

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **January 22, 2015 (January 21, 2015)**

Orchid Island Capital, Inc.
(Exact Name of Registrant as Specified in Charter)

Maryland
(State or Other Jurisdiction of Incorporation)

001-35236
(Commission File Number)

27-3269228
(IRS Employer Identification No.)

3305 Flamingo Drive, Vero Beach, Florida 32963
(Address of Principal Executive Offices) (Zip Code)

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

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 5.02. DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS.

On January 21, 2015, Orchid Island Capital, Inc. (the "Company") made equity awards and agreed to pay cash bonuses to Robert E. Cauley and G. Hunter Haas IV. Mr. Cauley is the Chief Executive Officer and President of the Company and he is an executive officer of Bimini Advisors, LLC, the Company's external manager (the "Manager"). Mr. Haas is the Chief Financial Officer and Chief Investment Officer of the Company and he is an executive officer of the Manager. The equity awards were made pursuant to the terms and conditions of the Company's 2012 Equity Incentive Plan (the "Plan"). All capitalized terms that are not defined herein have the meaning set forth in the Plan.

The equity awards made to Mr. Cauley consist of 6,196 shares of immediately vested Common Stock and 4,129 Performance Units. Mr. Cauley also received a cash bonus of \$137,500. The equity awards made to Mr. Haas consist of 5,096 shares of immediately vested Common Stock and 3,378 Performance Units. Mr. Haas also received a cash bonus of \$112,500. The Performance Units granted to Mr. Cauley and to Mr. Haas (the "Grantees") contain identical terms and conditions, which are summarized below. For purposes of the equity grants, the Common Stock was valued at \$13.32 per share, which was the closing market price of the Common Stock on January 21, 2015.

The Performance Units are earned at the rate of 10% per quarter commencing with the quarter ending March 31, 2016 and concluding with the quarter ending June 30, 2018. The Grantee must continue to serve as an executive officer of the Company as of the end of each such quarter in order to receive the number of Performance Units that may be earned on that date. In the event of a Change in Control (as defined in the Plan) or the death or disability of a Grantee, all of his Performance Units shall be earned. When earned, each Performance Unit shall be settled by the issuance of one share of the Company's Common Stock, at which time the Performance Unit shall be cancelled.

The Performance Units contain dividend equivalent rights which entitle the Participants to receive distributions declared by the Company on Common Stock. One Performance Unit is equivalent to one share of Common Stock for purposes of the dividend equivalent rights. Other than dividend equivalent rights, the Performance Units do not entitle the Participants to any of the rights of a stockholder of the Company. The Performance Units are subject to significant transfer restrictions, as set forth in the Plan.

The number of outstanding Performance Units is subject to the following adjustments:

Book Value Impairment. A "Book Value Impairment" shall occur if over any two consecutive quarters the following conditions are satisfied: (i) the Company's book value per share declines by 15% or more during the first of such two quarters and (ii) the Company's book value per share decline from the beginning of such two quarters to the end of such two quarters is at least 10%. If a Book Value Impairment occurs, then the number of Performance Units that are outstanding as of the last day of such two quarter period shall be reduced by 15%.

Extraordinary Book Value Preservation. "Extraordinary Book Value Preservation" shall occur in any quarter in which the following conditions are satisfied: (i) the median change in the book value per share of specified peer companies (the "Median Book Value Decline") is a decline of 6% or more and (ii) the Company's book value per share either (a) increases or (b) declines by a percentage that is less than 50% of the Median Book Value Decline. If an event of Extraordinary Book Value Preservation occurs, then the number of Performance Units that are outstanding as of the last day of the quarter in which the Extraordinary Book Value Preservation has occurred shall be increased by 5 basis points for every 1 basis point of difference between the Company's book value per share percentage change and the Median Book Value Decline during such quarter.

Outperform All Peer Companies. The Company shall "Outperform All Peer Companies" in any quarter in which the following conditions are satisfied: (i) the specified peer companies all experience a decline in book value per share and (ii) the Company's book value per share either (a) increases or (b) declines by an amount that is less than the decline experienced by each peer company. If the Company Outperforms All Peer Companies in any quarter, then the number of Performance Units that are outstanding as of the last day of such quarter shall increase by 10%.

Caution About Forward-Looking Statements.

This Current Report on Form 8-K may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward looking statements are based upon the Company's present expectations, but the Company cannot assure you that actual results will not vary from the expectations contained in the forward-looking statements. Investors should not place undue reliance upon forward looking statements. For further discussion of the factors that could affect outcomes, please refer to the "Risk Factors" section of the Company's Form 10-K for the year ended December 31, 2013. All forward-looking statements speak only as of the date on which they are made. New risks and uncertainties arise over time, and it is not possible to predict those events or how they may affect the Company. Except as required by law, the Company is not obligated to, and does not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Stock Award Agreement by Orchid Island Capital Inc. to Robert E. Cauley dated January 21, 2015
99.2	Performance Unit Award Agreement by Orchid Island Capital Inc. to Robert E. Cauley dated January 21, 2015
99.3	Stock Award Agreement by Orchid Island Capital Inc. to G. Hunter Haas, IV dated January 21, 2015
99.4	Performance Unit Award Agreement by Orchid Island Capital Inc. to G. Hunter Haas, IV dated January 21, 2015

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: January 22, 2015

ORCHID ISLAND CAPITAL, INC.

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

INDEX TO EXHIBITS

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ORCHID ISLAND CAPITAL, INC.

Stock Award Agreement

THIS STOCK AWARD AGREEMENT (the "Agreement"), dated as of the 21st day of January, 2015, governs the Stock Award granted by ORCHID ISLAND CAPITAL, INC., a Maryland corporation (the "Company"), to Robert E. Cauley (the "Participant"), in accordance with and subject to the provisions of the Orchid Island Capital, Inc. 2012 Equity Incentive Plan (the "Plan"). A copy of the Plan has been made available to the Participant. All terms used in this Agreement that are defined in the Plan have the same meaning given them in the Plan.

1. **Grant of Stock Award.** In accordance with the Plan, and effective as of January 21st, 2015 (the "Date of Grant"), the Company granted to the Participant, subject to the terms and conditions of the Plan and this Agreement, a Stock Award of 6,196 shares of Common Stock (the "Stock Award").
2. **Vesting.** The shares of Common Stock covered by the Stock Award are immediately vested and are not subject to forfeiture.
3. **Transferability.** Shares of Common Stock covered by the Stock Award are immediately transferable, subject to the requirements of applicable securities laws.
4. **Stockholder Rights.** On and after the Date of Grant, the Participant shall have all of the rights of a stockholder of the Company with respect to the shares of Common Stock covered by the Stock Award.
5. **Withholding Taxes.** In accordance with Section 14.04 of the Plan, the Participant may satisfy any withholding tax obligation that relates to this Stock Award by (i) surrendering to the Company shares of Common Stock previously acquired by the Participant or (ii) authorizing the Company to withhold or reduce the number of shares of Common Stock otherwise issuable to the Participant under this Stock Award.
6. **No Right to Continued Service.** This Agreement and the grant of the Stock Award do not give the Participant any rights with respect to continued service as an executive officer of the Company.
7. **Governing Law.** This Agreement shall be governed by the laws of the State of Maryland except to the extent that Maryland law would require the application of the laws of another state.
8. **Conflicts.** In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and this Agreement, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the Date of Grant.
9. **Participant Bound by Plan.** The Participant hereby acknowledges that a copy of the Plan has been made available to the Participant and the Participant agrees to be bound by all the terms and provisions of the Plan.
10. **Binding Effect.** Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon the Participant and the Participant's successors in interest and the Company and any successors of the Company.

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the date first set forth above.

ORCHID ISLAND CAPITAL, Robert E. Cauley
INC

By: /s/ G. Hunter Haas, IV /s/ Robert E. Cauley
Title CFO

ORCHID ISLAND CAPITAL, INC.

Performance Unit Award Agreement

THIS PERFORMANCE UNIT AWARD AGREEMENT (the "Agreement"), dated as of the 21st day of January, 2015, governs the Performance Unit Award granted by ORCHID ISLAND CAPITAL, INC., a Maryland corporation (the "Company"), to Robert E. Cauley (the "Participant"), in accordance with and subject to the provisions of the Orchid Island Capital, Inc. 2012 Equity Incentive Plan (the "Plan"). A copy of the Plan has been made available to the Participant. All terms used in this Agreement that are defined in the Plan have the same meaning given them in the Plan.

1. **Grant of Performance Units; Adjustment to Number of Performance Units.** In accordance with the Plan, and effective as of January 21, 2015 (the "Date of Grant"), the Company granted to the Participant, subject to the terms and conditions of the Plan and this Agreement, an award of 4,129.1 Performance Units (the "Performance Unit Award"). Each Performance Unit, when earned in accordance with Section 2 below, shall be settled by the issuance of one share of Common Stock to the Participant. The number of Performance Units covered by this Performance Unit Award shall be subject to periodic adjustments in accordance with Schedule A attached hereto.
2. **Earning and Payment for Performance Units.** The Performance Units shall be earned by Participant on the dates, and in accordance with the terms and conditions of, paragraphs (a), (b) and (c) below. As soon as practicable after each Performance Unit is earned and any adjustments required by Schedule A have been calculated and made but in all events no later than March 15 of the year following the year in which the Performance Units are earned, the Company shall issue to Participant one share of Common Stock for each Performance Unit that has then been earned, including adjustments, after which time such Performance Unit shall cease to exist. The Common Stock issued in settlement of Performance Units shall be issued pursuant to the Plan.
 - (a) **Continued Service.** The Performance Units shall be earned by Participant at the rate of 10% per quarter commencing with the quarter ending March 31, 2016. In particular, one-tenth of the total number of Performance Units covered by this Performance Unit Award (i.e., 412.91 Performance Units), which number shall be adjusted from time to time in accordance with the terms and conditions of Schedule A hereto, shall be earned if the Participant continues to serve as an executive officer of the Company on each of the following dates:
 - March 31, 2016;
 - June 30, 2016;
 - September 30, 2016;
 - December 31, 2016;
 - March 31, 2017;
 - June 30, 2017;
 - September 30, 2017;
 - December 31, 2017;
 - March 31, 2018; and
 - June 30, 2018.
 - (b) **Change in Control.** All of the Performance Units covered by this Performance Unit Award (if not sooner earned) shall be earned on a Control Change Date if the Participant continues to serve as an executive officer of the Company from the Date of Grant until such date.
 - (c) **Death or Disability.** All of the Performance Units covered by this Performance Unit Award (if not sooner earned) shall be earned on the date that the Participant's service as an executive officer of the Company ends if (i) such service ends on account of the Participant's death or permanent and total disability (as defined in Section 22(e)(3) of the Code) and (ii) the Participant continues to serve as an executive officer of the Company from the Date of Grant until the date of such cessation of service as an executive officer of the Company.
 - (c) **Termination.** Except as provided in this Section 2, any Performance Units that have not been earned on or before the date that the Participant's service as an executive officer of the Company ends shall be forfeited on the date that such service terminates. If any Performance Units are reduced as indicated on Schedule A, then the Participant's rights in such Performance Units shall terminate on the date of such adjustment.
3. **Transferability.** Performance Units covered by the Performance Unit cannot be transferred except as permitted by the Plan.
4. **Dividend Equivalent Rights; No Other Stockholder Rights.** The Participant shall have Dividend Equivalent Rights with respect to the Performance Units. The Dividend Equivalent Rights associated with each Performance Unit shall commence on the Date of Grant and shall terminate on the day on which such Performance Unit is either (i) settled by the issuance one share of Common Stock to the Participant or (ii) forfeited in accordance with Section 2 above. Adjustments made pursuant to Schedule A to the number of Performance Units that are covered by this Performance Unit Award shall result in a corresponding adjustment to the Dividend Equivalent Rights that are covered by this Performance Unit Award. The effective date of such adjustment to Dividend Equivalent Rights shall be the date on which the adjustment has been calculated and confirmed by the Committee. Other than Dividend Equivalent Rights, the Performance Units shall not entitle the Participant to any of the rights of a stockholder of the Company.
5. **No Right to Continued Service.** This Agreement and the grant of the Performance Units does not give the Participant any rights with respect to continued service as an executive officer of the Company.
6. **Governing Law.** This Agreement shall be governed by the laws of the State of Maryland except to the extent that Maryland law would require the application of the laws of another state.
7. **Conflicts.** In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and this Agreement, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the Date of Grant.

8. Participant Bound by Plan. The Participant hereby acknowledges that a copy of the Plan has been made available to the Participant and the Participant agrees to be bound by all the terms and provisions of the Plan.

9. Binding Effect. Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon the Participant and the Participant's successors in interest and the Company and any successors of the Company.

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the date first set forth above.

ORCHID ISLAND Robert E. Cauley
CAPITAL, INC

By: /s/ G. Hunter Haas, /s/ Robert E. Cauley
IV
Title CFO

SCHEDULE A
PERFORMANCE UNIT ADJUSTMENTS

The number of Performance Units covered by the attached Performance Unit Award Agreement shall be adjusted in accordance with the provisions of this Schedule A.

1. Defined Terms. As used in this Schedule A, the following terms shall have the following meanings, unless the context otherwise requires:

a. "Book Value" shall mean book value per share of the Company or a Peer Company, as the case may be, as of the end of a specified Quarter. Book Value shall be determined by reference to financial statements of the Company or a Peer Company, as the case may be, contained in its quarterly report on Form 10-Q or its annual report on Form 10-K for the appropriate period.

b. "Book Value Impairment" shall occur if over any two consecutive Quarters each of the following conditions is satisfied: (i) the Company's Book Value declines by 15% or more during the first of such two Quarters and (ii) the Company's Book Value decline from the beginning of such two Quarters to the end of such two Quarters is at least 10%.

c. "Extraordinary Book Value Preservation" shall occur in any Quarter in which each of the following conditions is satisfied: (i) the median change in the Book Value of all Peer Companies (the "Median Book Value Decline") is a decline of 6% or more and (ii) the Company's Book Value either (a) increases or (b) declines by a percentage that is less than 50% of the Median Book Value Decline.

d. "Peer Companies" are the following companies:

- American Capital Agency Corp.;
- Annaly Capital Management;
- Anworth Mortgage Asset Corp.;
- ARMOUR Residential REIT, Inc.;
- Capstead Mortgage Corp.;
- CYS Investments, Inc.;
- Hatteras Financial Corp.; and
- Western Asset Mortgage Capital Corp.

However, if at any time any one of the companies listed above ceases to own a portfolio of Agency residential mortgage-backed securities as its primary business or ceases to file periodic reports under the Securities Exchange Act of 1934, then such company shall cease to be a Peer Company.

e. "Outperform All Peer Companies" shall occur in any Quarter in which each of the following conditions is satisfied: (i) each Peer Company experiences a decline in Book Value and (ii) the Company's Book Value either (a) increases or (b) declines by an amount that is less than the decline experienced by each Peer Company.

f. "Quarter" means any three month period ended March 31, June 30, September 30 or December 31 of a given year.

g. "Vesting Date" means one of the vesting dates set forth in Section 2(a) of the Agreement.

2. Adjustment for Book Value Impairment. If a Book Value Impairment occurs, then the number of unvested Performance Units that are outstanding as of the last day of the two Quarter period in which the Book Value Impairment has occurred shall be reduced by 15%.

3. Adjustment for Extraordinary Book Value Preservation. If an event of Extraordinary Book Value Preservation occurs, then the number of unvested Performance Units that are outstanding as of the last day of the Quarter in which the Extraordinary Book Value Preservation has occurred shall be increased by 5 basis points for every 1 basis point of difference between the Company's Book Value percentage change and the Median Book Value Decline during such Quarter. For example, if during a Quarter the Company's Book Value declined by 5.5%, the Median Book Value Decline was 6.0% and the number of Performance Units outstanding as of the end of such Quarter was 10,000, then the number of Performance Units outstanding as of the last day of such quarter would be increased by 250 basis points (i.e., 50 basis points times five) representing an additional 250 Performance Units.

4. Adjustment for Outperforming All Peer Companies. If the Company Outperforms All Peer Companies in any Quarter, then the number of unvested Performance Units that are outstanding as of the last day of such Quarter shall increase by 10%.

5. Adjustments on Vesting Dates. If an adjustment to the number of Performance Units is required to be made by this Schedule A effective as of one the Vesting Dates and the amount of such adjustment cannot be calculated on or promptly following the Vesting Date, then the Committee may defer the settlement of the Performance Units that vest on such Vesting Date until such time as the necessary adjustment may be calculated. Such a deferral shall only be a deferral of the date on which the adjustment may be calculated and the vested Performance Units may be settled. In particular, such a deferral shall not extend the Vesting Date or otherwise modify in any way the vesting conditions contained in the Agreement.

6. Authority of the Committee. In accordance with Article III of the Plan, the Committee shall approve all adjustments and make all determinations that may be required to implement the terms and conditions of this Schedule A.

ORCHID ISLAND CAPITAL, INC.

Stock Award Agreement

THIS STOCK AWARD AGREEMENT (the "Agreement"), dated as of the 21st day of January, 2015, governs the Stock Award granted by ORCHID ISLAND CAPITAL, INC., a Maryland corporation (the "Company"), to G. Hunter Haas IV (the "Participant"), in accordance with and subject to the provisions of the Orchid Island Capital, Inc. 2012 Equity Incentive Plan (the "Plan"). A copy of the Plan has been made available to the Participant. All terms used in this Agreement that are defined in the Plan have the same meaning given them in the Plan.

1. **Grant of Stock Award.** In accordance with the Plan, and effective as of January 21st, 2015 (the "Date of Grant"), the Company granted to the Participant, subject to the terms and conditions of the Plan and this Agreement, a Stock Award of 5,096 shares of Common Stock (the "Stock Award").
2. **Vesting.** The shares of Common Stock covered by the Stock Award are immediately vested and are not subject to forfeiture.
3. **Transferability.** Shares of Common Stock covered by the Stock Award are immediately transferable, subject to the requirements of applicable securities laws.
4. **Stockholder Rights.** On and after the Date of Grant, the Participant shall have all of the rights of a stockholder of the Company with respect to the shares of Common Stock covered by the Stock Award.
5. **Withholding Taxes.** In accordance with Section 14.04 of the Plan, the Participant may satisfy any withholding tax obligation that relates to this Stock Award by (i) surrendering to the Company shares of Common Stock previously acquired by the Participant or (ii) authorizing the Company to withhold or reduce the number of shares of Common Stock otherwise issuable to the Participant under this Stock Award.
6. **No Right to Continued Service.** This Agreement and the grant of the Stock Award do not give the Participant any rights with respect to continued service as an executive officer of the Company.
7. **Governing Law.** This Agreement shall be governed by the laws of the State of Maryland except to the extent that Maryland law would require the application of the laws of another state.
8. **Conflicts.** In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and this Agreement, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the Date of Grant.
9. **Participant Bound by Plan.** The Participant hereby acknowledges that a copy of the Plan has been made available to the Participant and the Participant agrees to be bound by all the terms and provisions of the Plan.
10. **Binding Effect.** Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon the Participant and the Participant's successors in interest and the Company and any successors of the Company.

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the date first set forth above.

ORCHID ISLAND CAPITAL, G. Hunter Haas, IV
INC

By: /s/ Robert E. Cauley /s/ G. Hunter Haas, IV
Title CEO

ORCHID ISLAND CAPITAL, INC.

Performance Unit Award Agreement

THIS PERFORMANCE UNIT AWARD AGREEMENT (the "Agreement"), dated as of the 21st day of January, 2015, governs the Performance Unit Award granted by ORCHID ISLAND CAPITAL, INC., a Maryland corporation (the "Company"), to G. Hunter Haas IV (the "Participant"), in accordance with and subject to the provisions of the Orchid Island Capital, Inc. 2012 Equity Incentive Plan (the "Plan"). A copy of the Plan has been made available to the Participant. All terms used in this Agreement that are defined in the Plan have the same meaning given them in the Plan.

1. **Grant of Performance Units; Adjustment to Number of Performance Units.** In accordance with the Plan, and effective as of January 21, 2015 (the "Date of Grant"), the Company granted to the Participant, subject to the terms and conditions of the Plan and this Agreement, an award of 3,378.4 Performance Units (the "Performance Unit Award"). Each Performance Unit, when earned in accordance with Section 2 below, shall be settled by the issuance of one share of Common Stock to the Participant. The number of Performance Units covered by this Performance Unit Award shall be subject to periodic adjustments in accordance with Schedule A attached hereto.
 - (a) **Continued Service.** The Performance Units shall be earned by Participant at the rate of 10% per quarter commencing with the quarter ending March 31, 2016. In particular, one-tenth of the total number of Performance Units covered by this Performance Unit Award (i.e., 337.84 Performance Units), which number shall be adjusted from time to time in accordance with the terms and conditions of Schedule A hereto, shall be earned if the Participant continues to serve as an executive officer of the Company on each of the following dates:
 - March 31, 2016;
 - June 30, 2016;
 - September 30, 2016;
 - December 31, 2016;
 - March 31, 2017;
 - June 30, 2017;
 - September 30, 2017;
 - December 31, 2017;
 - March 31, 2018; and
 - June 30, 2018.
 - (b) **Change in Control.** All of the Performance Units covered by this Performance Unit Award (if not sooner earned) shall be earned on a Control Change Date if the Participant continues to serve as an executive officer of the Company from the Date of Grant until such date.
 - (c) **Death or Disability.** All of the Performance Units covered by this Performance Unit Award (if not sooner earned) shall be earned on the date that the Participant's service as an executive officer of the Company ends if (i) such service ends on account of the Participant's death or permanent and total disability (as defined in Section 22(e)(3) of the Code) and (ii) the Participant continues to serve as an executive officer of the Company from the Date of Grant until the date of such cessation of service as an executive officer of the Company.
 - (c) **Termination.** Except as provided in this Section 2, any Performance Units that have not been earned on or before the date that the Participant's service as an executive officer of the Company ends shall be forfeited on the date that such service terminates. If any Performance Units are reduced as indicated on Schedule A, then the Participant's rights in such Performance Units shall terminate on the date of such adjustment.
3. **Transferability.** Performance Units covered by the Performance Unit cannot be transferred except as permitted by the Plan.
4. **Dividend Equivalent Rights; No Other Stockholder Rights.** The Participant shall have Dividend Equivalent Rights with respect to the Performance Units. The Dividend Equivalent Rights associated with each Performance Unit shall commence on the Date of Grant and shall terminate on the day on which such Performance Unit is either (i) settled by the issuance one share of Common Stock to the Participant or (ii) forfeited in accordance with Section 2 above. Adjustments made pursuant to Schedule A to the number of Performance Units that are covered by this Performance Unit Award shall result in a corresponding adjustment to the Dividend Equivalent Rights that are covered by this Performance Unit Award. The effective date of such adjustment to Dividend Equivalent Rights shall be the date on which the adjustment has been calculated and confirmed by the Committee. Other than Dividend Equivalent Rights, the Performance Units shall not entitle the Participant to any of the rights of a stockholder of the Company.
5. **No Right to Continued Service.** This Agreement and the grant of the Performance Units does not give the Participant any rights with respect to continued service as an executive officer of the Company.
6. **Governing Law.** This Agreement shall be governed by the laws of the State of Maryland except to the extent that Maryland law would require the application of the laws of another state.
7. **Conflicts.** In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and this Agreement, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the Date of Grant.

8. Participant Bound by Plan. The Participant hereby acknowledges that a copy of the Plan has been made available to the Participant and the Participant agrees to be bound by all the terms and provisions of the Plan.

9. Binding Effect. Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon the Participant and the Participant's successors in interest and the Company and any successors of the Company.

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the date first set forth above.

ORCHID ISLAND G. Hunter Haas, IV
CAPITAL, INC

By: /s/ Robert E. Cauley /s/ G. Hunter Haas, IV
Title CEO

SCHEDULE A
PERFORMANCE UNIT ADJUSTMENTS

The number of Performance Units covered by the attached Performance Unit Award Agreement shall be adjusted in accordance with the provisions of this Schedule A.

1. Defined Terms. As used in this Schedule A, the following terms shall have the following meanings, unless the context otherwise requires:

a. "Book Value" shall mean book value per share of the Company or a Peer Company, as the case may be, as of the end of a specified Quarter. Book Value shall be determined by reference to financial statements of the Company or a Peer Company, as the case may be, contained in its quarterly report on Form 10-Q or its annual report on Form 10-K for the appropriate period.

b. "Book Value Impairment" shall occur if over any two consecutive Quarters each of the following conditions is satisfied: (i) the Company's Book Value declines by 15% or more during the first of such two Quarters and (ii) the Company's Book Value decline from the beginning of such two Quarters to the end of such two Quarters is at least 10%.

c. "Extraordinary Book Value Preservation" shall occur in any Quarter in which each of the following conditions is satisfied: (i) the median change in the Book Value of all Peer Companies (the "Median Book Value Decline") is a decline of 6% or more and (ii) the Company's Book Value either (a) increases or (b) declines by a percentage that is less than 50% of the Median Book Value Decline.

d. "Peer Companies" are the following companies:

- American Capital Agency Corp.;
- Annaly Capital Management;
- Anworth Mortgage Asset Corp.;
- ARMOUR Residential REIT, Inc.;
- Capstead Mortgage Corp.;
- CYS Investments, Inc.;
- Hatteras Financial Corp.; and
- Western Asset Mortgage Capital Corp.

However, if at any time any one of the companies listed above ceases to own a portfolio of Agency residential mortgage-backed securities as its primary business or ceases to file periodic reports under the Securities Exchange Act of 1934, then such company shall cease to be a Peer Company.

e. "Outperform All Peer Companies" shall occur in any Quarter in which each of the following conditions is satisfied: (i) each Peer Company experiences a decline in Book Value and (ii) the Company's Book Value either (a) increases or (b) declines by an amount that is less than the decline experienced by each Peer Company.

f. "Quarter" means any three month period ended March 31, June 30, September 30 or December 31 of a given year.

g. "Vesting Date" means one of the vesting dates set forth in Section 2(a) of the Agreement.

2. Adjustment for Book Value Impairment. If a Book Value Impairment occurs, then the number of unvested Performance Units that are outstanding as of the last day of the two Quarter period in which the Book Value Impairment has occurred shall be reduced by 15%.

3. Adjustment for Extraordinary Book Value Preservation. If an event of Extraordinary Book Value Preservation occurs, then the number of unvested Performance Units that are outstanding as of the last day of the Quarter in which the Extraordinary Book Value Preservation has occurred shall be increased by 5 basis points for every 1 basis point of difference between the Company's Book Value percentage change and the Median Book Value Decline during such Quarter. For example, if during a Quarter the Company's Book Value declined by 5.5%, the Median Book Value Decline was 6.0% and the number of Performance Units outstanding as of the end of such Quarter was 10,000, then the number of Performance Units outstanding as of the last day of such quarter would be increased by 250 basis points (i.e., 50 basis points times five) representing an additional 250 Performance Units.

4. Adjustment for Outperforming All Peer Companies. If the Company Outperforms All Peer Companies in any Quarter, then the number of unvested Performance Units that are outstanding as of the last day of such Quarter shall increase by 10%.

5. Adjustments on Vesting Dates. If an adjustment to the number of Performance Units is required to be made by this Schedule A effective as of one the Vesting Dates and the amount of such adjustment cannot be calculated on or promptly following the Vesting Date, then the Committee may defer the settlement of the Performance Units that vest on such Vesting Date until such time as the necessary adjustment may be calculated. Such a deferral shall only be a deferral of the date on which the adjustment may be calculated and the vested Performance Units may be settled. In particular, such a deferral shall not extend the Vesting Date or otherwise modify in any way the vesting conditions contained in the Agreement.

6. Authority of the Committee. In accordance with Article III of the Plan, the Committee shall approve all adjustments and make all determinations that may be required to implement the terms and conditions of this Schedule A.