

Orchid Island Capital, Inc.
Form DEF 14A
April 17, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

ORCHID ISLAND CAPITAL, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(3) Filing Party:

(4) Date Filed:

3305 Flamingo Drive
Vero Beach, Florida 32963

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 13, 2017

Dear Stockholder:

The 2017 Annual Meeting of Stockholders of Orchid Island Capital, Inc., a Maryland corporation, will be held at our principal executive office, located at 3305 Flamingo Drive, Vero Beach, Florida on June 13, 2017, at 10:00 a.m., Eastern Time, for the following purposes:

1. To elect six directors, each to hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified;
2. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the year ending December 31, 2017;
3. To approve, by a nonbinding vote, our executive compensation; and
4. To transact such other business as may properly come before the annual meeting or any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on March 30, 2017 as the record date for the annual meeting. Only holders of record of our common stock, \$0.01 par value per share, as of that date are entitled to notice of, and to vote at, the annual meeting and any adjournment or postponement thereof. A list of stockholders entitled to vote at the annual meeting will be available at the annual meeting.

Your vote is very important. If you do not provide voting instructions, your shares will not be voted or counted on several important matters. We urge you to vote as soon as possible after you receive these proxy materials, even if you plan on attending the annual meeting. These materials explain how to vote via mail, phone or Internet.

Admission to the annual meeting will be by admission ticket only. If you are a stockholder of record and plan to attend, tear off the admission ticket from the top half of your proxy card and bring it and a photo ID with you so that you may gain admission to the meeting. If your shares are held through a broker, please contact your broker and request that the broker obtain an admission ticket for you or provide you with evidence of your share ownership, which will gain you admission to the annual meeting.

By Order of the Board of Directors,

Robert E. Cauley
Chairman of the Board and CEO
Vero Beach, Florida
April 17, 2017

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ORCHID ISLAND CAPITAL, INC.

3305 Flamingo Drive
Vero Beach, Florida 32963
(772) 231-1400

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 13, 2017

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board of Directors" or the "Board") of Orchid Island Capital, Inc., a Maryland corporation, for use at our 2017 Annual Meeting of Stockholders (the "Annual Meeting") to be held on June 13, 2017, at 10:00 a.m. Eastern Time at the principal executive office of Orchid Island Capital, Inc., 3305 Flamingo Drive, Vero Beach, Florida 32963, and for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders, and at any adjournments or postponements to the meeting. Unless the context requires otherwise, references in this proxy statement to "ORC," "our company," "we," "us" and the "Company" refer to Orchid Island Capital, Inc.

This proxy statement, the accompanying proxy card and our annual report to stockholders, which includes our annual report on Form 10-K with audited financial statements for the year ended December 31, 2016 (our "2016 Annual Report"), are first being sent to our common stockholders on or about April 19, 2017.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 13, 2017:

This proxy statement and our 2016 Annual Report are available on the Internet at www.orchidislandcapital.com. On this website, you will be able to access this proxy statement, our 2016 Annual Report, and any amendments or supplements to the foregoing material that is required to be furnished to stockholders.

At the Annual Meeting, action will be taken to:

- (i) elect six directors, each to hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified;
- (ii) ratify the appointment of BDO USA, LLP ("BDO") as our independent registered public accounting firm for the fiscal year ending December 31, 2017; and
- (iii) approve, by a nonbinding vote, our executive compensation.

In the discretion of the proxy holders, proxies may be voted on any other business that may properly come before the Annual Meeting or any adjournment of the Annual Meeting.

GENERAL INFORMATION ABOUT VOTING

Solicitation of Proxies

The enclosed proxy is solicited by and on behalf of our Board. We will bear the expense of soliciting proxies for the Annual Meeting, including the mailing cost. In addition to solicitation by mail, our officers or an agent of our designation may solicit proxies from stockholders by telephone, e-mail, facsimile or personal interview. Our officers receive no additional compensation for such services. Upon request, we will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding our proxy materials to beneficial owners of our common stock.

Voting Securities

The Board of Directors has fixed the close of business on March 30, 2017 as the record date (the "Record Date") for determining the holders of our common stock entitled to receive notice of and to vote at the Annual Meeting and any adjournments or postponements thereof. On the Record Date, there were 33,912,558 shares of our common stock outstanding. Only common stockholders of record on the Record Date are entitled to vote at the Annual Meeting, and such stockholders will be entitled to one vote for each share of our common stock held, which may be given in person or by proxy duly authorized in writing, by telephone or by Internet.

Voting

If you hold shares of our common stock in your own name as a holder of record, you may instruct the proxies to vote your shares through any of the following methods:

By Telephone or the Internet: Common stockholders can vote their shares via telephone or the Internet as instructed in the proxy card.

By Mail: A common stockholder may elect to vote by mail and should complete, sign and date the proxy card and mail it in the pre-addressed envelope that accompanies the delivery of the proxy card. For common stockholders of record, proxy cards submitted by mail must be received by the date and time of the Annual Meeting. For common stockholders that hold their shares through an intermediary, such as a broker, bank or other nominee, the voting instruction form submitted by mail must be mailed by the deadline imposed by your bank, broker or other agent for your shares to be voted.

In Person: Shares of common stock held in your name as the stockholder of record may be voted by you in person at the Annual Meeting. Shares of common stock held beneficially in street name may be voted by you in person at the Annual Meeting only if you obtain a "legal" proxy from the broker or other agent that holds your shares giving you the right to vote the shares and bring that "legal" proxy to the meeting.

Quorum

A quorum will be present at the Annual Meeting if the holders of a majority of the outstanding shares entitled to vote are present, in person or by proxy. If you have returned valid voting instructions or if you hold your shares in your own name as a holder of record and attend the Annual Meeting in person with your proxy, your shares will be counted for the purpose of determining whether there is a quorum. If a quorum is not present, the Annual Meeting may be postponed or adjourned until a quorum has been obtained. Because there were 33,912,558 eligible votes as of the Record Date, we will need at least 16,956,279 votes present in person or by proxy at the Annual Meeting for a quorum to exist.

Abstentions and "Broker Non-Votes"

A "broker non-vote" occurs when a broker, bank or other nominee holding shares of common stock on your behalf votes the shares on some matters but not others because that holder does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Pursuant to Maryland law, abstentions and broker non-votes are counted as present for purposes of determining the presence of a quorum.

Under the rules of the New York Stock Exchange (the "NYSE"), brokerage firms may have the discretionary authority to vote their customers' shares on certain routine matters for which they do not receive voting instructions, including the ratification of the independent registered public accounting firm. The uncontested election of directors and the approval, by a nonbinding vote, of our executive compensation are not considered "routine" matters, and therefore brokers holding shares beneficially owned by their clients do not have the ability to cast votes, unless the brokers have received instructions from the beneficial owners of the shares. As a result, it is important that you provide instructions to your broker so that your shares will be counted in these matters.

Vote Required to Approve an Item of Business

Election of Directors (Proposal 1). The vote of a plurality of all of the votes cast at a meeting at which a quorum is present is necessary for the election of directors. Plurality means that each of the six nominees for director receiving the greatest number of "for" votes from our shares entitled to vote will be elected. For purposes of Proposal 1, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote.

Ratification of Appointment of BDO (Proposal 2). The affirmative vote of a majority of all of the votes cast at a meeting at which a quorum is present is required to ratify the appointment of BDO as our independent registered public accounting firm for the year ending December 31, 2016. For purposes of the vote on this proposal, abstentions will not be counted as votes cast and will have no effect on the result of the vote.

Approval of our Executive Compensation (Proposal 3). The affirmative vote of a majority of all of the votes cast at a meeting at which a quorum is present is required to approve, by a nonbinding vote, our executive compensation. For purposes of the vote on this proposal, abstentions and broker nonvotes will not be counted as votes cast and will have no effect on the result of the vote.

If you sign and return your proxy card without giving specific voting instructions, your shares will be voted as recommended by our Board.

Right to Revoke Proxy

You have the right to revoke your proxy at any time before the Annual Meeting. If you are a holder of record, you may contact our corporate secretary and request that another proxy card be sent to you. Alternatively, you may use the Internet or the telephone to authorize a new proxy and revoke your old proxy, even if you previously mailed in a proxy card. The latest-dated, properly completed proxy that you submit, whether through the Internet, by telephone or by mail, will count as your vote. Please note that if you submit a later proxy authorization by mail, your reauthorization will not be effective unless it is received by our corporate secretary prior to the start of the Annual Meeting. Attendance at the Annual Meeting will not by itself constitute revocation of a previously submitted, properly completed proxy. If your shares are held in street name, you must contact your bank, broker or other nominee and follow their procedures for changing your vote instructions.

PROPOSAL 1: ELECTION OF DIRECTORS

Pursuant to our corporate charter, holders of our common stock elect each of the members of the Board of Directors annually. The Board has set six directors as the number to be elected at the Annual Meeting and has nominated the individuals named below. All nominees are currently directors of the Company and have been previously elected by our stockholders. Each nominee has been nominated by the Nominating and Corporate Governance Committee of the Board of Directors, in accordance with our bylaws, to stand for re-election at the Annual Meeting and to hold office until our annual meeting to be held in 2018 and until his or her successor is duly elected and qualified. It is expected that each of the nominees will be able to serve, but if any such nominee is unable to serve for any reason, the proxies reserve discretion to vote or refrain from voting for a substitute nominee or nominees. A common stockholder using the enclosed form of proxy can vote for or against any or all of the nominees or may abstain from voting for any or all of the nominees.

We believe that all of our director nominees possess the personal and professional qualifications necessary to serve as a member of our Board of Directors. Our directors have been evaluated by the Nominating and Corporate Governance Committee pursuant to the guidelines described below under "Nominating and Corporate Governance Committee" and the determination was made that each of them fulfills and exceeds the qualities that we look for in members of our Board of Directors. Messrs. Cauley and Haas are affiliates of Bimini Advisors, LLC, which is the Company's manager (the "Manager"). The Board has determined that each of our director nominees, other than Messrs. Cauley and Haas, is an independent director as discussed below under "Director Independence."

The information set forth below is current as of April 17, 2017 with respect to each nominee for election at the Annual Meeting. The business address of each nominee is Orchid Island Capital, Inc., 3305 Flamingo Dr., Vero Beach, Florida 32963. We have highlighted specific attributes for each Board member below.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF ALL DIRECTOR NOMINEES.

NOMINEES FOR DIRECTOR

ROBERT E. CAULEY, CFA

Chairman, President and Chief Executive Officer

Director since August 2010

Age 58

Mr. Cauley has been our Chairman, President and Chief Executive Officer since August 2010 and is the President, Chairman and Chief Executive Officer of our Manager. Mr. Cauley co-founded Bimini Capital Management, Inc. ("Bimini") in 2003 and has served as its Chief Executive Officer and Chairman of the Board of Directors since April 2008. He served as Vice-Chairman, Chief Financial Officer and Chief Investment Officer prior to April 2008. Prior to co-founding Bimini in 2003, Mr. Cauley was a vice-president and portfolio manager at Federated Investors in Pittsburgh from 1996 to 2003. Prior to 1996, Mr. Cauley was a member of the ABS/MBS structuring desk at Lehman Brothers from 1994 to 1996 and a credit analyst at Barclays Bank, PLC from 1992 to 1994. Mr. Cauley is a CPA (inactive status) and served in the United States Marine Corps for four years. We believe that Mr. Cauley should continue to serve as a member of our Board of Directors due to his experience managing a publicly-traded real estate investment trust ("REIT") and his career as a residential mortgage-backed securities ("RMBS") portfolio manager.

G. HUNTER HAAS, IV

Chief Financial Officer and Chief Investment Officer

Director since August 2010

Age 40

Mr. Haas has been our Chief Financial Officer and Chief Investment Officer since August 2010 and has served on our Board of Directors since August 2010. Mr. Haas is the Chief Investment Officer and Chief Financial Officer of our Manager. Mr. Haas has been the President, Chief Investment Officer and Chief Financial Officer of Bimini since April 2008. Prior to assuming those roles with Bimini, he was Bimini's Senior Vice President and Head of Research and Trading. Mr. Haas joined Bimini in May 2004 as Vice President and Head of Mortgage Research. He has over 12 years of experience in this industry and has managed trading operations for the portfolio since his arrival in May 2004. Mr. Haas has approximately eight years of experience as a member of senior management of a publicly-traded REIT. He has also been a member of the Board of Managers of Royal Palm Capital, LLC since 2007. Prior to joining Bimini,

Mr. Haas worked in the mortgage industry as a member of a team responsible for hedging a servicing portfolio at both National City Mortgage and Homeside Lending, Inc. We believe that Mr. Haas should continue to serve as a member of our Board of Directors due to his experience as the Chief Financial Officer of a publicly-traded REIT and his experience in the mortgage industry.

W COLEMAN BITTING

Director since February 2013

Age 51

Mr. Bitting has maintained a private consulting practice focused on REITs since July 2007. Mr. Bitting was a Founding Partner and Head of Corporate Finance at Flagstone Securities ("Flagstone"), a leading investment bank that specialized in mortgage REITs and finance companies, from 2000 to February 2007. Flagstone managed more than 40 equity offerings raising more than \$5 billion of equity capital. Flagstone helped clients build investment and liability management practices. Prior to Flagstone, Mr. Bitting held senior equity research positions at Stifel, Nicholas & Co. Inc. and Kidder, Peabody & Co., Inc. Due to his significant capital markets experience and experience analyzing and advising REITs, we believe Mr. Bitting should continue to serve as a member of our Board of Directors.

FRANK P. FILIPPS

Director since February 2013

Age 69

From 2005 to July 2008, Mr. Filippis served as the Chairman and Chief Executive Officer of Clayton Holdings, Inc., a mortgage services company, leading it through its initial public offering and listing on the Nasdaq, as well as its subsequent sale. Prior to that, Mr. Filippis was employed by the Radian Group, Inc., spending two years as Senior Vice President and Chief Financial Officer, one year as Executive Vice President and Chief Operating Officer and 10 years as Chairman and Chief Executive Officer. In his time with the Radian Group, Inc., Mr. Filippis led the company through its initial public offering and listing on the NYSE. Prior to his tenure with the Radian Group, Inc., Mr. Filippis spent 17 years with American International Group, Inc. ("AIG") (NYSE: AIG), where he held multiple Vice President-level positions and was the President, Chief Executive Officer and founder of AIG Capital Corporation, the first non-insurance financial company within AIG, which focused on interest rate swaps, foreign exchange and equity arbitrage and leveraged buyout bridge financing. Mr. Filippis has served as a director and the chair of the audit committee of Impac Mortgage Holdings, Inc. (NYSE Amex: IMH) since 1995, as a director of Primus Guaranty, Ltd. (NYSE: PRSG) from 2002 through 2014 and as chair of its compensation committee from 2002 to 2006 and its nominating and corporate governance committee from 2007 to 2011. Mr. Filippis has also served as a director of Sutherland Asset Management Corp. since 2014. He has also served as a director and chairman of the governance committee of Fortegra Financial Corp. (NYSE: FRF) from 2010 through 2014 and as chair of its nominating and governance committee from 2010 to 2011 and its compensation committee since 2012. Due to his financial and business expertise, diversified management background, extensive experience with real estate-related and mortgage services companies and experience as a director of other public companies, we believe Mr. Filippis should continue to serve as a member of our Board of Directors.

AVA L. PARKER

Director since February 2013

Age 54

In 2015, Ms. Parker was appointed as the 5th President of Palm Beach State College. Palm Beach State serves over 48,000 students annually and offers Bachelors and Associates degrees, and awards technical certificates. Prior to her appointment to Palm Beach State College, she served as the Executive Vice President and Chief Operating Officer of Florida Polytechnic University from 2012-2015. From 2001-2015, Ms. Parker was a partner in the law firm of Lawrence & Parker, PA, where she served as bond counsel and underwriter's counsel in connection with municipal finance transactions as well as assisted for-profit and not-for-profit clients with corporate organization, development and interpretation of contracts and litigation issues. From 2002-2015, Ms. Parker also served as the President of Linking Solutions, Inc., which provided training, technical support and program management services in the public and private sectors. In 2006, Ms. Parker was appointed to the Jacksonville Transportation Authority Board of Directors, where she previously served as a Board Member and Chairman. Ms. Parker also served as a Board Member and Chair of the State of Florida Board of Governors of the State University System. Due to her experience as an executive, her leadership on several private, state and municipal boards, and her experience with complex financial transactions and corporate counseling, we believe Ms. Parker should continue to serve as a member of our Board of Directors.

JOHN B. VAN HEUVELEN

Director since February 2013

Age 71

Mr. Van Heuvelen was appointed to the board of Hallador Energy Company (Nasdaq: HNRG) in September 2009 and serves as the chair of its audit committee. Mr. Van Heuvelen has been a member of the board of directors of MasTec, Inc. (NYSE: MTZ) since June 2002 and is currently the lead director and serves on its audit committee. He was chairman of their audit committee and its financial expert from 2004 to June 2009. He also served on the board of directors of LifeVantage, Inc. (OTC: LFDV) from August 2005 through August 2007. From 1999 to the present, Mr. Van Heuvelen has been a private equity investor based in Denver, Colorado. His investment activities have included private telecom and technology firms. Mr. Van Heuvelen spent 13 years with Morgan Stanley and Dean Witter Reynolds in various executive positions in the mutual fund, unit investment trust and municipal bond divisions before serving as president of Morgan Stanley Dean Witter Trust Company from 1993 until 1999. Due to his significant experience as the audit committee chairman of two publicly-traded companies as well as his experience in fixed income investments, we believe Mr. Van Heuvelen should continue to serve as a member of our Board of Directors.

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CORPORATE GOVERNANCE

We believe that we have implemented effective corporate governance policies and observe good corporate governance procedures and practices. We have adopted a number of written policies, including corporate governance guidelines, a code of business conduct and ethics, a code of ethics for senior financial officers, a whistleblower policy and charters for our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. These written policies can be found on our website at www.orchidislandcapital.com.

Board of Directors Composition

Our business and affairs are managed under the direction of our Board of Directors. Members of our Board of Directors are kept informed of our business through discussions with our chairman, CEO and other officers, by reviewing materials provided to them, and participating in regular meetings of our Board of Directors and its committees. The Board of Directors is currently comprised of six directors, all of whom stand for election annually. The Board of Directors is elected by our stockholders to oversee management of the Company.

During the year ended December 31, 2016, our Board of Directors held 16 meetings. Each director standing for election attended more than 75 percent of the meetings of our Board of Directors and committees on which he or she served that were held during the period for which such person was a director. Directors are expected to attend all meetings of the Board, meetings of committees on which they serve, and annual meetings of stockholders. All of our directors attended the 2016 annual meeting in person, and all of our directors are expected to attend the Annual Meeting in person this year.

Director Independence

The NYSE Listed Company Manual outlines the requirements for a director to be deemed independent by the NYSE, including the mandate that our Board affirmatively determine that each of our directors has no material relationship with us that would impair their independence. Our Board of Directors has reviewed both direct and indirect transactions and relationships that each of our directors had or maintained with us and our management. Our Board of Directors affirmatively determined that four of our directors are independent directors under the NYSE Listed Company Manual based upon the fact that they did not have any material relationships with us other than as directors and holders of our common stock. Our independent directors are W Coleman Bitting, Frank P. Filippis, Ava L. Parker and John B. Van Heuvelen, Robert E. Cauley and G. Hunter Haas, IV and are not considered independent because they are employees of Bimini, which is the sole member of our Manager. Therefore, our Board of Directors is comprised of a majority of independent directors.

Board Meetings and Committees

The Board of Directors currently has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The charter of each Board committee is available on the Corporate Governance section of our website at www.orchidislandcapital.com and will be made available in print to any stockholder upon written request delivered to our corporate secretary at Orchid Island Capital, Inc., 3305 Flamingo Drive, Vero Beach, Florida 32963.

The following table reflects the composition of each of the Board of Director's standing committees as of April 17, 2017 and the number of meetings held during 2016.

Audit Compensation Nominating and Corporate Governance

W Coleman Bitting

John B. Van Heuvelen

Frank P. Filippis

Ava L. Parker

Number of Meetings 7 3 3

Chair of Committee

Member of Committee

Audit Committee

Mr. Van Heuvelen chairs our Audit Committee. The Board of Directors has determined that each of Messrs. Van Heuvelen and Filippis qualifies as an "audit committee financial expert," as that term is defined by Item 407(d)(5)(ii) of Regulation S-K. In addition, the Board of Directors has determined that each member of the Audit Committee is financially literate and able to read and understand fundamental financial statements. The Board of Directors has also determined that each of John B. Van Heuvelen, Frank P. Filippis and Ava L. Parker are independent as defined in Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as defined in the NYSE Listed Company Manual and our Corporate Governance Guidelines. The Audit Committee assists our Board of Directors in overseeing:

our accounting and financial reporting processes;

the integrity and audits of our financial statements;

our compliance with legal and regulatory requirements;

the qualifications and independence of our independent registered public accounting firm; and

·the performance of our independent registered public accounting firm and any internal auditors.

The committee is also responsible for engaging our independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public accounting firm, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls. The Audit Committee's purpose and responsibilities are more fully set forth in the Audit Committee charter, which is available in the Corporate Governance section of our website.

Compensation Committee

Mr. Bitting chairs our Compensation Committee. The Compensation Committee exercises all powers delegated to it by the Board of Directors in connection with compensation matters, which include reviewing our overall executive officer and director compensation structure, policies and programs, making determinations as to appropriate levels of executive officer compensation, administering the issuance of any equity awards under our 2012 Equity Incentive Plan (the "2012 Plan"), making recommendations to the Board of Directors with respect to the 2012 Plan and any other incentive compensation plans and equity-based plans and other compensation-related matters. Our Compensation Committee may designate a sub-committee of at least one member to address specific issues on behalf of the committee. The Compensation Committee's purpose and responsibilities are more fully set forth in the Compensation Committee charter, which is available in the Corporate Governance section of our website.

Nominating and Corporate Governance Committee

Ms. Parker chairs the Nominating and Corporate Governance committee, which is responsible for seeking, considering and recommending to our full Board of Directors qualified candidates for election as directors and recommending a slate of nominees for election as directors at the Annual Meeting. It also periodically prepares and submits the committee's selection criteria for director nominees to our Board of Directors for adoption. It reviews and makes recommendations on matters involving the general operation of our Board of Directors and our corporate governance, and annually recommends to our Board of Directors nominees for each committee of our Board of Directors. In addition, the committee annually facilitates the assessment of our Board of Directors' performance as a whole and of the individual directors and reports thereon to our Board of Directors.

Before each annual meeting of stockholders, the Nominating and Corporate Governance Committee considers the nomination of all directors whose terms expire at the next annual meeting of stockholders and also will consider new candidates whenever there is a vacancy on the Board or whenever a vacancy is anticipated due to a change in the size or composition of the Board, a retirement of a director or for any other reason. The Nominating and Corporate Governance Committee identifies director candidates based on recommendations from directors, stockholders, management and others. The committee may in the future engage the services of third-party search firms to assist in identifying or evaluating director candidates. No such firm was engaged in 2016.

Our Nominating and Corporate Governance Committee charter provides that the committee will consider nominations for membership on our Board by our stockholders. The rules that must be followed for the committee to consider nominations are contained in the committee's charter and our bylaws and include the following:

- (i) the nominating stockholder must have owned, for at least six months prior to the date the nomination is submitted, shares of the Company's common stock or preferred stock, if any, entitled to vote for directors; the nomination must be received by the Committee pursuant to the Company's bylaws, which, among other things, requires notice to be provided at least 120 days, but not more than 150 days, before the first anniversary of the mailing date for the proxy materials applicable to the annual meeting prior to the annual meeting for which such nomination is proposed for submission; and
- (ii) a detailed statement that includes the qualifications, as well as the written consent, of each nominated person must accompany each nomination submitted, as well as any information required by the Company's bylaws.

The Nominating and Corporate Governance Committee evaluates the effectiveness of the Board as a whole and of each individual director annually and identifies any areas in which the Board would be better served by adding new members with different skills, backgrounds or areas of experience. The Board considers director candidates, including those nominated by stockholders, based on a number of factors including: whether the board member will be "independent," as such term is defined by the NYSE listing standards; whether the candidate possesses the highest personal and professional ethics, integrity and values; whether the candidate contributes to the overall diversity of the Board; and whether the candidate has an inquisitive and objective perspective, practical wisdom and mature judgment. Candidates are also evaluated on their understanding of our business, experience and willingness to devote adequate time to carrying out their duties. The Nominating and Corporate Governance Committee also monitors the mix of skills, experience and background to assure that the Board has the necessary composition to effectively perform its oversight function.

We do not have a formal policy about diversity, but the Nominating and Corporate Governance Committee does consider certain types of diversity when nominating director candidates to the Board, including differences of viewpoint, professional experience, education, skill, other personal qualities and attributes, race, gender and national origin.

The Nominating and Corporate Governance Committee's purpose and responsibilities are more fully set forth in the Nominating and Corporate Governance Committee charter, which is available in the Corporate Governance section of our website.

Board of Directors Leadership Structure

The Board of Directors believes it should maintain flexibility to select the Chairman of the Board and the Chief Executive Officer based on criteria and qualifications that the Board deems to be in the best interests of the Company. At this time, the positions of Chairman of the Board and Chief Executive Officer are combined. Robert E. Cauley holds these positions and leads our Board of Directors meetings. The Board believes Mr. Cauley's extensive experience and knowledge regarding the Company's business positions him to provide the most effective and competent leadership of the Company and the Board. As a founding officer of the Company and a co-founder of our Manager, Mr. Cauley has the familiarity and expertise to best understand opportunities and risks facing the Company, and the Board believes that he is in the best position to lead both the Company and the Board.

The Board also recognizes the importance of strong independent leadership, and therefore also has a lead independent director, John B. Van Heuvelen. The duties and responsibilities of the lead independent director include the following: Following consultation with the Chairman and Chief Executive Officer and other directors, providing input into and approving Board meeting agendas and schedules, assuring that there is sufficient time for discussion of all agenda items;

- Calling special meetings or executive sessions of the Board and calling and presiding at executive sessions or meetings of non-management or independent directors and, as appropriate, providing feedback to the Chairman and Chief Executive Officer and otherwise serving as a liaison between the independent directors and the Chairman;

- Working with committee chairs to ensure coordinated coverage of Board responsibilities;

- Facilitating communication between the Board and senior management, including advising the Chairman and Chief Executive Officer of the Board's informational needs and approving the types and forms of information sent to the Board;

- Serving as an additional point of contact for Board members and stockholders and being available for consultation and direct communication with major stockholders; and

- Staying informed about the strategy and performance of the Company and reinforcing that expectation for all Board members.

Each of the Board of Director's standing committees are chaired by independent directors, and in that capacity, they are able to call meetings, set agendas and direct the attention of those committees on a wide range of corporate matters. Given the nature and scope of our current operations and our small management team, the Board of Directors believes that our current leadership structure and allocation of responsibilities is appropriate while maintaining strong independence.

Board Role in Risk Oversight

The Board of Directors as a whole has responsibility for risk oversight, with reviews of certain areas being conducted by the relevant Board committees. The Audit Committee oversees management of financial risks and risks relating to potential conflicts of interest. The Compensation Committee is responsible for overseeing the management of risks relating to compensation arrangements. The Nominating and Corporate Governance Committee manages risks associated with the size, composition and independence of the Board of Directors. These committees provide reports periodically to the full Board of Directors. The oversight responsibility of the Board of Directors and its committees is supported by management reporting processes that are designed to provide visibility to the Board of Directors about the identification, assessment and management of critical risks. These areas of focus include strategic, operational, financial and reporting, compensation, legal and compliance and other risks. The management reporting process includes regular reports from the Chief Executive Officer, which are provided with input from the senior management team.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation Committee was at any time during 2016 an officer or employee of ours or any of our affiliates, nor is any member a former officer of ours or any of our affiliates. In addition, no executive officer of the Company currently serves as a director or member of the Compensation Committee of any entity that has one or more executive officers serving as one of our directors.

COMPENSATION OF DIRECTORS

2016 Compensation

Our non-employee director cash compensation for 2016 was as set forth in the table below.

Annual cash retainer	\$70,000 ⁽¹⁾
Board and Committee Meeting Fee (in person attendance)	\$1,500
Board and Committee Meeting Fee (telephonic attendance)	\$1,000
Annual Equity Compensation ⁽²⁾	\$30,000

The Chair of the Audit Committee received an additional annual cash retainer of \$12,500, and the Chairs of the (1) Compensation Committee and the Governance and Nominating Committee each received an additional annual cash retainer of \$7,500.

(2) Shares of common stock issued on a quarterly basis and subject to reduction due to decreases in the Company's trailing four-quarter book value per share, as described below.

The following table sets forth the compensation paid to non-employee directors during 2016:

Director Compensation*

Name	Fees			Total
	Earned or Paid in Cash	Stock Awards ⁽¹⁾	All Other Compensation ⁽²⁾	
W Coleman Bitting	\$99,932	\$ 24,161	\$ —	\$ 121,093
Frank P. Philipps	93,432	24,161	—	117,593
Ava L. Parker	99,932	24,161	—	124,093
John B. Van Heuvelen	107,019			