BIMINI CAPITAL MANAGEMENT, INC.
Form 10-Q
November 03, 2011

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

FORM 10-Q

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

For the quarterly period ended September 30, 2011

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

For the transition period from __________ to ___________

Commission File Number: 001-32171

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

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

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

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

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 þ NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted to its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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 þ NO ¨

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO þ

As of November 3, 2011, the number of shares outstanding of the registrant’s Class A Common Stock, $0.001 par value, was 9,977,059; the number of shares outstanding of the registrant’s Class B Common Stock, $0.001 par value, was 31,938; and the number of shares outstanding of the registrant’s Class C Common Stock, $0.001 par value, was 31,938.

BIMINI CAPITAL MANAGEMENT, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

BIMINI CAPITAL MANAGEMENT, INC.
CONSOLIDATED BALANCE SHEETS

	(Unaudited) September 30, 2011	December 31, 2010
ASSETS:		
Mortgage-backed securities, at fair value		
Pledged to counterparties, at fair value	$69,396,500	$117,253,931
Unpledged, at fair value	18,800,726	17,879,409
Total mortgage-backed securities	88,197,226	135,133,340
Cash and cash equivalents	3,926,764	2,830,584
Restricted cash	1,744,568	3,545,885
Retained interests in securitizations	4,942,492	3,927,777
Accrued interest receivable	1,015,552	1,049,577
Property and equipment, net	3,913,655	3,894,717
Prepaids and other assets, net	5,405,704	6,609,043
Total Assets	$109,145,961	$156,990,923
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Repurchase agreements, net	$67,395,843	$113,591,685
Junior subordinated notes due to Bimini Capital Trust II	26,804,440	26,804,440
Accrued interest payable	71,084	120,410
Accounts payable, accrued expenses and other	7,166,171	8,102,062
Total Liabilities	101,437,538	148,618,597
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; designated, 1,800,000		
shares as Class A Redeemable and 2,000,000 shares as Class B Redeemable; no		
shares issued and outstanding as of September 30, 2011 and December 31, 2010	-	-
Class A Common Stock, $0.001 par value; 98,000,000 shares designated: 9,977,059		
shares issued and outstanding as of September 30, 2011 and 9,776,586 shares		
issued and outstanding as of December 31, 2010	9,977	9,777
Class B Common Stock, $0.001 par value; 1,000,000 shares designated, 31,938 shares		
issued and outstanding as of September 30, 2011 and December 31, 2010	32	32
Class C Common Stock, $0.001 par value; 1,000,000 shares designated, 31,938 shares		
issued and outstanding as of September 30, 2011 and December 31, 2010	32	32
Additional paid-in capital	334,010,246	334,459,072
Accumulated deficit	(326,311,864)	(326,096,587)
Total Stockholders' Equity	7,708,423	8,372,326

Total Liabilities and Stockholders’ Equity	$109,145,961	$156,990,923

See Notes to Consolidated Financial Statements

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

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010
Interest income	$4,046,746	$4,969,604	$1,133,540	$1,261,563
Interest expense	(211,519)	(190,388)	(52,714)	(68,772)
Net interest income, before interest on junior subordinated notes	3,835,227	4,779,216	1,080,826	1,192,791
Interest expense on junior subordinated notes	(749,682)	(1,649,944)	(250,052)	(549,982)
Net interest income	3,085,545	3,129,272	830,774	642,809
Losses on mortgage-backed securities	(342,624)	(1,285,816)	(1,978,544)	(344,360)
Losses on Eurodollar futures	(1,177,712)	(498,712)	(822,300)	(348,725)
Net portfolio income (deficiency)	1,565,209	1,344,744	(1,970,070)	(50,276)
Other income:				
Gains on retained interests in securitizations	3,891,631	2,895,955	2,450,587	1,527,778
Other (expense) income	(51,895)	208,986	(15,013)	(2,780)
Total other income	3,839,736	3,104,941	2,435,574	1,524,998
Expenses:				
Compensation and related benefits	1,392,853	1,476,501	443,041	457,695
Directors' fees and liability insurance	453,201	378,087	150,338	115,707
Audit, legal and other professional fees	2,710,630	2,233,014	1,432,921	807,798
Direct REIT operating expenses	403,252	444,924	131,626	147,571
Other administrative	660,286	816,378	220,786	190,725
Total expenses	5,620,222	5,348,904	2,378,712	1,719,496
Loss before income taxes	(215,277)	(899,219)	(1,913,208)	(244,774)
Income tax benefit	-	(145,000)	-	(130,000)
Net loss	$(215,277)	$(754,219)	$(1,913,208)	$(114,774)
Basic and Diluted Net loss Per Share of:				
CLASS A COMMON STOCK				
Basic and Diluted	$(0.02)	$(0.08)	$(0.19)	$(0.01)
CLASS B COMMON STOCK				
Basic and Diluted	$(0.02)	$(0.08)	$(0.19)	$(0.01)
Weighted Average Shares Outstanding				
CLASS A COMMON STOCK				
Basic and Diluted	9,852,956	9,539,145	9,916,755	10,074,233
CLASS B COMMON STOCK				
Basic and Diluted	31,938	31,938	31,938	31,938
Dividends Declared Per Common Share:				
CLASS A COMMON STOCK	$0.065	$0.06	$0.0325	$-
CLASS B COMMON STOCK	$0.065	$0.06	$0.0325	$-

See Notes to Consolidated Financial Statements

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BIMINI CAPITAL MANAGEMENT, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
Nine Months Ended September 30, 2011

	Common Stock, Amounts at par value			Additional Paid-in	Accumulated	
	Class A	Class B	Class C	Capital	Deficit	Total
Balances, January 1, 2011	$9,777	$32	$32	$334,459,072	$(326,096,587)	$8,372,326
Net loss	-	-	-	-	(215,277)	(215,277)
Dividends declared	-	-	-	(669,077)	-	(669,077)
Issuance of Class A common shares for board compensation and equity plan exercises	201	-	-	150,832	-	151,033
Shares repurchased from employees in satisfaction of withholding requirements on equity plan distributions	(1)	-	-	(595)	-	(596)
Amortization of equity plan compensation	-	-	-	70,014	-	70,014
Balances, September 30, 2011	$9,977	$32	$32	$334,010,246	$(326,311,864)	$7,708,423

See Notes to Consolidated Financial Statements

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

	Nine Months Ended September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(215,277)	$(754,219)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Stock based compensation and equity plan amortization	221,047	183,714
Depreciation and amortization	89,590	183,581
Losses on mortgage-backed securities	342,624	1,285,816
Gains on retained interests in securitizations	(3,891,631)	(2,895,955)
Changes in operating assets and liabilities:		
Accrued interest receivable	34,025	(4,184)
Prepaid expenses and other assets, net	1,204,684	3,013,111
Accrued interest payable	(49,326)	(19,515)
Accounts payable, accrued expenses and other	(935,891)	(694,808)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(3,200,155)	297,541
CASH FLOWS FROM INVESTING ACTIVITIES:		
From mortgage-backed securities investments:		
Purchases	(46,317,169)	(130,415,299)
Sales	73,326,473	92,104,494
Principal repayments	19,582,841	25,995,565
Principal payments received on retained interests in securitizations	2,876,916	3,356,695
Decrease in restricted cash	1,801,317	990,789
Purchases of property and equipment	(108,528)	(5,624)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	51,161,850	(7,973,380)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from repurchase agreements	317,815,006	387,531,457
Principal payments on repurchase agreements	(364,010,848)	(380,529,160)
Dividends paid in cash	(669,077)	(2,507,729)
Stock repurchases	(596)	(51,032)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(46,865,515)	4,443,536
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,096,180	(3,232,303)
CASH AND CASH EQUIVALENTS, beginning of the period	2,830,584	6,469,795
CASH AND CASH EQUIVALENTS, end of the period	$3,926,764	$3,237,492
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		

Interest	$1,010,527	$1,742,116
Income taxes	17,706	910,538
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES:		
Dividends paid in shares of Class A Common Stock	-	16,654,837

See notes to Consolidated Financial Statements

BIMINI CAPITAL MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
September 30, 2011

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Business Description

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

On November 3, 2005, Bimini Capital acquired Opteum Financial Services, LLC ("OFS"), and at closing, it became a wholly-owned taxable REIT subsidiary (or "TRS") of Bimini Capital. This entity was renamed Orchid Island TRS, LLC ("OITRS") effective July 3, 2007 and then renamed MortCo TRS, LLC ("MortCo") effective March 8, 2011. Hereinafter, any historical mention, discussion or references to Opteum Financial Services, LLC, Orchid Island TRS, LLC, OFS or to OITRS (such as in previously filed documents or Exhibits) now means MortCo TRS, LLC or "MortCo."

As used in this document, discussions related to "Bimini Capital," the parent company, the registrant, and to REIT qualifying activities or the general management of Bimini Capital's portfolio of MBS refer to "Bimini Capital Management, Inc." and its wholly-owned qualified REIT subsidiary, Orchid Island Capital, Inc. ("Orchid"). Discussions related to Bimini Capital's taxable REIT subsidiaries or non-REIT eligible assets refer to Bimini Advisors, Inc. ("Bimini Advisors") and MortCo and its consolidated subsidiaries. Discussions relating to "the Company" refer to the consolidated entity.

Liquidity

At September 30, 2011, Bimini Capital had an equity capital base of $7.7 million and an MBS portfolio of $88.2 million. The crisis in the U.S. financial markets during 2008/2009, and the material losses incurred by the Company in 2006 and 2007 attributable to the former mortgage origination operations of MortCo, have significantly reduced Bimini Capital's equity capital base and the size of its MBS portfolio. Ongoing litigation costs stemming from the former operations of MortCo and Bimini Capital itself cause the Company's overhead to be high in relation to its portfolio size. In response, during the past two years, the Company has taken significant steps to reduce the leverage in its balance sheet, reduce its debt service costs, and alter its investment strategy for holding MBS securities. The Company's alternative investment strategy that utilizes structured MBS has been elevated to a core element of its investment strategy and liquidity management. However, the Company's ability to utilize this element of our investment strategy is limited by restrictions imposed under the Investment Company Act. Further, if cash resources are, at any time, insufficient to satisfy the Company's liquidity requirements, such as when cash flow from operations are materially negative, the Company may be required to pledge additional assets to meet margin calls, liquidate assets, sell additional debt or equity securities or pursue other financing alternatives.

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Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP"). 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. Significant estimates affecting the accompanying financial statements include the fair values of MBS, Eurodollar futures contracts, retained interests and asset valuation allowances.

Consolidation

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

As further described in Note 6, Bimini Capital has a common share investment in a trust used in connection with the issuance of Bimini Capital's junior subordinated notes. Pursuant to the applicable accounting guidance for variable interest entities, Bimini Capital's common share investment in the trust has not been consolidated in the financial statements of Bimini Capital, and accordingly, this investment has been accounted for on the equity method.

Statement of Comprehensive Income (Loss)

In accordance with FASB ASC Topic 220, Comprehensive Income, a statement of comprehensive income has not been included as the Company has no items of other comprehensive income. Comprehensive loss is the same as net loss for all 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. Restricted cash represents cash held on deposit as collateral with the repurchase agreement counterparties, which may be used to make principal and interest payments on the related repurchase agreements, and cash held by a broker as margin on Eurodollar futures contracts.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances. All non-interest bearing cash balances were fully insured at September 30, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to $250,000 per depositor at each financial institution, and our non-interest bearing cash balances may again exceed federally insured limits. Interest-bearing amounts on deposit that would have been in excess of the $250,000 federally insured limit at September 30, 2011 approximated $1.5 million.

Mortgage-Backed Securities

The Company invests primarily in mortgage pass-through (“PT”) certificates, collateralized mortgage obligations, interest only (“IO”) securities and inverse interest only (“IIO”) securities representing interest in or obligations backed by pools of mortgage loans (collectively, MBS). MBS transactions are recorded on the trade date. The Company has elected to account for its investment in MBS under the fair value option. These investments meet the requirements to be classified as available for sale under ASC 320-10-25, Debt and Equity Securities, which requires the securities to be carried at fair value on the Consolidated Balance Sheet with changes in fair value charged to Other Comprehensive Income, a component of Stockholders’ Equity. Electing the fair value option allows the Company to record changes in fair value in the 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 fair value of the Company’s investments in MBS is governed by FASB ASC Topic 820, Fair Value Measurements and Disclosures. The definition of fair value in FASB ASC Topic 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 MBS are based on the average of third-party broker quotes received and/or independent pricing sources when available.

Income on MBS pass-through securities is based on the stated interest rate of the security. Premiums or discounts present at the date of purchase are not amortized. For interest only securities, the income is accrued based on the carrying value and the effective yield. Cash received is first applied to accrued interest and then to reduce the 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 inverse interest only securities, effective yield and income recognition calculations also take into account the index value applicable to the security.

Retained Interests

Retained interests in the subordinated tranches of securities created in securitization transactions were initially recorded at their fair value when issued by MortCo. Subsequent adjustments to fair value are reflected in earnings. Quoted market prices for these assets are generally not available, so the Company estimates fair value based on the present value of expected future cash flows using management’s best estimates of key assumptions, which include expected credit losses, prepayment speeds, weighted-average life, and discount rates commensurate with the inherent risks of the asset.

Derivative Financial Instruments

The Company has entered into derivative financial 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 Company has elected to not treat any of its derivative financial instruments as hedges. FASB ASC Topic 815, Derivatives and Hedging, requires that all derivative investments be carried at fair value.

Financial Instruments

FASB ASC Topic 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. MBS, Eurodollar futures contracts, mortgage loans held for sale and retained interests in securitization transactions 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 financial statements.

The estimated fair value of cash and cash equivalents, restricted cash, accrued interest receivable, net repurchase agreements, accrued interest payable and accounts payable and other liabilities generally approximates their carrying value as of September 30, 2011 and December 31, 2010, due to the short-term nature of these financial instruments.

It is impractical to estimate the fair value of the Company's junior subordinated notes. Currently, there is a limited market for these types of instruments and the Company is unable to ascertain what interest rates would be available to the Company for similar financial instruments. Information regarding carrying amounts, effective interest rates and maturity dates for these instruments is presented in Note 6 to the financial statements.

Property and Equipment, net

Property and equipment, net, consists of computer equipment with a depreciable life of 3 years, office furniture and equipment with depreciable lives of 8 to 20 years, land which has no depreciable life, and buildings and improvements with depreciable lives of 30 years. Property and equipment is recorded at acquisition cost and depreciated using the straight-line method over the estimated useful lives of the assets.

Bimini Capital's property and equipment as of September 30, 2011 and December 31, 2010, is presented net of accumulated depreciation of approximately $782,000 and $692,000, respectively. Depreciation expense was approximately $90,000 and $29,000 for the nine and three months ended September 30, 2011, respectively, and $66,000 and $21,000 for the nine and three months ended September 30, 2010, respectively.

Repurchase Agreements

The Company finances the acquisition of its PT MBS through the use of repurchase agreements. Repurchase agreements are treated as collateralized financing transactions and are carried at their contractual amounts, including accrued interest, as specified in the respective agreements. Although structured as a sale and repurchase obligation, a repurchase agreement operates as a financing under which securities are pledged as collateral to secure a short-term loan equal in value to a specified percentage (generally between 90 and 95 percent) of the market value of the pledged collateral. While used as collateral, the borrower retains beneficial ownership of the pledged collateral, including the right to distributions. At the maturity of a repurchase agreement, the borrower is required to repay the loan and concurrently receive the pledged collateral from the lender or, with the consent of the lender, renew such agreement at the then prevailing financing rate. Margin calls, whereby a lender requires that the Company pledge additional securities or cash as collateral to secure borrowings under its repurchase agreements with such a lender, are routinely experienced by the Company when the value of the MBS pledged as collateral declines or as a result of principal amortization or due to changes in market interest rates, spreads or other market conditions.

The Company's repurchase agreements typically have terms ranging from one month to six months at inception, with some having longer terms. Should a counterparty decide not to renew a repurchase agreement at maturity, the Company must either refinance with another lender or be in a position to satisfy the obligation. If, during the term of a repurchase agreement, a lender should file 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 accrued interest and cash posted as collateral. At September 30, 2011, the Company had outstanding balances under repurchase agreements with two lenders with a maximum amount at risk (the difference between the amount loaned to the Company, including interest payable, and the fair value of the collateral pledged by the Company, including accrued interest and cash posted as collateral) of $3.5 million.

Share-Based Compensation

The Company follows the provisions of FASB ASC Topic 718, Compensation – Stock Compensation, to account for stock and stock-based awards. For stock and stock-based awards issued to employees, a compensation charge is recorded against earnings over the vesting period based on the fair value of the award. Payments pursuant to dividend equivalent rights, which are granted along with certain equity based awards, are charged to stockholders' equity when declared. The Company applies a zero forfeiture rate for its equity based awards, as such awards have been granted to a limited number of employees and historical forfeitures have been minimal. A significant forfeiture, or an indication that significant forfeitures may occur, would result in a revised forfeiture rate which would be accounted for prospectively as a change in an estimate. For transactions with non-employees in which services are performed in exchange for the Company's common stock or other equity instruments, the transactions are recorded on the basis of the fair value of the service received or the fair value of the equity instruments issued, whichever is more readily measurable at the date of issuance.

Earnings Per Share

The Company follows the provisions of FASB ASC Topic 260, Earnings Per Share, which requires companies with complex capital structures, common stock equivalents or two (or more) classes of securities that participate in the declared dividends to present both basic and diluted earnings per share ("EPS") on the face of the consolidated statement of operations. Basic EPS is calculated as income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the "if converted" method for common stock equivalents. However, the common stock equivalents are not included in computing diluted EPS if the result is anti-dilutive.

Outstanding shares of Class B Common Stock, participating and convertible into Class A Common Stock, are entitled to receive dividends in an amount equal to the dividends declared on each share of Class A Common Stock if, as and when authorized and declared by the Board of Directors. Accordingly, shares of the Class B Common Stock are included in the computation of basic EPS using the two-class method and, consequently, are presented separately from Class A Common Stock.

The shares of Class C Common Stock are not included in the basic EPS computation as these shares do not have participation rights. The outstanding shares of Class B and Class C Common Stock are not included in the computation of diluted EPS for the Class A Common Stock as the conditions for conversion into shares of Class A Common Stock were not met.

Income Taxes

Bimini Capital, including its wholly-owned qualified REIT subsidiary, has elected to be taxed as a REIT under the Code. Bimini Capital will generally not be subject to federal income tax on its REIT taxable income to the extent that Bimini Capital 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. At September 30, 2011, management believes that the Company has complied with Code requirements and Bimini Capital continues to qualify as a REIT. As further described in Note 10, Income Taxes, Bimini Advisors and MortCo are taxpaying entities for income tax purposes and are taxed separately from the REIT. The Company files separate federal and state tax returns for the REIT, and for each of the taxable REIT subsidiaries. Generally, returns for all periods after 2007 remain open for examination.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentations, including the reporting of MortCo as described below.

During the second quarter of 2007, the Company closed the mortgage wholesale and conduit mortgage loan origination channels of MortCo and subsequently sold substantially all of the operating assets of MortCo. MortCo was reported after that date as a discontinued operation following applicable accounting standards. Through September 30, 2010, most of the remaining assets and liabilities were considered to be contingent and were held by MortCo pursuant to the terms of the disposal of the operations. The disposal of the retained interests asset was delayed as a result of the lingering effects of the financial market crisis and a significant lack of investor interest in such securities, even though the Company made efforts to market such securities to previously active market participants. Because MortCo continued to hold these net assets, effective October 1, 2010, the assets and liabilities previously classified as held for sale were reclassified to held and used for all periods presented.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update 2011-05 (“ASU”) amending the authoritative guidance to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders’ equity, but does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The provisions of this amendment require retrospective application, and are effective for annual and interim periods beginning after December 15, 2011. We anticipate that the adoption of this ASU will have no effect on the Company’s consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04 amending authoritative guidance to establish common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards ("IFRSs"). The ASU changes the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between GAAP and IFRSs as well as expand the disclosures for Level 3 measurements. The ASU is to be applied prospectively, and are effective for annual and interim periods beginning after December 15, 2011. We anticipate that the adoption of this ASU will not have a materially effect on the Company's consolidated financial statements.

In April 2011, the FASB issued ASU 2011-03 regarding repurchase agreements. In a typical repurchase agreement transaction, an entity transfers financial assets to a counterparty in exchange for cash with an agreement for the counterparty to return the same or equivalent financial assets for a fixed price in the future. Prior to this ASU, one of the factors in determining whether sale treatment could be used was whether the transferor maintained effective control of the transferred assets and in order to do so, the transferor must have the ability to repurchase such assets. Based on this ASU, the Financial Accounting Standards Board concluded that the assessment of effective control should focus on a transferor's contractual rights and obligations with respect to transferred financial assets, rather than whether the transferor has the practical ability to perform in accordance with those rights or obligations. Therefore, this ASU removes the transferor's ability to perform criterion from consideration of effective control. This ASU is effective for the first interim or annual period beginning on or after December 15, 2011. Since the Company records repurchase agreements as secured borrowings and not sales, this ASU will have no effect on the Company's consolidated financial statements.

NOTE 2. MORTGAGE-BACKED SECURITIES

The following table presents the Company's MBS portfolio as of September 30, 2011 and December 31, 2010:

(in thousands)

	September 30, 2011	December 31, 2010
Pass-Through Certificates:		
Hybrid Adjustable-rate Mortgages	$5,149	$2,783
Adjustable-rate Mortgages	35,528	64,458
Fixed-rate Mortgages	28,719	50,013
Total Pass-Through Certificates	69,396	117,254
Structured MBS Certificates:		
Structured MBS	18,801	17,879
Totals	$88,197	$135,133

The following table summarizes the Company's MBS portfolio as of September 30, 2011 and December 31, 2010, according to their contractual maturities. Actual maturities of MBS 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)

	September 30, 2011	December 31, 2010
Less than one year	$275	$-
Greater than one year and less than five years	276	1,600
Greater than five years and less than ten years	9,315	9,077
Greater than or equal to ten years	78,331	124,456

Totals	$88,197	$135,133

NOTE 3. RETAINED INTERESTS IN SECURITIZATIONS

The following table summarizes the estimated fair value of the Company's residual interests in asset backed securities as of September 30, 2011 and December 31, 2010:

(in thousands)

Series	Issue Date	September 30, 2011	December 31, 2010
HMAC 2004-1	March 4, 2004	$223	$430
HMAC 2004-2	May 10, 2004	1,332	921
HMAC 2004-3	June 30, 2004	995	911
HMAC 2004-4	August 16, 2004	1,125	558
HMAC 2004-5	September 28, 2004	1,267	1,108
Total		$4,942	$3,928

NOTE 4. REPURCHASE AGREEMENTS

As of September 30, 2011, Bimini Capital had outstanding net repurchase obligations of approximately $67.4 million with a net weighted average borrowing rate of 0.29%. These agreements were collateralized by MBS with a fair value, including accrued interest, of approximately $69.6 million. As of December 31, 2010, Bimini Capital had outstanding repurchase obligations of approximately $113.6 million with a net weighted average borrowing rate of 0.32%. These agreements were collateralized by MBS with a fair value of approximately $117.6 million.

On occasion, the Company may enter into reverse repurchase agreements to facilitate the sale of selected positions in its PT MBS portfolio without unwinding an existing repurchase agreement. In accordance with the terms of a master repurchase agreement with the counterparty, repurchase agreements and reverse repurchase agreements are reported net in the consolidated balance sheet. As of September 30, 2011, the Company had outstanding reverse repurchase agreements with two counterparties totaling approximately $10.5 million.

As of September 30, 2011 and December 31, 2010, Bimini Capital's net repurchase agreements had remaining maturities as summarized below:

(in thousands)

	OVERNIGHT (1 DAY OR LESS)	BETWEEN 2 AND 30 DAYS	BETWEEN 31 AND 90 DAYS	GREATER THAN 90 DAYS	TOTAL
September 30, 2011					
Agency Backed Mortgage-Backed Securities:					
Fair market value of securities pledged, including accrued interest receivable	$ -	$54,123	$15,483	$-	$69,606
Repurchase agreement liabilities associated with these securities	$ -	$51,649	$15,747	$-	$67,396
Net weighted average borrowing rate	-	0.30 %	0.26 %	-	0.29 %
December 31, 2010					

Agency Backed Mortgage-Backed Securities:					
Fair market value of securities pledged, including					
accrued interest receivable	$ -	$75,175	$42,415	$-	$117,590
Repurchase agreement liabilities associated with					
these securities	$ -	$73,014	$40,578	$-	$113,592
Net weighted average borrowing rate	-	0.31 %	0.33 %	-	0.32 %

Summary information regarding the Company's amounts at risk with individual counterparties greater than 10% of the Company's equity at September 30, 2011 and December 31, 2010 is as follows:

(in thousands)

Repurchase Agreement Counterparties	Amount at Risk(1)	Weighted Average Maturity of Repurchase Agreements in Days
September 30, 2011		
MF Global, Inc.	$2,278	25
Nomura	1,202	20
December 31, 2010		
MF Global, Inc.	$3,444	25

(1) Equal to the fair value of securities sold, cash posted as collateral and accrued interest receivable, minus the sum of repurchase agreement liabilities and accrued interest payable.

On October 31, 2011, MF Global Holding Ltd. ("MF") filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. As of September 30, 2011, a subsidiary of MF, MF Global, Inc., was the Company's largest repurchase agreement funding provider and the Company had approximately $2.3 million at risk under such agreements. As of November 1, 2011, the Company has no outstanding funding arrangements in place with MF under repurchase agreements. All repurchase agreements in place at September 30, 2011, have been terminated with all pledged assets returned. One reverse-repurchase agreement with MF has yet to be fully unwound and the Company has not received funds in the approximate amount of $343,000. The Company is entitled to the funds and expects to receive them, but given developments at MF it is not known if or when the funds will be received.

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

In connection with the Company's interest rate risk management strategy, during the second quarter of 2010, the Company economically hedged a portion of its interest rate risk by entering into derivative financial instrument contracts. The Company did not elect hedging treatment under GAAP, and as such all gains and losses on these instruments are reflected in earnings for all periods presented.

As of September 30, 2011, such instruments are comprised entirely of Eurodollar futures contracts. Eurodollar futures are cash settled futures contracts on an interest rate, with gains and losses credited or charged to the Company's account on a daily basis. A minimum balance, or "margin", is required to be maintained in the account on a daily basis. The Company is exposed to the changes in value of the futures by the amount of margin held by the broker. The total amount of margin at September 30, 2011 and December 31, 2010 was approximately $446,000 and $224,000, respectively, and is reflected in restricted cash.

The Company's Eurodollar futures contracts with a notional amount of $21 million are used to attempt to achieve a fixed interest rate related to its junior subordinated notes. The junior subordinated notes had a fixed-rate of interest until December 15, 2010, of 7.86% and thereafter, through maturity in 2035, the rate will float at a spread of 3.50% over the prevailing three-month LIBOR rate. The Eurodollar futures contracts serve to effectively lock in a fixed LIBOR rate for a specified period of time. As of September 30, 2011, the Company has effectively locked in a weighted-average fixed LIBOR rate of 0.81% on the $21 million of its junior subordinated notes through September 2014. The effective interest rate for the junior subordinated notes is 4.31%. For the nine and three months ended September 30, 2011, the Company recorded losses of $746,000 and $471,000, respectively, on Eurodollar futures contracts held as part of its junior subordinated notes hedging strategy, compared to losses of $499,000 and $349,000 for the nine and three months ended September 30, 2010.

The Company also used Eurodollar futures contracts with a notional amount of $50 million to attempt to achieve a fixed interest rate related to a portion of its repurchase agreement obligations. As of September 30, 2011, the Company has effectively locked in a weighted-average fixed LIBOR rate of 0.70% on $50 million of its repurchase agreement obligations through December 2013. For the nine and three months ended September 30, 2011, the Company recorded losses of $432,000 and $351,000, respectively, on Eurodollar futures contracts held as part of its repurchase agreement hedging strategy.

As discussed in Note 4, in October 2011, MF filed for bankruptcy protection. A subsidiary of MF, MF Global Inc., was the broker for the Company’s Eurodollar based hedging activities for both our repurchase agreement funding arrangements and our trust preferred debt. At September 30, 2011, the Company had Eurodollar contracts with a notional balance of $71 million in place. The Eurodollar futures with MF Global Inc. will remain in place for the time being until they are either terminated or moved to another broker. The Company is required to maintain adequate margin against these positions for the Chicago Mercantile Exchange through our broker, MF Global Inc., in a segregated account. The equity in these positions at November 1, 2011 was approximately $233,000. The Company expects to receive these funds when the positions are closed but given developments at MF, it is not known if or when the funds will be received.

NOTE 6. TRUST PREFERRED SECURITIES

During 2005, Bimini Capital sponsored the formation of a statutory trust, known as Bimini Capital Trust II (“BCTII”) of which 100% of the common equity is owned by Bimini Capital. It was formed for the purpose of issuing trust preferred capital securities to third-party investors and investing the proceeds from the sale of such capital securities solely in junior subordinated debt securities of Bimini Capital. The debt securities held by BCTII are the sole assets of BCTII.

As of September 30, 2011 and December 31, 2010, the outstanding principal balance on the junior subordinated debt securities owed to BCTII was $26.8 million. The BCTII trust preferred securities and Bimini Capital's BCTII Junior Subordinated Notes have a rate of interest that floats at a spread of 3.50% over the prevailing three-month LIBOR rate. As of September 30, 2011, the interest rate was 3.85%. The BCTII trust preferred securities and Bimini Capital's BCTII Junior Subordinated Notes require quarterly interest distributions and are redeemable at Bimini Capital's option, in whole or in part and without penalty, beginning December 15, 2010. Bimini Capital's BCTII Junior Subordinated Notes are subordinate and junior in right of payment of all present and future senior indebtedness.

The trust is a variable interest entity pursuant to FASB ASC Topic 810 because the holders of the equity investment at risk do not have adequate decision making ability over the trust's activities. Since Bimini Capital's investment in the trust's common equity securities was financed directly by the applicable trust as a result of its loan of the proceeds to Bimini Capital, that investment is not considered to be an equity investment at risk. Since Bimini Capital's common share investments in BCTII are not a variable interest, Bimini Capital is not the primary beneficiary of BCTII. Therefore, Bimini Capital has not consolidated the financial statements of BCTII into its financial statements.

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

NOTE 7. CAPITAL STOCK

Issuances of Common Stock

The table below presents information related to Class A Common Stock issued to its independent directors for the payment of director fees and to employees pursuant to the terms of its stock incentive plan grants for the nine and three months ended September 30, 2011 and 2010.

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Directors' Compensation	188,128	129,301	72,052	48,800
Incentive Plan	13,000	-	-	-
Total shares of Class A Common Stock issued	201,128	129,301	72,052	48,800

There were no issuances of the Company's Class B Common Stock and Class C Common Stock during the nine and three months ended September 30, 2011 and 2010.

Stock Repurchases

On June 29, 2010, the Board of Directors authorized the repurchase of up to $1.0 million of the Company’s Class A common stock. Through September 30, 2011, the Company had repurchased 403,715 shares under the plan, for a total of $349,344. As of September 30, 2011 the remaining amount authorized under the plan was $650,656. On August 2, 2011, the Company’s Board of Directors suspended future purchases under this plan.

In addition, during 2011, the Company acquired 655 shares of Class A common stock in satisfaction of tax withholding obligations on vested incentive plan shares.

Dividends

The table below presents information related to dividends declared by the Company’s Board of Directors during 2011 and 2010.

(in thousands, except per share amounts)

Declaration Date	Record Date	Payment Date	Per Share Amount	Total
2011				
April 1, 2011	April 15, 2011	April 29, 2011	$0.0325	334
July 12, 2011	July 29, 2011	August 16, 2011	0.0325	$335
2010				
April 1, 2010	April 15, 2010	April 30, 2010	$0.0300	$314
June 29, 2010	July 15, 2010	July 30, 2010	0.0300	316
October 4, 2010	October 15, 2010	October 29, 2010	0.0300	315
December 8, 2010	December 23, 2010	December 30, 2010	0.0325	332

NOTE 8. STOCK INCENTIVE PLANS

On December 18, 2003, Bimini Capital adopted the 2003 Long Term Incentive Compensation Plan (the "2003 Plan") to provide Bimini with the flexibility to use stock options and other awards as part of an overall compensation package to provide a means of performance-based compensation to attract and retain qualified personnel. The 2003 Plan was amended and restated in March 2004. Key employees, directors and consultants are eligible to be granted stock options, restricted stock, phantom shares, dividend equivalent rights and other stock-based awards under the 2003 Plan. Subject to adjustment upon certain corporate transactions or events, a maximum of 1,448,050 shares of the Class A Common Stock (but not more than 10% of the Class A Common Stock outstanding on the date of grant) may be subject to stock options, shares of restricted stock, phantom shares and dividend equivalent rights under the 2003 Plan.

Phantom share awards represent a right to receive a share of Bimini's Class A Common Stock. These awards do not have an exercise price and are valued at the fair value of Bimini Capital's Class A Common Stock at the date of the grant. The grant date value is amortized to compensation expense on a straight-line basis over the vesting period of the respective award. The phantom shares vest, based on the employees' continuing employment, following a schedule as provided in the individual grant agreements, for periods through March 15, 2015. Compensation expense recognized for phantom shares was approximately $70,000 and $22,000 for the nine and three months ended September 30, 2011, respectively, and $62,000 and $27,000 for the nine and three months ended September 30, 2010. Dividends paid on unsettled awards are charged to stockholders' equity when declared.

A summary of phantom share activity during the nine months ended September 30, 2011 and 2010 is presented below:

	Nine Months Ended September 30,			
	2011		2010	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Nonvested, at January 1	401,000	$1.12	102,000	$1.58
Granted	-	-	302,000	0.97
Vested	(13,000)	0.97	-	-
Cancellations	(20,156)	1.37	-	-
Nonvested, at September 30	367,844	$1.11	404,000	$1.12

As of September 30, 2011, there was approximately $262,000 of unrecognized compensation cost related to nonvested phantom share awards. This cost is expected to be recognized over a remaining weighted-average period of 38.3 months. The intrinsic value of the outstanding phantom shares as of September 30, 2011 and 2010 is $224,000 and $339,000, respectively. All of the remaining outstanding unvested awards at September 30, 2011 were granted with dividend participation rights.

On August 12, 2011, the Company's shareholders approved the 2011 Long Term Compensation Plan (the "2011 Plan") to assist the Company in recruiting and retaining employees, directors and other service providers by enabling them to participate in the success of the Company and to associate their interest with those of the Company and its stockholders. The plan is intended to permit the grant of stock options, stock appreciation rights ("SARs"), stock awards, performance units and other equity-based and incentive awards. The maximum aggregate number of shares of Common Stock that may be issued under the 2011 Plan pursuant to the exercise of options and SARs, the grant of stock awards or other equity-based awards and the settlement of incentive awards and performance units is equal to 4,000,000 shares. As of September 30, 2011, no awards have been made under the 2011 Plan.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Outstanding Litigation

The Company is involved in various lawsuits and claims, both actual and potential, including some that it has asserted against others, in which monetary and other damages are sought. These lawsuits and claims relate primarily to contractual disputes arising out of the ordinary course of the Company’s business. The outcome of such lawsuits and claims is inherently unpredictable. However, management believes that, in the aggregate, the outcome of all lawsuits and claims involving the Company will not have a material effect on the Company’s consolidated financial position or liquidity; however, any such outcome may be material to the results of operations of any particular period in which costs, if any, are recognized.

A complaint by a note holder in Preferred Term Securities XX (“PreTSL XX”) was filed on July 16, 2010 in the Supreme Court of the State of New York, New York County, against Bimini Capital Management, Inc. (“Bimini”), the Bank of New York Mellon (“BNYM”), PreTSL XX, Ltd. and Hexagon Securities, LLC (“Hexagon”). The complaint, filed by Hildene Capital Management, LLC and Hildene Opportunities Fund, Ltd. (“Hildene”), alleges that Hildene suffered losses as a result of Bimini’s repurchase of all outstanding fixed/floating rate capital securities of Bimini Capital Trust II for less than par value from PreTSL XX in October 2009. Hildene has alleged claims against BNYM for breach of the Indenture, breach of fiduciary duties and breach of covenant of good faith and fair dealing, and claims against Bimini for tortious interference with contract, aiding and abetting breach of fiduciary duty, unjust enrichment and “rescission/illegality”. Plaintiff also alleges derivative claims brought in the name of Nominal Defendant BNYM. (On May 2, 2011, Hexagon and Nominal Defendant PreTSL XX were voluntarily dismissed without prejudice by Hildene.) On May 23, 2011, Bimini and BNYM moved to dismiss Hildene’s derivative claims, and Bimini also moved to dismiss Hildene’s claim for “rescission/illegality.” On October 19, 2011, PreTSL XX moved to intervene as an additional plaintiff in the action. Bimini denies that the repurchase was improper and intends to defend the suit vigorously.

On June 14, 2007, a complaint was filed in the Circuit Court of the Twelfth Judicial District in and for Manatee County, Florida by Coast Bank of Florida against MortCo seeking monetary damages and specific performance and alleging breach of an alleged oral contract for allegedly failing to convert approximately fifty construction loans to permanent financing. MortCo denies that there was an agreement and has asserted several defenses to Coast's claims. Attempts to mediate this dispute were unsuccessful. The parties are currently conducting discovery, which is set to end on January 7, 2012. A non-jury trial is scheduled to begin on January 17, 2012. MortCo plans to continue to defend this matter vigorously.

On March 2, 2011, Orchid Island TRS, LLC, formerly known as Opteum Financial Services, LLC and presently known as MortCo, LLC (“Opteum Financial”) and Opteum Mortgage Acceptance Corporation (“Opteum Acceptance”) (collectively referred to herein as “Opteum”) received a cover letter dated March 1, 2011 from Massachusetts Mutual Life Insurance Company (“Mass Mutual”) enclosing a draft complaint against Opteum. In summary, Mass Mutual alleges that it purchased residential mortgage-backed securities offered by Opteum in August 2005 and the first quarter of 2006 and that Opteum made false representations and warranties in connection with the sale of the securities in violation of Mass Gen. Laws Ch. 110A § 410(a)(2) (the “Massachusetts Blue Sky Law”). In its cover letter, Mass Mutual claims it is entitled to damages in excess of $25 million. However, no monetary demand is contained within the enclosed draft complaint, and the actual damages Mass Mutual claims to have incurred is uncertain.

Mass Mutual has not filed the complaint or initiated litigation. Pursuant to its request, on March 14, 2011 Mass Mutual and Opteum entered into a Tolling Agreement through June 1, 2011 so that Mass Mutual could address its allegations against Opteum without incurring litigation costs. Mass Mutual has not yet contacted Opteum to schedule such discussions. On August 22, 2011, the parties extended the Tolling Agreement through June 1, 2013.

Opteum denies Opteum Financial or Opteum Acceptance, individually or collectively, made false representations and warranties in connection with the sale of securities to Mass Mutual. Mass Mutual has taken no action to prosecute its claim against Opteum, and the range of loss or potential loss, if any, cannot reasonably be estimated. Should Mass Mutual initiate litigation, Opteum will defend such litigation vigorously.

Loans Sold to Investors.

Generally, MortCo was not exposed to significant credit risk on its loans sold to investors. In the normal course of business, MortCo provided certain representations and warranties during the sale of mortgage loans which obligated it to repurchase loans which are subsequently unable to be sold through the normal investor channels. The repurchased loans were secured by the related real estate properties, and can usually be sold directly to other permanent investors. There can be no assurance, however, that MortCo will be able to recover the repurchased loan value either through other investor channels or through the assumption of the secured real estate.

MortCo recognized a liability for the estimated fair value of this obligation at the inception of each mortgage loan sale based on the anticipated repurchase levels and historical experience. Changes in this liability for the nine months ended September 30, 2011 and 2010 are presented below:

(in thousands)

	Nine Months Ended September 30,	
	2011	2010
Balance - Beginning of period	$5,087	$5,149
Provision	-	48
Settlements	-	(110)
Balance - End of Period	$5,087	$5,087

NOTE 10. INCOME TAXES

REIT Activities

As a REIT, the Company is not subject to federal income tax on REIT taxable income distributed to its shareholders. REIT taxable income or loss, as generated by Bimini Capital's qualifying REIT activities, is computed in accordance with the Internal Revenue Code, which is different from the Company's financial statement net income or loss as computed in accordance with GAAP. Depending on the number and size of the various items or transactions being accounted for differently, the differences between the Company's REIT taxable income or loss and its financial statement net income or loss can be substantial and each item can affect several years. Based on the results of operations through September 30, 2011, the Company expects to generate a REIT taxable loss for the full year ending December 31, 2011.

As of December 31, 2010, Bimini Capital had approximately $53.4 million of remaining capital loss carryforwards available to offset future capital gains and a REIT tax net operating loss carryforward of approximately $6.0 million that is immediately available to offset future REIT taxable income. The capital loss carryforwards expire in years beginning in 2012 through 2016, and the net operating loss carryforwards expire in years beginning in 2028 through 2031.

Taxable REIT Subsidiaries

As taxable REIT subsidiaries ("TRS"), Bimini Advisors and MortCo are tax paying entities for income tax purposes and are taxed separately from Bimini Capital. Therefore, Bimini Advisors and MortCo each separately report an income tax provision or benefit based on their own taxable activities. For the nine and three months ended September 30, 2011 and 2010, the TRSs had no taxable income primarily due to the utilization of NOL carryforwards.

The income tax provisions for the periods ended September 30, 2011 and 2010 differ from the amount determined by applying the statutory Federal rate of 35% to the pre-tax income or loss due primarily to the recording of, and adjustments to, the deferred tax asset valuation allowance. During the nine-month periods ended September 30, 2011 and 2010, and during the three-month periods ended September 30, 2011 and 2010, a portion of the deferred tax asset valuation allowance was reversed, as the utilization of this portion of the deferred tax asset was deemed more likely than not, due to the utilization of tax net operating losses to offset estimated taxable income for the respective periods; therefore, there are no income tax provisions related to the results of operations.

As of September 30, 2011, MortCo had an estimated federal tax NOL carryforward of approximately $269.9 million, and estimated available Florida NOLs of approximately $42.9 million, which begin to expire in 2025, and are fully available to offset future taxable income. All other state NOLs have been abandoned. Similar amounts for Bimini Advisors are insignificant.

The net deferred tax assets and offsetting valuation allowances at September 30, 2011 and December 31, 2010 were approximately $99.6 million and $101.5 million, respectively. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income within MortCo. At September 30, 2011 and December 31, 2010, management believed that it was more likely than not that the Company will not realize the full benefits of all of the federal and state tax NOL carryforwards, which are the primary deferred tax assets of MortCo; therefore, an allowance for the full amount of the net deferred tax assets has been recorded in both periods. Management considers the projected future taxable income or losses, and tax planning strategies in making this assessment.

NOTE 11. EARNINGS PER SHARE

Shares of Class B Common Stock, participating and convertible into Class A Common Stock, are entitled to receive dividends in an amount equal to the dividends declared on each share of Class A Common Stock if, and when, authorized and declared by the Board of Directors. Following the provisions of FASB ASC 260, the Class B Common Stock is included in the computation of basic EPS using the two-class method, and consequently is presented separately from Class A Common Stock. Shares of Class B Common Stock are not included in the computation of diluted Class A EPS as the conditions for conversion to Class A Common Stock were not met at September 30, 2011 and 2010.

Shares of Class C Common Stock are not included in the basic EPS computation as these shares do not have participation rights. Shares of Class C Common Stock are not included in the computation of diluted Class A EPS as the conditions for conversion to Class A Common Stock were not met at September 30, 2011 and 2010.

The Company has dividend eligible stock incentive plan shares that were outstanding during the nine and three months ended September 30, 2011 and 2010. The basic and diluted per share computations include these unvested incentive plan shares if there is income available to Class A common shares, as they have dividend participation rights. The stock incentive plan shares have no contractual obligation to share in losses. Since there is no such obligation, the incentive plan shares are not included in the basic and diluted EPS computations when no income is available to Class A Common Stock even though they are considered participating securities.

The table below reconciles the numerators and denominators of the basic and diluted EPS.

(in thousands, except per-share information)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Basic and diluted EPS per Class A common share:				
Loss available to Class A common shares:				
Basic and diluted	$(214)	$(751)	$(1,907)	$(114)
Weighted average common shares:				