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 March 31, 2018

☐ **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**: 001-35236**

Orchid Island Capital, Inc.
(Exact name of registrant as specified in its charter)

Maryland	**27-3269228**
(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)

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 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, 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 ☒

Number of shares outstanding at April 27, 2018: 53,098,115

ORCHID ISLAND CAPITAL, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS

ORCHID ISLAND CAPITAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
($ in thousands, except per share data)

	(Unaudited) March 31, 2018	December 31, 2017
ASSETS:		
Mortgage-backed securities, at fair value		
Pledged to counterparties	$ 3,643,718	$ 3,712,561
Unpledged	102,066	32,250
Total mortgage-backed securities	3,745,784	3,744,811
Cash and cash equivalents	127,168	214,363
Restricted cash	36,837	32,349
Accrued interest receivable	15,384	14,444
Derivative assets, at fair value	36,179	17,160
Receivable for securities sold, pledged to counterparties	160,919	-
Other assets	427	216
Total Assets	$ 4,122,698	$ 4,023,343
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Repurchase agreements	$ 3,619,280	$ 3,533,786
Payable for unsettled securities purchased	32,054	-
Dividends payable	4,776	7,429
Derivative liabilities, at fair value	2,582	2,038
Accrued interest payable	7,152	6,516
Due to affiliates	796	797
Other liabilities	26,607	10,566
Total Liabilities	3,693,247	3,561,132
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 100,000,000 shares authorized; no shares issued and outstanding as of March 31, 2018 and December 31, 2017	-	-
Common Stock, $0.01 par value; 500,000,000 shares authorized, 53,072,169 shares issued and outstanding as of March 31, 2018 and 53,061,904 shares issued and outstanding as of December 31, 2017	531	531
Additional paid-in capital	445,297	461,680
Accumulated (deficit) retained earnings	(16,377)	-
Total Stockholders' Equity	429,451	462,211
Total Liabilities and Stockholders' Equity	$ 4,122,698	$ 4,023,343

See Notes to Consolidated Financial Statements

ORCHID ISLAND CAPITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
For the Three Months Ended March 31, 2018 and 2017
($ in thousands, except per share data)

	2018	2017
Interest income	$ 39,935	$ 32,311
Interest expense	(15,149)	(6,715)
Net interest income	24,786	25,596
Realized losses on mortgage-backed securities	(8,338)	(1,350)
Unrealized losses on mortgage-backed securities	(71,712)	(14,958)
Gains (losses) on derivative instruments	41,994	(4,419)
Net portfolio (loss) income	(13,270)	4,869
Expenses:		
Management fees	1,712	1,302
Allocated overhead	382	368
Accrued incentive compensation	11	12
Directors' fees and liability insurance	252	276
Audit, legal and other professional fees	296	170
Direct REIT operating expenses	403	231
Other administrative	51	61
Total expenses	3,107	2,420
Net (loss) income	$ (16,377)	$ 2,449
Basic and diluted net (loss) income per share	$ (0.31)	$ 0.07
Weighted Average Shares Outstanding	53,065,845	33,069,064
Dividends declared per common share	$ 0.31	$ 0.42

See Notes to Consolidated Financial Statements

ORCHID ISLAND CAPITAL, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
For the Three Months Ended March 31, 2018
($ in thousands, except per share data)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Total
Balances, January 1, 2018	$ 531	$ 461,680	$ -	$ 462,211
Net loss	-	-	(16,377)	(16,377)
Cash dividends declared, $0.31 per share	-	(16,463)	-	(16,463)
Issuance of common stock pursuant to stock based compensation plan	-	35	-	35
Amortization of stock based compensation	-	45	-	45
Balances, March 31, 2018	$ 531	$ 445,297	$ (16,377)	$ 429,451

See Notes to Consolidated Financial Statements

ORCHID ISLAND CAPITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
For the Three Months Ended March 31, 2018 and 2017
($ in thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (16,377)	$ 2,449
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Stock based compensation	80	243
Realized and unrealized losses on mortgage-backed securities	80,050	16,308
Realized and unrealized gains on interest rate swaptions	(1,717)	-
Realized and unrealized gains on interest rate swaps	(11,576)	(1,534)
Realized gains on forward settling to-be-announced securities	(8,407)	-
Changes in operating assets and liabilities:		
Accrued interest receivable	(1,105)	(1,676)
Other assets	(251)	(417)
Accrued interest payable	636	164
Other liabilities	218	1,819
Due (from) to affiliates	(1)	262
NET CASH PROVIDED BY OPERATING ACTIVITIES	41,550	17,618
CASH FLOWS FROM INVESTING ACTIVITIES:		
From mortgage-backed securities investments:		
Purchases	(517,829)	(1,737,240)
Sales	228,691	1,407,673
Principal repayments	78,720	73,298
Redemption of FHLB stock	-	3
Proceeds from net settlement of to-be-announced securities	9,161	1,119
Purchase of derivative financial instruments, net of margin cash received	10,622	-
NET CASH USED IN INVESTING ACTIVITIES	(190,635)	(255,147)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from repurchase agreements	13,098,449	11,947,907
Principal payments on repurchase agreements	(13,012,955)	(11,691,004)
Cash dividends	(19,116)	(13,869)
Proceeds from issuance of common stock, net of issuance costs	-	12,793
NET CASH PROVIDED BY FINANCING ACTIVITIES	66,378	255,827
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(82,707)	18,298
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of the period	246,712	94,425
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of the period	$ 164,005	$ 112,723
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 14,513	$ 6,551
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:		
Securities acquired settled in later period	$ 32,054	$ -
Securities sold settled in later period	159,300	-

See Notes to Consolidated Financial Statements

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Business Description

Orchid Island Capital, Inc. ("Orchid" or the "Company"), was incorporated in Maryland on August 17, 2010 for the purpose of creating and managing a leveraged investment portfolio consisting of residential mortgage-backed securities ("RMBS"). From incorporation to February 20, 2013 Orchid was a wholly owned subsidiary of Bimini Capital Management, Inc. ("Bimini"). Orchid began operations on November 24, 2010 (the date of commencement of operations). From incorporation through November 24, 2010, Orchid's only activity was the issuance of common stock to Bimini.

On February 20, 2013, Orchid completed the initial public offering ("IPO") of its common stock in which it sold approximately 2.4 million shares of its common stock and raised gross proceeds of $35.4 million, which were invested in RMBS that were issued and the principal and interest of which were guaranteed by a federally chartered corporation or agency ("Agency RMBS") on a leveraged basis. Orchid is an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act").

On July 29, 2016, Orchid entered into an equity distribution agreement (the "July 2016 Equity Distribution Agreement") with two sales agents pursuant to which the Company could offer and sell, from time to time, up to an aggregate amount of $125,000,000 of shares of the Company's common stock in transactions that were deemed to be "at the market" offerings and privately negotiated transactions. The Company issued a total of 10,174,992 shares under the July 2016 Equity Distribution Agreement for aggregate gross proceeds of $110.0 million, and net proceeds of approximately $108.2 million, net of commissions and fees, prior to its termination in February 2017.

On February 23, 2017, Orchid entered into another equity distribution agreement, as amended and restated on May 10, 2017, (the "May 2017 Equity Distribution Agreement") with two sales agents pursuant to which the Company may offer and sell, from time to time, up to an aggregate amount of $125,000,000 of shares of the Company's common stock in transactions that are deemed to be "at the market" offerings and privately negotiated transactions. The Company issued a total of 12,299,032 shares under the May 2017 Equity Distribution Agreement for aggregate gross proceeds of $125.0 million, and net proceeds of approximately $122.9 million, net of commissions and fees, prior to its termination in August 2017.

On August 2, 2017, Orchid entered into another equity distribution agreement (the "August 2017 Equity Distribution Agreement") with two sales agents pursuant to which the Company may offer and sell, from time to time, up to an aggregate amount of $125,000,000 of shares of the Company's common stock in transactions that are deemed to be "at the market" offerings and privately negotiated transactions. Through March 31, 2018, the Company issued a total of 7,746,052 shares under the August 2017 Equity Distribution Agreement for aggregate gross proceeds of approximately $76.0 million, and net proceeds of approximately $74.7 million, net of commissions and fees.

Basis of Presentation and Use of Estimates

The accompanying unaudited 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 do not include all of the information and footnotes required by GAAP for complete financial statements. The consolidated financial statements include the accounts of our wholly-owned subsidiary, Orchid Island Casualty, LLC. Significant intercompany accounts and transactions have been eliminated. 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 three month period ended March 31, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

The balance sheet at December 31, 2017 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 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, 2017.

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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates affecting the accompanying financial statements are the fair values of RMBS and derivatives.

Statement of Comprehensive Income (Loss)

In accordance with the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") Topic 220, *Comprehensive Income*, a statement of comprehensive income (loss) has not been included as the Company has no items of other comprehensive income (loss). Comprehensive income (loss) is the same as net income (loss) for the periods presented.

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 other borrowings, and interest rate swaps and other derivative instruments.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

(in thousands)

	March 31, 2018	December 31, 2017
Cash and cash equivalents	$ 127,168	$ 214,363
Restricted cash	36,837	32,349
Total cash, cash equivalents and restricted cash	$ 164,005	$ 246,712

The Company maintains cash balances at four banks and excess margin on account at derivative exchanges, and, 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. At March 31, 2018, the Company's cash deposits exceeded federally insured limits by approximately $125.4 million. Restricted cash balances are uninsured, but are held in separate customer accounts that are segregated from the general funds of the counterparty. The Company limits uninsured balances to only large, well-known bank and derivative exchanges and believes that it is not exposed to any significant credit risk on cash and cash equivalents or restricted cash balances.

Mortgage-Backed Securities

The Company invests primarily in mortgage pass-through ("PT") certificates, collateralized mortgage obligations, and interest-only ("IO") securities and inverse interest-only ("IIO") securities representing interest in or obligations backed by pools of RMBS. The Company has elected to account for its investment in RMBS 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 our operations for a particular reporting period and is consistent with the underlying economics and how the portfolio is managed.

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

The fair value of the Company's investments in RMBS is governed by FASB ASC 820, *Fair Value Measurement*. The definition of fair value in FASB ASC 820 focuses on 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 RMBS are based on independent pricing sources and/or third party broker quotes, when available.

Income on PT RMBS securities 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 (losses) on RMBS 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 from the reporting period 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 RMBS 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.

Derivative Financial Instruments

The Company uses 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 to date are Treasury Note ("T-Note") and Eurodollar futures contracts, interest rate swaps, options to enter in interest rate swaps ("interest rate swaptions") and "to-be-announced" ("TBA") securities transactions, but may enter into other derivatives in the future.

The Company purchases a portion of its Agency RMBS through forward settling transactions, including TBA securities transactions. At times when market conditions are conducive, the Company may choose to move the settlement of these TBA securities transactions out to a later date by entering into an offsetting short position, which is then net settled for cash, and simultaneously entering into a substantially similar TBA securities trade for a later settlement date. Such a set of transactions is referred to as a TBA "dollar roll" transaction. The TBA securities purchased at the later settlement date are typically priced at a discount to securities for settlement in the current month. This difference is referred to as the "price drop." The price drop represents compensation to the Company for foregoing net interest margin and is referred to as TBA "dollar roll income."

The Company accounts for TBA securities as derivative instruments if either the TBA securities do not settle in the shortest period of time possible or if the Company cannot assert that it is probable at inception of the TBA transaction, or throughout its term, that it will take physical delivery of the Agency RMBS for a long position, or make delivery of the Agency RMBS for a short position, upon settlement of the trade. The Company accounts for TBA dollar roll transactions as a series of derivative transactions. Gains, losses and dollar roll income associated with TBA securities transactions and dollar roll transactions are reported in gain (loss) on derivative instruments in the accompanying consolidated statements of operations. The fair value of TBA securities is estimated based on similar methods used to value RMBS securities.

The Company has elected not to treat any of its derivative financial instruments as hedges in order to align the accounting treatment of its derivative instruments with the treatment of its portfolio assets under the fair value option election. FASB ASC Topic 815, *Derivatives and Hedging*, requires that all derivative instruments be carried at fair value. Changes in fair value are recorded in earnings for each period.

Holding derivatives creates exposure to credit risk related to the potential for failure on the part of counterparties and exchanges to honor their commitments. In addition, the Company may be required to post collateral based on any declines in the market value of the derivatives. 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. To mitigate this risk, the Company uses only well-established commercial banks and exchanges as counterparties.

Financial Instruments

FASB ASC 825, *Financial Instruments*, requires disclosure of the fair value of financial instruments for which it is practicable to estimate that value, either in the body of the financial statements or in the accompanying notes. RMBS, Eurodollar and T-Note futures contracts, interest rate swaps, interest rate swaptions and TBA securities 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, receivable for securities sold, other assets, due to affiliates, repurchase agreements, payable for unsettled securities purchased, accrued interest payable and other liabilities generally approximates their carrying values as of March 31, 2018 and December 31, 2017 due to the short-term nature of these financial instruments.

Repurchase Agreements

The Company finances the acquisition of the majority of its RMBS through the use of repurchase agreements under master repurchase agreements. Pursuant to ASC Topic 860, *Transfers and Servicing*, the Company accounts for repurchase transactions as collateralized financing transactions, which are carried at their contractual amounts, including accrued interest, as specified in the respective agreements.

Manager Compensation

The Company is externally managed by Bimini Advisors, LLC (the "Manager" or "Bimini Advisors"), a Maryland limited liability company and wholly-owned subsidiary of Bimini. The Company's management agreement with the Manager provides for payment to the Manager of a management fee and reimbursement of certain operating expenses, which are accrued and expensed during the period for which they are earned or incurred. Refer to Note 13 for the terms of the management agreement.

Earnings Per Share

The Company follows the provisions of FASB ASC 260, *Earnings Per Share*. Basic earnings per share ("EPS") is calculated as net income or loss attributable to common stockholders divided by the weighted average number of shares of common stock outstanding or subscribed during the period. Diluted EPS is calculated using the treasury stock or two-class method, as applicable, for common stock equivalents, if any. However, the common stock equivalents are not included in computing diluted EPS if the result is anti-dilutive.

Income Taxes

Orchid has qualified and elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). REITs are generally not subject to federal income tax on their REIT taxable income provided that they distribute to their stockholders at least 90% of their REIT taxable income on an annual basis. In addition, a REIT must meet other provisions of the Code to retain its tax status.

Orchid measures, recognizes and presents its uncertain tax positions in accordance with FASB ASC 740, *Income Taxes*. Under that guidance, Orchid assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. All of Orchid's tax positions are categorized as highly certain. There is no accrual for any tax, interest or penalties related to Orchid's tax position assessment. The measurement of uncertain tax positions is adjusted when new information is available, or when an event occurs that requires a change.

Recent Accounting Pronouncements

In November 2016, the FASB issued Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows – (Topic 230): Restricted Cash.* ASU 2016-18 requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. ASU 2016-18 is effective for fiscal years, and for interim periods within those years, beginning after December 15, 2017. Early application is permitted. The Company early adopted the ASU beginning with the first quarter of 2017.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows – (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. ASU 2016-15 is effective for fiscal years, and for interim periods within those years, beginning after December 15, 2017. The Company's adoption of this ASU did not have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* ASU 2016-13 requires credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model (referred to as the current expected credit loss model). ASU 2016-13 is effective for fiscal years, and for interim periods within those years, beginning after December 15, 2019. Early application is permitted for fiscal periods beginning after December 15, 2018. The Company is currently evaluating the potential effect of this ASU on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 provides guidance for the recognition, measurement, presentation and disclosure of financial assets and financial liabilities. ASU 2016-01 is effective for fiscal years, and for interim periods within those years, beginning after December 15, 2017 and, for most provisions, is effective using the cumulative-effect transition approach. The Company's adoption of this ASU did not have a material impact on its consolidated financial statements.

NOTE 2. MORTGAGE-BACKED SECURITIES

The following table presents the Company's RMBS portfolio as of March 31, 2018 and December 31, 2017:

(in thousands)

	March 31, 2018	December 31, 2017
Pass-Through RMBS Certificates:		
Hybrid Adjustable-rate Mortgages	$ 26,482	$ 27,398
Adjustable-rate Mortgages	1,754	1,754
Fixed-rate Mortgages	3,569,133	3,594,533
Total Pass-Through Certificates	3,597,369	3,623,685
Structured RMBS Certificates:		
Interest-Only Securities	120,199	86,918
Inverse Interest-Only Securities	28,216	34,208
Total Structured RMBS Certificates	148,415	121,126
Total	$ 3,745,784	$ 3,744,811

The following table summarizes the Company's RMBS portfolio as of March 31, 2018 and December 31, 2017, according to the contractual maturities of the securities in the portfolio. Actual maturities of RMBS investments are generally shorter than stated contractual maturities and are affected by the contractual lives of the underlying mortgages, periodic payments of principal, and prepayments of principal.

(in thousands)

	March 31, 2018	December 31, 2017
Greater than one year and less than five years	$ 15	$ 29
Greater than five years and less than ten years	3,049	3,281
Greater than or equal to ten years	3,742,720	3,741,501
Total	$ 3,745,784	$ 3,744,811

The Company generally pledges its RMBS assets as collateral under repurchase agreements. At March 31, 2018 and December 31, 2017, the Company had unpledged securities totaling $102.1 million and $32.3 million, respectively. The unpledged balance at March 31, 2018 includes unsettled security purchases with a fair value of approximately $14.6 million that will be pledged as collateral under repurchase agreements on their respective settlement dates in April 2018.

NOTE 3. REPURCHASE AGREEMENTS AND OTHER BORROWINGS

The Company pledges certain of its RMBS 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 March 31, 2018, the Company had met all margin call requirements.

As of March 31, 2018, the Company had outstanding repurchase obligations of approximately $3,619.3 million with a net weighted average borrowing rate of 1.86%. These agreements were collateralized by RMBS with a fair value, including accrued interest and securities pledged related to securities sold but not yet settled, of approximately $3,818.6 million, and cash pledged to the counterparties of approximately $28.6 million. As of December 31, 2017, the Company had outstanding repurchase obligations of approximately $3,533.8 million with a net weighted average borrowing rate of 1.54%. These agreements were collateralized by RMBS with a fair value, including accrued interest, of approximately $3,726.5 million, and cash pledged to the counterparties of approximately $25.3 million.

As of March 31, 2018 and 2017, 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
March 31, 2018					
Fair market value of securities pledged, including accrued interest receivable	$ -	$ 2,263,087	$ 1,096,463	$ 459,040	$ 3,818,590
Repurchase agreement liabilities associated with these securities	$ -	$ 2,127,683	$ 1,038,162	$ 453,435	$ 3,619,280
Net weighted average borrowing rate	-	1.91%	1.88%	1.57%	1.86%
December 31, 2017					
Fair market value of securities pledged, including accrued interest receivable	$ -	$ 1,983,958	$ 1,266,590	$ 475,975	$ 3,726,523
Repurchase agreement liabilities associated with these securities	$ -	$ 1,871,833	$ 1,208,518	$ 453,435	$ 3,533,786
Net weighted average borrowing rate	-	1.53%	1.53%	1.57%	1.54%

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. At March 31, 2018, the Company had an aggregate amount at risk (the difference between the amount loaned to the Company, including interest payable and securities posted by the counterparty (if any), and the fair value of securities and cash pledged (if any), including accrued interest on such securities) with all counterparties of approximately $220.7 million. The Company did not have an amount at risk with any individual counterparty greater than 10% of the Company's equity at March 31, 2018 and December 31, 2017.

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS

In connection with its interest rate risk management strategy, the Company economically hedges a portion of the cost of its repurchase agreement funding by entering into derivatives and other hedging contracts. To date, the Company has entered into Eurodollar and T-Note futures contracts, interest rate swaps, and interest rate swaptions, but may enter into other contracts in the future. The Company has not elected hedging treatment under GAAP, and as such all gains or losses (realized and unrealized) on these instruments are reflected in earnings for all periods presented.

In addition, the Company utilizes TBA securities as a means of investing in and financing Agency RMBS or as a means of reducing its exposure to Agency RMBS. The Company accounts for TBA securities as derivative instruments if either the TBA securities do not settle in the shortest period of time possible or if the Company cannot assert that it is probable at inception and throughout the term of the TBA securities that it will take physical delivery of the Agency RMBS for a long position, or make delivery of the Agency RMBS for a short position, upon settlement of the trade.

Derivative Assets (Liabilities), at Fair Value

The table below summarizes fair value information about our derivative assets and liabilities as of March 31, 2018 and December 31, 2017.

(in thousands)

Derivative Instruments and Related Accounts	Balance Sheet Location	March 31, 2018	December 31, 2017
Assets			
Interest rate swaps	Derivative assets, at fair value	$ 25,107	$ 13,745
Payer swaptions	Derivative assets, at fair value	10,296	3,405
Receiver swaptions	Derivative assets, at fair value	760	-
TBA securities	Derivative assets, at fair value	16	10
Total derivative assets, at fair value		$ 36,179	$ 17,160
Liabilities			
Interest rate swaps	Derivative liabilities, at fair value	$ -	$ 215
TBA securities	Derivative liabilities, at fair value	2,582	1,823
Total derivative liabilities, at fair value		$ 2,582	$ 2,038
Margin Balances Posted to (from) Counterparties			
Futures contracts	Restricted cash	$ 5,415	$ 5,545
TBA securities	Restricted cash	2,857	1,508
TBA securities	Other liabilities	-	(59)
Interest rate swaption contracts	Other liabilities	(7,169)	(3,505)
Total margin balances on derivative contracts		$ 1,103	$ 3,489

Eurodollar and T-Note futures are cash settled futures contracts on an interest rate, with gains and losses credited or charged to the Company's cash accounts on a daily basis. A minimum balance, or "margin", is required to be maintained in the account on a daily basis. The tables below present information related to the Company's Eurodollar and T-Note futures positions at March 31, 2018 and December 31, 2017.

($ in thousands)

	March 31, 2018			
Expiration Year	Average Contract Notional Amount	Weighted Average Entry Rate	Weighted Average Effective Rate	Open Equity[1]
Eurodollar Futures Contracts (Short Positions)				
2018	$ 1,333,333	1.92%	2.40%	$ 4,743
2019	1,500,000	2.16%	2.69%	8,060
2020	1,500,000	2.64%	2.81%	2,480
Total / Weighted Average	$ 1,454,545	2.28%	2.66%	$ 15,283
Treasury Note Futures Contracts (Short Position)[2]				
June 2018 5-year T-Note futures				
(June 2018 - June 2023 Hedge Period)	$ 165,000	2.94%	2.87%	$ (472)

($ in thousands)

	December 31, 2017			
Expiration Year	**Average Contract Notional Amount**	**Weighted Average Entry Rate**	**Weighted Average Effective Rate**	**Open Equity**[(1)]
Eurodollar Futures Contracts (Short Positions)				
2018	$ 1,212,500	1.86%	1.98%	$ 1,418
2019	1,350,000	2.11%	2.27%	2,152
2020	987,500	2.59%	2.36%	(2,360)
Total / Weighted Average	$ 1,183,333	2.16%	2.20%	$ 1,210
Treasury Note Futures Contracts (Short Position)[(2)]				
March 2018 10 year T-Note futures				
(Mar 2018 - Mar 2028 Hedge Period)	$ 140,000	2.23%	2.33%	$ 755

(1) Open equity represents the cumulative gains (losses) recorded on open futures positions from inception.
(2) T-Note futures contracts were valued at a price of $114.46 at March 31, 2018 and $124.05 at December 31, 2017. The notional contract values of the short positions were $188.9 million and $173.7 million at March 31, 2018 and December 31, 2017, respectively.

Under our interest rate swap agreements, we typically pay a fixed rate and receive a floating rate based on the London Interbank Offered Rate ("LIBOR") ("payer swaps"). The floating rate we receive under our swap agreements has the effect of offsetting the repricing characteristics of our repurchase agreements and cash flows on such liabilities. We are typically required to post collateral on our interest rate swap agreements. The table below presents information related to the Company's interest rate swap positions at March 31, 2018 and December 31, 2017.

($ in thousands)

	Notional Amount	**Average Fixed Pay Rate**	**Average Receive Rate**	**Net Estimated Fair Value**	**Average Maturity (Years)**
March 31, 2018					
Expiration > 1 to ≤ 3 years	$ 650,000	1.09%	1.81%	$ 17,232	1.8
Expiration > 3 to ≤ 5 years	360,000	2.05%	2.03%	7,875	4.0
	$ 1,010,000	1.43%	1.89%	$ 25,107	2.6
December 31, 2017					
Expiration > 1 to ≤ 3 years	$ 650,000	1.09%	1.31%	$ 10,318	2.1
Expiration > 3 to ≤ 5 years	360,000	2.05%	1.32%	(2,216)	4.3
	$ 1,010,000	1.43%	1.31%	$ 8,102	2.8

The table below presents information related to the Company's interest rate swaption positions at March 31, 2018 and December 31, 2017.

($ in thousands)

	Option			Underlying Swap			
Expiration	**Cost**	**Fair Value**	**Weighted Average Months to Expiration**	**Notional Amount**	**Average Fixed Rate**	**Average Adjustable Rate (LIBOR)**	**Weighted Average Term (Years)**
March 31, 2018							
≤ 1 year							
Payer Swaptions	$ 11,062	$ 10,296	9.3	$ 750,000	3.00%	3 Month	9.2
Receiver Swaptions	820	760	10.4	100,000	2.60%	3 Month	5.0
December 31, 2017							
≤ 1 year							
Payer Swaptions	$ 2,367	$ 3,405	8.0	$ 200,000	2.16%	3 Month	6.0

The following table summarizes our contracts to purchase and sell TBA securities as of March 31, 2018 and December 31, 2017.

($ in thousands)

	Notional Amount Long (Short)(1)	**Cost Basis(2)**	**Market Value(3)**	**Net Carrying Value(4)**
March 31, 2018				
30-Year TBA securities:				
3.0%	$ (400,000)	$ (387,621)	$ (390,187)	$ (2,566)
December 31, 2017				
30-Year TBA securities:				
3.0%	$ (300,000)	$ (299,371)	$ (300,153)	$ (782)
4.0%	(357,000)	(373,403)	(373,477)	(74)
4.5%	356,556	380,371	379,414	(957)
Total	$ (300,444)	$ (292,403)	$ (294,216)	$ (1,813)

(1) Notional amount represents the par value (or principal balance) of the underlying Agency RMBS.
(2) Cost basis represents the forward price to be paid (received) for the underlying Agency RMBS.
(3) Market value represents the current market value of the TBA securities (or of the underlying Agency RMBS) as of period-end.
(4) Net carrying value represents the difference between the market value and the cost basis of the TBA securities as of period-end and is reported in derivative assets (liabilities), at fair value in our consolidated balance sheets.

Gain (Loss) From Derivative Instruments, Net

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of operations for the three months ended March 31, 2018 and 2017.

(in thousands)

	Three Months Ended March 31, 2018	2017
Eurodollar futures contracts (short positions)	$ 14,541	$ (571)
T-Note futures contracts (short position)	6,821	(3,851)
Interest rate swaps	10,508	3
Receiver swaptions	(349)	-
Payer swaptions	2,066	-
Net TBA securities	8,407	-
Total	$ 41,994	$ (4,419)

Credit Risk-Related Contingent Features

The use of derivatives creates exposure to credit risk relating to potential losses that could be recognized in the event that the counterparties to these instruments fail to perform their obligations under the contracts. We minimize this risk by limiting our counterparties for instruments which are not centrally cleared on a registered exchange to major financial institutions with acceptable credit ratings and monitoring positions with individual counterparties. In addition, we may be required to pledge assets as collateral for our derivatives, whose amounts vary over time based on the market value, notional amount and remaining term of the derivative contract. In the event of a default by a counterparty, we may not receive payments provided for under the terms of our derivative agreements, and may have difficulty obtaining our assets pledged as collateral for our derivatives. The cash and cash equivalents pledged as collateral for our derivative instruments are included in restricted cash on our consolidated balance sheets.

NOTE 5. PLEDGED ASSETS

Assets Pledged to Counterparties

The table below summarizes our assets pledged as collateral under our repurchase agreements and derivative agreements by type, including securities pledged related to securities sold but not yet settled, as of March 31, 2018 and December 31, 2017.

(in thousands)

	March 31, 2018			December 31, 2017		
Assets Pledged to Counterparties	**Repurchase Agreements**	**Derivative Agreements**	**Total**	**Repurchase Agreements**	**Derivative Agreements**	**Total**
PT RMBS - fair value	$ 3,529,357	$ -	$ 3,529,357	$ 3,612,244	$ -	$ 3,612,244
Structured RMBS - fair value	114,361	-	114,361	100,317	-	100,317
Accrued interest on pledged securities	14,568	-	14,568	13,962	-	13,962
Receivable for securities sold	160,304	-	160,304	-	-	-
Restricted cash	28,565	8,272	36,837	25,296	7,053	32,349
Total	$ 3,847,155	$ 8,272	$ 3,855,427	$ 3,751,819	$ 7,053	$ 3,758,872

Assets Pledged from Counterparties

The table below summarizes our assets pledged to us from counterparties under our repurchase agreements as of March 31, 2018 and December 31, 2017.

(in thousands)

	March 31, 2018			December 31, 2017		
Assets Pledged to Orchid	**Repurchase Agreements**	**Derivative Agreements**	**Total**	**Repurchase Agreements**	**Derivative Agreements**	**Total**
Cash	$ 1,146	$ 7,169	$ 8,315	$ 67	$ 3,564	$ 3,631
PT RMBS - fair value	548	-	548	-	-	-
U.S. Treasury securities - fair value	1,077	-	1,077	-	-	-
Total	$ 2,771	$ 7,169	$ 9,940	$ 67	$ 3,564	$ 3,631

PT RMBS and U.S. Treasury securities received as margin under our repurchase agreements are not recorded in the consolidated balance sheets because the counterparty retains ownership of the security. Cash received as margin is recognized in cash and cash equivalents with a corresponding amount recognized as an increase in repurchase agreements or other liabilities in the consolidated balance sheets.

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 table presents information regarding those assets and liabilities subject to such arrangements as if the Company had presented them on a net basis as of March 31, 2018 and December 31, 2017.

(in thousands)

Offsetting of Assets						
				Gross Amount Not Offset in the Consolidated Balance Sheet		
	Gross Amount of Recognized Assets	**Gross Amount Offset in the Consolidated Balance Sheet**	**Net Amount of Assets Presented in the Consolidated Balance Sheet**	**Financial Instruments Received as Collateral**	**Cash Received as Collateral**	**Net Amount**
March 31, 2018						
Interest rate swaps	$ 25,107	$ -	$ 25,107	$ -	$ -	$ 25,107
Interest rate swaptions	11,056	-	11,056	-	(7,169)	3,887
TBA securities	16	-	16	-	-	16
	$ 36,179	$ -	$ 36,179	$ -	$ (7,169)	$ 29,010
December 31, 2017						
Interest rate swaps	$ 13,745	$ -	$ 13,745	$ -	$ -	$ 13,745
Interest rate swaptions	3,405	-	3,405	-	(3,405)	-
TBA securities	10	-	10	-	(10)	-
	$ 17,160	$ -	$ 17,160	$ -	$ (3,415)	$ 13,745

(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 Assets Presented in the Consolidated Balance Sheet	Financial Instruments Posted as Collateral	Cash Posted Collateral	Net Amount
March 31, 2018						
Repurchase Agreements	$ 3,619,280	$ -	$ 3,619,280	$ (3,590,715)	$ (28,565)	$ -
TBA securities	2,582	-	2,582	-	(2,582)	-
	$ 3,621,862	$ -	$ 3,621,862	$ (3,590,715)	$ (31,147)	$ -
December 31, 2017						
Repurchase Agreements	$ 3,533,786	$ -	$ 3,533,786	$ (3,508,490)	$ (25,296)	$ -
Interest rate swaps	215	-	215	-	-	215
TBA securities	1,823	-	1,823	-	(1,508)	315
	$ 3,535,824	$ -	$ 3,535,824	$ (3,508,490)	$ (26,804)	$ 530

The amounts disclosed for collateral received by or posted to the same counterparty up to and not exceeding the net amount of the asset or liability presented in the consolidated balance sheets. 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 or received against or for repurchase obligations and derivative instruments.

NOTE 7. CAPITAL STOCK

Common Stock Issuances

During 2017, the Company completed the following public offerings of shares of its common stock. There were no common stock issuances through public offerings during the three months ended March 31, 2018 and September 30, 2017.

($ in thousands, except per share amounts)

		Book Value Per Share				
Type of Offering	Period	Beginning	Ending	Weighted Average Price Received Per Share(1)	Shares	Net Proceeds(2)
2017						
At the Market Offering Program(3)	First Quarter	$ 10.10	$ 9.75	$ 10.13	1,286,196	$ 12,792
At the Market Offering Program(3)	Second Quarter	9.75	9.23	10.17	11,012,836	110,065
At the Market Offering Program(3)	Fourth Quarter	9.15	8.71	9.81	7,746,052	74,750
					20,045,084	$ 197,607

(1) Weighted average price received per share is before deducting the underwriters' discount, if applicable, and other offering costs.
(2) Net proceeds are net of the underwriters' discount, if applicable, and other offering costs.
(3) The Company has entered into six equity distribution agreements, five of which have either been terminated because all shares were sold or were replaced with a subsequent agreement.

Stock Repurchase Program

On July 29, 2015, the Company's Board of Directors authorized the repurchase of up to 2,000,000 shares of the Company's common stock. On February 8, 2018, the Board of Directors approved an increase in the stock repurchase program for up to an additional 4,522,822 shares of the Company's common stock. As part of the stock repurchase program, shares may be purchased in open market transactions, including through block purchases, through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Open market repurchases will be made in accordance with Exchange Act Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of open market stock repurchases. The timing, manner, price and amount of any repurchases will be determined by the Company in its discretion and will be subject to economic and market conditions, stock price, applicable legal requirements and other factors. The authorization does not obligate the Company to acquire any particular amount of common stock and the program may be suspended or discontinued at the Company's discretion without prior notice.

From the inception of the stock repurchase program through March 31, 2018, the Company repurchased a total of 1,216,243 shares at an aggregate cost of approximately $10.8 million, including commissions and fees, for a weighted average price of $8.92 per share. No shares were repurchased during the year ended December 31, 2017 or the three months ended March 31, 2018. As of March 31, 2018, the remaining authorization under the repurchase program is for up to 5,306,579 shares of the Company's common stock.

Cash Dividends

The table below presents the cash dividends declared on the Company's common stock.

(in thousands, except per share amounts)

Year	Per Share Amount	Total
2013	$ 1.395	$ 4,662
2014	2.160	22,643
2015	1.920	38,748
2016	1.680	41,388
2017	1.680	70,717
2018 - YTD(1)	0.400	21,249
Totals	$ 9.235	$ 199,407

(1) On April 11, 2018, the Company declared a dividend of $0.09 per share to be paid on May 10, 2018. The effect of this dividend is included in the table above, but is not reflected in the Company's financial statements as of March 31, 2018.

NOTE 8. STOCK INCENTIVE PLAN

In October 2012, the Company's Board of Directors adopted and Bimini, then the Company's sole stockholder, approved, the Orchid Island Capital, Inc. 2012 Equity Incentive Plan (the "Incentive Plan") to recruit and retain employees, directors and other service providers, including employees of the Manager and other affiliates. The Incentive Plan provides for the award of stock options, stock appreciation rights, stock award, performance units, other equity-based awards (and dividend equivalents with respect to awards of performance units and other equity-based awards) and incentive awards. The Incentive Plan is administered by the Compensation Committee of the Company's Board of Directors except that the Company's full Board of Directors will administer awards made to directors who are not employees of the Company or its affiliates. The Incentive Plan provides for awards of up to an aggregate of 10% of the issued and outstanding shares of our common stock (on a fully diluted basis) at the time of the awards, subject to a maximum aggregate 4,000,000 shares of the Company's common stock that may be issued under the Incentive Plan.

Restricted Stock Awards

The table below presents information related to the Company's restricted common stock at March 31, 2018 and 2017.

($ in thousands, except per share data)

	Three Months Ended March 31, 2018		2017	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Unvested, beginning of period	-	$ -	8,000	$ 12.23
Granted	-	-	-	-
Vested and issued	-	-	-	-
Unvested, end of period	-	$ -	8,000	$ 12.23
Compensation expense during period		$ -		$ 24
Unrecognized compensation expense, end of period		$ -		$ 8
Intrinsic value, end of period		$ -		$ 80
Weighted-average remaining vesting term (in years)		-		0.1

Stock Awards

The Company issues immediately vested common stock under the Incentive Plan to certain executive officers, employees and directors. The following table presents information related to fully vested common stock issued during the three months ended March 31, 2018 and 2017. All of the fully vested shares of common stock issued during the three months ended March 31, 2018 and 2017, and the related compensation expense, were granted with respect to service performed during the previous fiscal year.

($ in thousands, except per share data)

	Three Months Ended March 31, 2018	2017
Fully vested shares granted	3,886	17,335
Weighted average grant date price per share	$ 9.28	$ 9.67
Compensation expense related to fully vested shares of common stock awards	$ 36	$ 168

Performance Units

The Company may issue performance units under the Incentive Plan to certain executive officers and employees. "Performance Units" vest after the end of a defined performance period, based on satisfaction of the performance conditions set forth in the performance unit agreement. When earned, each Performance Unit will be settled by the issuance of one share of the Company's common stock, at which time the Performance Unit will be cancelled. The Performance Units contain dividend equivalent rights which entitle the Participants to receive distributions declared by the Company on common stock, but do not include the right to vote the shares. Performance Units are subject to forfeiture should the participant no longer serve as an executive officer or employee for the Company. Compensation expense for the Performance Units are recognized over the remaining vesting period once it becomes probable that the performance conditions will be achieved.

The following table presents information related to Performance Units outstanding during the three months ended March 31, 2018 and 2017.

($ in thousands, except per share data)

	Three Months Ended March 31,			
	2018		2017	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Unvested, beginning of period	41,693	$ 9.95	45,305	$ 10.33
Granted	-	-	15,707	9.55
Vested and issued	(6,406)	10.28	(4,830)	10.52
Unvested, end of period	35,287	$ 9.89	56,182	$ 10.10
Compensation expense during period		$ 45		$ 62
Unrecognized compensation expense, end of period		$ 121		$ 344
Intrinsic value, end of period		$ 260		$ 561
Weighted-average remaining vesting term (in years)		0.9		1.5

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. Management is not aware of any reported or unreported contingencies at March 31, 2018.

NOTE 10. INCOME TAXES

The Company will generally not be subject to federal income tax on its REIT taxable income to the extent that it distributes its REIT taxable income to its stockholders and satisfies the ongoing REIT requirements, including meeting certain asset, income and stock ownership tests. A REIT must generally distribute at least 90% of its REIT taxable income to its stockholders, of which 85% generally must be distributed within the taxable year, in order to avoid the imposition of an excise tax. The remaining balance may be distributed up to the end of the following taxable year, provided the REIT elects to treat such amount as a prior year distribution and meets certain other requirements.

NOTE 11. EARNINGS PER SHARE (EPS)

The Company had dividend eligible shares of restricted common stock and Performance Units that were outstanding during the three months ended March 31, 2018 and 2017. The basic and diluted per share computations include these unvested shares of restricted common stock and performance units if there is income available to common stock, as they have dividend participation rights. The shares of restricted common stock and Performance Units have no contractual obligation to share in losses. Because there is no such obligation, the shares of restricted common stock and Performance Units are not included in the basic and diluted EPS computations when no income is available to common stock even though they are considered participating securities.

The table below reconciles the numerator and denominator of EPS for the three months ended March 31, 2018 and 2017.

(in thousands, except per-share information)

	Three Months Ended March 31,	
	2018	2017
Basic and diluted EPS per common share:		
Numerator for basic and diluted EPS per share of common stock:		
Net (loss) income - Basic and diluted	$ (16,377)	$ 2,449
Weighted average shares of common stock:		
Shares of common stock outstanding at the balance sheet date	53,072	34,270
Unvested dividend eligible share based compensation outstanding at the balance sheet date	-	64
Effect of weighting	(6)	(1,265)
Weighted average shares-basic and diluted	53,066	33,069
Net (loss) income per common share:		
Basic and diluted	$ (0.31)	$ 0.07

There was an average of 41,550 Performance Units that were anti-dilutive and not included in diluted EPS for the three months ended March 31, 2018.

NOTE 12. FAIR VALUE

Authoritative accounting literature establishes a framework for using fair value to measure assets and liabilities and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry 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.

The Company's RMBS, interest rate swaps, interest rate swaptions 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, when available. 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. Alternatively, the Company could opt to have the value of all of its positions in RMBS, interest rate swaps, interest rate swaptions and TBA securities determined by either an independent third-party or could do so internally.

RMBS (based on the fair value option), interest rate swaps, interest rate swaptions, TBA securities and futures contracts were recorded at fair value on a recurring basis during the three months ended March 31, 2018 and 2017. When determining fair value measurements, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset. When possible, the Company looks to active and observable markets to price identical assets. When identical assets are not traded in active markets, the Company looks to market observable data for similar assets.

The following table presents financial assets (liabilities) measured at fair value on a recurring basis as of March 31, 2018 and December 31, 2017:

(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)
March 31, 2018				
Mortgage-backed securities	$ 3,745,784	$ -	$ 3,745,784	$ -
Interest rate swaps	25,107	-	25,107	-
Interest rate swaptions	11,056	-	11,056	-
TBA securities	(2,566)	-	(2,566)	-
December 31, 2017				
Mortgage-backed securities	$ 3,744,811	$ -	$ 3,744,811	$ -
Interest rate swaps	13,530	-	13,530	-
Interest rate swaptions	3,405	-	3,405	-
TBA securities	(1,813)	-	(1,813)	-

During the three months ended March 31, 2018 and 2017, there were no transfers of financial assets or liabilities between levels 1, 2 or 3.

NOTE 13. RELATED PARTY TRANSACTIONS

Management Agreement

The Company is externally managed and advised by Bimini Advisors, LLC (the "Manager") pursuant to the terms of a management agreement. The management agreement has been renewed through February 20, 2019 and provides for automatic one-year extension options thereafter and is subject to certain termination rights. Under the terms of the management agreement, the Manager is responsible for administering the business activities and day-to-day operations of the Company. The Manager receives a monthly management fee in the amount of:

- One-twelfth of 1.5% of the first $250 million of the Company's equity, as defined in the management agreement,
- One-twelfth of 1.25% of the Company's equity that is greater than $250 million and less than or equal to $500 million, and
- One-twelfth of 1.00% of the Company's equity that is greater than $500 million.

The Company is obligated to reimburse the Manager for any direct expenses incurred on its behalf and to pay the Manager the Company's pro rata portion of certain overhead costs set forth in the management agreement. Should the Company terminate the management agreement without cause, it will pay to the Manager 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 term of the agreement.

Total expenses recorded for the management fee and costs incurred were approximately $2.1 million and $1.7 million for the three months ended March 31, 2018 and 2017, respectively. At March 31, 2018 and December 31, 2017, the net amount due to affiliates was approximately $0.8 million and $0.8 million, respectively.

Other Relationships with Bimini

Robert Cauley, our Chief Executive Officer and Chairman of our Board of Directors, also serves as Chief Executive Officer and Chairman of the Board of Directors of Bimini and owns shares of common stock of Bimini. George H. Haas, our Chief Financial Officer, Chief Investment Officer, Secretary and a member of our Board of Directors, also serves as the Chief Financial Officer, Chief Investment Officer and Treasurer of Bimini and owns shares of common stock of Bimini. In addition, as of March 31, 2018, Bimini owned 1,520,036 shares, or 2.9%, of the Company's common stock.

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

We are a specialty finance company that invests in residential mortgage-backed securities ("RMBS") which are issued and guaranteed by a federally chartered corporation or agency ("Agency RMBS"). Our investment strategy focuses on, and our portfolio consists of, two categories of Agency RMBS: (i) traditional pass-through Agency RMBS ("PT RMBS") and (ii) structured Agency RMBS, such as collateralized mortgage obligations ("CMOs"), interest-only securities ("IOs"), inverse interest-only securities ("IIOs") and principal only securities ("POs"), among other types of structured Agency RMBS. We were formed by Bimini in August 2010, commenced operations on November 24, 2010 and completed our initial public offering ("IPO") on February 20, 2013. We are externally managed by Bimini Advisors, a registered investment adviser with the Securities and Exchange Commission (the "SEC").

Our business objective is to provide attractive risk-adjusted total returns 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 on our leveraged PT 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 PT RMBS and certain of our structured Agency RMBS through short-term borrowings structured as repurchase agreements. PT 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.

We operate so as to qualify to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). We generally will not be subject to U.S. federal income tax to the extent that we currently distribute all of our REIT taxable income (as defined in the Code) to our stockholders and maintain our REIT qualification.

The Company's common stock trades on the New York Stock Exchange ("NYSE") under the symbol "ORC".

Capital Raising Activities

On July 29, 2016, we entered into an equity distribution agreement (the "July 2016 Equity Distribution Agreement") with two sales agents pursuant to which we could offer and sell, from time to time, up to an aggregate amount of $125,000,000 of shares of our common stock in transactions that were deemed to be "at the market" offerings and privately negotiated transactions. We issued a total of 10,174,992 shares under the July 2016 Equity Distribution Agreement for aggregate gross proceeds of $110.0 million, and net proceeds of approximately $108.2 million, net of commissions and fees, prior to its termination.

On February 23, 2017, we entered into another equity distribution agreement, as amended and restated on May 10, 2017, (the "May 2017 Equity Distribution Agreement") with two sales agents pursuant to which we could offer and sell, from time to time, up to an aggregate amount of $125,000,000 of shares of our common stock in transactions that were deemed to be "at the market" offerings and privately negotiated transactions. The May 2017 Equity Distribution Agreement replaced the July 2016 Equity Distribution Agreement. We issued a total of 12,299,032 shares under the May 2017 Equity Distribution Agreement for aggregate gross proceeds of $125.0 million, and net proceeds of approximately $122.9 million, net of commissions and fees, prior to its termination.

On August 2, 2017, we entered into another equity distribution agreement (the "August 2017 Equity Distribution Agreement") with two sales agents pursuant to which we may offer and sell, from time to time, up to an aggregate amount of $125,000,000 of shares of our common stock in transactions that are deemed to be "at the market" offerings and privately negotiated transactions. The August 2017 Equity Distribution Agreement replaced the May 2017 Equity Distribution Agreement. Through March 31, 2018, we issued a total of 7,746,052 shares under the August 2017 Equity Distribution Agreement for aggregate gross proceeds of $76.0 million, and net proceeds of approximately $74.7 million, net of commissions and fees.

Stock Repurchase Agreement

On July 29, 2015, the Company's Board of Directors authorized the repurchase of up to 2,000,000 shares of our common stock. The timing, manner, price and amount of any repurchases is determined by the Company in its discretion and is subject to economic and market conditions, stock price, applicable legal requirements and other factors. The authorization does not obligate the Company to acquire any particular amount of common stock and the program may be suspended or discontinued at the Company's discretion without prior notice. From the inception of the stock repurchase program through December 31, 2015, we repurchased a total of 1,216,243 shares at an aggregate cost of approximately $10.8 million, including commissions and fees, for a weighted average price of $8.92 per share. No shares of common stock were repurchased during 2017 or 2016. On February 8, 2018, the Board of Directors approved an increase in the stock repurchase program for up to an additional 4,522,822 shares of the Company's common stock, which results in a total authorization under the repurchase program for up to 5,306,579 shares of our common stock. This stock repurchase program has no termination date. There were no shares purchased under this program during the three months ended March 31, 2018.

Factors that Affect our Results of Operations and Financial Condition

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

- interest rate trends;
- the difference between Agency RMBS yields and our funding and hedging costs;
- competition for, and supply of, investments in Agency RMBS;
- actions taken by the U.S. government, including the presidential administration, the Federal Reserve (the "Fed"), the Federal Open Market Committee (the "FOMC") and the U.S. Treasury;
- prepayment rates on mortgages underlying our Agency RMBS, and credit trends insofar as they affect prepayment rates; 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; and
- the requirements to qualify as a REIT and the requirements to qualify for a registration exemption under the Investment Company Act.

Results of Operations

Described below are the Company's results of operations for the three months ended March 31, 2018, as compared to the Company's results of operations for the three months ended March 31, 2017.

Net (Loss) Income Summary

Net loss for the three months ended March 31, 2018 was $16.4 million, or $0.31 per share. Net income for the three months ended March 31, 2017 was $2.4 million, or $0.07 per share. The components of net (loss) income for the three months ended March 31, 2018 and 2017, along with the changes in those components are presented in the table below:

(in thousands)	2018	2017	Change
Interest income	$ 39,935	$ 32,311	$ 7,624
Interest expense	(15,149)	(6,715)	(8,434)
Net interest income	24,786	25,596	(810)
Losses on RMBS and derivative contracts	(38,056)	(20,727)	(17,329)
Net portfolio (deficiency) income	(13,270)	4,869	(18,139)
Expenses	(3,107)	(2,420)	(687)
Net (loss) income	$ (16,377)	$ 2,449	$ (18,826)

GAAP and Non-GAAP Reconciliations

In addition to the results presented in accordance with GAAP, our results of operations discussed below include certain non-GAAP financial information, including "Net Earnings Excluding Realized and Unrealized Gains and Losses", "Economic Interest Expense" and "Economic Net Interest Income."

Net Earnings Excluding Realized and Unrealized Gains and Losses

We have elected to account for our Agency RMBS under the fair value option. Securities held under the fair value option are recorded at estimated fair value, with changes in the fair value recorded as unrealized gains or losses through the consolidated statements of operations.

In addition, we have not elected to designate our derivative holdings for hedge accounting treatment under the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") Topic 815, *Derivatives and Hedging*. Changes in fair value of these instruments are presented in a separate line item in the Company's 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.

Presenting net earnings excluding realized and unrealized gains allows management to: (i) isolate the net interest income and other expenses of the Company over time, free of all mark-to-market adjustments and (ii) assess the effectiveness of our funding and hedging strategies on our capital allocation decisions and our asset allocation performance. Our funding and hedging strategies, capital allocation and asset selection are integral to our risk management strategy, and therefore critical to the management of our portfolio. We believe that the presentation of our net earnings excluding realized and unrealized gains is useful to investors because it provides a means of comparing our results of operations to those of our peers who have not elected the same accounting treatment. Our presentation of net earnings excluding realized and unrealized gains and losses may not be comparable to similarly-titled measures of other companies, who may use different calculations. As a result, net earnings excluding realized and unrealized gains and losses should not be considered as a substitute for our GAAP net income (loss) as a measure of our financial performance or any measure of our liquidity under GAAP. The table below presents a reconciliation of our net income (loss) determined in accordance with GAAP and net earnings excluding realized and unrealized gains.

Net Earnings Excluding Realized and Unrealized Gains and Losses

(in thousands, except per share data)

				Per Share		
Three Months Ended	**Net Income (GAAP)**	**Realized and Unrealized Gains and Losses(1)**	**Net Earnings Excluding Realized and Unrealized Gains and Losses**	**Net Income (GAAP)**	**Realized and Unrealized Gains and Losses**	**Net Earnings Excluding Realized and Unrealized Gains and Losses**
March 31, 2018	$ (16,377)	$ (38,055)	$ 21,678	$ (0.31)	$ (0.72)	$ 0.41
December 31, 2017	(5,982)	(29,540)	23,558	(0.12)	(0.61)	0.49
September 30, 2017	15,183	(8,254)	23,437	0.33	(0.18)	0.52
June 30, 2017	(9,643)	(32,597)	22,954	(0.26)	(0.88)	0.62
March 31, 2017	2,449	(20,727)	23,176	0.07	(0.63)	0.70

(1) Includes realized and unrealized gains (losses) on RMBS and derivative financial instruments, including net interest expense on interest rate swaps.

Economic Interest Expense and Economic Net Interest Income

We use derivative instruments, specifically Eurodollar and Treasury Note ("T-Note") futures contracts, interest rate swaps and swaptions, to hedge a portion of the interest rate risk on repurchase agreements in a rising rate environment.

We have not elected to designate our derivative holdings for hedge accounting treatment under the Financial Accounting Standards Board (the "FASB"), Accounting Standards Codification ("ASC"), Topic 815, *Derivatives and Hedging*. 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 has been adjusted to reflect the realized gains or losses on specific derivative instruments that pertain to each period presented. We believe that adjusting our interest expense for the periods presented by the gains or losses on all derivative instruments would not accurately reflect our economic interest expense for these periods. 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 rate 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 rate 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 to interest expense shown for each period relative to our derivative instruments, and the income statement line item, gains (losses) on derivative instruments, calculated in accordance with GAAP for each quarter during 2018 and 2017.

Gains (Losses) on Derivative Instruments

(in thousands)

			Funding Hedges	
Three Months Ended	**Recognized in Income Statement (GAAP)**	**TBA Securities Income (Loss)**	**Attributed to Current Period (Non-GAAP)**	**Attributed to Future Periods (Non-GAAP)**
March 31, 2018	$ 41,994	$ 8,407	$ (3,011)	$ 36,598
December 31, 2017	13,982	(2,094)	(3,763)	$ 19,839
September 30, 2017	(5,470)	(1,459)	(3,761)	$ (250)
June 30, 2017	(19,442)	(2,384)	(3,654)	$ (13,404)
March 31, 2017	(4,419)	-	(3,193)	$ (1,226)

Economic Interest Expense and Economic Net Interest Income

(in thousands)

		Interest Expense on Borrowings			Net Interest Income	
Three Months Ended	Interest Income	GAAP Interest Expense	Gains (Losses) on Derivative Instruments Attributed to Current Period(1)	Economic Interest Expense(2)	GAAP Net Interest Income	Economic Net Interest Income(3)
March 31, 2018	$ 39,935	$ 15,149	$ (3,011)	$ 18,160	$ 24,786	$ 21,775
December 31, 2017	40,098	13,554	(3,763)	17,317	26,544	22,781
September 30, 2017	38,974	12,638	(3,761)	16,399	26,336	22,575
June 30, 2017	34,579	8,763	(3,654)	12,417	25,816	22,162
March 31, 2017	32,311	6,715	(3,193)	9,908	25,596	22,403

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

Net Interest Income

During the three months ended March 31, 2018, we generated $24.8 million of net interest income, consisting of $39.9 million of interest income from RMBS assets offset by $15.1 million of interest expense on borrowings. For the comparable period ended March 31, 2017, we generated $25.6 million of net interest income, consisting of $32.3 million of interest income from RMBS assets offset by $6.7 million of interest expense on borrowings. The $7.6 million increase in interest income and $8.4 million increase in interest expense for the three months ended March 31, 2018 primarily reflects the growth of our portfolio fueled by our net capital raising activities, combined with increased yields earned on our portfolio and increased costs and amounts of our borrowings.

On an economic basis, our interest expense on borrowings for the three months ended March 31, 2018 and 2017 was $18.2 million and $9.9 million, respectively, resulting in $21.8 million and $22.4 million of economic net interest income, respectively.

The tables below provide information on our portfolio average balances, interest income, yield on assets, average borrowings, interest expense, cost of funds, net interest income and net interest spread for each quarter in 2018 and 2017 on both a GAAP and economic basis.

($ in thousands)

					Interest Expense		Average Cost of Funds	
Three Months Ended	Average RMBS Held(1)	Interest Income	Yield on Average RMBS	Average Borrowings(1)	GAAP Basis	Economic Basis(2)	GAAP Basis	Economic Basis(3)
March 31, 2018	$ 3,745,298	$ 39,935	4.27%	$ 3,576,533	$ 15,149	$ 18,160	1.69%	2.03%
December 31, 2017	3,837,575	40,098	4.18%	3,621,931	13,554	17,317	1.50%	1.91%
September 30, 2017	3,834,083	38,974	4.07%	3,494,266	12,638	16,399	1.45%	1.88%
June 30, 2017	3,499,922	34,579	3.95%	3,164,532	8,763	12,417	1.11%	1.57%
March 31, 2017	3,142,095	32,311	4.11%	2,922,157	6,715	9,908	0.92%	1.36%

($ in thousands)

Three Months Ended	Net Interest Income		Net Interest Spread	
	GAAP Basis	Economic Basis(2)	GAAP Basis	Economic Basis(4)
March 31, 2018	$ 24,786	$ 21,775	2.58%	2.24%
December 31, 2017	26,544	22,781	2.68%	2.27%
September 30, 2017	26,336	22,575	2.62%	2.19%
June 30, 2017	25,816	22,162	2.84%	2.38%
March 31, 2017	25,596	22,403	3.19%	2.75%

(1) Portfolio yields and costs of borrowings presented in the tables above, below and on page 31 are calculated based on the average balances of the underlying investment portfolio/borrowings 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 table above and the tables on page 31 includes the effect of our derivative instrument hedges for only the periods presented.
(3) Represents interest cost of our borrowings and the effect of derivative instrument hedges attributed to the period divided by average RMBS.
(4) Economic net interest spread is calculated by subtracting average economic cost of funds from realized yield on average RMBS.

Interest Income and Average Asset Yield

Our interest income for the three months ended March 31, 2018 and 2017 was $39.9 million and $32.3 million, respectively. We had average RMBS holdings of $3,745.3 million and $3,142.1 million for the three months ended March 31, 2018 and 2017, respectively. The yield on our portfolio was 4.27% and 4.11% for the three months ended March 31, 2018 and 2017, respectively. For the three months ended March 31, 2018 as compared to the three months ended March 31, 2017, there was a $7.6 million increase in interest income due to a $603.2 million increase in average RMBS, combined with a 16 basis point ("bps") increase in the yield on average RMBS. The increase in average RMBS during the three months ended March 31, 2018 reflects the deployment of the proceeds of our net capital raising activities, on a leveraged basis.

The table below presents the average portfolio size, income and yields of our respective sub-portfolios, consisting of structured RMBS and PT RMBS for each quarter in 2018 and 2017.

($ in thousands)

Three Months Ended	Average RMBS Held			Interest Income			Realized Yield on Average RMBS		
	PT RMBS	Structured RMBS	Total	PT RMBS	Structured RMBS	Total	PT RMBS	Structured RMBS	Total
March 31, 2018	$ 3,610,527	$ 134,771	$ 3,745,298	$ 38,725	$ 1,210	$ 39,935	4.29%	3.59%	4.27%
December 31, 2017	3,704,163	133,412	3,837,575	38,927	1,171	40,098	4.20%	3.51%	4.18%
September 30, 2017	3,687,533	146,550	3,834,083	38,476	498	38,974	4.17%	1.36%	4.07%
June 30, 2017	3,349,042	150,880	3,499,922	32,479	2,100	34,579	3.88%	5.57%	3.95%
March 31, 2017	2,990,937	151,158	3,142,095	29,772	2,539	32,311	3.98%	6.72%	4.11%

Interest Expense and the Cost of Funds

We had average outstanding borrowings of $3,576.5 million and $2,922.2 million and total interest expense of $15.1 million and $6.7 million for the three months ended March 31, 2018 and 2017, respectively. Our average cost of funds was 1.69% and 0.92% for the three months ended March 31, 2018 and 2017, respectively. Contributing to the increase in interest expense was a 77 bps increase in the average cost of funds and a $654.4 million increase in average outstanding borrowings during the three months ended March 31, 2018 as compared to the three months ended March 31, 2017. The higher cost of funds for the three months ended March 31, 2018, compared to the same period in 2017, reflects the higher short-term rates as presented in the table below. The increase in average outstanding borrowings reflects the investment, on a leveraged basis, of the proceeds of our net capital raising activities.

Our economic interest expense was $18.2 million and $9.9 million for the three months ended March 31, 2018 and 2017, respectively. There was a 67 bps increase in the average economic cost of funds to 2.03% for the three months ended March 31, 2018 from 1.36% for the three months ended March 31, 2017. The reason for the increase in economic cost of funds is primarily due to the increases in our average outstanding borrowings and the cost of our borrowings noted above, combined with the negative performance of our derivative financial instruments during the period.

Since all of our repurchase agreements are short-term, changes in market rates directly affect our interest expense. Our average cost of funds calculated on a GAAP basis was equal to the average one-month LIBOR and 42 bps below the average six-month LIBOR for the quarter ended March 31, 2018. Our average economic cost of funds was 34 bps above the average one-month LIBOR and 8 bps below the average six-month LIBOR for the quarter ended March 31, 2018. The average term to maturity of the outstanding repurchase agreements was 40 days at March 31, 2018 and 52 days at December 31, 2017.

The tables below present the average balance of borrowings outstanding, interest expense and average cost of funds, and average one-month and six-month LIBOR rates for each quarter in 2018 and 2017 on both a GAAP and economic basis.

($ in thousands)

		Interest Expense		Average Cost of Funds	
Three Months Ended	**Average Balance of Borrowings**	**GAAP Basis**	**Economic Basis**	**GAAP Basis**	**Economic Basis**
March 31, 2018	$ 3,576,533	$ 15,149	$ 18,160	1.69%	2.03%
December 31, 2017	3,621,931	13,554	17,317	1.50%	1.91%
September 30, 2017	3,494,266	12,638	16,399	1.45%	1.88%
June 30, 2017	3,164,532	8,763	12,417	1.11%	1.57%
March 31, 2017	2,922,157	6,715	9,908	0.92%	1.36%

	Average LIBOR		Average GAAP Cost of Funds Relative to Average		Average Economic Cost of Funds Relative to Average	
Three Months Ended	**One-Month**	**Six-Month**	**One-Month LIBOR**	**Six-Month LIBOR**	**One-Month LIBOR**	**Six-Month LIBOR**
March 31, 2018	1.69%	2.11%	0.00%	(0.42)%	0.34%	(0.08)%
December 31, 2017	1.36%	1.62%	0.14%	(0.12)%	0.55%	0.29%
September 30, 2017	1.20%	1.45%	0.25%	(0.00)%	0.68%	0.43%
June 30, 2017	1.05%	1.43%	0.06%	(0.32)%	0.52%	0.14%
March 31, 2017	0.82%	1.37%	0.10%	(0.45)%	0.54%	(0.01)%

Gains or Losses

The table below presents our gains or losses for the three months ended March 31, 2018 and 2017.

(in thousands)

	2018	2017	Change
Realized losses on sales of RMBS	$ (8,338)	$ (1,350)	$ (6,988)
Unrealized losses on RMBS	(71,712)	(14,958)	(56,754)
Total losses on RMBS	(80,050)	(16,308)	(63,742)
Gains (losses) on interest rate futures	21,362	(4,422)	25,784
Gains on interest rate swaps	10,508	3	10,505
Losses on receiver swaptions	(349)	-	(349)
Gains on payer swaptions	2,066	-	2,066
Gains on TBA securities	8,407	-	8,407

We invest in RMBS 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 sales. 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 three months ended March 31, 2018 and 2017, we received proceeds of $228.7 million and $1,407.7 million, respectively, from the sales of RMBS.

Realized and unrealized gains and losses on RMBS are driven in part by changes in yields and interest rates, which affect the pricing of the securities in our portfolio. Gains and losses on interest rate futures contracts are affected by changes in implied forward rates during the reporting period. The table below presents historical interest rate data for each quarter end during 2018 and 2017.

	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)
March 31, 2018	2.56%	2.74%	3.91%	4.44%	2.31%
December 31, 2017	2.21%	2.40%	3.39%	3.95%	1.61%
September 30, 2017	1.93%	2.33%	3.11%	3.81%	1.32%
June 30, 2017	1.88%	2.30%	3.17%	3.90%	1.26%
March 31, 2017	1.93%	2.40%	3.41%	4.20%	1.13%

(1) Historical 5 and 10 Year U.S. Treasury Rates are obtained from quoted end of day prices on the Chicago Board Options Exchange.
(2) Historical 30 Year and 15 Year Fixed Rate Mortgage Rates are obtained from Freddie Mac's Primary Mortgage Market Survey.
(3) Historical LIBOR is obtained from the Intercontinental Exchange Benchmark Administration Ltd.

Expenses

Total operating expenses were approximately $3.1 million and $2.4 million for the three months ended March 31, 2018 and 2017, respectively. The table below presents a breakdown of operating expenses for the three months ended March 31, 2018 and 2017.

(in thousands)	2018	2017	Change
Management fees	$ 1,712	$ 1,302	$ 410
Overhead allocation	382	368	14
Accrued incentive compensation	11	12	(1)
Directors fees and liability insurance	252	276	(24)
Audit, legal and other professional fees	296	170	126
Other direct REIT operating expenses	403	231	172
Other expenses	51	61	(10)
Total expenses	$ 3,107	$ 2,420	$ 687

We are externally managed and advised by Bimini Advisors, LLC (the "Manager") pursuant to the terms of a management agreement. The management agreement has been renewed through February 20, 2019 and provides for automatic one-year extension options thereafter and is subject to certain termination rights. Under the terms of the management agreement, the Manager is responsible for administering the business activities and day-to-day operations of the Company. The Manager receives a monthly management fee in the amount of:

- One-twelfth of 1.5% of the first $250 million of the Company's equity, as defined in the management agreement,
- One-twelfth of 1.25% of the Company's equity that is greater than $250 million and less than or equal to $500 million, and
- One-twelfth of 1.00% of the Company's equity that is greater than $500 million.

We are obligated to reimburse Bimini Advisors for any direct expenses incurred on its behalf. In addition, beginning July 1, 2014, Bimini Advisors began allocating to us its pro rata portion of certain overhead costs in accordance with the management agreement. Should we terminate the management agreement without cause, we will pay to the Manager 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 term of the agreement.

Financial Condition:

Mortgage-Backed Securities

As of March 31, 2018, our RMBS portfolio consisted of $3,745.8 million of Agency RMBS at fair value and had a weighted average coupon on assets of 4.24%. During the three months ended March 31, 2018, we received principal repayments of $78.7 million compared to $73.3 million for the three months ended March 31, 2017. The average prepayment speeds for the quarters ended March 31, 2018 and 2017 were 7.7% and 9.9%, respectively.

The following table presents the 3-month constant prepayment rate ("CPR") experienced on our structured and PT RMBS 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. Assets that were not owned for the entire quarter have been excluded from the calculation. The exclusion of certain assets during periods of high trading activity can create a very high, and often volatile, reliance on a small sample of underlying loans.

Three Months Ended	PT RMBS Portfolio (%)	Structured RMBS Portfolio (%)	Total Portfolio (%)
March 31, 2018	6.5	11.6	7.7
December 31, 2017	7.0	13.6	9.1
September 30, 2017	8.3	14.9	10.3
June 30, 2017	7.0	12.7	9.5
March 31, 2017	7.5	14.3	9.9

The following tables summarize certain characteristics of the Company's PT RMBS and structured RMBS as of March 31, 2018 and December 31, 2017:

($ in thousands)

Asset Category	Fair Value	Percentage of Entire 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
March 31, 2018								
Adjustable Rate RMBS	$ 1,754	0.0%	3.94%	203	1-Sep-35	3.17	10.05%	2.00%
Fixed Rate RMBS	3,569,133	95.3%	4.27%	327	1-Jan-48	NA	NA	NA
Hybrid Adjustable Rate RMBS	26,482	0.7%	2.59%	298	1-Aug-43	56.76	7.59%	2.00%
Total Mortgage-backed Pass-through	3,597,369	96.0%	4.25%	327	1-Jan-48	NA	NA	NA
Interest-Only Securities	120,199	3.2%	3.82%	281	25-Feb-48	NA	NA	NA
Inverse Interest-Only Securities	28,216	0.8%	3.80%	313	15-Jul-47	NA	5.25%	NA
Total Structured RMBS	148,415	4.0%	3.82%	287	25-Feb-48	NA	NA	NA
Total Mortgage Assets	$ 3,745,784	100.0%	4.24%	326	25-Feb-48	NA	NA	NA
December 31, 2017								
Adjustable Rate RMBS	$ 1,754	0.0%	3.95%	206	1-Sep-35	5.50	10.05%	2.00%
Fixed Rate RMBS	3,594,533	96.0%	4.25%	338	1-Dec-47	NA	NA	NA
Hybrid Adjustable Rate RMBS	27,398	0.8%	2.59%	301	1-Aug-43	59.77	7.59%	2.00%
Total Mortgage-backed Pass-through	3,623,685	96.8%	4.24%	338	1-Dec-47	NA	NA	NA
Interest-Only Securities	86,918	2.3%	3.75%	262	15-Apr-47	NA	NA	NA
Inverse Interest-Only Securities	34,208	0.9%	4.02%	318	15-Jul-47	NA	5.11%	NA
Total Structured RMBS	121,126	3.2%	3.82%	278	15-Jul-47	NA	NA	NA
Total Mortgage Assets	$ 3,744,811	100.0%	4.23%	336	1-Dec-47	NA	NA	NA

($ in thousands)

	March 31, 2018		December 31, 2017	
Agency	**Fair Value**	**Percentage of Entire Portfolio**	**Fair Value**	**Percentage of Entire Portfolio**
Fannie Mae	$ 2,248,935	60.0%	$ 2,242,213	59.9%
Freddie Mac	1,490,267	39.8%	1,496,615	40.0%
Ginnie Mae	6,582	0.2%	5,983	0.1%
Total Portfolio	$ 3,745,784	100.0%	$ 3,744,811	100.0%

	March 31, 2018	December 31, 2017
Weighted Average Pass-through Purchase Price	$ 107.46	$ 107.52
Weighted Average Structured Purchase Price	$ 14.35	$ 13.82
Weighted Average Pass-through Current Price	$ 104.65	$ 106.79
Weighted Average Structured Current Price	$ 14.17	$ 12.50
Effective Duration (1)	3.769	2.989

(1) Effective duration is the approximate percentage change in price for a 100 bps change in rates. An effective duration of 3.769 indicates that an interest rate increase of 1.0% would be expected to cause a 3.769% decrease in the value of the RMBS in the Company's investment portfolio at March 31, 2018. An effective duration of 2.989 indicates that an interest rate increase of 1.0% would be expected to cause a 2.989% decrease in the value of the RMBS in the Company's investment portfolio at December 31, 2017. These figures include the structured securities in the portfolio, but do not include the effect of the Company's funding cost hedges. Effective duration quotes for individual investments are obtained from The Yield Book, Inc.

The following table presents a summary of portfolio assets acquired during the three months ended March 31, 2018 and 2017, including securities purchased during the period that settled after the end of the period.

($ in thousands)

	2018			2017		
	Total Cost	Average Price	Weighted Average Yield	Total Cost	Average Price	Weighted Average Yield
Pass-through RMBS	$ 520,778	$ 106.30	3.01%	$ 1,682,894	$ 108.13	2.95%
Structured RMBS	27,729	21.50	5.39%	54,346	16.35	5.32%

Borrowings

As of March 31, 2018, 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 22 of these counterparties. None of these lenders are affiliated with the Company. These borrowings are secured by the Company's RMBS and cash, and bear interest at prevailing market rates. We believe our established repurchase agreement borrowing facilities provide borrowing capacity in excess of our needs.

As of March 31, 2018, we had obligations outstanding under the repurchase agreements of approximately $3,619.3 million with a net weighted average borrowing cost of 1.86%. The remaining maturity of our outstanding repurchase agreement obligations ranged from 2 to 136 days, with a weighted average remaining maturity of 40 days. Securing the repurchase agreement obligations as of March 31, 2018 are RMBS with an estimated fair value, including accrued interest, of approximately $3,818.6 million and a weighted average maturity of 328 months, and cash pledged to counterparties of approximately $28.6 million. Through April 27, 2018, we have been able to maintain our repurchase facilities with comparable terms to those that existed at March 31, 2018 with maturities through August 14, 2018.

The table below presents information about our period end and average repurchase agreement obligations for each quarter in 2018 and 2017.

($ in thousands)

			Difference Between Ending Borrowings and Average Borrowings	
Three Months Ended	Ending Balance of Borrowings	Average Balance of Borrowings	Amount	Percent
March 31, 2018	3,619,280	3,576,533	42,747	1.20%
December 31, 2017	3,533,786	3,621,931	(88,145)	(2.43)%
September 30, 2017	3,710,077	3,494,266	215,811	6.18%
June 30, 2017	3,278,456	3,164,532	113,924	3.60%
March 31, 2017	3,050,608	2,922,157	128,451	4.40%

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, fulfill margin calls and pay dividends. Our principal immediate sources of liquidity include cash balances, unencumbered assets and borrowings under repurchase agreements. Our borrowing capacity will vary over time as the market value of our interest earning assets varies. Our balance sheet also generates liquidity on an on-going basis through payments of principal and interest we receive on our RMBS portfolio. Management believes that we currently have sufficient liquidity and capital resources available for (a) the acquisition of additional investments consistent with the size and nature of our existing RMBS portfolio, (b) the repayments on borrowings and (c) the payment of dividends to the extent required for our continued qualification as a REIT. We may also generate liquidity from time to time by selling our equity or debt securities in public offerings or private placements.

Because our PT RMBS portfolio consists entirely of government and agency securities, we do not anticipate having difficulty converting our assets to cash should our liquidity needs ever exceed our immediately available sources of cash. Our structured RMBS portfolio also consists entirely of governmental agency securities, although they typically do not trade with comparable bid / ask spreads as PT RMBS. However, we anticipate that we would be able to liquidate such securities readily, even in distressed markets, although we would likely do so at prices below where such securities could be sold in a more stable market. To enhance our liquidity even further, we may pledge a portion of our structured RMBS as part of a repurchase agreement funding, but retain the cash in lieu of acquiring additional assets. In this way we can, at a modest cost, retain higher levels of cash on hand and decrease the likelihood we will have to sell assets in a distressed market in order to raise cash.

Our strategy for hedging our funding costs typically involves taking short positions in interest rate futures, treasury futures, interest rate swaps, interest rate swaptions 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 via margin calls to offset the derivative 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.

Our master repurchase agreements have no stated expiration, but can be terminated at any time at our option or at the option of the counterparty. However, once a definitive repurchase agreement under a master repurchase agreement has been entered into, it generally may not be terminated by either party. A negotiated termination can occur, but may involve a fee to be paid by the party seeking to terminate the repurchase agreement transaction.

Under our repurchase agreement funding arrangements, we are required to post margin at the initiation of the borrowing. The margin posted represents the haircut, which is a percentage of the market value of the collateral pledged. To the extent the market value of the asset collateralizing the financing transaction declines, the market value of our posted margin will be insufficient and we will be required to post additional collateral. Conversely, if the market value of the asset pledged increases in value, we would be over collateralized and we would be entitled to have excess margin returned to us by the counterparty. Our lenders typically value our pledged securities daily to ensure the adequacy of our margin and make margin calls as needed, as do we. Typically, but not always, the parties agree to a minimum threshold amount for margin calls so as to avoid the need for nuisance margin calls on a daily basis. Our master repurchase agreements do not specify the haircut; rather haircuts are determined on an individual repurchase transaction basis. Throughout the three months ended March 31, 2018, haircuts on our pledged collateral remained stable and as of March 31, 2018, our weighted average haircut was approximately 5.5% of the value of our collateral.

As discussed earlier, we invest a portion of our capital in structured Agency RMBS. We 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 RMBS strategy has been a core element of the Company's overall investment strategy since inception. However, we have and may continue to pledge a portion of our structured RMBS in order to raise our cash levels, but generally will not pledge these securities in order to acquire additional assets.

The following table summarizes the effect on our liquidity and cash flows from contractual obligations for repurchase agreements and interest expense on repurchase agreements.

(in thousands)

	Obligations Maturing				
	Within One Year	**One to Three Years**	**Three to Five Years**	**More than Five Years**	**Total**
Repurchase agreements	$ 3,619,280	$ -	$ -	$ -	$ 3,619,280
Interest expense on repurchase agreements[(1)]	14,120	-	-	-	14,120
Totals	$ 3,633,400	$ -	$ -	$ -	$ 3,633,400

(1) Interest expense on repurchase agreements is based on current interest rates as of March 31, 2018 and the remaining term of the liabilities existing at that date.

In future periods, we expect to continue to finance our activities in a manner that is consistent with our current operations through repurchase agreements. As of March 31, 2018, we had cash and cash equivalents of $127.2 million. We generated cash flows of $117.6 million from principal and interest payments on our RMBS and had average repurchase agreements outstanding of $3,576.5 million during the three months ended March 31, 2018.

Stockholders' Equity

On July 29, 2016, we entered into an equity distribution agreement (the "July 2016 Equity Distribution Agreement") with two sales agents pursuant to which we could offer and sell, from time to time, up to an aggregate amount of $125,000,000 of shares of our common stock in transactions that were deemed to be "at the market" offerings and privately negotiated transactions. We issued a total of 10,174,992 shares under the July 2016 Equity Distribution Agreement for aggregate gross proceeds of $110.0 million, and net proceeds of approximately $108.2 million, net of commissions and fees, prior to its termination.

On February 23, 2017, we entered into another equity distribution agreement, as amended and restated on May 10, 2017, (the "May 2017 Equity Distribution Agreement") with two sales agents pursuant to which we could offer and sell, from time to time, up to an aggregate amount of $125,000,000 of shares of our common stock in transactions that were deemed to be "at the market" offerings and privately negotiated transactions. The May 2017 Equity Distribution Agreement replaced the July 2016 Equity Distribution Agreement. We issued a total of 12,299,032 shares under the May 2017 Equity Distribution Agreement for aggregate gross proceeds of $125.0 million, and net proceeds of approximately $122.9 million, net of commissions and fees, prior to its termination.

On August 2, 2017, we entered into another equity distribution agreement (the "August 2017 Equity Distribution Agreement") with two sales agents pursuant to which we may offer and sell, from time to time, up to an aggregate amount of $125,000,000 of shares of our common stock in transactions that are deemed to be "at the market" offerings and privately negotiated transactions. The August 2017 Equity Distribution Agreement replaced the May 2017 Equity Distribution Agreement. Through March 31, 2018, we issued a total of 7,746,052 shares under the August 2017 Equity Distribution Agreement for aggregate gross proceeds of $76.0 million, and net proceeds of approximately $74.7 million, net of commissions and fees.

Outlook

Interest Rates and the MBS Market

The beginning of 2018 was punctuated by two key events that impacted the rates and risk asset markets. The first of these to occur, which took place early in the quarter, was a combination of strong economic data – pointing to a potential outbreak to the upside in inflation – coupled with strong rhetoric from various Federal Reserve ("Fed") officials hinting at rate hikes in line with prior guidance. The significance of these statements lies in the degree to which the market had ignored these projections until now. Market pricing in the Fed funds futures markets implied a path of rate hikes well below those of the Fed. Adding to the markets' concern with the emerging inflation data was the federal government's passage of a budget deal during the quarter that is expected to increase deficit spending by approximately $300 billion over the next two years. This is in addition to the Tax Cuts and Jobs Act passed in late 2017 that is projected to add $1.5 trillion to the deficit over the next ten years – or approximately $150 billion per year on average. Finally, in early February, the January non-farm payroll report indicated average hourly earnings were starting to accelerate at close to a 3% year over year rate. In response, the yield on the 10-year U.S. treasury note moved from just over 2.4% at year-end 2017 to nearly 3% by mid-February – its highest level since early 2017.

These developments had many ramifications. Market volatility, benign for the latter half of 2017, spiked. This was the case for both interest rate volatility and equity market volatility. The U.S. treasury curve steepened as long rates moved higher. All of this occurred as the federal government was about to run progressively higher deficits over the next several years, which would necessitate higher borrowing needs and U.S. treasury issuances. Exacerbating this development was the Fed simultaneously reducing asset purchases – a process put in place in October 2017 – and dissipating a major source of demand for U.S. treasuries.

The U.S. Treasury responded to the need for higher borrowing needs by increasing U.S. treasury bill issuances. This put immediate pressure on funding levels such as LIBOR – still the primary benchmark for short-term funding instruments. Another source of upward pressure on LIBOR was the repatriation of corporate cash balances - triggered by the tax legislation passed late in 2017 - that reduced the supply of funds available to borrowers in the short-term funding markets such as prime money market funds.

The developments in the rates market impacted the equity markets and triggered sporadic sell-offs and increased volatility. For a while the rate and equity markets became highly, negatively correlated. As rates would move higher, the equity market would drop in response to the prospect of higher funding markets for corporations. When the equity market moved lower, the rates market would respond with a risk off/flight to quality rally, which in turn would allow the equity market to stabilize. This condition persisted for several weeks mid-quarter.

This all started to change when the Trump administration announced potential tariffs on aluminum and steel imports to the U.S. This announcement drew immediate responses and counter-threats by trading partners across the globe – Mexico, Canada, the E.U. and China. This was also followed by additional threats of tariffs on other goods, with the same counter-threats following shortly thereafter. This caused the equity markets to move lower and interest rates to rally to lower yields. By early April, the yield on the 10-year U.S. treasury note had moved form 2.951% on February 21, 2018 to less than 2.75%. The threat of a global trade war was viewed as a threat to the economic expansion underway. Fed public pronouncements noted the potential negative impact on their growth outlook. Since the end of the first quarter, these tensions appear to have diminished meaningfully, and the equity market has stabilized.

As trade war fears ebbed and the economic data releases remained strong, the Fed felt comfortable raising rates again at their March meeting and appear to be intent on raising rates three times in 2018, even though the market is only expecting two, with a modest probability of a third. This was still enough impetus for the curve steepening that occurred into mid-February to reverse dramatically, and the curve has flattened to new multi-year lows in April. LIBOR and other short-term rates remain elevated, and the 10-year U.S. treasury rate, having reversed direction in early April, surpassed the February 21, 2018 high and moved closer to 3%.

With the exception of equities, risk assets had a poor performance in the first quarter of 2018. The 30-year, fixed rate current coupon mortgage, which had traded at the tightest level to the 10-year U.S. treasury note in many years in early January, traded at a spread of nearly 0.74% above the U.S. treasury note – versus approximately 0.56% on January 3, 2018. Whereas mortgages benefitted from the strong performance of other risk assets in the fourth quarter of 2017 (investment and sub-investment grade corporates, non-agency mortgages and other structured products), the exact opposite was true during the first quarter of 2018. During the fourth quarter of 2017, mortgages appeared slightly cheap to these other risk assets, and thus appealing on a relative value basis. In the first quarter of 2018, these other assets cheapened, and mortgages appeared relatively expensive on a relative value basis. Buyers disappeared and mortgages performed poorly. Since the start of the second quarter this trend has reversed to some extent and mortgages have outperformed comparable duration treasuries and the 10-year U.S. treasury note. The higher rates have significantly reduced both prepayment activity and expectations for prepayment activity in the future. Yield oriented fixed income investors generally see mortgages as attractive investments and have begun buying again, although only when rates appear to have stabilized. With rates higher, the supply of new mortgages has decreased and the feared impact of reduced purchases by the Fed has become less of a concern for mortgage investors. Going forward, the continued flattening of the yield curve and additional rate hikes by the Fed will act as a meaningful headwind to the mortgage asset class as returns available will likely deteriorate.

Recent Regulatory Developments

On January 12, 2016, the FHFA issued RIN 2590-AA39, Members of Federal Home Loan Banks (the "Final Rule"). The Final Rule, among other things, expressly excludes captive insurance companies, such as our wholly-owned captive insurance subsidiary, Orchid Island Casualty, LLC ("Orchid Island Casualty"), from being eligible for membership in the Federal Home Loan Bank ("FHLB") system. Under the Final Rule, there was a one-year transition period from the effective date of February 19, 2016 within which the FHLBs were required to wind down their relationships with any captive insurance companies that had been admitted to membership on or after September 12, 2014, including Orchid Island Casualty ("Post-NPR Captives"). The Final Rule also precludes the FHLBs from making any new advances or extending existing advances to Post-NPR Captives. In addition, upon the termination of membership, the FHLBs were required to liquidate all outstanding advances to Post-NPR Captives, settle all other business transactions, and repurchase or redeem all FHLB stock held by the terminated Post-NPR Captive in accordance with the Final Rule. Therefore, Orchid Island Casualty, along with all other Post-NPR Captives, was required to completely wind down all business relationships with the FHLB, including the repayment of all outstanding advances, prior to or simultaneously with the termination of Orchid Island Casualty's membership with the FHLB.

The adopting release for the Final Rule expressly invited Congress to address the treatment of Post-NPR Captives with respect to membership in the FHLB. In October 2015, Reps. Blaine Luetkemeyer (R-Mo.), Denny Heck (D-Wash.), Patrick McHenry (R-N.C.) and John Carney (D-Del.) introduced H.R. 3808, a bill that would have preemptively prevented the FHFA from adopting the Final Rule in such a way that would foreclose membership in the FHLB to captive insurance companies. There can be no way of predicting if any subsequent legislation addressing the status of Post-NPR Captives with respect to the FHLB will be proposed in either house of Congress, the likelihood of passage of any such legislation, and the ultimate effects, if any, on the availability of short-term, low-cost funding provided by the FHLBs to Post-NPR Captives subsequent to the enactment of any such legislation.

The scope and nature of the actions the U.S. government or the Fed will ultimately undertake are unknown and will continue to evolve. Although the Trump administration has made statements of its intentions to reform housing finance and tax policy, many of these potential policy changes will require congressional action. In addition, the Fed has made statements regarding additional increases to the Federal Funds Rate in 2018 and beyond.

In June 2017, the FOMC announced that it would implement a balance sheet normalization policy by gradually decreasing the Fed's reinvestment of U.S. Treasuries and Agency RMBS. More specifically, principal payments received by the Fed will be reinvested only to the extent they exceed gradually rising caps until the FOMC determines that the Fed is holding no more securities than necessary to implement monetary policy efficiently and effectively. In October 2017, the FOMC commenced this balance sheet normalization program. During the January 2018 meeting, the FOMC reaffirmed this plan.

On January 30, 2018, legislation was introduced in the United States Senate that would permit captive insurance companies that were FHLB members prior to January 19, 2016 to restore or continue their membership in the FHLB. In June 2017, legislation was introduced in the United States House of Representatives that would permit a captive insurance company that was admitted to the FHLB prior to September 12, 2014 to continue its membership in the FHLB. The Company joined the FHLBC after September 12, 2014, so the House version of the legislation would not permit the Company to rejoin the FHLBC. It is still uncertain whether legislation on FHLB membership will be adopted, and if so, whether it would permit us to rejoin the FHLB.

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 RMBS 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 RMBS may cause us to change our investment strategy to focus on non-Agency RMBS, 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 RMBS 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 RMBS. 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 RMBS affected by such prepayments may decline. This is because a principal prepayment accelerates the effective term of an Agency RMBS, 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 RMBS 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 RMBS 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 RMBS. 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 RMBS declines. Some of the instruments the Company uses to hedge our Agency RMBS assets, such as Euro Dollar futures, swaps, interest rate futures and swaptions, are stable average life instruments. This means that to the extent we use such instruments to hedge our Agency RMBS 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 RMBS.

As the economy has rebounded from the financial crisis, the Fed has taken steps to remove the considerable accommodation that was employed to combat the crisis. At the conclusion of its meeting in September 2017, the Fed announced it would implement caps on the amount of Agency RMBS assets it would allow to run off, or not be re-invested, starting in October 2017. Previously the Fed would re-invest all of the principal repayments it received each month on the Agency RMBS assets it had acquired during its quantitative easing programs. By capping the amount they would allow to run off each month, the Fed was effectively limiting the amount it would re-invest. Per the Fed's September 2017 announcement, the cap would eventually reach $20 billion per month by the end of 2018. At the time of the Fed's announcement, its monthly re-investments were approximately $20 billion per month as well, so this implied the Fed would stop, or nearly stop, re-investing its monthly pay-downs by the end of 2018. The purchases each month by the Fed have been a significant source of demand in the Agency RMBS market and as it is reduced slowly over the course of 2018 and essentially eliminated beyond 2018, the removal of this source of demand could negatively impact Agency RMBS prices. The extent this negatively impacts the Agency RMBS market will be a function of the level of supply each month – as the supply/demand balance affects the price of any asset – and whether or not another source of demand emerges to replace the Fed.

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 RMBS with shorter durations, such as short-term fixed and floating rate CMOs. 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 RMBS, particularly PT RMBS backed by fixed-rate mortgages.

If Fannie Mae and Freddie Mac were to modify or end their repurchase programs, our investment portfolio could be negatively impacted.

Effects on our borrowing costs

We leverage our PT RMBS portfolio and a portion of our structured Agency RMBS with principal balances through the use of short-term repurchase agreement transactions. The interest rates on our debt are determined by market levels of both the Federal Funds Rate and LIBOR. An increase in the Federal Funds Rate or LIBOR would 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 RMBS 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 effectively convert our floating-rate repurchase agreement debt to fixed-rate debt, or utilize other hedging instruments such as Eurodollar and T-Note futures contracts or interest rate swaptions.

Summary

The market environment changed in the first quarter of 2018. Starting in January, the specter of inflation may have finally appeared, and the rates market reacted forcefully. Evidence of pricing pressures in the economic data and federal legislation that will add materially to the budget deficit over the next few years caught the market by surprise and interest rates rose quickly over the first six weeks of the quarter. The 10-year U.S. treasury came within a few basis points of 3% for the first time since early 2014. The U.S. treasury curve steepened and market participants reconsidered their expectations for future rate hikes by the Fed. For their part, Fed officials were very consistent in support of continued gradual rate hikes. While last Labor Day the 10-year U.S. treasury was close to 2%, and the market was only expecting one more rate hike by the end of 2018, the outlook was much different in February 2018. As reflected in Fed funds futures, the market expects two more rate hikes in 2018, in addition to the hike in March. Funding pressures in the short-term funding markets emerged and LIBOR, the primary floating rate index, moved from less than 1.70% (3-month LIBOR) at the end of 2017 to approximately 2.31% by March 31, 2018.

The sell-off in the rates market reversed in late February/early March as the Trump administration initially announced potential tariffs on imported steel and aluminum. This was followed in short order by counter-threats from essentially all U.S. trading partners and, in turn, more threats from the administration. The latter were met with even more counter-threats. The prospect of a meaningful trade war spooked the markets and equities sold off as interest rates rallied. These fears diminished meaningfully in April and the markets have stabilized. With these fears reduced, coupled with a brief flair up in Syria that was short lived, the market has once again focused on the economic data. The data remains generally very strong and public pronouncements by Fed officials support market expectations of at least two more rate hikes in 2018. Equity markets have recovered and with early first quarter earnings announcements coming in quite strong, fear has left the market. Volatility – both in the equity market and rates market – spiked mid-quarter, but has since come back down, and in a substantial way in the case of the rates market.

The mortgage market suffered throughout the quarter and most agency mortgages performed far worse than comparable duration U.S. treasuries. While the fourth quarter of 2017 was a great quarter for agency MBS, as other risk assets appeared quite rich on a relative basis and mortgages benefitted, this trend reversed in the first quarter of 2018. Going forward, prepayment fears are very benign and the resulting drop-off in the supply of new mortgages should help off-set reduced purchases by the Fed. However, as the yield curve continues to flatten, driven by progressively higher funding rates for levered mortgage investors, returns in the mortgage market are likely to remain weak.

Critical Accounting Policies

Our condensed 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. There have been no changes to our critical accounting policies as discussed in our annual report on Form 10-K for the year ended December 31, 2017.

Capital Expenditures

At March 31, 2018, we had no material commitments for capital expenditures.

Off-Balance Sheet Arrangements

At March 31, 2018, we did not have any off-balance sheet arrangements.

Dividends

In addition to other requirements that must be satisfied to qualify as a REIT, we must pay annual dividends to our stockholders of at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gains. REIT taxable income (loss) is computed in accordance with the Code, and can be greater than or less than our financial statement net income (loss) computed in accordance with GAAP. These book to tax differences primarily relate to the recognition of interest income on RMBS, unrealized gains and losses on RMBS, and the amortization of losses on derivative instruments that are treated as funding hedges for tax purposes.

We intend to pay regular monthly dividends to our stockholders and have declared the following dividends since the completion of our IPO.

(in thousands, except per share amounts)

Year	Per Share Amount	Total
2013	$ 1.395	$ 4,662
2014	2.160	22,643
2015	1.920	38,748
2016	1.680	41,388
2017	1.680	70,717
2018 - YTD(1)	0.400	21,249
Totals	$ 9.235	$ 199,407

(1) On April 11, 2018, the Company declared a dividend of $0.09 per share to be paid on May 10, 2018. The effect of this dividend is included in the table above but is not reflected in the Company's financial statements as of March 31, 2018.

Inflation

Virtually all of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance far more so than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. Our consolidated financial statements are prepared in accordance with GAAP and our distributions will be determined by our Board of Directors consistent with our obligation to distribute to our stockholders at least 90% of our REIT taxable income on an annual basis in order to maintain our REIT qualification; in each case, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation.

Jumpstart Our Business Startups Act of 2012

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). The JOBS Act permits emerging growth companies to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to "opt out" of this provision and, as a result, we will be required to comply with new or revised accounting standards as required when they are adopted. The decision to opt out of the extended transition period under the JOBS Act is irrevocable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in market factors such as interest rates, foreign currency exchange rates, commodity prices and equity prices. The primary market risks that we are exposed to are interest rate risk, prepayment risk, spread risk, liquidity risk, extension risk and counterparty credit risk.

Interest Rate Risk

Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control.

Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on interest-earning assets and the interest expense incurred in connection with our interest-bearing liabilities, by affecting the spread between our interest-earning assets and interest-bearing liabilities. Changes in the level of interest rates can also affect the rate of prepayments of our securities and the value of the RMBS that constitute our investment portfolio, which affects our net income, ability to realize gains from the sale of these assets and ability to borrow, and the amount that we can borrow against these securities.

We may utilize a variety of financial instruments in order to limit the effects of changes in interest rates on our operations. The principal instruments that we use are futures contracts and options to enter into interest rate swaps. These instruments are intended to serve as a hedge against future interest rate increases on our repurchase agreement borrowings. Hedging techniques are partly based on assumed levels of prepayments of our Agency RMBS. If prepayments are slower or faster than assumed, the life of the Agency RMBS will be longer or shorter, which would reduce the effectiveness of any hedging strategies we may use and may cause losses on such transactions. Hedging strategies involving the use of derivative securities are highly complex and may produce volatile returns. Hedging techniques are also limited by the rules relating to REIT qualification. In order to preserve our REIT status, we may be forced to terminate a hedging transaction at a time when the transaction is most needed.

Our profitability and the value of our investment portfolio (including derivatives used for hedging purposes) may be adversely affected during any period as a result of changing interest rates including changes in the forward yield curve.

Our portfolio of PT RMBS is typically comprised of adjustable-rate RMBS ("ARMs"), fixed-rate RMBS and hybrid adjustable-rate RMBS. We generally seek to acquire low duration assets that offer high levels of protection from mortgage prepayments provided they are reasonably priced by the market. Although the duration of an individual asset can change as a result of changes in interest rates, we strive to maintain a hedged PT RMBS portfolio with an effective duration of less than 2.0. The stated contractual final maturity of the mortgage loans underlying our portfolio of PT RMBS 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 and loan payoffs in connection with home sales.

The duration of our IO and IIO portfolios 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 IOs may cause their durations to become extremely negative when prepayments are high, and less negative when prepayments are low. Prepayments affect the durations of IIOs 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 RMBS can alter the timing of the cash flows from the underlying loans to us. As a result, we gauge the interest rate sensitivity of our 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 RMBS assets will increase or decrease at different rates than that of our structured RMBS 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 using various third party models. 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 March 31, 2018 and December 31, 2017, assuming rates instantaneously fall 200 bps, fall 100 bps, fall 50 bps, rise 50 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 RMBS' effective duration to movements in interest rates.

All changes in value in the table below are measured as percentage changes from the investment portfolio value and net asset value at the base interest rate scenario. The base interest rate scenario assumes interest rates and prepayment projections as of March 31, 2018 and December 31, 2017. We apply a floor of 0% for the down rate scenarios on our interest bearing liabilities and hedge positions, such that any hypothetical interest rate decrease would have a limited positive impact on our funding costs beyond a certain level.

Actual results could differ materially from estimates, especially in the current market environment. To the extent that these estimates or other assumptions do not hold true, which is likely in a period of high price volatility, actual results will likely differ materially from projections and could be larger or smaller than the estimates in the table below. Moreover, if different models were employed in the analysis, materially different projections could result. Lastly, while the table below reflects the estimated impact of interest rate increases and decreases on a static portfolio, we may from time to time sell any of our agency securities as a part of our overall management of our investment portfolio.

Interest Rate Sensitivity(1)

Change in Interest Rate	**Portfolio Market Value(2)(3)**	**Book Value(2)(4)**
As of March 31, 2018		
-200 Basis Points	(1.65)%	(14.37)%
-100 Basis Points	(0.19)%	(1.65)%
-50 Basis Points	0.12%	1.09%
+50 Basis Points	(0.45)%	(3.90)%
+100 Basis Points	(1.10)%	(9.60)%
+200 Basis Points	(3.04)%	(26.48)%
As of December 31, 2017		
-200 Basis Points	(0.94)%	(7.62)%
-100 Basis Points	(0.32)%	(2.63)%
-50 Basis Points	(0.21)%	(1.73)%
+50 Basis Points	(0.59)%	(4.82)%
+100 Basis Points	(1.61)%	(13.05)%
+200 Basis Points	(4.67)%	(37.84)%

(1) Interest rate sensitivity is derived from models that are dependent on inputs and assumptions provided by third parties as well as by our Manager, and assumes there are no changes in mortgage spreads and assumes a static portfolio. Actual results could differ materially from these estimates.
(2) Includes the effect of derivatives and other securities used for hedging purposes.
(3) Estimated dollar change in investment portfolio value expressed as a percent of the total fair value of our investment portfolio as of such date.
(4) Estimated dollar change in portfolio value expressed as a percent of stockholders' equity as of such date.

In addition to changes in interest rates, other factors impact the fair value of our interest rate-sensitive investments, 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.

Prepayment Risk

Because residential borrowers have the option to prepay their mortgage loans at par at any time, we face the risk that we will experience a return of principal on our investments faster than anticipated. Various factors affect the rate at which mortgage prepayments occur, including changes in the level of and directional trends in housing prices, interest rates, general economic conditions, loan age and size, loan-to-value ratio, the location of the property and social and demographic conditions. Additionally, changes to GSE underwriting practices or other governmental programs could also significantly impact prepayment rates or expectations. Generally, prepayments on Agency RMBS increase during periods of falling mortgage interest rates and decrease during periods of rising mortgage interest rates. However, this may not always be the case. We may reinvest principal repayments at a yield that is lower or higher than the yield on the repaid investment, thus affecting our net interest income by altering the average yield on our assets.

Spread Risk

When the market spread widens between the yield on our Agency RMBS and benchmark interest rates, our net book value could decline if the value of our Agency RMBS falls by more than the offsetting fair value increases on our hedging instruments tied to the underlying benchmark interest rates. We refer to this as "spread risk" or "basis risk." The spread risk associated with our mortgage assets and the resulting fluctuations in fair value of these securities can occur independent of changes in benchmark interest rates and may relate to other factors impacting the mortgage and fixed income markets, such as actual or anticipated monetary policy actions by the Fed, market liquidity, or changes in required rates of return on different assets. Consequently, while we use futures contracts and interest rate swaps and swaptions to attempt to protect against moves in interest rates, such instruments typically will not protect our net book value against spread risk.

Liquidity Risk

The primary liquidity risk for us arises from financing long-term assets with shorter-term borrowings through repurchase agreements. Our assets that are pledged to secure repurchase agreements are Agency RMBS and cash. As of March 31, 2018, we had unrestricted cash and cash equivalents of $127.2 million and unpledged securities of approximately $102.1 million (not including securities pledged to us) available to meet margin calls on our repurchase agreements and derivative contracts, and for other corporate purposes. However, should the value of our Agency RMBS pledged as collateral or the value of our derivative instruments suddenly decrease, margin calls relating to our repurchase and derivative agreements could increase, causing an adverse change in our liquidity position. Further, there is no assurance that we will always be able to renew (or roll) our repurchase agreements. In addition, our counterparties have the option to increase our haircuts (margin requirements) on the assets we pledge against repurchase agreements, thereby reducing the amount that can be borrowed against an asset even if they agree to renew or roll the repurchase agreement. Significantly higher haircuts can reduce our ability to leverage our portfolio or even force us to sell assets, especially if correlated with asset price declines or faster prepayment rates on our assets.

Extension Risk

The projected weighted average life and the duration (or interest rate sensitivity) of our investments is based on our Manager's assumptions regarding the rate at which the borrowers will prepay the underlying mortgage loans. In general, we use futures contracts and interest rate swaps and swaptions to help manage our funding cost on our investments in the event that interest rates rise. These hedging instruments allow us to reduce our funding exposure on the notional amount of the instrument for a specified period of time.

However, if prepayment rates decrease in a rising interest rate environment, the average life or duration of our fixed-rate assets or the fixed-rate portion of the ARMs or other assets generally extends. This could have a negative impact on our results from operations, as our hedging instrument expirations are fixed and will, therefore, cover a smaller percentage of our funding exposure on our mortgage assets to the extent that their average lives increase due to slower prepayments. This situation may also cause the market value of our agency securities collateralized by fixed rate mortgages or hybrid ARMs to decline by more than otherwise would be the case, while most of our hedging instruments would not receive any incremental offsetting gains. In extreme situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur realized losses.

Counterparty Credit Risk

We are exposed to counterparty credit risk relating to potential losses that could be recognized in the event that the counterparties to our repurchase agreements and derivative contracts fail to perform their obligations under such agreements. The amount of assets we pledge as collateral in accordance with our agreements varies over time based on the market value and notional amount of such assets as well as the value of our derivative contracts. In the event of a default by a counterparty, we may not receive payments provided for under the terms of our agreements and may have difficulty obtaining our assets pledged as collateral under such agreements. Our credit risk related to certain derivative transactions is largely mitigated through daily adjustments to collateral pledged based on changes in market value, and we limit our counterparties to major financial institutions with acceptable credit ratings. However, there is no guarantee our efforts to manage counterparty credit risk will be successful and we could suffer significant losses if unsuccessful.

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, as amended ("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 subsidiary 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 Controls over Financial Reporting

There were no significant 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

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

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in the "Risk Factors" section of our Annual Report on Form 10-K filed with the SEC on February 15, 2018.

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

None.

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 of Orchid Island Capital, Inc. (filed as Exhibit 3.1 to the Company's Registration Statement on Amendment No. 1 to Form S-11 (File No.333-184538) filed on November 28, 2012 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Orchid Island Capital, Inc. (filed as Exhibit 3.2 to the Company's Registration Statement on Amendment No. 1 to Form S-11 (File No.333-184538) filed on November 28, 2012 and incorporated herein by reference).
10.1†	Management Agreement between Orchid Island Capital, Inc. and Bimini Advisors, LLC, dated as of February 20, 2013 (filed as Exhibit 10.2 to the Company's Current Report on Form 8 K filed on April 3, 2014 and incorporated herein by reference).
10.2†	First Amendment to Management Agreement, effective as of April 1, 2014 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 3, 2014 and incorporated herein by reference).
10.3†	Second Amendment to Management Agreement, effective as of June 30, 2014 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 3, 2014 and incorporated herein by reference).
10.4*†	2017 Long Term Incentive Compensation Plan.
10.5*†	2018 Long Term Incentive Compensation Plan.
10.6*†	Form of Deferred Stock Unit Grant Notice and Agreement.
31.1	Certification of Robert E. Cauley, Chief Executive Officer and President of the Registrant, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of George H. Haas, IV, Chief Financial Officer of the Registrant, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Robert E. Cauley, Chief Executive Officer and President of the Registrant, 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 George H. Haas, IV, Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

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

* Filed herewith.
** Furnished herewith.
*** Submitted electronically herewith.
† Management contract or compensatory plan.

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.

Orchid Island Capital, Inc.
Registrant

Date:	April 27, 2018	By:	/s/ Robert E. Cauley Robert E. Cauley Chief Executive Officer, President and Chairman of the Board
Date:	April 27, 2018	By:	/s/ George H. Haas, IV George H. Haas, IV Secretary, Chief Financial Officer, Chief Investment Officer and Director (Principal Financial and Accounting Officer)

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Exhibit 10.4

ORCHID ISLAND CAPITAL, INC.

2017 LONG-TERM EQUITY INCENTIVE COMPENSATION PLAN

This 2017 Long-Term Equity Incentive Compensation Plan (the "2017 Plan") sets forth terms and conditions on which equity awards may be made by Orchid Island Capital, Inc. (the "Company").

All employees of Bimini Advisors, LLC, which is the Company's external manager (the "Manager"), and employees of entities affiliated with the Manager (collectively, the "Employees") are eligible to participate in the 2017 Plan. Members of our Manager's and its affiliates' senior management team also serve as the Company's executive officers, including the Company's Chief Executive Officer and Chief Financial Officer. All of the Employees are referred to as "Participants." Being a Participant does not entitle the individual an award under the 2017 Plan. The Compensation Committee of the Board of Directors of the Company (the "Committee") will have absolute sole discretion over all aspects of the 2017 Plan, including the ability to reduce the amount of any bonus award or the size of the bonus pool even if the performance objectives and other terms of the 2017 Plan are satisfied.

Participants will be eligible to earn awards under the 2017 Plan for performance over the next one-year, three-year and five-year periods. A bonus pool will be established under the 2017 Plan for each of the one-, three- and five-year measurement periods. The amount credited to the bonus pool will be based on the Company's performance under each of the three performance criteria (which are described below) of the 2017 Plan for each of the three measurement periods. The Committee, in its discretion, will determine each Participant's award (*i.e.*, the percentage of the bonus pool paid to each Participant).

The maximum amount that may be credited to the bonus pool for each measurement period will equal the average management fees paid by the Company to the Manager (pursuant to the terms of the management agreement between the Company and the Manager) for such period multiplied by the applicable percentage described in the table below. Under the 2017 Plan, the maximum bonus pool for awards to be issued for performance during (i) the one-year measurement period will equal 20% of the average monthly management fee earned during 2017 multiplied by 12, (ii) the three-year measurement period will equal 35% of the average annual management fee paid for 2017 through 2019 and (iii) for the five-year measurement period will equal 45% of the average annual management fee paid for 2017 through 2021.

As noted above, the amount credited to the bonus pool for each measurement period will reflect the Company's performance measured against the three performance criteria described below. The table below illustrates the maximum amount that may be credited to the bonus pool for each measurement period (as a percentage of the average management fees for the applicable period). The table also shows the amount that may be credited to the bonus pool for each measurement period (also as a percentage of the average management fees for the applicable period) for achievement of objectives with respect to each of the performance criteria. For example, the maximum amount that may be credited to the bonus pool for the three year measurement period based on Agency RMBS rate (as defined below) relative performance is 10.50% of the average management fees paid for 2017 through 2019.

	1-year	3-year	5-year
Peer-relative financial performance	9.00%	15.75%	20.25%
Agency RMBS rate relative performance	6.00%	10.50%	13.50%
Peer-relative book value performance	5.00%	8.75%	11.25%
Total for Measurement Period	20.00%	35.00%	45.00%

The Committee established the following performance measures and the performance thresholds that must be satisfied for awards to be earned under the 2017 Plan.

Peer-Relative Financial Performance. No amount will be earned for this performance measure unless the Company's financial performance for the applicable measurement period exceeds the mean of the financial performance of the companies in the Peer Group (defined below) for the applicable measurement period. The financial performance of the Company and those in the Peer Group will equal the sum of total dividends paid during the measurement period and the change in book value during the measurement period divided by the book value on the first day of the applicable measurement period. The "Peer Group" consists of the following companies: AGNC Investment Corp., Annaly Capital Management, Inc., Anworth Mortgage Asset Corporation, ARMOUR Residential REIT, Inc., Capstead Mortgage Corporation, CYS Investments, Inc., Dynex Capital, Inc., MTGE Investment Corp. and Western Asset Mortgage Capital Corporation. In the event that a company in the Peer Group merges with another entity, sells all or a significant portion of its business, dissolves, liquidates or the Committee determines that a company has substantially changed its business in such a way that it no longer conducts a similar business to the Company's business, then such company will be removed from the Peer Group for the measurement period(s) when such event occurs.

Agency RMBS Rate Relative Performance. The Company's performance under this performance measure will equal the sum of the change in book value during the applicable measurement period and total dividends paid during the measurement period. No amount will be earned for this performance measure unless the Company's performance as calculated in the preceding sentence for the applicable measurement period exceeds the Agency RMBS rate multiplied by the number of years in the measurement period. The "Agency RMBS rate" will equal the yield on the Fannie Mae 30-year fixed rate current coupon mortgage as of the beginning of 2017 of 3.129% (determined by averaging the rate as of the last business day of 2016 and the first business day of 2017) plus 400 bps, or 7.129%.

Peer-Relative Book Value Performance. No amount will be earned for this performance measure unless the Company's change in book value for the applicable measurement period (calculated in accordance with the following sentence) exceeds the mean change in book value for the companies in the Peer Group. The change in book value for the Company and those in the Peer Group will be determined by subtracting the book value on the first day of the measurement period from the book value on the last day in the measurement period, with such amount divided by the book value on the first day of the measurement period.

If the Company's results for a performance measure equal or are less than the threshold for a measurement period, no amount will be added to the bonus pool for the measurement period with respect to that measurement criterion. The table below details the amounts by which the Company's performance must exceed the threshold performance measures described above for the maximum bonus award to be added to the bonus pool. Linear interpolation will be used for results falling between the threshold and the result that must be achieved to earn the maximum award.

	1-year	3-year	5-year
Peer-relative financial performance	Threshold + 5.0%	Threshold + 10.0%	Threshold + 15.0%
Agency RMBS rate relative performance	Threshold + 5.0%	Threshold + 10.0%	Threshold + 15.0%
Peer-relative book value performance	Threshold + 2.0%	Threshold + 4.0%	Threshold + 6.0%

Awards for these three measurement periods will be paid no later than March 30 of the year following the end of the relevant measurement period. The Committee anticipates that 50% of earned bonuses will be paid in unrestricted shares of the Company's common stock and 50% will be paid in the form of "Performance Units," all of which will be issued under the 2012 Equity Incentive Plan (the "2012 Plan"). The number of unrestricted shares of the Company's common stock and Performance Units to be issued in satisfaction of the earned bonuses will be determined by dividing the amount of such bonus by the average closing price of the Company's common stock on the New York Stock Exchange for the 10 trading days preceding the grant date of the common stock and Performance Units rounded to the nearest whole number. The Performance Units will vest at the rate of 10% per quarter commencing with the first quarter after the one year anniversary of the end of the applicable measurement period, with the Participant receiving one share of the Company's common stock for each Performance Unit that vests. The Participant must continue to be employed by the Company as of the end of each such quarter in order to vest in the number of Performance Units scheduled to vest on that date. In the event of a Change in Control (as defined in the 2012 Plan) or the death or disability of the Participant, all of his or her Performance Units will be vested. When vested, each Performance Unit will be settled by the issuance of one share of the Company's common stock, at which time the Performance Unit shall be cancelled immediately, but in no case later than March 30 of the year after the year in which the Performance Units vest.

The Performance Units will 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 number of outstanding Performance Units will be subject to the following adjustments prior to the date on which such Performance Unit vests:

Book Value Impairment. A "Book Value Impairment" will 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" will occur in any quarter in which the following conditions are satisfied: (i) the median change in the book value per share of the companies in the Peer Group (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 will "Outperform All Peer Companies" in any quarter in which the following conditions are satisfied: (i) the companies in the Peer Group 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 company in the Peer Group. 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%.

The Committee anticipates adopting similar plans for future years with modifications to the performance measures and hurdle rates as the Committee deems appropriate. Due to the phase in of the 2017 Plan, past plans and the plan anticipated to be adopted in 2018, the Committee may make an additional award at the same time that the 2017 one year award and the three year award under the 2015 Long-Term Equity Incentive Compensation Plan are made in its sole discretion for the Company's performance since the Company's initial public offering that was completed on February 20, 2013.

Exhibit 10.5

ORCHID ISLAND CAPITAL, INC.

2018 LONG-TERM EQUITY INCENTIVE COMPENSATION PLAN

This 2018 Long-Term Equity Incentive Compensation Plan (the "2018 Plan") sets forth terms and conditions on which equity awards may be made by Orchid Island Capital, Inc. (the "Company").

All employees of Bimini Advisors, LLC, which is the Company's external manager (the "Manager"), and employees of entities affiliated with the Manager (collectively, the "Employees") are eligible to participate in the 2018 Plan. Members of our Manager's and its affiliates' senior management team also serve as the Company's executive officers, including the Company's Chief Executive Officer and Chief Financial Officer. All of the Employees are referred to as "Participants." Being a Participant does not entitle the individual to an award under the 2018 Plan. The Compensation Committee of the Board of Directors of the Company (the "Committee") will have absolute sole discretion over all aspects of the 2018 Plan, including the ability to reduce the amount of any bonus award or the size of the bonus pool even if the performance objectives and other terms of the 2018 Plan are satisfied.

Participants will be eligible to earn awards under the 2018 Plan for performance over the next one-year, three-year and five-year periods. A bonus pool will be established under the 2018 Plan for each of the one-, three- and five-year measurement periods. The amount credited to the bonus pool will be based on the Company's performance under each of the three performance criteria (which are described below) of the 2018 Plan for each of the three measurement periods. The Committee, in its discretion, will determine each Participant's award (*i.e.*, the percentage of the bonus pool paid to each Participant).

The maximum amount that may be credited to the bonus pool for each measurement period will equal the average management fees paid by the Company to the Manager (pursuant to the terms of the management agreement between the Company and the Manager) for such period multiplied by the applicable percentage described in the table below. Under the 2018 Plan, the maximum bonus pool for awards to be issued for performance during (i) the one-year measurement period will equal 20% of the average monthly management fee earned during 2018 multiplied by 12, (ii) the three-year measurement period will equal 35% of the average annual management fee paid for 2018 through 2020 and (iii) for the five-year measurement period will equal 45% of the average annual management fee paid for 2018 through 2022.

As noted above, the amount credited to the bonus pool for each measurement period will reflect the Company's performance measured against the three performance criteria described below. The table below illustrates the maximum amount that may be credited to the bonus pool for each measurement period (as a percentage of the average management fees for the applicable period). The table also shows the amount that may be credited to the bonus pool for each measurement period (also as a percentage of the average management fees for the applicable period) for achievement of objectives with respect to each of the performance criteria. For example, the maximum amount that may be credited to the bonus pool for the three-year measurement period based on Agency RMBS rate (as defined below) relative performance is 10.50% of the average management fees paid for 2018 through 2020.

	1-year	3-year	5-year
Peer-relative financial performance	9.00%	15.75%	20.25%
Agency RMBS rate relative performance	6.00%	10.50%	13.50%
Peer-relative book value performance	5.00%	8.75%	11.25%
Total for Measurement Period	20.00%	35.00%	45.00%

The Committee established the following performance measures and the performance thresholds that must be satisfied for awards to be earned under the 2018 Plan.

Peer-Relative Financial Performance. No amount will be earned for this performance measure unless the Company's financial performance for the applicable measurement period exceeds the mean of the financial performance of the companies in the Peer Group (defined below) for the applicable measurement period. The financial performance of the Company and those in the Peer Group will equal the sum of total dividends paid during the measurement period and the change in book value during the measurement period divided by the book value on the first day of the applicable measurement period. The "Peer Group" consists of the following companies: AGNC Investment Corp., Annaly Capital Management, Inc., Anworth Mortgage Asset Corporation, ARMOUR Residential REIT, Inc., Capstead Mortgage Corporation, CYS Investments, Inc., Dynex Capital, Inc., MTGE Investment Corp. and Western Asset Mortgage Capital Corporation. In the event that a company in the Peer Group merges with another entity, sells all or a significant portion of its business, dissolves, liquidates or the Committee determines that a company has substantially changed its business in such a way that it no longer conducts a similar business to the Company's business, then such company will be removed from the Peer Group for the measurement period(s) when such event occurs.

Agency RMBS Rate Relative Performance. The Company's performance under this performance measure will equal the sum of the change in book value during the applicable measurement period and total dividends paid during the measurement period. No amount will be earned for this performance measure unless the Company's performance as calculated in the preceding sentence for the applicable measurement period exceeds the Agency RMBS rate multiplied by the number of years in the measurement period. The "Agency RMBS rate" will equal the yield on the Fannie Mae 30-year fixed rate current coupon mortgage as of the beginning of 2018 of 2.996% (determined by averaging the rate as of the last business day of 2017 and the first business day of 2018) plus 400 bps, or 6.996%.

Peer-Relative Book Value Performance. No amount will be earned for this performance measure unless the Company's change in book value for the applicable measurement period (calculated in accordance with the following sentence) exceeds the mean change in book value for the companies in the Peer Group. The change in book value for the Company and those in the Peer Group will be determined by subtracting the book value on the first day of the measurement period from the book value on the last day in the measurement period, with such amount divided by the book value on the first day of the measurement period.

If the Company's results for a performance measure equal or are less than the threshold for a measurement period, no amount will be added to the bonus pool for the measurement period with respect to that measurement criterion. The table below details the amounts by which the Company's performance must exceed the threshold performance measures described above for the maximum bonus award to be added to the bonus pool. Linear interpolation will be used for results falling between the threshold and the result that must be achieved to earn the maximum award.

	1-year	3-year	5-year
Peer-relative financial performance	Threshold + 5.0%	Threshold + 10.0%	Threshold + 15.0%
Agency RMBS rate relative performance	Threshold + 5.0%	Threshold + 10.0%	Threshold + 15.0%
Peer-relative book value performance	Threshold + 2.0%	Threshold + 4.0%	Threshold + 6.0%

Awards for these three measurement periods will be paid no later than March 30 of the year following the end of the relevant measurement period. The Committee anticipates that 50% of earned bonuses will be paid in unrestricted shares of the Company's common stock and 50% will be paid in the form of "Performance Units," all of which will be issued under the 2012 Equity Incentive Plan (the "2012 Plan"). The number of unrestricted shares of the Company's common stock and Performance Units to be issued in satisfaction of the earned bonuses will be determined by dividing the amount of such bonus by the average closing price of the Company's common stock on the New York Stock Exchange for the 10 trading days preceding the grant date of the common stock and Performance Units rounded to the nearest whole number. The Performance Units will vest at the rate of 10% per quarter commencing with the first quarter after the one year anniversary of the end of the applicable measurement period, with the Participant receiving one share of the Company's common stock for each Performance Unit that vests. The Participant must continue to be employed by the Company as of the end of each such quarter in order to vest in the number of Performance Units scheduled to vest on that date. In the event of a Change in Control (as defined in the 2012 Plan) or the death or disability of the Participant, all of his or her Performance Units will be vested. When vested, each Performance Unit will be settled by the issuance of one share of the Company's common stock, at which time the Performance Unit shall be cancelled immediately, but in no case later than March 30 of the year after the year in which the Performance Units vest.

The Performance Units will 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 number of outstanding Performance Units will be subject to the following adjustments prior to the date on which such Performance Unit vests:

Book Value Impairment. A "Book Value Impairment" will 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" will occur in any quarter in which the following conditions are satisfied: (i) the median change in the book value per share of the companies in the Peer Group (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 will "Outperform All Peer Companies" in any quarter in which the following conditions are satisfied: (i) the companies in the Peer Group 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 company in the Peer Group. 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%.

The Committee anticipates adopting similar plans for future years with modifications to the performance measures and hurdle rates as the Committee deems appropriate. Due to the phase in of the 2018 Plan, past plans and the plan anticipated to be adopted in 2019, the Committee may make an additional award at the same time that the 2018 one-year award and the three-year award under the 2016 Long-Term Equity Incentive Compensation Plan are made in its sole discretion for the Company's performance since the Company's initial public offering that was completed on February 20, 2013.

Exhibit 10.6

ORCHID ISLAND CAPITAL, INC.
2012 EQUITY INCENTIVE PLAN
DEFERRED STOCK UNIT GRANT NOTICE

Pursuant to the terms and conditions of the Orchid Island Capital, Inc. 2012 Equity Incentive Plan, as amended from time to time (the "***Plan***"), Orchid Island Capital, Inc. (the "***Company***") hereby grants to the individual listed below ("***you***" or the "***Participant***") the number of Deferred Stock Units (the "***DSUs***") set forth below in this Deferred Stock Unit Grant Notice (this "***Grant Notice***"). This award of DSUs (this "***Award***") is subject to the terms and conditions set forth herein, in the Deferred Stock Unit Agreement attached hereto as Exhibit A (the "***Agreement***") and the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

Participant:	________________
Date of Grant:	________________
Award Type and Description:	Other Equity-Based Award granted pursuant to Article X of the Plan.
Total Number of Deferred Stock Units:	________________

By signing below, you agree to be bound by the terms and conditions of the Plan, the Agreement and this Grant Notice. You acknowledge that you have reviewed the Agreement, the Plan and this Grant Notice in their entirety and fully understand all provisions of the Agreement, the Plan and this Grant Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee regarding any questions or determinations arising under the Agreement, the Plan or this Grant Notice. This Grant Notice may be executed in one or more counterparts (including portable document format (.pdf) and facsimile counterparts), each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Grant Notice to be executed by an officer thereunto duly authorized, and the Participant has executed this Grant Notice, effective for all purposes as provided above.

COMPANY

Orchid Island Capital, Inc.

By: ______________________________

Name:

Title:

PARTICIPANT

____

Name:

____

Address:

EXHIBIT A
DEFERRED STOCK UNIT AGREEMENT

This Deferred Stock Unit Agreement (together with the Grant Notice to which this Agreement is attached, this "***Agreement***") is made as of the Date of Grant set forth in the Grant Notice (the "***Date of Grant***") by and between Orchid Island Capital, Inc., a Maryland corporation (the "***Company***"), and _________ (the "***Participant***"). Capitalized terms used but not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1. **Award**. In consideration of the Participant's past and/or continued service to the Company or its Affiliates and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the Date of Grant, the Company hereby grants to the Participant the number of DSUs set forth in the Grant Notice on the terms and conditions set forth in the Grant Notice, this Agreement and the Plan, which is incorporated herein by reference as a part of this Agreement. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control. Each DSU represents the right to receive one share of Common Stock, subject to the terms and conditions set forth in the Grant Notice, this Agreement and the Plan. Unless and until the DSUs are delivered in accordance with Section 4, the Participant will have no right to receive any Common Stock or other payments in respect of the DSUs. The DSUs shall be credited to a separate account maintained for the Participant on the books and records of the Company (the "***Account***"). Prior to settlement of this Award, the DSUs and this Award represent an unsecured obligation of the Company, payable only from the general assets of the Company.

2. **Vesting of DSUs**. The DSUs shall be 100% vested on the Date of Grant.

3. **Dividend Equivalent Rights**.

(a) In the event that the Company declares and pays a dividend in respect of its outstanding shares of Common Stock and, on the record date for such dividend, the Participant holds DSUs granted pursuant to this Agreement that have not been settled, the Company shall pay to the Participant an amount equal to the dividends the Participant would have received if the Participant was the holder of record, as of such record date, of the number of shares of Common Stock relating to the portion of the Participant's DSUs that have not been settled as of such record date (the "***Dividend Equivalents***"), unless payment is deferred pursuant to Section 3(b).

(b) Notwithstanding Section 3(a), the Participant may elect to defer the payment of any Dividend Equivalents pursuant to the Dividend Equivalents Deferral Election Form attached hereto as Exhibit C. Any such deferral election must be made in compliance with such rules and procedures as the Committee prescribes. If any Dividend Equivalents are deferred, the Company shall credit the amount of such Dividend Equivalents to the Account in the form of additional DSUs based on the Fair Market Value of a share of Common Stock on the date such Dividend Equivalent would be paid pursuant to Section 3(a). Any such additional DSUs shall be considered DSUs under this Agreement and shall be entitled to receive Dividend Equivalents pursuant to this Section 3; provided, however, that any such additional DSUs shall be settled in accordance with the deferral election made pursuant to this Section 3(b), rather than pursuant to Section 4.

4. **Settlement of DSUs**.

(a) As soon as administratively practicable following the vesting of DSUs pursuant to Section 2, but in no event later than 30 days after such vesting date, the Company shall deliver to the Participant a number of shares of Common Stock equal to the number of DSUs subject to this Award, unless delivery is deferred pursuant to Section 4(b). All shares of Common Stock issued hereunder shall be delivered either by delivering one or more certificates for such shares to the Participant or by entering such shares in book-entry form, as determined by the Committee in its sole discretion. The value of shares of Common Stock shall not bear any interest owing to the passage of time. Neither this Section 3 nor any action taken pursuant to or in accordance with this Agreement shall be construed to create a trust or a funded or secured obligation of any kind.

(b) Notwithstanding Section 4(a), the Participant may elect to defer the delivery of the DSUs pursuant to the Deferred Stock Units Deferral Election Form attached hereto as Exhibit B. Any such deferral election must be made in compliance with such rules and procedures as the Committee prescribes.

5. **Tax Withholding**. To the extent that the receipt, vesting or settlement of this Award results in compensation income or wages to the Participant for federal, state, local and/or foreign tax purposes, the Participant shall make arrangements satisfactory to the Company for the satisfaction of obligations for the payment of withholding taxes and other tax obligations relating to this Award, which arrangements include the delivery of cash or cash equivalents, Common Stock (including previously owned Common Stock, net settlement, a broker-assisted sale, or other cashless withholding or reduction of the amount of shares otherwise issuable or delivered pursuant to this Award), other property, or any other legal consideration the Committee deems appropriate. If such tax obligations are satisfied through net settlement or the surrender of previously owned Common Stock, the maximum number of shares of Common Stock that may be so withheld (or surrendered) shall be the number of shares of Common Stock that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities determined based on the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to this Award, as determined by the Committee. The Participant acknowledges that there may be adverse tax consequences upon the receipt, vesting or settlement of this Award or disposition of the underlying shares and that the Participant has been advised, and hereby is advised, to consult a tax advisor. The Participant represents that the Participant is in no manner relying on the Board, the Committee, the Company or any of its Affiliates or any of their respective managers, directors, officers, employees or authorized representatives (including, without limitation, attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

6. **Non-Transferability**. None of the DSUs, the Dividend Equivalents or any interest or right therein may be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Common Stock underlying the DSUs have been issued, and all restrictions applicable to such shares have lapsed. Neither the DSUs nor any interest or right therein shall be liable for the debts, contracts or engagements of the Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is expressly permitted by the preceding sentence.

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7. **Compliance with Applicable Law**. Notwithstanding any provision of this Agreement to the contrary, the issuance of shares of Common Stock hereunder will be subject to compliance with all requirements of applicable law with respect to such securities and with the requirements of any stock exchange or market system upon which the Common Stock may then be listed. No shares of Common Stock will be issued hereunder if such issuance would constitute a violation of any applicable law or regulation or the requirements of any stock exchange or market system upon which the Common Stock may then be listed. In addition, shares of Common Stock will not be issued hereunder unless (a) a registration statement under the Securities Act is in effect at the time of such issuance with respect to the shares to be issued or (b) in the opinion of legal counsel to the Company, the shares to be issued are permitted to be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary for the lawful issuance and sale of any shares of Common Stock hereunder will relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance of Common Stock hereunder, the Company may require the Participant to satisfy any requirements that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company.

8. **Legends**. If a stock certificate is issued with respect to shares of Common Stock delivered hereunder, such certificate shall bear such legend or legends as the Committee deems appropriate in order to reflect the restrictions set forth in this Agreement and to ensure compliance with the terms and provisions of this Agreement, the rules, regulations and other requirements of the Securities and Exchange Commission, any applicable laws or the requirements of any stock exchange on which the Common Stock is then listed. If the shares of Common Stock issued hereunder are held in book-entry form, then such entry will reflect that the shares are subject to the restrictions set forth in this Agreement.

9. **Rights as a Stockholder**. The Participant shall have no rights as a stockholder of the Company with respect to any shares of Common Stock that may become deliverable hereunder unless and until the Participant has become the holder of record of such shares of Common Stock, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares of Common Stock, except as otherwise specifically provided for in the Plan or this Agreement.

10. **Execution of Receipts and Releases**. Any issuance or transfer of shares of Common Stock or other property to the Participant or the Participant's legal representative, heir, legatee or distributee, in accordance with this Agreement shall be in full satisfaction of all claims of such person hereunder. As a condition precedent to such payment or issuance, the Company may require the Participant or the Participant's legal representative, heir, legatee or distributee to execute (and not revoke within any time provided to do so) a release and receipt therefor in such form as it shall determine appropriate; provided, however, that any review period under such release will not modify the date of settlement with respect to vested DSUs.

11. **No Right to Continued Service or Awards**. Nothing in the adoption of the Plan, nor the award of the DSUs thereunder pursuant to the Grant Notice and this Agreement, shall confer upon the Participant the right to a continued service relationship with the Company or any Affiliate, or any other entity, or affect in any way the right of the Company or any such Affiliate, or any other entity to terminate such service relationship at any time. The grant of the DSUs is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Any future Awards will be granted at the sole discretion of the Company.

12. **Notices**. All notices and other communications under this Agreement shall be in writing and shall be delivered to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company, unless otherwise designated by the Company in a written notice to the Participant (or other holder):

Orchid Island Capital, Inc.
Attn: Bob Cauley
3305 Flamingo Drive
Vero Beach, Florida 32963

If to the Participant, to the address for the Participant indicated on the signature page to the Grant Notice (as such address may be updated by the Participant providing written notice to such effect to the Company).

Any notice that is delivered personally or by overnight courier or telecopier in the manner provided herein shall be deemed to have been duly given to the Participant when it is mailed by the Company or, if such notice is not mailed to the Participant, upon receipt by the Participant. Any notice that is addressed and mailed in the manner herein provided shall be conclusively presumed to have been given to the party to whom it is addressed at the close of business, local time of the recipient, on the fourth day after the day it is so placed in the mail.

13. **Consent to Electronic Delivery; Electronic Signature**. In lieu of receiving documents in paper format, the Participant agrees, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports and all other forms of communications) in connection with this and any other Award made or offered by the Company. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may be required to deliver, and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

14. **Agreement to Furnish Information**. The Participant agrees to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirement imposed upon the Company by or under any applicable statute or regulation.

15. **Entire Agreement; Amendment**. This Agreement, the Grant Notice and the Plan constitute the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the DSUs granted hereby; provided, however, that the terms of this Agreement shall not modify and shall be subject to the terms and conditions of any consulting and/or severance agreement between the Company (or an Affiliate or other entity) and the Participant in effect as of the date a determination is to be made under this Agreement. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. The Committee may, in its sole discretion, amend this Agreement from time to time in any manner that is not inconsistent with the Plan; provided, however, that except as otherwise provided in the Plan or this Agreement, any such amendment that materially reduces the rights of the Participant shall be effective only if it is in writing and signed by both the Participant and an authorized officer of the Company.

16. **Severability and Waiver**. If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect. Waiver by any party of any breach of this Agreement or failure to exercise any right hereunder shall not be deemed to be a waiver of any other breach or right. The failure of any party to take action by reason of such breach or to exercise any such right shall not deprive the party of the right to take action at any time while or after such breach or condition giving rise to such rights continues.

17. **Clawback. Notwithstanding any provision in the Grant Notice, this Agreement or the Plan to the contrary, to the extent required by (a) applicable law, including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, any Securities and Exchange Commission rule or any applicable securities exchange listing standards and/or (b) any policy that may be adopted or amended by the Board from time to time, all shares of Common Stock issued hereunder shall be subject to forfeiture, repurchase, recoupment and/or cancellation to the extent necessary to comply with such law(s) and/or policy.**

18. **Governing Law**. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN, EXCLUSIVE OF THE CONFLICT OF LAWS PROVISIONS OF MARYLAND LAW.

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19. **Successors and Assigns. The Company may assign any of its rights under this Agreement without the Participant's consent. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Agreement will be binding upon the Participant and the Participant's beneficiaries, executors, administrators and the person(s) to whom the DSUs may be transferred by will or the laws of descent or distribution.**

20. **Headings**. Headings are for convenience only and are not deemed to be part of this Agreement.

21. **Counterparts**. The Grant Notice may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Delivery of an executed counterpart of the Grant Notice by facsimile or portable document format (.pdf) attachment to electronic mail shall be effective as delivery of a manually executed counterpart of the Grant Notice.

22. **Section 409A**. Notwithstanding anything herein or in the Plan to the contrary, the DSUs granted pursuant to this Agreement are intended to comply with the applicable requirements of Section 409A, as amended from time to time, and the guidance and regulations promulgated thereunder and successor provisions, guidance and regulations thereto (the "***Nonqualified Deferred Compensation Rules***") and shall be construed and interpreted in accordance with such intent. If the Participant is deemed to be a "specified employee" within the meaning of the Nonqualified Deferred Compensation Rules, as determined by the Committee, at a time when the Participant becomes eligible for settlement of the DSUs upon the Participant's "separation from service" within the meaning of the Nonqualified Deferred Compensation Rules, then to the extent necessary to prevent any accelerated or additional tax under the Nonqualified Deferred Compensation Rules, such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant's separation from service and (b) the Participant's death. Notwithstanding the foregoing, the Company and its Affiliates make no representations that the DSUs provided under this Agreement are compliant with the Nonqualified Deferred Compensation Rules and in no event shall the Company or any Affiliate be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with the Nonqualified Deferred Compensation Rules.

<u>**EXHIBIT B**</u>

DEFERRED STOCK UNITS
DEFERRAL ELECTION FORM

Please complete this Deferred Stock Units Deferral Election Form (the "***DSU Election Form***") and return a signed copy to Bob Cauley no later than 5:00pm EST on April 30, 2018 (the "***Election Deadline***").

Name: ____

<u>NOTE</u>: This DSU Election Form will apply to all grants of Deferred Stock Units (the "*DSUs*") you may receive from Orchid Island Capital, Inc. (the "*Company*") until such time as a new signed DSU Election Form is received by the Company. Any new signed DSU Election Form must be received by the Company no later than December 31 of the calendar year preceding the calendar in which it is intended to apply.

1. <u>**Settlement of DSUs**</u>

In making this election, the following rules apply:

- Unless otherwise specified, capitalized terms used but not defined in this DSU Election Form shall have the meaning attributed to them in the Deferred Stock Unit Grant Notice (the "***Grant Notice***"), the Deferred Stock Unit Agreement (the "***Agreement***") or the Orchid Island Capital, Inc. 2012 Equity Incentive Plan, as amended from time to time (the "***Plan***"), as applicable.

- You must complete this DSU Election Form by the Election Deadline and select a payment date on which you will receive the shares of Common Stock underlying the DSUs. You must complete this DSU Election Form even if you want the shares of Common Stock underlying your DSUs to be paid to you at the default time specified in the Agreement.

- Notwithstanding the foregoing, if you fail to complete and timely submit this DSU Election Form, the shares of Common Stock underlying your DSUs will be paid to you at the default time specified in the Agreement.

2. **Deferral Election**

I hereby irrevocably elect to receive the shares of Common Stock issuable pursuant to any DSUs granted to me in 2018 and any future calendar years, until such time as a new signed DER Election Form is received by the Company, upon the earlier to occur of my death, disability (as defined in Treasury Regulation Section 1.409A-3(i)(4)), a Change in Control, or (*select only one of the following*):

☐ (a) The default time specified in the Agreement.
☐ (b) The date I incur a separation from service with the Company, determined in accordance with the Company's written and generally applicable policies.
☐ (c) The_______________ anniversary of the date of I incur a separation from service with the Company, determined in accordance with the Company's written and generally applicable policies.
☐ (d) As soon as administratively feasible following _________________ ___, _____ (*insert applicable date*).

3. **Signature**

I understand that my rights to the shares of Common Stock underlying the DSUs are subject to the rights of the general creditors of the Company in the event of its insolvency. I further understand that this DSU Election Form will become effective and irrevocable as of 5:00pm EST on April 30, 2018, which is the Election Deadline. **Once I have elected the time of settlement of my DSUs by filing this completed DSU Election Form, I understand that (a) the settlement election will be irrevocable and (b) the settlement election will control over any contrary payment time or event specified in Section 4 of the Agreement.** I acknowledge that, if I do not complete and timely submit this DSU Election Form, the shares of Common Stock underlying my DSUs will be paid to me at the default time specified in the Agreement.

By executing this DSU Election Form, I hereby acknowledge my understanding of, and agreement with, the terms and provisions set forth in this DSU Election Form, the Grant Notice, the Agreement and the Plan.

PARTICIPANT

Name:

Date:

EXHIBIT C

DIVIDEND EQUIVALENTS
DEFERRAL ELECTION FORM

Please complete this Dividend Equivalents Deferral Election Form (the "***DER Election Form***") and return a signed copy to Bob Cauley no later than 5:00pm EST on April 30, 2018 (the "***Election Deadline***").

Name: ______________________________________

NOTE: This DER Election Form will apply to all Dividend Equivalents you may receive from Orchid Island Capital, Inc. (the "*Company*") pursuant to an award of Deferred Stock Units until such time as a new signed DER Election Form is received by the Company. Any new signed DSU Election Form must be received by the Company no later than December 31 of the calendar year preceding the calendar in which it is intended to apply.

1. **Settlement of Dividend Equivalents**

In making this election, the following rules apply:

- Unless otherwise specified, capitalized terms used but not defined in this DER Election Form shall have the meaning attributed to them in the Deferred Stock Unit Grant Notice (the "***Grant Notice***"), the Deferred Stock Unit Agreement (the "***Agreement***") or the Orchid Island Capital, Inc. 2012 Equity Incentive Plan, as amended from time to time (the "***Plan***"), as applicable.
- You must complete this DER Election Form by the Election Deadline and select a payment date on which you will receive the Dividend Equivalents (or the shares of Common Stock underlying any reinvested Dividend Equivalents). You must complete this DER Election Form even if you want the Dividend Equivalents to be paid to you at the default time specified in the Agreement.
- Notwithstanding the foregoing, if you fail to complete and timely submit this DER Election Form, the Dividend Equivalents will be paid to you at the default time specified in the Agreement.

2. **Deferral Election**

I hereby irrevocably elect to receive the Dividend Equivalents (or the shares of Common Stock underlying any reinvested Dividend Equivalents) issuable pursuant to any Deferred Stock Units granted to me in 2018 and any future calendar years, until such time as a new signed DER Election Form is received by the Company, upon the earlier to occur of my death, disability (as defined in Treasury Regulation Section 1.409A-3(i)(4)), a Change in Control, or (*select only one of the following*):

☐ (a) The default time specified in the Agreement.
☐ (b) The date I incur a separation from service with the Company, determined in accordance with the Company's written and generally applicable policies.
☐ (c) The_____________anniversary of the date of I incur a separation from service with the Company, determined in accordance with the Company's written and generally applicable policies.
☐ (d) As soon as administratively feasible following ________________ ___, _____ (*insert applicable date*).

3. **Signature**

I understand that my rights to the Dividend Equivalents (or the shares of Common Stock underlying any reinvested Dividend Equivalents) are subject to the rights of the general creditors of the Company in the event of its insolvency. I further understand that this DER Election Form will become effective and irrevocable as of 5:00pm EST on April 30, 2018, which is the Election Deadline. **Once I have elected the time of settlement of my Dividend Equivalents by filing this completed DER Election Form, I understand that (a) the settlement election will be irrevocable and (b) the settlement election will control over any contrary payment time or event specified in Section 3 of the Agreement.** I acknowledge that, if I do not complete and timely submit this DER Election Form, the Dividend Equivalents (or the shares of Common Stock underlying any reinvested Dividend Equivalents) will be paid to me at the default time specified in the Agreement.

By executing this DER Election Form, I hereby acknowledge my understanding of, and agreement with, the terms and provisions set forth in this DER Election Form, the Grant Notice, the Agreement and the Plan.

PARTICIPANT

Name:

Date:

Exhibit 31.1

CERTIFICATIONS

I, Robert E. Cauley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Orchid Island Capital, 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: April 27, 2018

/s/ Robert E. Cauley
Robert E. Cauley
Chairman of the Board, Chief Executive
Officer and President

Exhibit 31.2

CERTIFICATIONS

I, G. Hunter Haas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Orchid Island Capital, 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: April 27, 2018

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

Exhibit 32.1

CERTIFICATION
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002, 10 U.S.C. SECTION 1350

In connection with the quarterly report on Form 10-Q of Orchid Island Capital, Inc. (the "Company") for the period ended March 31, 2018 to be filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Robert E. Cauley, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Report 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 at the dates of, and for the periods covered by, the Report.

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

April 27, 2018	/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, 10 U.S.C. SECTION 1350

In connection with the quarterly report on Form 10-Q of Orchid Island Capital, Inc. (the "Company") for the period ended March 31, 2018 to be filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, G. Hunter Haas, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Report 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 at the dates of, and for the periods covered by, the Report.

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

April 27, 2018

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