agreements. However, we do not intend to employ leverage on our structured Agency RMBS that have no principal balance, such as IOs and IIOs. We do not intend to use leverage in these instances because the securities contain structural leverage.

Our target asset categories and the principal assets in which we intend to invest are as follows:

Asset Categories

Pass-through Agency RMBS

Principal Assets

Residential Mortgage Pass-Through Certificates. Residential mortgage pass-through certificates are securities representing interests in pools of mortgage loans secured by residential real property where payments of both interest and principal, plus pre-paid principal, on the securities are made monthly to holders of the securities, in effect passing through monthly payments made by the individual borrowers on the mortgage loans that underlie the securities, net of fees paid to the issuer/guarantor and servicers of the securities. Pass-through certificates can be divided into various categories based on the characteristics of the underlying mortgages, such as the term or whether the interest rate is fixed or variable.

The principal and interest payments of these Agency RMBS are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae and are backed primarily by single-family residential mortgage loans. We intend to invest in pass-through certificates with the three following types of underlying loans:

Fixed-Rate Mortgages. Fixed-rate mortgages are mortgages for which the borrower pays an interest rate that is constant throughout the term of the loan.

Adjustable-Rate Mortgages (ARMs). ARMs are mortgages for which the borrower pays an interest rate that varies over the term of the loan.

Hybrid ARMs. Hybrid ARMs are mortgages that have a fixed-rate for the first few years of the loan, often three, five or seven years, and thereafter reset periodically like a traditional ARM.

Structured Agency RMBS

Collateralized Mortgage Obligations. CMOs are securities that are structured from residential mortgage pass-through certificates, which receive monthly payments of principal and interest. CMOs may be collateralized by whole mortgage loans, but are more typically collateralized by portfolios of residential mortgage pass-through securities issued directly by or under the auspices of Fannie Mae, Freddie Mac or Ginnie Mae. CMOs divide the cash flows which come from the underlying residential mortgage pass-through certificates into different classes of securities that may have different maturities and different weighted average lives than the underlying residential mortgage pass-through certificates.

Interest Only Securities. IOs are securities that are structured from residential mortgage pass-through certificates, which receive monthly payments of interest only. IOs represent the stream of interest payments on a pool of mortgages, either fixed-rate mortgages or hybrid ARMs. The value of IOs depends primarily on two factors, which are prepayments and interest rates.

Inverse Interest Only Securities. IIOs are IOs that have interest rates that move in the opposite direction of an interest rate index, such as LIBOR. The value of IIOs depends primarily on three factors, which are prepayments, LIBOR and term interest rates.

Table of Contents

Principal Only Securities. POs are securities that are structured from residential mortgage pass-through certificates, which receive monthly payments of principal only and are, therefore, similar to zero coupon bonds. The value of POs depends primarily on two factors, which are prepayments and interest rates.

Our investment strategy consists of the following components:

investing in pass-through Agency RMBS and certain structured Agency RMBS, such as fixed and floating rate tranches of CMOs and POs, on a leveraged basis to increase returns on the capital allocated to this portfolio;

investing in certain structured Agency RMBS, such as IOs and IIOs, on an unleveraged basis in order to (i) increase returns due to the structural leverage contained in such securities, (ii) enhance liquidity due to the fact that these securities will be unencumbered and (iii) diversify portfolio interest rate risk due to the different interest rate sensitivity these securities have compared to pass-through Agency RMBS;

investing in Agency RMBS in order to minimize credit risk;

investing in assets that will cause us to maintain our exclusion from regulation as an investment company under the Investment Company Act of 1940, as amended, or the Investment Company Act; and

investing in assets that will allow us to qualify and maintain our qualification as a REIT.

Our Manager will make investment decisions based on various factors, including, but not limited to, relative value, expected cash yield, supply and demand, costs of hedging, costs of financing, liquidity requirements, expected future interest rate volatility and the overall shape of the U.S. Treasury and interest rate swap yield curves. We do not attribute any particular quantitative significance to any of these factors, and the weight we give to these factors depends on market conditions and economic trends. We believe that this strategy, combined with our Manager's experienced RMBS investment team, will enable us to provide attractive long-term returns to our stockholders.

Capital Allocation Strategy

The percentage of capital invested in our two asset categories will vary and will be managed in an effort to maintain the level of income generated by the combined portfolios, the stability of that income stream and the stability of the value of the combined portfolios. Typically, pass-through Agency RMBS and structured Agency RMBS exhibit materially different sensitivities to movements in interest rates. Declines in the value of one portfolio may be offset by appreciation in the other, although we cannot assure you that this will be the case. Additionally, our Manager will seek to maintain adequate liquidity as it allocates capital.

During periods of rising interest rates, refinancing opportunities available to borrowers typically decrease because borrowers are not able to refinance their current mortgage loans with new mortgage loans at lower interest rates. In such instances, securities that are highly sensitive to refinancing activity, such as IOs and IIOs, typically increase in value. Our capital allocation strategy allows us to redeploy our capital into such securities when and if we believe interest rates will be higher in the future, thereby allowing us to hold securities the value of which we believe is likely to increase as interest rates rise. Also, by being able to re-allocate capital into structured Agency RMBS, such as IOs, during periods of rising interest rates, we may be able to offset the likely decline in the value of our pass-through Agency RMBS, which are negatively impacted by rising interest rates.

Table of Contents

Competitive Strengths

We believe that our competitive strengths include:

Ability to Successfully Allocate Capital between Pass-Through and Structured Agency RMBS. We seek to maximize our risk-adjusted returns by investing exclusively in Agency RMBS, which has limited credit risk due to the guarantee of principal and interest payments on such securities by Fannie Mae, Freddie Mac or Ginnie Mae. Our Manager will allocate capital between pass-through Agency RMBS and structured Agency RMBS. The percentage of our capital we allocate to our two asset categories will vary and will be actively managed in an effort to maintain the level of income generated by the combined portfolios, the stability of that income stream and the stability of the value of the combined portfolios. We believe this strategy will enhance our liquidity, earnings, book value stability and asset selection opportunities in various interest rate environments and provide us with a competitive advantage over other REITs that invest in only pass-through Agency RMBS. This is because, among other reasons, our investment and capital allocation strategies allow us to move capital out of pass-through Agency RMBS and into structured Agency RMBS in a rising interest rate environment, which will protect our portfolio from excess margin calls on our pass-through Agency RMBS portfolio and reduced net interest margins, and allow us to invest in securities, such as IOs, that have historically performed well in a rising interest rate environment.

Experienced RMBS Investment Team. Robert Cauley, our Chief Executive Officer and co-founder of Bimini, and Hunter Haas, our Chief Investment Officer, have 19 and 12 years of experience, respectively, in analyzing, trading and investing in Agency RMBS. Additionally, Messrs. Cauley and Haas each have over eight years of experience managing Bimini, which is a publicly-traded REIT that has invested in Agency RMBS since its inception in 2003. Messrs. Cauley and Haas managed Bimini through the recent housing market collapse and the related adverse effects on the banking and financial system, repositioning Bimini's portfolio in response to adverse market conditions. We believe this experience has enabled them to recognize portfolio risk in advance, hedge such risk accordingly and manage liquidity and borrowing risks during adverse market conditions. We believe that Messrs. Cauley's and Haas' experience will provide us with a competitive advantage over other management teams that may not have experience managing a publicly-traded mortgage REIT or managing a business similar to ours during various interest rate and credit cycles, including the recent housing market collapse.

Clean Balance Sheet With an Implemented Investment Strategy. As a recently-formed entity, we intend to build on our existing investment portfolio. As of September 30, 2012, our Agency RMBS portfolio had a fair value of approximately \$66.8 million and was comprised of approximately 89.3% pass-through Agency RMBS and 10.7% structured Agency RMBS. Our net asset value as of September 30, 2012 was approximately \$15.0 million. Bimini has managed our portfolio since our inception by utilizing the same investment strategy that we expect our Manager and its experienced RMBS investment team to continue to employ after the completion of this offering.

Alignment of Interests. Upon completion of this offering, Bimini will own 981,665 shares of our common stock, which will represent approximately 29.38% of the aggregate outstanding shares of our common stock (or 26.56% if the underwriters exercise their overallotment option in full). Bimini has agreed that, for a period of 180 days after the date of this prospectus, it will not, without the prior written consent of Ladenburg Thalmann & Co. Inc., dispose of or hedge any of its shares of our common stock, subject to certain exceptions and extensions. We believe that Bimini's ownership of our common stock will align our Manager's interests with our interests.

Table of Contents

Summary Risk Factors

An investment in our common stock involves material risks. Each prospective purchaser of our common stock should consider carefully the matters discussed under "Risk Factors" beginning on page 24 before investing in our common stock. Some of the risks include:

Although the immediate effect of QE3 was an increase of Agency RMBS prices, there is no certainty what effect QE3 and other recently announced governmental actions might have in the future on the price and liquidity of the securities in which we invest. However, the confluence of such factors as QE3 and further governmental efforts to increase home loan refinancing opportunities could simultaneously raise Agency RMBS prices and increase prepayment activity, which could place downward pressure on our net interest margin.

The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and the U.S. Government, may adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

Continued adverse developments in the broader residential mortgage market have adversely affected Bimini and may materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

Interest rate mismatches between our Agency RMBS and our borrowings may reduce our net interest margin during periods of changing interest rates, which could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

We have not established a minimum distribution payment level, and we cannot assure you of our ability to make distributions to our stockholders in the future.

Mortgage loan modification programs and future legislative action may adversely affect the value of, and the returns on, our Agency RMBS, which could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

The downgrade of the U.S. and certain European countries' credit ratings, any future downgrades of the U.S. and certain European countries' credit ratings and the failure to resolve issues related to the "fiscal cliff" and the U.S. debt ceiling may materially adversely affect our business, liquidity, financial condition and results of operations.

Increased levels of prepayments on the mortgages underlying our Agency RMBS might decrease net interest income or result in a net loss, which could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

We invest in structured Agency RMBS, including CMOs, IOs, IIOs and POs. Although structured Agency RMBS are generally subject to the same risks as our pass-through Agency RMBS, certain types of risks may be enhanced depending on the type of structured Agency RMBS in which we invest.

Edgar Filing: Orchid Island Capital, Inc. - Form S-11/A

Our use of leverage could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

Adverse market developments could cause our lenders to require us to pledge additional assets as collateral. If our assets were insufficient to meet these collateral requirements, we might be compelled to liquidate particular assets at inopportune times and at unfavorable prices, which could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

Hedging against interest rate exposure may not completely insulate us from interest rate risk and could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

The management agreement with our Manager was not negotiated on an arm's-length basis and the terms, including fees payable and our inability to terminate, or our election not to renew, the

Table of Contents

management agreement based on our Manager's poor performance without paying our Manager a significant termination fee, except for a termination of the Manager with cause, may not be as favorable to us as if it were negotiated with an unaffiliated third party.

We are completely dependent upon our Manager and certain key personnel of Bimini who provide services to us through the management agreement, and we may not find suitable replacements for our Manager or these personnel if the management agreement is terminated or such key personnel are no longer available to us.

There are various conflicts of interest in our relationship with our Manager and Bimini, which could result in decisions that are not in the best interest of our stockholders, including possible conflicts created by our Manager's compensation whereby it is entitled to receive a management fee that is not tied to the performance of our portfolio and possible conflicts of duties that may result from the fact that all of our Manager's officers are also employees of Bimini.

Loss of our exemption from regulation under the Investment Company Act would negatively affect the value of shares of our common stock and our ability to pay distributions to our stockholders.

Our failure to qualify, or maintain our qualification, as a REIT would subject us to U.S. federal income tax, which could adversely affect the value of the shares of our common stock and would substantially reduce the cash available for distribution to our stockholders.

Legal proceedings involving Bimini and certain of its subsidiaries have adversely affected Bimini, may materially adversely affect Bimini's and our Manager's ability to effectively manage our business and could materially adversely affect our reputation, business, operations, financial condition and results of operations and our ability to pay distributions to our stockholders.

There may not be an active market for our common stock, which may cause our common stock to trade at a discount and make it difficult to sell the common stock you purchase.

Our Portfolio

As of September 30, 2012, our portfolio consisted of Agency RMBS with an aggregate fair value of approximately \$66.8 million, a weighted average coupon of 3.42% and a weighted average borrowing rate of 0.44%. The following table summarizes our portfolio as of September 30, 2012:

Asset Category	Fair Value (in thousands)	Percentage of Portfolio	Weighted Average Coupon	Weighted Average Maturity in Months	Longest Maturity	Weighted Average Coupon Reset in Months	Weighted Average Lifetime Cap	Weighted Average Periodic Cap	Weighted Average CPR ⁽¹⁾
Pass-through Agency RMBS backed by:									
Adjustable-Rate Mortgages	\$ 6,584	9.9%	4.19%	261	9-1-35	4.91	10.04	2.00%	n/a
Fixed-Rate Mortgages	16,418	24.6	3.63	186	12-1-40	n/a	n/a	n/a	3.99%
Hybrid Adjustable-Rate Mortgages	36,627	54.8	2.75	354	5-1-42	78.38	7.75	2.00%	4.28%
Total/Weighted Average Whole-pool Mortgage Pass-through Agency RMBS									
	\$ 59,629	89.3%	3.15%	298	5-1-42	67.19	8.10	2.00%	4.19%
Structured Agency RMBS:									

Edgar Filing: Orchid Island Capital, Inc. - Form S-11/A

CMOs	\$	%	%						
IOs	918	1.4	4.89	285	12-25-39	n/a	n/a	n/a	40.70%
IIOs	6,261	9.3	5.74	311	11-25-40	n/a	n/a	n/a	38.39%
POs									