Opteum Inc.
Form 10-Q/A
December 20, 2006

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

FORM 10-Q/A
(Amendment #1)

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

For the quarterly period ended March 31, 2006

¨ 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: 1-32171

Opteum 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 ¨ NO þ

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

Large accelerated filer ¨ Accelerated filer þ Non-accelerated filer ¨

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 December 18, 2006, the number of shares outstanding of the registrant's Class A Common Stock, $0.001 par value, was 24,513,512; the number of shares outstanding of the registrant's Class B Common Stock, $0.001 par value, was 319,388; and the number of shares outstanding of the registrant's Class C Common Stock, $0.001 par value, was 319,388.

As of May 5, 2006, the number of shares outstanding of the registrant's Class A Common Stock, $0.001 par value, was 24,318,586; the number of shares outstanding of the registrant's Class B Common Stock, $0.001 par value, was 319,388; and the number of shares outstanding of the registrant's Class C Common Stock, $0.001 par value, was 319,388.

EXPLANATORY NOTE-RESTATEMENT OF FINANCIAL INFORMATION

EXPLANATORY NOTE

In November 2006, Opteum Inc. ("Opteum", "the Company", "OPX") reviewed its application of paragraph 6 of Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted, and its use with respect to interest rate lock commitments ("IRLCs") at the Company's taxable REIT subsidiary, Opteum Financial Services, LLC ("OFS").

IRLCs arise when a lender commits to an interest rate on a potential loan to a residential mortgage borrower. When a potential borrower "locks" their rate, an obligation on the part of OFS is created to lend at the rate locked for a finite period of time, typically 30 to 60 days. The IRLC does not obligate the borrower to close the loan, however. The IRLC creates an obligation on OFS to lend at the locked rate for a prescribed period of time and under the parameters of SFAS 133 must be measured at fair value with changes in fair value recognized in current period earnings.

Because IRLCs represent obligations on the part of OFS to lend at a set rate, as interest rates change subsequent to the lock date, the market value of the obligation may either increase or decrease. This fluctuation in value is akin to fluctuations in value of a closed loan with a fixed interest rate.

At the inception of an IRLC, the value of the IRLC is zero. OFS, as its principal business model, originates mortgage loans for purposes of selling them for gain. Since IRLCs are treated as derivatives under SFAS 133, fluctuations in their value are recognized into earnings in the period in which they occur. If the IRLC becomes a closed loan, the basis of the closed loan is adjusted by the fluctuation in the market value of the IRLC from the lock date through the loan closing date. In accordance with SFAS 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*, all direct revenues and expenses associated with originating and closing the loan are also added to the basis of the loan. This establishes the cost basis of the loan. From the date of closing until the date the loan is sold, loans are recorded at the lower of cost or market.

In financial statements previously filed for the period ended March 31, 2006, OFS did not reflect fluctuations in the market value of IRLCs or closed loans through current period earnings. Under the accounting previously employed by

OFS, an estimate of the ultimate gain on sale, adjusted for the probability that the IRLC would become a closed loan, was ascribed to the basis of the loan. The probability of the loan closing was determined by an analysis of prior experience. Accordingly, the prior accounting treatment employed by OFS did not capture fluctuations in market value as prescribed by SFAS 133. Also, upon closing of a loan, OFS did not mark-to-market the value of the loan through earnings and adjust the basis in the loan. Under this treatment, the ultimate gain or loss recognized on the sale of the loan was unaffected, but the fluctuations in value of either the closed loan or the IRLC were not reflected in earnings in the period in which they occurred.

The basis in a closed loan becomes the ultimate determinant of the gain or loss upon sale of the loan. Since OFS typically sells all loans they originate or acquire within 90 days, the effect of reflecting fluctuations in value of either IRLCs or closed loans in current period earnings is typically offset in the following period as the gain or loss on sale of the closed loan is either correspondingly higher or lower, owing to the basis adjustments described above. Accordingly, in the case of OFS, fluctuations in the market value of IRLCs or closed loans typically do not change the ultimate net income associated with the sale of mortgage loans.

In the period ended March 31, 2006, interest rates generally increased and the effect was to cause the market value of OFS' IRLCs and closed loans to decline. Therefore, the market value of IRLCs and basis adjustments to closed loans declined by $3.7 million and $0.3 million, respectively, during the three month period ended March 31, 2006. Since OFS was not acquired until November 3, 2005 by OPX, there was no effect on the period ended March 31, 2005.

The following table presents a reconciliation of previously reported net loss to restated net loss for the period indicated:

		Three Months Ended March 31, 2006
Previously reported net loss	$	(5,087,132)
Pre-tax adjustments:		
Interest rate lock commitment mark to market		(4,079,928)
Adjustment to net interest income and other		(391,843)
Total pre-tax adjustments		(4,471,771)
Related tax effects - (provision for)/benefit from		1,587,092
Net after-tax adjustments		(2,884,679)
Restated net loss	$	(7,971,811)

Subsequent to the completion of the originally-filed financial statements for the period being restated, the Company identified the adjustment to the IRLC mark to market, an adjustment to net interest income and additional minor adjustments that should have been recorded in this earlier period. When these adjustments were identified, other than the adjustment to the IRLC mark to market, management determined them to be immaterial, individually and in the aggregate, to the originally-filed financial statements. Because OFS' IRLC accounting required restatement, the Company is also correcting these immaterial out-of-period adjustments by recording them in the proper periods.

The nature of these other adjustments are as follows. The Company corrected computational errors made in the calculation of net interest income. The adjustment represents approximately 95% of the $391,843 and is a cumulative adjustment through March 31, 2006. The balance of the other adjustment is related to various expense items.

Other than the items described in Note 2 to the accompanying consolidated financial statements, as well as adjustments to disclosures in other notes and, to be consistent with the restated financial statements, management's discussion and analysis, this amended Form 10-Q has not been updated for events occurring after May 8, 2006, the date of the original filing of the Company's Form 10-Q for the period ended March 31, 2006.

Notwithstanding the foregoing, the Company concluded that its consolidated financial statements as of, and for the year ended, December 31, 2005, present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2005, and the results of the Company's operations and cash flows for the year ended December 31, 2005, and do not require restatement. The effect of the change in OFS' accounting for IRLCs for the period November 3, 2005, through December 31, 2005 was an overstatement of consolidated pre-tax income of $473,643. Had the cumulative effect of the computational error in the Company's accounting for net interest income been recorded as of December 31, 2005, the amount of the adjustment would have been a reduction of consolidated pre-tax income of $492,040. By recording these adjustments in the three month period ended March 31, 2006 the combined effect was to increase the consolidated pre-tax loss by $965,683. Accordingly, the Company has determined to account for the impact of the misapplication of SFAS No. 133 by OFS for the period November 3, 2005, through December 31, 2005 and the computational error in the calculation of net interest income for all periods prior to December 31, 2005 in its restated consolidated financial statements as of, and for the period ended, March 31, 2006, and believes that doing so will be immaterial to such consolidated financial statements annual 2006 consolidated financial statements.

OPTEUM INC.

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PART 1. FINANCIAL INFORMATION
ITEM 1. Financial Statements and Supplementary Data.

OPTEUM INC.
CONSOLIDATED BALANCE SHEETS

ASSETS	(Unaudited) Restated-See Note 2 March 31, 2006	December 31, 2005
MORTGAGE BACKED SECURITIES:		
Pledged to counterparties, at fair value	$ 3,528,646,943	$ 3,493,490,046
Unpledged, at fair value	9,907,267	539,313
TOTAL MORTGAGE BACKED SECURITIES	3,538,554,210	3,494,029,359
Cash and cash equivalents	90,872,039	130,510,948
Restricted cash	-	2,310,000
Mortgage loans held for sale, net	717,513,438	894,237,630
Retained interests, trading	105,196,205	98,010,592
Securities held for sale	1,847,248	2,782,548
Mortgage servicing rights, net	93,337,355	86,081,594
Receivables, net	6,656,880	24,512,118
Principal payments receivable	15,624,670	21,497,365
Accrued interest receivable	16,441,538	15,740,475
Property and equipment, net	17,038,985	16,067,170
Prepaid and other assets	18,880,916	19,321,766
TOTAL ASSETS	$ 4,621,963,484	$ 4,805,101,565
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Repurchase agreements	$ 3,413,954,826	$ 3,337,598,362
Warehouse lines of credit and drafts payable	697,860,930	873,741,429
Other secured borrowings	105,452,119	104,886,339
Junior subordinated notes due to Bimini Capital Trust I & II	103,097,000	103,097,000
Accrued interest payable	34,639,214	30,232,719
Unsettled security purchases	1,709,728	58,278,701
Dividends payable	2,645,853	-
Deferred tax liability	14,656,550	18,360,679
Accounts payable, accrued expenses and other	18,850,267	26,417,996
TOTAL LIABILITIES	4,392,866,487	4,552,613,225

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; shares issued and outstanding at March 31, 2006 and December 31, 2005, 1,223,208 Class A Redeemable and no Class B Redeemable	1,223	1,223
Class A common stock, $0.001 par value; 98,000,000 shares designated; 24,172,598 shares issued and 23,083,498 shares outstanding at March 31, 2006, and 24,129,042 shares issued and 23,567,242 shares outstanding at December 31, 2005	24,173	24,129
Class B common stock, $0.001 par value; 1,000,000 shares designated, 319,388 shares issued and outstanding at March 31, 2006 and December 31, 2005	319	319
Class C common stock, $0.001 par value; 1,000,000 shares designated, 319,388 shares issued and outstanding at March 31, 2006 and December 31, 2005	319	319
Additional paid-in capital	342,759,382	342,230,342
Accumulated other comprehensive loss	(87,918,732)	(76,494,378)
Accumulated deficit	(16,033,006)	(8,037,260)
Treasury Stock; Class A common stock, at cost; 1,089,100 shares at March 31, 2006 and 561,800 shares at December 31, 2005	(9,736,681)	(5,236,354)
TOTAL STOCKHOLDERS' EQUITY		