



Investor Presentation - June 2013

# Disclaimers

## FORWARD-LOOKING INFORMATION

This presentation contains forward-looking statements and information. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words “may,” “could,” “would,” “should,” “believe,” “expect,” “anticipate,” “plan,” “estimate,” “target,” “project,” “intend” and similar expressions. These statements include, among others, statements regarding our expected performance, anticipated returns and our investment strategy and means to implement the strategy.

Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our management’s beliefs and assumptions, which in turn are based on currently available information. These assumptions could prove inaccurate. Forward-looking statements also involve known and unknown risks and uncertainties, which could cause actual results that differ materially from those contained in any forward-looking statement. Many of these factors are beyond our ability to control or predict.

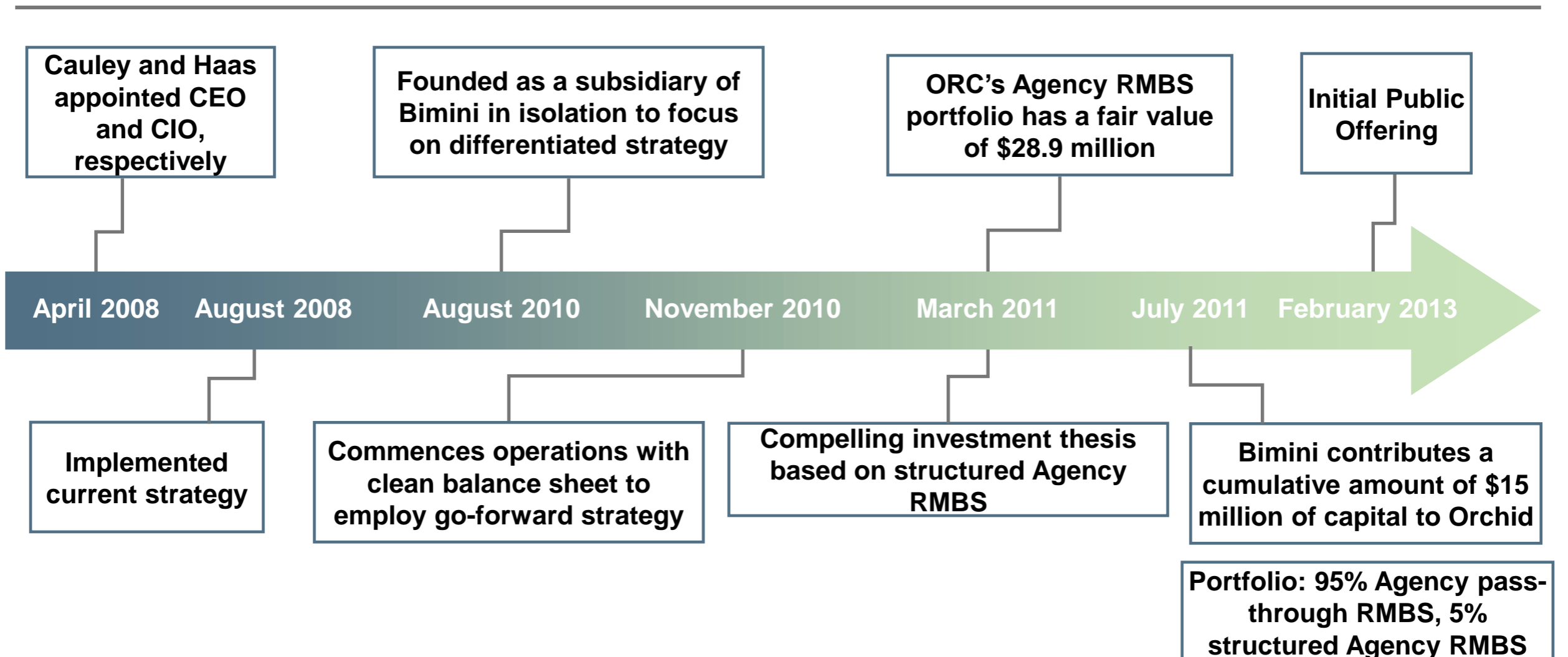
All forward-looking statements speak only as of the date of this presentation. Except as required by applicable law, we are under no obligation to publicly update or revise any forward-looking statements, whether as a result of any new information, future events or otherwise. Potential investors should not place undue reliance on our forward-looking statements. Before you invest in our common stock, you should be aware that the occurrence of the events described in “Risk Factors” section and elsewhere in the Registration Statement on Form S-11 relating to this offering could harm our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

# Investment Highlights



# Overview of Orchid Island

| Target Assets                                                                                               | Management                                                                                           | Externally Managed                                                                               | Management Fee                                                                                             | Dividend Policy                                                                                            |
|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Agency pass-through securities and structured Agency RMBS</li> </ul> | <ul style="list-style-type: none"> <li>Robert E. Cauley, CEO</li> <li>G. Hunter Haas, CIO</li> </ul> | <ul style="list-style-type: none"> <li>Manager is a wholly owned subsidiary of Bimini</li> </ul> | <ul style="list-style-type: none"> <li>1.50% of equity, scaling down</li> <li>No incentive fees</li> </ul> | <ul style="list-style-type: none"> <li>Monthly Dividends to be paid out of taxable REIT income.</li> </ul> |



# Experienced Management

## Robert E. Cauley

*Chief Executive Officer, President and Chairman of the Board*

**Co-Founded Bimini**  
**21 years of industry experience**

- **Position at Orchid:** Chairman, President and CEO since August 2010
- **2008 - Present:** CEO and Chairman of the Board of Bimini
- **2003 - 2008:** Vice-Chairman, CFO and CIO of Bimini
- **1996 - 2003:** Vice-President and portfolio manager; Federated Investors
- **1994 - 1996:** ABS/MBS structuring desk; Lehman Brothers
- **1992 - 1994:** Credit Analyst; Barclays Bank, PLC

## G. Hunter Haas, IV

*Chief Financial Officer, Secretary, Chief Investment Officer and Director*

**12 years of industry experience**

- **Position at Orchid:** CFO and CIO and Secretary since August 2010
- **2008 - Present:** President, Chief Investment Officer and Chief Financial Officer of Bimini
- **2004 - 2008:** Senior Vice-President and head of Mortgage Research of Bimini
- **2002 - 2004:** Vice President, Servicing Asset Risk Management; National City
- **2001 - 2002:** Assistant Vice President, Capital Markets Finance Group; HomeSide Lending

## Jerry Sintes

*Vice President, Controller and Treasurer*

**25 years of industry accounting and audit experience**

- **Position at Orchid:** Vice President and Treasurer since August 2010
- **2007 - Present:** Vice President and Controller of Bimini
- **2006 - 2007:** Vice President and Assistant Controller: Riverside National Bank
- **2003 - 2005:** Chief Financial Officer: Guaranty Savings Homestead Association and GS Financial Corp
- **1992 - 2003:** Audit manager; Bain, Freibaum, Sagona & Co., LLP
- **1988 – 1992** Audit Senior; Whitney National Bank
- Certified Public Accountant, Member AICPA

# Independent Directors

## John B. Van Heuvelen

**Position at Orchid:** Director; audit committee chair and financial expert, member compensation committee.

**Board Memberships:**

2009 – Present: Hallador Energy Company (Nasdaq: HNRG): audit committee chair.

2002 – Present: MasTec, Inc (NYSE: MTZ): Currently the lead outside director and member audit committee and past chairman of the audit committee and financial expert from 2004-2009.

2005 – 2007: LifeVantage, Inc. (OTC: LRVN)

**Experience:**

President of Morgan Stanley Dean Witter Trust Company from 1993 - 1999

## W. Coleman Bitting

**Position at Orchid:** Independent director, compensation committee chair and member of nominating and governance committee.

**Experience:**

23 Years Industry Experience

2007 - Present: Maintains a private consulting practice focused on REITs

2000 - 2007: Founding Partner and Head of Corporate Finance; Flagstone Securities

Prior to Flagstone: Senior equity research position; Stifel, Nicolaus & Co. Inc. and Kidder, Peabody & Co., Inc.

## Frank P. Filippis

**Position at Orchid:** Independent Director, member of audit, compensation, and nominating and governance committees.

**Board Memberships:**

1995 – Present: Impac Mortgage Holdings, Inc. (Amex: IMH): chair of audit committee

2002 – Present Primus Guaranty, Ltd (NYSE: PRS): chair of compensation committee from 2002-2006 and chair of the nominating and governance committee from 2007 – 2011.

2010 – Present: Fortegra Financial Corp. (NYSE: FRF) chairman of the nominating and governance committee from 2010 – 2011, member of audit committee since 2010 and chair of the compensation committee since 2012.

**Experience:**

2005 – 2008 Chairm and CEO of Clayton Holdings (Nasdaq: Clay):

1992 – 2005 Chairman and CEO Radian Group, Inc.

1975 – 1992 Various executive positions at AIG including founder, president and CEO of AIG Capital Corp.

## Ava L. Parker

**Position at Orchid:** Independent Director, nominating and governance committee chair, and member of audit committee.

**Board Memberships:**

2006 - Present: Jacksonville Transportation Authority Board; Past chairman

2010 – 2012: Immediate Prior Chairman of the State of Florida Board of Governors of the State University System; Reappointed by Governor Rick Scott in Jan 2012

**Experience:**

Lawrence & Parker PA: Partner  
Linking Solutions, Inc.: President

# Challenges of the Traditional Model

## The traditional REIT investment model: Repo-funded pass-through securities

### Price Risk

- Holders of premium priced Agency RMBS are vulnerable to losses if prepayments rise unexpectedly
- Limited further price appreciation with premium Agency RMBS, but risk of accelerated price declines remain as rates rise

### Reinvestment Risk

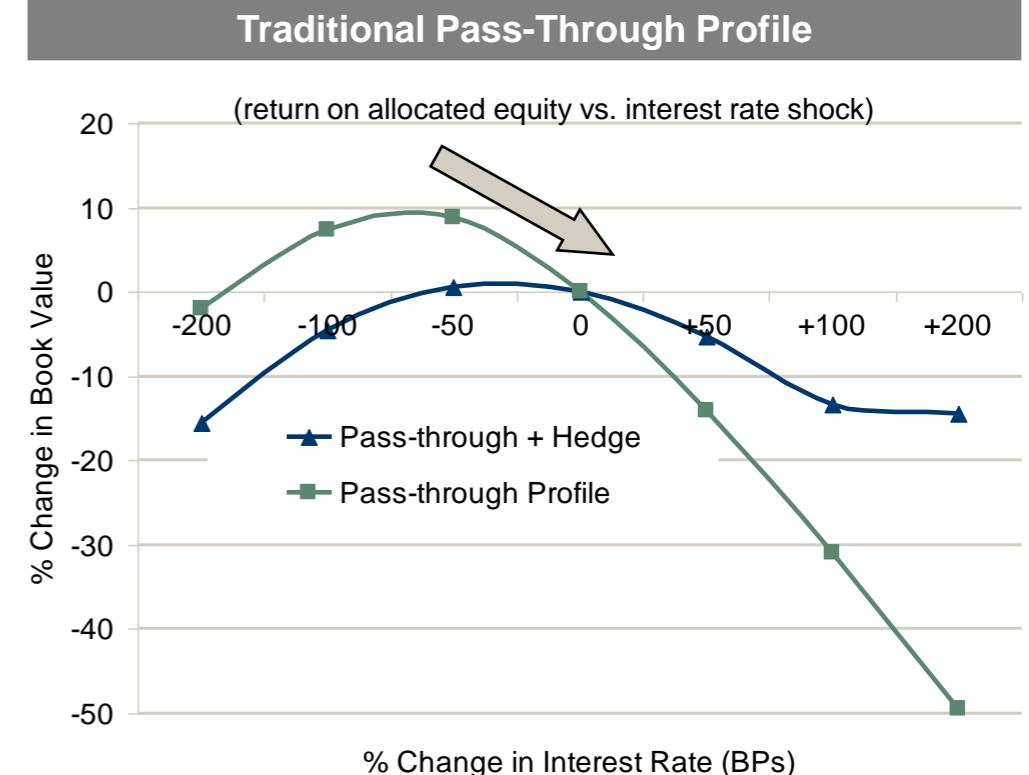
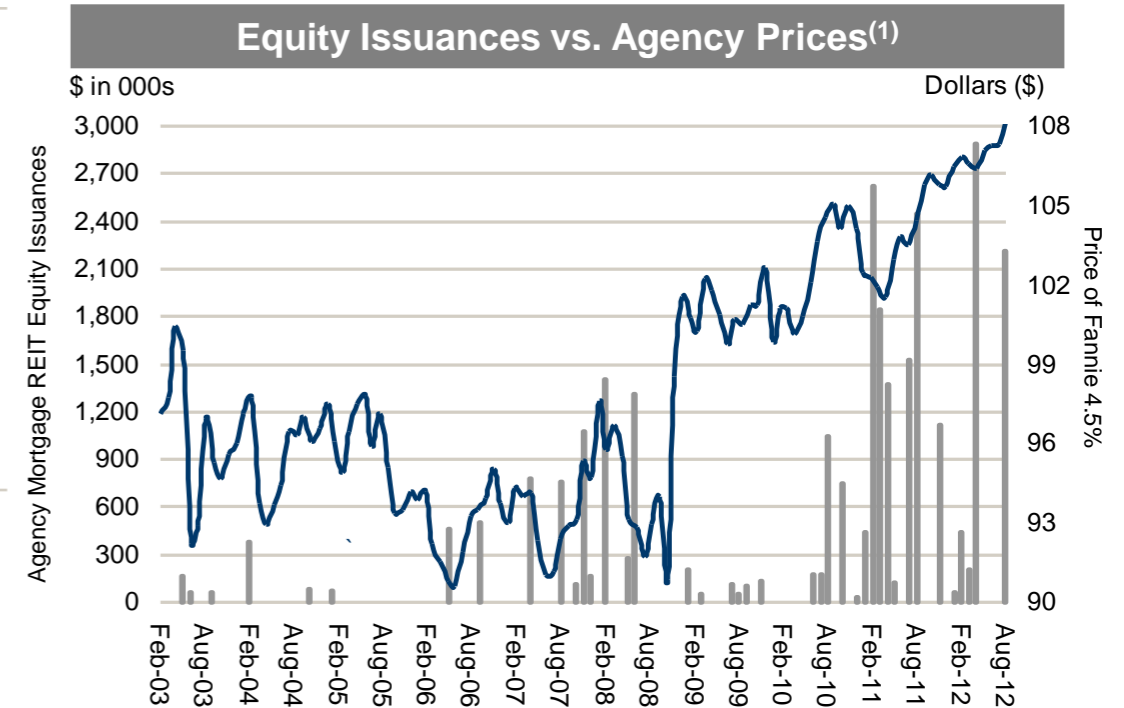
- Agency RMBS prepay faster in low rate environments
  - But capital has to be deployed in a less attractive investment environment due to higher RMBS prices

### Maturity Risk

- Short term repo funding comes due before the assets pay off creating funding risk
- Traditional REIT model assumes the ability to continuously roll-over maturing liabilities

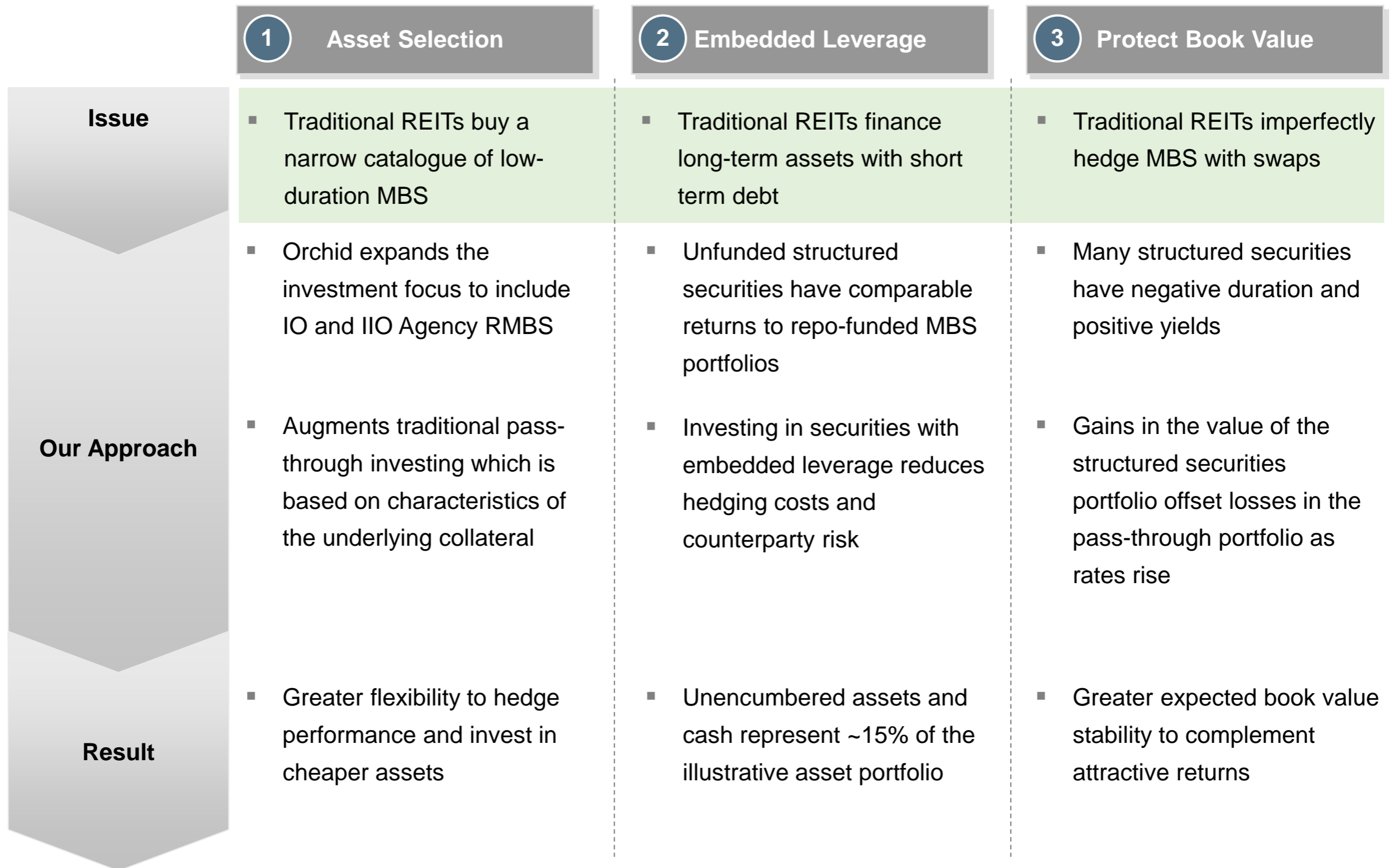
### Counterparty Risk

- Deteriorating counterparty financial condition can result in funding instability
  - Risk that all funding counterparties pull back simultaneously



(1) Source: Bloomberg

# Orchid Approach





# Our Approach to Risk Management

## Asset Selection

- Structured Agency RMBS can provide more attractive returns than pass-throughs in low rate environments

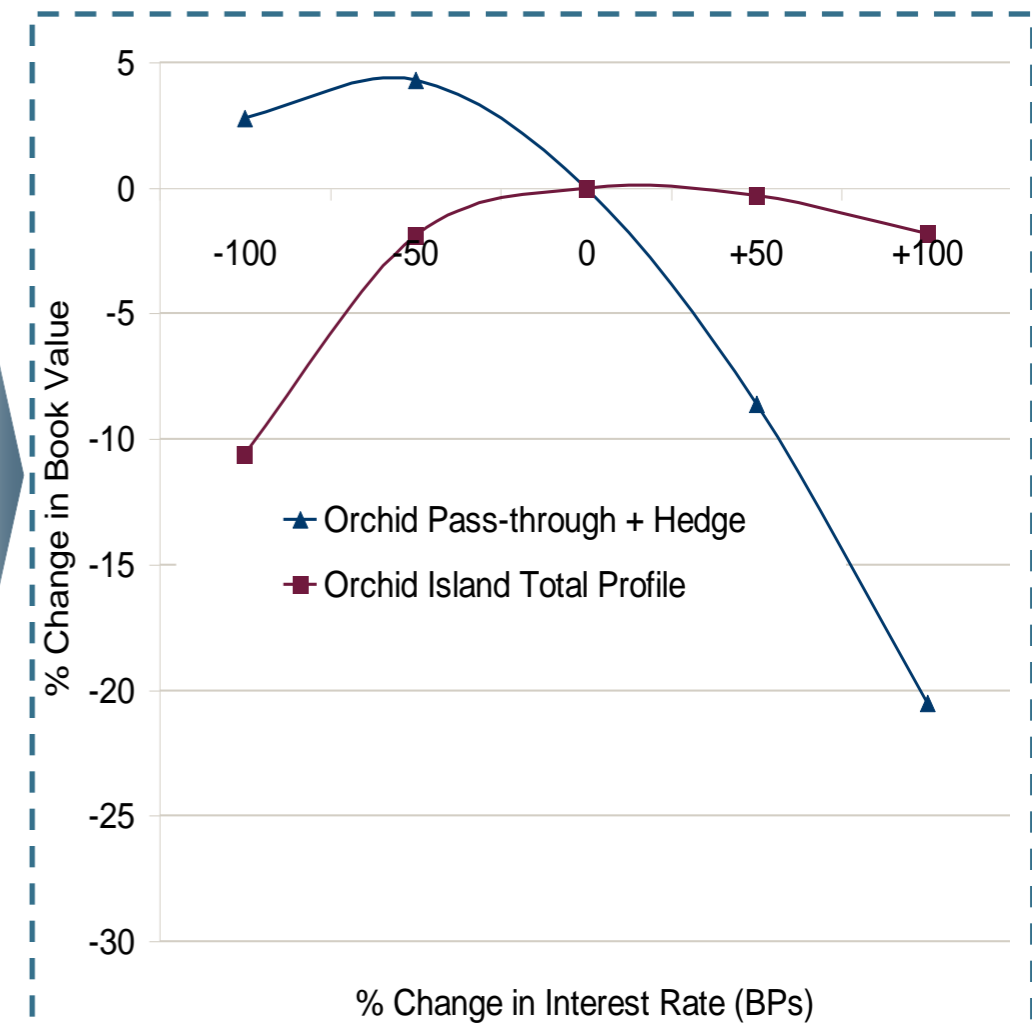
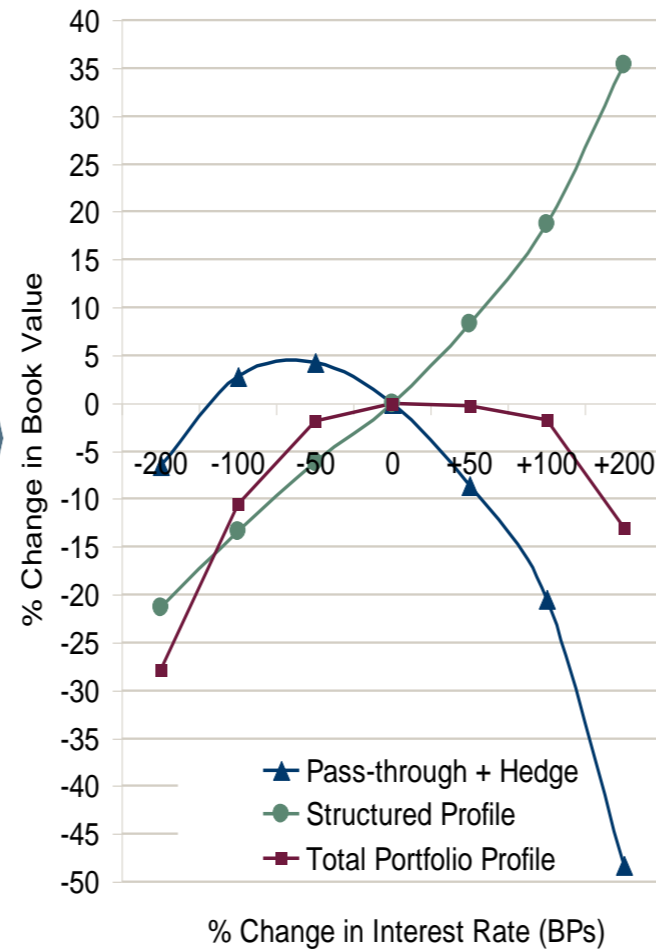
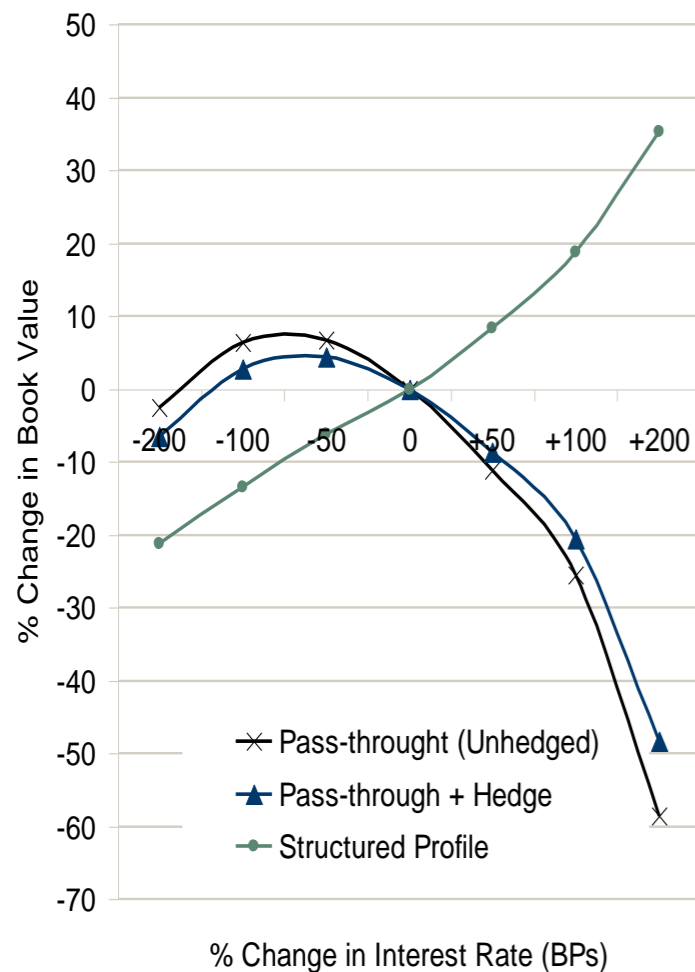
## Book Value Stability

- Agency pass-through securities combined with structured Agency RMBS can protect book value

## Embedded Leverage

- Strategy does not require ongoing fixed swap payments, yet has a comparable return profile to hedged Agency pass-throughs

## Evolution of the Total Portfolio Profile



# Specified Pools – Risks & Rewards

## Fannie Mae 30yr Fixed Rate MBS

### Low Loan Balance Pools

**3.50%**  
(2012 Prod)      **4.00%**  
(2011 Prod)

### "Reward"

Q1 Prepayment Speeds (1)  
Amortization Period relative to Generic  
Yield of LLB Pool - May 8, 2013 Price  
Yield of Generic Pool - May 8, 2013 Price

22%      28%

4.5x      3.6x

|       |       |
|-------|-------|
| 2.72% | 2.47% |
|-------|-------|

|       |       |
|-------|-------|
| 2.07% | 1.42% |
|-------|-------|

### "Risk"

"TBA" Price\*  
May 8, 2013  
June 5, 2013  
Price Decline

106.203      106.766

103.172      104.984

|        |        |
|--------|--------|
| -3.031 | -1.782 |
|--------|--------|

LLB Premium - May 8, 2013 (2)  
LLB Premium - June 5, 2013

1.306      4.000

0.647      2.344

All in Price  
May 8, 2013  
June 5, 2013  
Price Decline

107.509      110.766

103.819      107.328

|        |        |
|--------|--------|
| -3.690 | -3.438 |
|--------|--------|

\* Source: Bloomberg

(1) As a percentage of generic for the first quarter of 2013 (Source: Banc of Manhattan Capital )

(2) Source - BAML