

Opteum Inc.
Form 10-K/A
October 13, 2006

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

**FORM 10-K/A
(Amendment No. 2)
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934**

For the fiscal year ended December 31, 2005

Commission File Number: 001-32171

OPTEUM INC.

(Formerly Bimini Mortgage 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, FL 32963
(Address of principal executive offices - Zip Code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|--|
| Class A Common Stock, \$0.001 par value | New York Stock Exchange |

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Securities Exchange Act of 1934).

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of October 12, 2006, there were 24,474,315 shares of the Registrant's Class A Common Stock outstanding. The aggregate market value of the Class A Common Stock, held by non-affiliates of the Registrant (22,197,880 shares) at October 12, 2006 was approximately \$186,684,171. The aggregate market value was calculated by using the closing price of the Class A Common Stock as of that date on the New York Stock Exchange. As of October 12, 2006, all of the Registrant's Class B Common Stock was held by affiliates of the Registrant. As of October 12, 2006, the aggregate market value of the Registrant's Class C Common Stock held by non-affiliates (319,388 shares) was \$319, which value is based on the initial purchase price of the Class C Common Stock.

Explanatory Note: The registrant is hereby amending Item 8. Financial Statements and Supplementary Data of Part II of its Form 10-K/A filed with the Securities and Exchange Commission on March 10, 2006 (the "Form 10-K/A"), to include a report of Deloitte & Touche LLP that was inadvertently omitted from the Form 10-K/A. Except for Item 8. Financial Statements and Supplementary Data of Part II of the Form 10-K/A which is amended hereby, the information set forth in the Form 10-K/A is incorporated by reference herein in its entirety.

OPTEUM INC.

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PART II

ITEM 8. Financial Statements and Supplementary Data.

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Management's Report on Internal Control over Financial Reporting

Management of Opteum Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. Management's assessment on internal controls did not include the internal controls of Opteum Financial Services, LLC which is included in the 2005 consolidated financial statements of the Company and constituted \$1.1 billion and \$49.9 million of total and net assets, as of December 31, 2005 and \$3.4 million and \$(6.6) million of total revenues and net income for the year then ended. Management did not assess the effectiveness of internal control over financial reporting at this entity because the Company did not have the ability to conduct an assessment of the acquired entity's internal controls over financial reporting during the time period from November 3, 2005, date of acquisition, through December 31, 2005, date of management's assessment. In making its assessment of the effectiveness of internal control, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2005.

The Company's independent auditors have issued an attestation report on management's assessment of the Company's internal control over financial reporting. The report is included herein.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Opteum Inc. (formerly known as Bimini Mortgage Management, Inc.)

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Opteum Inc. (formerly known as Bimini Mortgage Management, Inc.) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Opteum Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Opteum Financial Services, LLC, which is included in the 2005 consolidated financial statements of Opteum Inc., and constituted \$1.1 billion and \$49.9 million of total and net assets, respectively, as of December 31, 2005 and \$3.4 million and \$(6.6) million of net revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Opteum Inc. also did not include an evaluation of the internal control over financial reporting of Opteum Financial Services, LLC.

In our opinion, management's assessment that Opteum Inc. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Opteum Inc., maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for the each of the two years in the period ended December 31, 2005 and for the period from September 24, 2003 (date of inception) through December 31, 2003 of Opteum Inc. and our report dated March 1, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Certified Public Accountants
Miami, FL
March 1, 2006

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Opteum Inc. (formerly known as Bimini Mortgage Management, Inc.)

We have audited the accompanying consolidated balance sheets of Opteum Inc. (the Company) (formerly known as Bimini Mortgage Management, Inc.) as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2005 and for the period from September 24, 2003 (date of inception) through December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Opteum Financial Services, LLC and subsidiaries, a wholly owned subsidiary, which statements reflect total assets of \$1.1 billion as of December 31, 2005 and total net revenues of \$3.4 million for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts of Opteum Financial Services, LLC and subsidiaries, is based solely on the report of other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Opteum Inc. as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2005 and for the period from September 24, 2003 (date of inception) through December 31, 2003, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Opteum Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Certified Public Accountants

Miami, Florida
March 1, 2006

Report of Independent Auditors

To the Stockholders of Opteum
Financial Services, LLC:

We have audited the accompanying consolidated balance sheet of Opteum Financial Services, LLC and subsidiaries (the "Company") as of December 31, 2005 and the related consolidated statement of operations, stockholders' equity, and cash flows for the period from November 3, 2005 (Date of Acquisition) to December 31, 2005. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Opteum Financial Services, LLC and subsidiaries as of December 31, 2005 and the results of their operations and their cash flows for the period from November 3, 2005 (Date of Acquisition) to December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

February 28, 2006

OPTEUM INC.
CONSOLIDATED BALANCE SHEETS

| | December 31, | |
|--|----------------------|----------------------|
| ASSETS | 2005 | 2004 |
| MORTGAGE-BACKED SECURITIES: | | |
| Pledged to counterparties, at fair value | \$ 3,493,490,046 | \$ 2,901,158,559 |
| Unpledged, at fair value | 539,313 | 72,074,338 |
| TOTAL MORTGAGE-BACKED SECURITIES | 3,494,029,359 | 2,973,232,897 |
| CASH AND CASH EQUIVALENTS | 130,510,948 | 128,942,436 |
| RESTRICTED CASH | 2,310,000 | 8,662,000 |
| MORTGAGE LOANS HELD FOR SALE, NET | 894,237,630 | - |
| RETAINED INTERESTS, TRADING | 98,010,592 | - |
| SECURITIES HELD FOR SALE | 2,782,548 | - |
| MORTGAGE SERVICING RIGHTS, NET | 86,081,594 | - |
| RECEIVABLES, NET | 24,512,118 | - |
| PRINCIPAL PAYMENTS RECEIVABLE | 21,497,365 | 3,419,199 |
| ACCRUED INTEREST RECEIVABLE | 15,740,475 | 11,377,807 |
| PROPERTY AND EQUIPMENT, NET | 16,067,170 | 2,050,923 |
| PREPAIDS AND OTHER ASSETS | 19,321,766 | 732,469 |
| | \$ 4,805,101,565 | \$ 3,128,417,731 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES: | | |
| Repurchase agreements | \$ 3,337,598,362 | \$ 2,771,162,957 |
| Warehouse lines of credit and drafts payable | 873,741,429 | - |
| Other secured borrowings | 104,886,339 | - |
| Junior subordinated notes due to Bimini Capital Trust I & II | 103,097,000 | - |
| Accrued interest payable | 30,232,719 | 7,980,829 |
| Unsettled security purchases | 58,278,701 | 65,765,630 |
| Deferred tax liability | 18,360,679 | - |
| Accounts payable, accrued expenses and other | 26,417,996 | 545,988 |
| TOTAL LIABILITIES | 4,552,613,225 | 2,845,455,404 |
| 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; shares issued and | 1,223 | - |

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| outstanding at December 31, 2005, 1,223,208 Class A Redeemable and no Class B Redeemable; no shares issued and outstanding at December 31, 2004 | | |
| Class A common stock, \$0.001 par value; 98,000,000 shares designated; 24,129,042 shares issued and 23,567,242 shares outstanding at December 31, 2005, 20,368,915 shares issued and outstanding at December 31, 2004 | 24,129 | 20,369 |
| Class B common stock, \$0.001 par value; 1,000,000 shares designated, 319,388 shares issued and outstanding at December 31, 2005 and 2004 | 319 | 319 |
| Class C common stock, \$0.001 par value; 1,000,000 shares designated, 319,388 shares issued and outstanding at December 31, 2005 and 2004 | 319 | 319 |
| Additional paid-in capital | 342,230,342 | 285,174,651 |
| Accumulated other comprehensive loss | (76,494,378) | (1,155,771) |
| Accumulated deficit | (8,037,260) | (1,077,560) |
| Treasury Stock; 561,800 shares of Class A common stock, at cost | (5,236,354) | - |
| STOCKHOLDERS' EQUITY | 252,488,340 | 282,962,327 |
| | \$ 4,805,101,565 | \$ 3,128,417,731 |

See notes to consolidated financial statements.