

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 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: 001-32171

Opteum Inc.

(Exact name of registrant as specified in its charter)

**Maryland
(State or other jurisdiction of
incorporation or organization)**

**72-1571637
(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

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

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

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.

EXPLANATORY NOTE

As disclosed in Form 12b-25 filed November 13, 2006, and Form 8-K/A filed November 21, 2006, Opteum Inc. (“Opteum”, “the Company”, “OPX”) is filing Form 10-Q for the period ended September 30, 2006 after the required filing deadline of November 9, 2006.

OPTEUM INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

OPTEUM INC.
CONSOLIDATED BALANCE SHEETS

ASSETS	(Unaudited) September 30, 2006	December 31, 2005
MORTGAGE BACKED SECURITIES:		
Pledged to counterparties, at fair value	\$ 3,069,748,803	\$ 3,493,490,046
Unpledged, at fair value	10,311,319	539,313
TOTAL MORTGAGE BACKED SECURITIES	3,080,060,122	3,494,029,359
Cash and cash equivalents	65,122,207	130,510,948
Restricted cash	830,000	2,310,000
Securities held for sale	1,041,513	2,782,548
Mortgage loans held for sale, net	875,290,345	894,237,630
Retained interests, trading	109,829,818	98,010,592
Mortgage servicing rights, net	101,250,557	86,081,594
Principal payments receivable	16,514,742	21,497,365
Accrued interest receivable	15,021,433	15,740,475
Other receivables, net	9,467,153	24,512,118
Property and equipment, net	16,584,553	16,067,170
Prepaid and other assets	18,233,018	19,321,766
TOTAL ASSETS	\$ 4,309,245,461	\$ 4,805,101,565
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Repurchase agreements	\$ 2,996,739,729	\$ 3,337,598,362
Warehouse lines of credit and drafts payable	852,676,646	873,741,429
Other secured borrowings	104,039,052	104,886,339
Junior subordinated notes due to Bimini Capital Trust I & II	103,097,000	103,097,000
Accrued interest payable	20,075,738	30,232,719
Unsettled security purchases	-	58,278,701
Dividends payable	1,267,736	-
Compensation and related benefits payable	801,667	-
Deferred tax liability	4,324,397	18,360,679
Accounts payable, accrued expenses and other	20,480,890	26,417,996
TOTAL LIABILITIES	4,103,502,855	4,552,613,225
STOCKHOLDERS' EQUITY:		
Preferred Stock, \$0.001 par value; 10,000,000 shares authorized; designated 1,800,000 Class A Redeemable and 2,000,000 Class B Redeemable; no shares issued and outstanding as of September 30, 2006, and 1,223,208 shares of Class A Redeemable and no shares as Class B Redeemable issued and outstanding at December 31, 2005	-	1,223
Class A Common Stock, \$0.001 par value; 98,000,000 shares designated: 24,473,315 shares issued and outstanding as of September 30, 2006 and 24,129,042 shares issued and 23,567,242 shares outstanding as of December 31, 2005	24,474	24,129
Less Treasury Stock; 561,800 shares of Class A Common Stock, at cost, as of December 31, 2005	-	(5,236,354)
Class B Common Stock, \$0.001 par value; 1,000,000 shares designated, 319,388 shares issued and outstanding as of September 30, 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 as of September 30, 2006 and December 31, 2005	319	319
Additional paid-in capital	335,021,514	342,230,342
Accumulated other comprehensive loss	(98,030,783)	(76,494,378)
Accumulated deficit	(31,273,237)	(8,037,260)
TOTAL STOCKHOLDERS' EQUITY	205,742,606	252,488,340
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,309,245,461	\$ 4,805,101,565

See notes to consolidated financial statements.

OPTEUM INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Nine Months Ended		Three Months Ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
INTEREST INCOME:				
Interest income, net of amortization of premium and discount	\$ 204,251,214	\$ 111,392,882	\$ 68,381,064	\$ 43,574,308
Interest expense	(183,808,775)	(80,053,678)	(67,101,711)	(33,508,546)
NET INTEREST INCOME	20,442,439	31,339,204	1,279,353	10,065,762
NON-INTEREST INCOME:				
GAINS ON MORTGAGE BANKING ACTIVITIES	17,430,207	-	20,311,868	-
GAINS ON SALES OF MORTGAGE BACKED SECURITIES	-	1,993,457	-	11,075
SERVICING INCOME (LOSS):				
Servicing fee income	18,895,459	-	6,221,185	-
Fair value adjustments to mortgage servicing rights	(24,135,886)	-	(13,305,807)	-
NET SERVICING (LOSS)	(5,240,427)	-	(7,084,622)	-
OTHER NON-INTEREST INCOME	5,141,989	-	1,864,610	-
TOTAL NON-INTEREST INCOME	17,331,769	1,993,457	15,091,856	11,075
TOTAL NET REVENUES	37,774,208	33,332,661	16,371,209	10,076,837
DIRECT REIT OPERATING EXPENSES				
	742,376	923,205	196,552	299,287
GENERAL AND ADMINISTRATIVE EXPENSES:				
Compensation and related benefits	27,521,255	3,925,044	9,897,316	1,402,435
Directors' fees and liability insurance	630,069	469,811	210,035	162,838
Audit, legal and other professional fees	4,229,703	570,594	1,614,806	209,994
Other interest	5,624,244	-	1,943,386	-
Valuation allowance	6,022,081	-	3,185,287	-
Occupancy and related	5,094,869	-	1,762,774	-
Advertising and marketing	3,845,655	-	1,409,454	-
Other administrative	15,399,407	442,498	5,469,941	127,026
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	68,367,283	5,407,947	25,492,999	1,902,293
TOTAL EXPENSES	69,109,659	6,331,152	25,689,551	2,201,580
(LOSS) INCOME BEFORE INCOME TAXES	(31,335,451)	27,001,509	(9,318,342)	7,875,257
INCOME TAX BENEFIT	15,712,589	-	3,062,647	-
NET (LOSS) INCOME	\$ (15,622,862)	\$ 27,001,509	\$ (6,255,695)	\$ 7,875,257

See notes to consolidated financial statements.

OPTEUM INC.
CONSOLIDATED STATEMENTS OF OPERATIONS - CONT'D
(Unaudited)

	Nine Months Ended		Three Months Ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
BASIC AND DILUTED NET (LOSS) INCOME PER SHARE OF:				
CLASS A COMMON STOCK	\$ (0.64)	\$ 1.27	\$ (0.25)	\$ 0.37
CLASS B COMMON STOCK	\$ (0.63)	\$ 1.27	\$ (0.25)	\$ 0.37
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING USED IN COMPUTING BASIC AND DILUTED PER SHARE AMOUNTS:				
CLASS A COMMON STOCK	23,931,190	20,864,842	24,376,375	20,900,703
CLASS B COMMON STOCK	319,388	319,388	319,388	319,388
CASH DIVIDENDS DECLARED PER SHARE OF:				
CLASS A COMMON STOCK	\$ 0.41	\$ 1.31	\$ 0.05	\$ 0.38
CLASS B COMMON STOCK	\$ 0.41	\$ 1.31	\$ 0.05	\$ 0.38
See notes to consolidated financial statements.				

OPTEUM INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)
Nine Months Ended September 30, 2006

	Common Stock, Amounts at par value			Class A Redeemable Preferred Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Class A	Class B	Class C						
Balances, December 31, 2005	\$ 24,129	\$ 319	\$ 319	\$ 1,223	\$(5,236,354)	\$342,230,342	\$(76,494,378)	\$(8,037,260)	\$ 252,488,340
Fair value adjustment upon adoption of SFAS No. 156 (see Note 5)	-	-	-	-	-	-	-	2,621,918	2,621,918
Issuance of Class A Common Stock for board compensation and equity plan, net	211	-	-	-	-	941,872	-	-	942,083
Conversion of Class A Redeemable Preferred Stock into Class A Common Stock	1,223	-	-	(1,223)	-	-	-	-	-
Treasury Stock purchases	-	-	-	-	(4,500,326)	-	-	-	(4,500,326)
Retirement of Treasury Stock	(1,089)	-	-	-	9,736,680	(9,735,591)	-	-	-
Cash dividends declared, March 2006	-	-	-	-	-	-	-	(2,645,853)	(2,645,853)
Cash dividends declared, June 2006	-	-	-	-	-	-	-	(6,321,444)	(6,321,444)
Cash dividends declared, September 2006	-	-	-	-	-	-	-	(1,267,736)	(1,267,736)
Phantom shares vested and amortization of equity plan compensation, net	-	-	-	-	-	1,713,275	-	-	1,713,275
Stock issuance costs, and other adjustments	-	-	-	-	-	(128,384)	-	-	(128,384)
Net loss	-	-	-	-	-	-	-	(15,622,862)	(15,622,862)
Unrealized loss on available-for- sale securities, net	-	-	-	-	-	-	(21,536,405)	-	(21,536,405)
Comprehensive loss	-	-	-	-	-	-	-	-	(37,159,267)
Balances, September 30, 2006	\$24,474	\$ 319	\$ 319	\$ -	\$ -	\$335,021,514	\$(98,030,783)	\$(31,273,237)	\$ 205,742,606

See notes to consolidated financial statements.

OPTEUM INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited)	
	Nine Months Ended September 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (15,622,862)	\$ 27,001,509
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
(Gains) on mortgage banking activities	(17,430,207)	-
Amortization of premium and discount on mortgage backed securities	(8,939,798)	16,657,961
Increase in residual interest in asset backed securities	(11,819,226)	-
Decrease in securities held for sale	1,741,035	-
Increase in mortgage servicing rights, net	(10,870,738)	-
Deferred income tax benefit	(15,712,589)	-
(Gain) on sales of mortgage backed securities	-	(1,993,457)
Stock compensation	2,655,358	1,834,718
Depreciation and amortization	3,229,317	172,869
Changes in operating assets and liabilities:		
Decrease in mortgage loans held for sale	36,377,492	-
Decrease in other receivables, net	15,044,965	-
(Increase)/decrease in accrued interest receivable	719,042	(5,318,794)
(Increase)/decrease in prepaids and other assets	617,765	(3,435,994)
(Decrease)/increase in accrued interest payable	(10,156,981)	12,123,551
(Decrease)/increase in accounts payable, accrued expenses and other	(5,882,913)	175,434
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(36,050,340)	47,217,794
CASH FLOWS FROM INVESTING ACTIVITIES:		
From available-for-sale securities:		
Purchases	(706,141,131)	(2,307,378,255)
Sales	-	240,735,761
Principal repayments	1,054,217,682	1,024,037,076
Purchases of property equipment, and other	(3,275,717)	(624,319)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	344,800,834	(1,043,229,737)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in restricted cash	1,480,000	8,662,000
Proceeds from repurchase agreements	18,264,624,674	14,230,714,396
Principal payments on repurchase agreements	(18,605,483,307)	(13,272,503,711)
Net proceeds from trust preferred securities offering	-	50,101,571
Decrease in warehouse lines of credit, drafts payable and other secured borrowings	(21,164,599)	-
Stock issuance and other costs	(128,384)	(86,036)
Purchases of treasury stock	(4,500,326)	-
Cash dividends paid	(8,967,293)	(19,728,911)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(374,139,235)	997,159,309
NET CHANGE IN CASH AND CASH EQUIVALENTS	(65,388,741)	1,147,366
CASH AND CASH EQUIVALENTS, Beginning of the period	130,510,948	128,942,436
CASH AND CASH EQUIVALENTS, End of the period	<u>\$ 65,122,207</u>	<u>\$ 130,089,802</u>

OPTEUM INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	(Unaudited)	
	Nine Months Ended September 30,	
	2006	2005
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$ 199,590,000	\$ 84,195,289
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Cash dividends declared and payable, not yet paid	\$ 1,267,736	\$ 8,064,084

OPTEUM INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
September 30, 2006

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Business Description

Opteum Inc. ("Opteum") was incorporated in Maryland on September 24, 2003, and commenced its planned business activities on December 19, 2003, the date of the initial closing of a private issuance of its common stock.

On February 6, 2006, Opteum announced that its Board of Directors voted unanimously to change its name from Bimini Mortgage Management, Inc. to Opteum Inc. On February 10, 2006, the corporate name change was effective and its New York Stock Exchange ticker symbol was changed from "BMM" to "OPX."

Opteum was formed to invest primarily in, but not limited to, residential mortgage related securities issued by the Federal National Mortgage Association (more commonly known as Fannie Mae), the Federal Home Loan Mortgage Corporation (more commonly known as Freddie Mac) and the Government National Mortgage Association (more commonly known as Ginnie Mae). Opteum funds investments in its portfolio of mortgage backed securities ("MBS") through borrowings under repurchase agreements. Opteum attempts to earn a net interest spread between the yield on the investments in MBS and its borrowing costs.

Opteum has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). In order to maintain its REIT qualification, Opteum must comply with a number of requirements under federal tax law, including that it must distribute at least 90% of its annual REIT taxable income to its stockholders, subject to certain adjustments. The portfolio management activity mentioned above comprises the REIT qualifying operations of the Company.

On September 29, 2005, Opteum executed a definitive merger agreement with Opteum Financial Services, LLC ("OFS"), a privately held home mortgage lender headquartered in Paramus, New Jersey. The transaction, in which OFS became a wholly-owned taxable REIT subsidiary ("TRS") of Opteum, closed on November 3, 2005 (see Note 2). As more fully described below, OFS acquires and originates mortgages that are either sold to third parties or securitized by Opteum Mortgage Acceptance Corporation ("OMAC"). OFS services the mortgages securitized by OMAC.

As used in this document, terms such as the parent company, the registrant, "Opteum" and discussions related to REIT qualifying activities or the general management of Opteum's portfolio of MBS refers to "Opteum Inc." Further, terms used in this document such as, OFS, the TRS or non-REIT eligible assets refer to Opteum Financial Services, LLC and its consolidated subsidiaries. Discussions relating to the "Company" refer to the consolidated entity (the combination of Opteum and OFS). The assets and activities that are not REIT eligible, such as mortgage origination, acquisition and servicing activities, are conducted by OFS.

The Company presently believes that its equity and junior subordinated debt capital, combined with the cash flow from operations and the utilization of borrowings, will be sufficient to enable the Company to meet its anticipated liquidity requirements. Various changes in market conditions could, however, adversely affect the Company's liquidity, including increases in interest rates, increases in prepayment rates substantially above expectations or the reduction of fee income generated through mortgage originations at OFS. If cash resources are, at any time, insufficient to satisfy the Company's liquidity requirements, such as when cash flow from operations were 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. Any sale of mortgage-related securities or originated mortgage loans held for sale by OFS at prices lower than the carrying value of such assets would reduce our income.

Interim Financial Statements

The accompanying interim financial statements reflect all adjustments, consisting of normal recurring items that, in the opinion of management, are necessary for a fair presentation of the Company's financial position, results of operations, statement of stockholders' equity and cash flows for the periods presented. These interim financial statements have been prepared in accordance with disclosure requirements for interim financial information and accordingly, they may not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for annual financial statements. The operating results for the interim period ended September 30, 2006, are not necessarily indicative of results that can be expected for the year ended December 31, 2006. The operating results of the interim period ended September 30, 2005, do not include the results of OFS, as the merger closed in November 2005. Certain September 30, 2005 amounts were reclassified to conform to the 2006 presentation. The financial statements included as part of this Form 10-Q should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K (as amended) for the year ended December 31, 2005.

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with 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. Significant estimates affecting the accompanying financial statements include the fair values of MBS, the prepayment speeds used to calculate amortization and accretion of premiums and discounts on MBS, the deferred tax liability valuation, the valuation allowance on mortgage loans held for sale, the valuation of retained interests, trading and the fair value of mortgage servicing rights.

Consolidation

The accompanying September 30, 2006, consolidated financial statements include the accounts of Opteum and its wholly-owned subsidiary, OFS, as well as the wholly-owned and majority-owned subsidiaries of OFS. All inter-company accounts and transactions have been eliminated from the consolidated financial statements. The financial statements for September 30, 2005, do not include the results of OFS, as the merger was finalized in November 2005.

As further described in Note 11, Opteum has a common share investment in two trusts used in connection with the issuance of Opteum's junior subordinated notes. Pursuant to the accounting guidance provided in Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 46, *Consolidation of Variable Interest Entities*, Opteum's common share investment in the trusts are not consolidated in the financial statements of Opteum, and accordingly, these investments are accounted for using the equity method.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of three months or less. The carrying amount of cash equivalents approximates its fair value as of September 30, 2006 and December 31, 2005.

Restricted cash represents cash held on deposit as collateral with certain repurchase agreement counterparties. Such amounts may be used to make principal and interest payments on the related repurchase agreements.

Valuation of Mortgage Backed Securities

The valuation of the Company's investments in MBS is governed by Statement of Financial Accounting Standards ("SFAS") No. 107, *Disclosures about Fair Value of Financial Instruments*. SFAS No. 107 defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. All REIT securities are reflected in the Company's financial statements at their estimated fair value as of September 30, 2006, and December 31, 2005. Estimated fair values for MBS are based on the average of third-party broker quotes received and/or independent pricing sources when available. However, the fair values reported reflect estimates and may not necessarily be indicative of the amounts the Company could realize in a current market exchange.

In accordance with GAAP, the Company classifies its investments in MBS as either trading investments, available-for-sale investments or held-to-maturity investments. Management determines the appropriate classification of the securities at the time they are acquired and evaluates the appropriateness of such classifications at each balance sheet date. Although the Company intends to hold its MBS until maturity, it may, from time to time, sell any of its MBS as part of the overall management of the business. The Company classifies all of its securities as available-for-sale and assets so classified are carried on the balance sheet at fair value and unrealized gains or losses arising from changes in fair value are reported as other comprehensive income or loss as a component of stockholders' equity.

When the fair value of an available-for-sale security is less than amortized cost, management considers whether there is an other-than-temporary impairment in the value of the security. The decision is based on the credit quality of the issue (agency versus non-agency and for non-agency, the credit performance of the underlying collateral), the security prepayment speeds, the length of time the security has been in an unrealized loss position and the Company's ability and intent to hold securities. As of September 30, 2006, the Company did not hold any non-agency securities in its portfolio. If, in management's judgment, an other-than-temporary impairment exists, the cost basis of the security is written down in the period to fair value and the unrealized loss is recognized in current period earnings.

Mortgage Loans Held for Sale

Mortgage loans held for sale represent mortgage loans originated and held by the Company pending sale to investors. The mortgages are carried at the lower of cost or market as determined by outstanding commitments from investors or current investor yield requirements calculated on the aggregate loan basis. Deferred net fees or costs are not amortized during the period the loans are held for sale, but are recorded when the loan is sold. The Company generally, but not always, sells or securitizes loans with servicing rights retained. These transfers of financial assets are accounted for as sales for financial reporting purposes when control over the assets has been surrendered. Control over transferred assets is surrendered when (i) the assets have been isolated from the Company; (ii) the purchaser obtains the right, free of conditions that constrain such purchaser from taking advantage of that right, to pledge or exchange the transferred assets and (iii) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. These transactions are treated as sales in accordance with SFAS No. 140 *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*. Gains or losses on such sales are recognized at the time legal title transfers to the purchaser and are based upon the difference between the sales proceeds from the purchaser and the allocated basis of the loan sold, adjusted for net deferred loan fees and certain direct costs and selling costs. A valuation allowance is recorded to adjust mortgage loans held for sale to the lower of cost or market.

Retained Interest, Trading

The Company uses warehouse loan arrangements to finance the origination and purchase of pools of fixed and adjustable-rate residential mortgage loans (the "Mortgage Loans"). Subsequent to their origination or purchase, OFS either sells these Mortgage Loans to third-party institutional investors through bulk sale arrangements or through securitization transactions. The Company generally makes several representations and warranties regarding the performance of the Mortgage Loans in connection with each sale or securitization.

In a securitization, the Company accumulates the desired amount of Mortgage Loans and securitizes them in order to create marketable securities. First, pursuant to a Mortgage Loan Purchase Agreement ("MLPA"), the Company sells Mortgage Loans to OMAC, the Company's wholly-owned special purpose entity created for the execution of these securitizations. Under this MLPA, the Company makes general representations and warranties for the Mortgage Loans sold by the Company to OMAC.

OMAC then deposits the Mortgage Loans purchased from the Company into a Real Estate Mortgage Investment Conduit ("REMIC") trust where, pursuant to a Pooling and Servicing Agreement ("P&S Agreement"), the rights to the cash flows associated with such Mortgage Loans are sold to investors in the form of marketable debt securities. These securities, issued by the REMIC trust, are divided into different classes of certificates (the "Certificates") with varying claims to payments received on the Mortgage Loans.

Certain of these Certificates are offered to the public (the "Public Certificates") pursuant to a prospectus. These Public Certificates are sold to underwriters on the closing date pursuant to an underwriting agreement. The proceeds from the sale of the Public Certificates to the underwriters (less an underwriting discount)

are ultimately transferred to the Company as partial consideration for the Mortgage Loans sold to OMAC pursuant to the MLPA.

Finally, subsequent to a securitization transaction as described above, the Company typically executes an additional net interest margin (“NIM”) securitization, or “resecuritization” of the non-publicly offered Certificates, representing prepayment penalties and over-collateralization fundings (the “Underlying Certificates”). This NIM securitization is typically transacted as follows:

OMAC first deposits the Underlying Certificates into a trust (the “NIM Trust”) pursuant to a deposit trust agreement. The NIM Trust, pursuant to an indenture, then issues (i) notes (the “NIM Notes”) representing interests in the Underlying Certificates and (ii) an owner trust certificate (the “Owner Trust Certificate”) representing the residual interest in the NIM Trust. The NIM Notes are sold to third parties via private placement transactions. The net proceeds from the sale of the NIM Notes and the Owner Trust Certificate are then transferred from OMAC to the Company. The Owner Trust Certificates from the Company’s various securitizations represent the retained interest, trading on the consolidated balance sheet and are carried at fair value with changes in fair value reflected in earnings.

Mortgage Servicing Rights

The Company recognizes mortgage servicing rights (“MSRs”) as an asset when separated from the underlying mortgage loans in connection with the sale of such loans. Upon sale of a loan, the Company measures the retained MSRs by allocating the total cost of originating a mortgage loan between the loan and the servicing right based on their relative fair values. The estimated fair value of MSRs is determined by obtaining a market valuation from a specialist who brokers MSRs. To determine the market valuation, the broker uses a valuation model that incorporates assumptions relating to the estimate of the cost of servicing the loan, a discount rate, a float value, an inflation rate, ancillary income of the loan, prepayment speeds and default rates that market participants use for acquiring similar servicing rights. Gains or losses on the sale of MSRs are recognized when title and all risks and rewards have irrevocably passed to the purchaser of such MSRs and there are no significant unresolved contingencies.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets*. SFAS 156 amends SFAS 140 with respect to the accounting for separately-recognized servicing assets and liabilities. SFAS 156 requires all separately-recognized servicing assets and liabilities to be initially measured at fair value and permits companies to elect, on a class-by-class basis, to account for servicing assets and liabilities on either a lower of cost or market value basis or a fair value measurement basis. The Company elected to early adopt SFAS 156 as of January 1, 2006, and to measure all mortgage servicing assets at fair value (and as one class). Servicing assets and liabilities at December 31, 2005 were accounted for at the lower of amortized cost or market value. As a result of adopting SFAS 156, the Company recognized a \$2.6 million after-tax (\$4.3 million pre-tax) increase in retained earnings as of January 1, 2006, representing the cumulative effect adjustment of re-measuring all servicing assets and liabilities that existed at December 31, 2005, from a lower of amortized cost or market basis to a fair value basis.

Property and Equipment, net

Property and equipment, net, consisting primarily of computer equipment, office furniture, leasehold improvements, land and building, is recorded at acquisition cost and depreciated using the straight-line method over the estimated useful lives of the assets. Asset lives range from three years to thirty years depending on the type of asset. Property and equipment as of September 30, 2006, and December 31, 2005, is net of accumulated depreciation of \$3.4 million and \$0.6 million, respectively. Depreciation expense for the nine and three months ended September 30, 2006, was \$2.8 million and \$0.9 million, respectively, and was \$55,255 and \$19,101 for the nine and three months ended September 30, 2005, respectively.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. The Company’s goodwill all arose from the OFS merger. Contingent consideration paid in subsequent periods under the terms of the OFS merger agreement, if any, would be considered acquisition costs and classified as goodwill.

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, the Company will subject its goodwill to at least an annual assessment for impairment by applying a fair value-based test. If the carrying value exceeds the fair value, goodwill is impaired. To date, there has been no impairment charge recorded for the Company’s goodwill.

Derivative Assets and Derivative Liabilities

The Company’s mortgage committed pipeline includes interest rate lock commitments (“IRLCs”) that have been extended to borrowers who have applied for loan funding and meet certain defined credit and underwriting criteria. Effective with the adoption of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, the Company classifies and accounts for the IRLCs as derivatives. Accordingly, IRLCs are recorded at their fair value with changes in fair value recorded to current earnings. Changes in fair value of IRLCs are determined based on changes in value of similar loans observed over the period in question. The Company uses other derivative instruments to economically hedge the IRLCs, which are also classified and accounted for as derivatives.

The Company’s risk management objective for its mortgage loans held for sale includes use of mortgage forward delivery contracts designed as fair value derivative instruments to protect earnings from an unexpected change due to a decline in value. Effective with the adoption of SFAS No. 133, the Company’s mortgage forward delivery contracts are recorded at their fair value with changes in fair value recorded to current earnings. The Company also evaluates its contractual arrangements, assets and liabilities for the existence of embedded derivatives.

IRLCs and derivative assets or liabilities arising from the Company’s derivative activities are reported net and included in “Mortgage loans held for sale, net” in the accompanying consolidated financial statements. Fluctuations in the fair market value of IRLCs and other derivatives employed are reflected in the consolidated statement of operations under the caption “Gains on mortgage banking activities.”

Repurchase Agreements

The Company finances the acquisition of its MBS through the use of repurchase agreements. Under these repurchase agreements, the Company sells securities to a repurchase counterparty and agrees to repurchase the same securities in the future for a price that is higher than the original sales price. The difference between the sales price that the Company receives and the repurchase price that the Company pays represents interest paid to the repurchase counterparty.

Although structured as a sale and repurchase obligation, a repurchase agreement operates as a financing under which the Company pledges its securities as collateral to secure a loan which is equal in value to a specified percentage of the estimated fair value of the pledged collateral. The Company retains beneficial ownership of the pledged collateral. At the maturity of a repurchase agreement, the Company is required to repurchase the underlying MBS and concurrently receives back its pledged collateral from the repurchase counterparty or, with the consent of the repurchase counterparty, the Company may renew such agreement at the then prevailing rate. These repurchase agreements may require the Company to pledge additional assets to the repurchase counterparty in the event the estimated fair value of the existing pledged collateral declines. As of September 30, 2006, and December 31, 2005, the Company did not have any margin calls on its repurchase agreements that it was not able to satisfy with either cash or additional pledged collateral.

Original terms to maturity of the Company's repurchase agreements generally, but not always, range from one month to twelve months; however, the Company is not precluded from entering into repurchase agreements with shorter or longer maturities. Repurchase agreement transactions are reflected in the financial statements at their cost, which approximates their fair value because of the short-term nature of these instruments. Should a counterparty decide not to renew a repurchase agreement at maturity, the Company must either refinance elsewhere or be in a position to satisfy this obligation. If, during the term of a repurchase agreement, a counterparty files for bankruptcy, the Company could experience difficulty recovering its pledged assets and may have an unsecured claim against the counterparty's assets for the difference between the amount received by the Company and the estimated fair value of the collateral pledged to such counterparty.

Interest Income Recognition on MBS

MBS are recorded at cost on the date the MBS are purchased or sold, which is generally the trade date. Realized gains or losses from MBS transactions are determined based on the specific identified cost of the MBS. Interest income is accrued based on the outstanding principal amount of the MBS and their stated contractual terms. Premiums and discounts associated with the purchase of the MBS are amortized or accreted into interest income over the estimated lives of the MBS adjusted for estimated prepayments using the effective interest method. Adjustments are made using the retrospective method to the effective interest computation each reporting period. The adjustment is based on the actual prepayment experiences to date and the present expectation of future prepayments of the underlying mortgages and/or the current value of the indices underlying adjustable rate mortgage securities versus index values in effect at the time of purchase or the last adjustment period.

Gain on Sale of Loans

Gains or losses on the sale of mortgage loans are recognized at the time legal title transfers to the purchaser of such loans based upon the difference between the sales proceeds from the purchaser and the allocated basis of the loan sold, adjusted for net deferred loan fees and certain direct costs and selling costs. The Company defers net loan origination costs and fees as a component of the loan balance on the balance sheet. Such costs are not amortized and are recognized into income as a component of the gain or loss upon sale. Accordingly, salaries, commissions, benefits and other operating expenses of \$45.1 million and \$14.9 million, respectively, were capitalized as direct loan origination costs during the nine and three months ended September 30, 2006. Loan fees related to the origination and funding of mortgage loans held for sale were \$5.1 million and \$2.0 million during the nine and three months ended September 30, 2006. The net gain on sale of loans for the nine and three months ended September 30, 2006, was \$18.7 million and \$20.7 million, respectively. The net gain on sale of loans is included with changes in fair market value of IRLCs and mortgage loans held for sale and reported as "Gains on mortgage banking activities" on the consolidated statement of operations.

Servicing Fee Income

Servicing fee income is generally a fee based on a percentage of the outstanding principal balances of the mortgage loans serviced by the Company (or by a subservicer where the Company is the master servicer) and is recorded as income as the installment payments on the mortgages are received by the Company or the subservicer.

Comprehensive Income (Loss)

In accordance with SFAS No. 130, *Reporting Comprehensive Income*, the Company is required to separately report its comprehensive income (loss) each reporting period. Other comprehensive income refers to revenue, expenses, gains and losses that, under GAAP, are included in comprehensive income but are excluded from net income, as these amounts are recorded directly as an adjustment to stockholders' equity. Other comprehensive income (loss) arises from unrealized gains or losses generated from changes in market values of securities classified as available-for-sale.

Comprehensive (loss)/income is as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2006	2005	2006	2005
Net (loss) income	\$ (15,622,862)	\$ 27,001,509	\$(6,255,695)	\$ 7,875,257
Less realized gain on available-for-sale securities, net	-	(1,993,457)	-	(11,075)
Plus unrealized gain/(loss) on available-for-sale securities, net	(21,536,405)	(49,321,271)	12,359,938	(29,327,409)
Comprehensive (loss) income	\$ (37,159,267)	\$ (24,313,219)	\$ 6,104,243	\$ (21,463,227)

Stock-Based Compensation

The Company adopted SFAS No. 123(R), *Share-Based Payment*, on January 1, 2006, and this adoption did not have an impact on the Company, as the Company had previously accounted for stock-based compensation using the fair value based method prescribed by SFAS No. 123, *Accounting for Stock-Based Compensation*. For stock and stock-based awards issued to employees, a compensation charge is recorded against earnings based on the fair value of the award. 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 SFAS No. 128, *Earnings per Share*, and the guidance provided in the FASB's Emerging Issues Task Force ("EITF") Issue No. 03-6, *Participating Securities and the Two-Class Method under FASB Statement No. 128, 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. Following the provisions of EITF 03-6, 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 C Common Stock, totaling 319,388 shares, 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

Opteum has elected to be taxed as a REIT under the Code. As further described below, Opteum's TRS, OFS, is a taxpaying entity for income tax purposes and is taxed separately from Opteum. Opteum will generally not be subject to federal income tax on its REIT taxable income to the extent that Opteum 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.

OFS and its activities are subject to corporate income taxes and the applicable provisions of SFAS No. 109, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140*. SFAS 155 (i) permits an entity to measure at fair value any financial instrument that contains an embedded derivative that otherwise would require bifurcation; (ii) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; and (iii) contains other provisions that are not germane to the Company. SFAS is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year beginning after September 15, 2006. In late September 2006, the FASB proposed a scope exception under SFAS 155 for securitized interests that only contain an embedded derivative that is tied to the prepayment risk of the underlying prepayable financial asset, and for which the investor does not control the right to accelerate the settlement. The FASB has opted to hold the proposed guidance open for a 30 day comment period and re-deliberate the issue in December 2006 upon the expiration of the comment period. The FASB should issue their final guidance in early 2007. The MBS securities owned in the REIT portfolio currently would fall under this scope exception. However, in the future, the Company may own securities that may not fall under the exception or the FASB may repeal the exception, in which case Company would be subject to the provisions of SFAS 155. Should securities owned by the Company fall under the provisions of SFAS 155 in the future, the Company's results of operations may exhibit volatility as certain of its future investments may be marked to market through the income statement. Currently changes in the value of the Company's MBS securities are recognized through other comprehensive income, a component of stockholder's equity.

See Mortgage Servicing Rights above for a description of the adoption of SFAS No. 156, *Accounting for Servicing of Financial Assets*.

In July 2006, the FASB issued *FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that the Company recognize in its financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of the beginning of the 2007 fiscal year, with the cumulative effect, if any, of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently evaluating the impact, if any, of adopting FIN 48 on the financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, to eliminate the diversity in practice that exists due to the different definitions of fair value and the limited guidance for applying those definitions in GAAP that are dispersed among the many accounting pronouncements that require fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact, if any, of adopting SFAS 157 on the financial statements.

In September 2006, Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements*, (SAB 108) was issued. SAB 108 addresses quantifying the financial statement effects of misstatements, specifically, how the effects of prior year uncorrected errors must be considered in quantifying misstatements in the current year financial statements. SAB 108 is effective for fiscal years ending after November 15, 2006, and does not change the SEC staff's previous positions in SAB 99 regarding qualitative considerations in assessing the materiality of misstatements. SAB 108 is not expected to have a material impact on the Company.

NOTE 2. ACQUISITION OF OPTEUM FINANCIAL SERVICES, LLC

On November 3, 2005, Opteum acquired 100% of the equity interests of OFS through a merger with a wholly-owned subsidiary of Opteum. OFS is a mortgage lender that originates loans nationwide. The results of operations of OFS have been included in the Company's consolidated financial statements since November 3, 2005. During the nine months ended September 30, 2006, the Company has increased the aggregate purchase price by \$1.1 million for additional legal and accounting fees incurred directly related to the merger and it has made insignificant modifications to the allocation of the purchase price to the net assets acquired, based on final valuations and completion of analysis. See Note 2 to the financial statements included in the Company's Form 10-K for 2005 for a complete description.

NOTE 3. MORTGAGE LOANS HELD FOR SALE, NET

Upon the closing of a residential mortgage loan or shortly thereafter, OFS will either securitize or sell as whole loans its mortgage assets. OFS also sells mortgage loans insured or guaranteed by various government-sponsored entities and private insurance agencies in an effort to maximize profits. The insurance or guaranty is provided primarily on a nonrecourse basis to OFS, except where limited by the Federal Housing Administration and Veterans Administration and their respective loan programs. As of September 30, 2006, OFS serviced approximately \$9.1 billion of mortgage loans sold into the secondary market. All of OFS' loans held for sale are pledged as collateral under the various financing arrangements described in Note 8. Mortgage loans held for sale consist of the following as of September 30, 2006:

Mortgage loans held for sale	\$	861,830,222
Deferred loan origination costs—and other		14,130,041
Valuation allowance		(669,918)
	\$	<u>875,290,345</u>

Included in mortgage loans held for sale above are IRLCs and various derivative assets or liabilities arising from OFS' economic hedging activities of IRLCs and mortgage loans held for sale. Such assets or liabilities are reported net in the accompanying consolidated financial statements. Fluctuations in the fair market value of IRLCs and other derivatives employed are reflected in the consolidated statement of operations under the caption "Gains on mortgage banking activities."

NOTE 4. RETAINED INTEREST, TRADING

Retained interest, trading is the subordinated interests retained by OFS from OFS' various securitizations and includes the over-collateralization and residual net interest spread remaining after payments to the Public Certificates and NIM Notes. Retained interest, trading represents the present value of estimated cash flows to be received from these subordinated interests in the future. The subordinated interests retained are classified as "trading securities" and are reported at fair value with unrealized gains or losses reported in earnings.

All of OFS' securitizations were structured and are accounted for as sales in accordance with SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. Generally, to meet the sale treatment requirements of SFAS No. 140, the REMIC trust is structured as a "qualifying special purpose entity" or QSPE, which specifically limits the REMIC trust's activities, and OFS surrenders control over the mortgage loans upon their transfer to the REMIC trust.

Valuation of Investments. OFS classifies its retained interests as trading securities and therefore records these securities at their estimated fair value. In order to value these unrated and unquoted retained interests, OFS utilizes either pricing available directly from dealers or calculates their present value by projecting their future cash flows on a publicly-available analytical system. When a publicly-available analytical system is employed, OFS uses the following variable factors in estimating the fair value of these assets:

Interest Rate Forecast. The forward London Interbank Offered Rate ("LIBOR") interest rate curve.

Discount Rate. The present value of all future cash flows utilizing a discount rate assumption established at the discretion of OFS to represent market conditions and value.

Prepayment Forecast. The prepayment forecast may be expressed by OFS in accordance with one of the following standard market conventions: Constant Prepayment Rate ("CPR") or Percentage of a Prepayment Vector. Prepayment forecasts may be changed as OFS observes trends in the underlying collateral as delineated in the Statement to Certificate Holders generated by the REMIC trust's Trustee for each underlying security.

Credit Performance Forecast. A forecast of future credit performance of the underlying collateral pool will include an assumption of default frequency, loss severity and a recovery lag. In general, OFS will utilize the combination of default frequency and loss severity in conjunction with a collateral prepayment assumption to arrive at a target cumulative loss to the collateral pool over the life of the pool based on historical performance of similar collateral by the originator. The target cumulative loss forecast will be developed and noted at the pricing date of the individual security but may be updated by OFS consistent with observations of the actual collateral pool performance.

Default frequency may be expressed by OFS in accordance with any of three standard market conventions: Constant Default Rate ("CDR"), Percentage of a Standard Default Assumption ("SDA") curve or a vector or curve established to meet forecasted performance for specific collateral pools.

Loss severity will be expressed by OFS in accordance with historical performance of similar collateral and the standard market conventions of a percentage of the unpaid principal balance of the forecasted defaults lost during the foreclosure and liquidation process.

During the first year of a new issue, OFS may balance positive or adverse effects of the prepayment forecast and the credit performance forecast, thereby allowing for deviation between actual and forecasted performance of the collateral pool. After the first year, OFS will generally adjust the Prepayment and Credit Performance Forecasts to replicate actual performance trends without balancing adverse and positive effects.

The following table summarizes OFS' retained interests as of September 30, 2006, and December 31, 2005:

Series	Issue Date	September 30, 2006	December 31, 2005
HMAC 2004-1	March 4, 2004	\$ 3,059,271	\$ 5,096,056
HMAC 2004-2	May 10, 2004	2,285,837	3,240,431
HMAC 2004-3	June 30, 2004	505,261	1,055,651
HMAC 2004-4	August 16, 2004	1,981,778	3,749,261
HMAC 2004-5	September 28, 2004	5,739,610	6,177,669
HMAC 2004-6	November 17, 2004	12,935,106	14,321,046
OMAC 2005-1	January 31, 2005	14,869,734	14,720,910
OMAC 2005-2	April 5, 2005	14,128,414	11,301,619
OMAC 2005-3	June 17, 2005	15,946,275	14,656,477
OMAC 2005-4	August 25, 2005	11,639,366	12,551,775
OMAC 2005-5	November 23, 2005	9,087,506	11,139,697
OMAC 2006-1	March 23, 2006	12,741,216	-
OMAC 2006-2	June 26, 2006	4,910,444	-
Total		\$ 109,829,818	\$ 98,010,592

Key economic assumptions used in measuring the fair value of retained interests at the date of securitization resulting from securitizations completed during 2005 and 2006 were as follows:

	September 30, 2006	December 31, 2005
Prepayment speeds (CPR)	36.26%	28.65%
Weighted-average-life	4.18	2.83
Expected credit losses	0.74%	1.07%
Discount rates	16.81%	14.90%
Interest rates	Forward LIBOR Yield curve	Forward LIBOR Yield curve

As of September 30, 2006, and December 31, 2005, key economic assumptions and the sensitivity of the current fair value of retained interests to the immediate 10% and 20% adverse change in those assumptions are as follows:

	September 30, 2006	December 31, 2005
Balance Sheet Carrying value of retained interests - fair value	\$ 109,829,818	\$ 98,010,592
Weighted average life (in years)	4.39	2.62
Prepayment assumption (annual rate)	36.59%	32.53%
Impact on fair value of 10% adverse change	\$ (9,326,848)	\$ (7,817,000)
Impact on fair value of 20% adverse change	\$ (17,051,186)	\$ (16,089,000)
Expected Credit losses (annual rate)	0.58%	0.61%
Impact on fair value of 10% adverse change	\$ (3,236,459)	\$ (3,247,000)
Impact on fair value of 20% adverse change	\$ (6,475,707)	\$ (6,419,000)
Residual Cash-Flow Discount Rate	15.72%	13.96%
Impact on fair value of 10% adverse change	\$ (4,962,825)	\$ (3,804,000)
Impact on fair value of 20% adverse change	\$ (9,514,122)	\$ (7,392,000)
Interest rates on variable and adjustable loans and bonds	Forward LIBOR Yield Curve	Forward LIBOR Yield Curve
Impact on fair value of 10% adverse change	\$ (22,203,185)	\$ (21,265,000)
Impact on fair value of 20% adverse change	\$ (44,846,814)	\$ (34,365,000)

These sensitivities are entirely hypothetical and should be used with caution. As the figures indicate, changes in fair value based upon 10% and 20% variations in assumptions generally cannot be extrapolated to greater or lesser percentage variations because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of the variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another which may magnify or counteract the sensitivities. To estimate the impact of a 10% and 20% adverse change of the September 30, 2006 forward LIBOR curve, a parallel shift in the Forward LIBOR curve was assumed.

Static pool loss percentages are calculated by dividing projected future credit losses (at the time of securitization) and actual losses incurred as of the date indicated by the original balance of each pool of assets. The following static pool loss percentages are calculated based upon all OFS securitizations that have been completed to date:

Series	Issue Date	Original Unpaid Principal Balance	Projected Aggregate Static Pool Loss Percentage	Static Pool Loss Percentage Through September 30, 2006	Static Pool Loss Percentage Through December 31, 2005
HMAC 2004-1	March 4, 2004	\$ 309,710,005	0.17%	0.10%	0.01%
HMAC 2004-2	May 10, 2004	\$ 388,737,548	0.16%	0.26%	0.12%
HMAC 2004-3	June 30, 2004	\$ 417,055,285	0.19%	0.11%	0.06%
HMAC 2004-4	August 16, 2004	\$ 410,122,752	0.29%	0.03%	0.01%
HMAC 2004-5	September 28, 2004	\$ 413,874,856	0.41%	0.01%	0.00%
HMAC 2004-6	November 17, 2004	\$ 761,026,691	0.54%	0.10%	0.01%

OMAC 2005-1	January 31, 2005	\$ 802,625,137	0.56%	0.03%	0.01%
OMAC 2005-2	April 5, 2005	\$ 883,987,488	0.50%	0.01%	0.00%
OMAC 2005-3	June 17, 2005	\$ 937,116,704	0.40%	0.00%	0.00%
OMAC 2005-4	August 25, 2005	\$ 1,321,738,691	0.70%	0.00%	0.00%
OMAC 2005-5	November 23, 2005	\$ 986,276,688	0.76%	0.00%	0.00%
OMAC 2006-1	March 23, 2006	\$ 934,441,049	0.73%	0.00%	-
OMAC 2006-2	June 26, 2006	\$ 491,571,939	0.86%	0.00%	-
Total		<u>\$ 9,058,284,833</u>			

The table below summarizes certain cash flows received from and paid to securitization trusts:

	For the Nine Months Ended September 30, 2006	For the Three Months Ended September 30, 2006
Proceeds from securitizations	\$ 1,436,837,754	\$ -
Servicing fees received	13,719,852	4,467,391
Servicing advances net of repayments	546,535	251,762
Cash flows received on retained interests	3,642,263	1,633,486

The following information presents quantitative information about delinquencies and credit losses on securitized financial assets as of September 30, 2006, and December 31, 2005:

As of Date	Total Principal Amount of Loans	Principal Amount of Loans Greater than 60 Days Past Due	Net Credit Losses
September 30, 2006	\$ 6,323,871,720	\$ 130,467,478	\$ 3,073,949
December 31, 2005	\$ 6,363,279,281	\$ 57,871,123	\$ 912,990

NOTE 5. MORTGAGE SERVICING RIGHTS, NET

As permitted by the effective date provisions of SFAS No. 156, the Company has early adopted SFAS No. 156 as of January 1, 2006 with respect to the valuation of its MSR. (See Note 1 - Mortgage Servicing Rights.) Activities for MSRs are summarized as follows as of September 30, 2006:

	For the Nine Months Ended September 30, 2006
Balance at beginning of period (at cost)	\$ 86,081,594
Adjustment to fair value upon adoption of SFAS 156 at January 1, 2006	4,298,225
Additions	34,959,864
Changes in fair value:	
Changes in fair value	(22,944,393)
Change in fair value due to change in valuation assumptions	(1,144,733)
Balance at end of period	<u>\$ 101,250,557</u>

The Company elected to account for all originated MSRs as one class and, therefore, all MSRs are carried at fair value. As a result of the early adoption of SFAS 156, the carrying value of the MSRs has been increased by approximately \$4.3 million (pre-tax) as of January 1, 2006. As required by the provisions of SFAS 156, the net of tax effect, was recorded as a cumulative effect adjustment to retained earnings of OFS as of January 1, 2006. In addition, changes in value due to run-offs of the portfolio are recorded as valuation adjustments instead of amortization.

The fair value of MSRs is determined using discounted cash flow techniques. During the third quarter of 2006, OFS increased the MSR value in the aggregate by \$4.6 million primarily as a result of additions to the servicing portfolio and changes in market conditions. Estimates of fair value involve several assumptions, including the key valuation assumptions about market expectations of future prepayment rates, interest rates and discount rates. Prepayment rates are projected using a prepayment model. The model considers key factors, such as refinance incentive, housing turnover, seasonality and aging of the pool of loans. Prepayment speeds incorporate expectations of future rates implied by the forward LIBOR/swap curve, as well as collateral specific information.

As of September 30, 2006, and December 31, 2005, key economic assumptions and the sensitivity of the current fair value of MSR cash flows to the immediate 10% and 20% adverse change in those assumptions are as follows: (Note - base case prepayment and discount rate assumptions are a weighted average of the values applied to the various mortgage loans).

	As of September 30, 2006	As of December 31, 2005
Prepayment assumption (annual rate) (PSA)	328.7	254.0
Impact on fair value of 10% adverse change	\$ (3,739,212)	\$ (3,615,000)
Impact on fair value of 20% adverse change	\$ (7,121,265)	\$ (6,936,000)
MSR Cash-Flow Discount Rate	14.72%	10.74%
Impact on fair value of 10% adverse change	\$ (3,760,697)	\$ (4,856,000)
Impact on fair value of 20% adverse change	\$ (7,213,037)	\$ (9,280,000)

These sensitivities are entirely hypothetical and should be used with caution. As the figures indicate, changes in fair value based upon 10% and 20% variations in assumptions generally cannot be extrapolated to greater or lesser percentage variation because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of the variation in a particular assumption on the fair value of the MSR is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another which may magnify or counteract the sensitivities.

NOTE 6. MORTGAGE BACKED SECURITIES

As of September 30, 2006, and December 31, 2005, all of Opteum's MBS were classified as available-for-sale and, as such, are reported at their estimated fair value. Estimated fair value was determined based on the average of third-party broker quotes received and/or independent pricing sources when available.

The following are the carrying values of Opteum's MBS portfolio as of September 30, 2006, and December 31, 2005:

	September 30, 2006		December 31, 2005	
Adjustable Rate Mortgages	\$	2,139,858,096	\$	2,006,767,437
Fixed Rate and Balloon Mortgages		658,439,517		733,366,217
Hybrid Arms		281,762,509		753,895,705
Totals	\$	3,080,060,122	\$	3,494,029,359

The following table presents the components of the carrying value of Opteum's MBS portfolio as of September 30, 2006, and December 31, 2005:

	September 30, 2006		December 31, 2005	
Principal balance	\$	3,055,791,372	\$	3,457,887,912
Unamortized premium		123,256,303		115,133,248
Unaccreted discount		(956,749)		(2,497,423)
Gross unrealized gains		1,566,588		265,615
Gross unrealized losses		(99,597,392)		(76,759,993)
Carrying value/estimated fair value	\$	3,080,060,122	\$	3,494,029,359

The following table presents, for Opteum's MBS with gross unrealized losses, the estimated fair value and gross unrealized losses aggregated by investment category as of September 30, 2006:

	Loss Position Less than 12 Months		Loss Position More than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Hybrid Arms	\$ 351,756,737	\$ (2,944,079)	\$ 516,863,254	\$ (16,869,058)	\$ 868,619,991	\$ (19,813,137)
Adjustable Rate Mortgages	417,107,900	(13,547,507)	848,829,815	(35,714,631)	1,265,937,715	(49,262,138)
Fixed Rate and Balloon Mortgages	65,163,576	(793,214)	586,841,616	(29,728,903)	652,005,192	(30,522,117)
\$	834,028,213	\$(17,284,800)	1,952,534,685	\$(82,312,592)	2,786,562,898	\$(99,597,392)

The following table presents, for Opteum's MBS with gross unrealized losses, the estimated fair value and gross unrealized losses aggregated by investment category as of December 31, 2005:

	Loss Position Less than 12 Months		Loss Position More than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Hybrid Arms and Balloons	\$ 563,661,156	\$ (8,409,428)	\$ 141,675,752	\$ (4,510,901)	\$ 705,336,908	\$ (12,920,329)
Adjustable Rate Mortgages	1,648,085,054	(27,917,630)	270,945,493	(8,944,837)	1,919,030,547	(36,862,467)
Fixed Rate Mortgages	425,260,838	(10,762,306)	346,435,009	(16,214,890)	771,695,847	(26,977,197)
\$	2,637,007,048	\$(47,089,364)	759,056,254	\$(29,670,628)	3,396,063,302	\$(76,759,993)

As of September 30, 2006, all of Opteum's MBS had contractual maturities greater than 27 months. Actual maturities of MBS are generally shorter than stated contractual maturities. Actual maturities of Opteum's MBS are affected by the contractual lives of the underlying mortgages, periodic payments of principal and prepayments of principal.

The decline in fair value of MBS is not considered to be other-than-temporary. Accordingly, the write down to fair value is recorded in other comprehensive loss as an unrealized loss. The factors considered in making this determination include: the expected cash flow from the MBS, the general quality of the MBS owned, any credit protection available, current market conditions and the magnitude and duration of the historical decline in market prices as well as Opteum's ability and intention to hold the MBS.

NOTE 7. EARNINGS PER SHARE

Effective November 3, 2005, the Company issued 1,223,208 shares of Class A Redeemable Preferred Stock in connection with the acquisition of OFS. After January 1, 2006, and prior to March 31, 2006, holders of Class A Redeemable Preferred Stock were entitled to receive dividends according to the formula described in the Company's amended Articles of Incorporation. For the Company's first quarter 2006 dividend, declared on March 10, 2006, the shares of Class A Redeemable Preferred Stock, although considered to be participating securities, did not receive a dividend pursuant to the formula. Following the provisions of EITF 03-6, for the nine month period ended September 30, 2006, the Class A Redeemable Preferred Stock, a participating security prior to conversion on April 28, 2006, was excluded in the computation of basic EPS using the two-class method. EITF 03-6 discusses the allocation of losses to nonconvertible and convertible participating securities when using the two-class method. Losses are only allocated to a participating security if this security has a contractual obligation to share in the loss. There was no such obligation for the Class A Redeemable Preferred Stock. Therefore, for the nine months ended September 30, 2006, the shares of Class A Redeemable Preferred Stock were not allocated any of the loss in the computation of basic EPS, even though it is a participating security.

The conversion of the Class A Redeemable Preferred Stock into shares of Class A Common Stock was approved by the stockholders at the Company's 2006 Annual Meeting of Shareholders on April 28, 2006, and the shares of Class A Redeemable Preferred Stock were converted into shares of Class A Common Stock on that date. For purposes of the EPS computation, the conversion of the shares of Class A Redeemable Preferred Stock into shares of Class A Common Stock has been accounted for as of April 28, 2006, and is included in the computation of basic EPS for the Class A Common Stock as of that date.

As a result of the conversion of the Class A Redeemable Preferred Stock, the EPS presentation for these securities is no longer presented, beginning with the period ended June 30, 2006.

The Company has dividend eligible stock incentive plan shares that were outstanding during the nine and three months ended September 30, 2006 (see Note 14). These stock incentive plan shares have dividend participation rights, but no contractual obligation to share in losses. Since there is no such obligation, these incentive plan shares are not included, pursuant to EITF 03-6, in the nine and three months ended September 30, 2006, basic EPS computation for the Class A Common Stock, even though they are participating securities. For the computation of diluted EPS for the Class A Common Stock for the period ended September 30, 2006, 76,375 restricted shares and 562,018 phantom shares as of September 30, 2006, are excluded as their inclusion would be anti-dilutive.

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

	(Unaudited)		(Unaudited)	
	Nine Months Ended September 30, 2006	2005	Three Months Ended September 30, 2006	2005
Basic and diluted EPS of Class A Common Stock:				
Numerator: net (loss) income allocated to the shares of Class A Common Stock	\$ (15,420,981)	\$ 26,595,023	\$ (6,174,858)	\$ 7,756,746
Denominator: basic and diluted:				
Shares of Class A Common Stock outstanding at the balance sheet date	24,473,315	20,397,210	24,473,315	20,397,210
Less: restricted incentive plan shares	(76,375)	-	(76,375)	-
Plus: dividend eligible incentive plan shares issued as of the balance sheet date	-	504,675	-	504,675
Effect of weighting	(465,750)	(37,043)	(20,565)	(1,182)
Weighted average shares-basic and diluted	23,931,190	20,864,842	24,376,375	20,900,703
Basic and diluted EPS of Class A Common Stock	\$ (0.64)	\$ 1.27	\$ (0.25)	\$ 0.37
Basic and diluted EPS of Class B Common Stock:				
Numerator: net (loss) income allocated to Class B Common Stock	\$ (201,881)	\$ 406,486	\$ (80,837)	\$ 118,525
Denominator: basic and diluted:				
Shares of Class B Common Stock outstanding at the balance sheet date	319,388	319,388	319,388	319,388
Effect of weighting	-	-	-	-
Weighted average shares-basic and diluted	319,388	319,388	319,388	319,388
Basic and diluted EPS of Class B Common Stock	\$ (0.63)	\$ 1.27	\$ (0.25)	\$ 0.37

NOTE 8. WAREHOUSE LINES OF CREDIT AND DRAFTS PAYABLE

OFS issues drafts or wires at loan settlement in order to facilitate the closing of mortgage loans held for sale. Drafts payable represent mortgage loans on which a closing has occurred prior to quarter end, but the related drafts have not cleared the respective bank. Upon clearing the bank, the drafts are funded by the appropriate warehouse line of credit. Warehouse and aggregate lines of credit and loan sale agreements accounted for as financing consisted of the following as of September 30, 2006:

	Outstanding Principal Balance as of September 30, 2006
Warehouse and aggregate lines of credit:	
A committed warehouse line of credit for \$100.0 million between OFS and Residential Funding Corporation ("RFC"). The agreement expired on November 30, 2006. The agreement provided for interest rates based upon one month LIBOR plus a margin between 1.00% and 2.50% depending on the product that was originated or acquired. This facility was initially extended through December 31, 2006 and subsequently	\$ 10,987,762

cancelled on December 15, 2006 when RFC became a member of the syndicated JP Morgan Chase facility.

A syndicated committed warehouse line of credit for \$850.0 million between OFS and JP Morgan Chase (“JPM”). The agreement expires on May 30, 2007 and is expected to be renewed prior to its expiration. The agreement provides for interest rates based upon one month LIBOR plus a margin of 0.60% to 1.50% depending on the product originated or acquired. 574,601,222

An aggregation facility for \$1.0 billion between OFS and Citigroup Global Markets Realty Inc. (“Citigroup”) to aggregate loans pending securitization. The agreement expires on February 28, 2007. The agreement provides for interest rates based upon one month LIBOR plus a margin of 0.50%. 9,598,669

A \$750.0 million purchase and security agreement between OFS and UBS Warburg Real Estate Securities, Inc. (“UBS Warburg”). The facility is due upon demand and can be cancelled by either party upon notification to the counter-party. OFS incurs a charge for the facility based on one month LIBOR plus 1.00%. The facility is secured by loans held for sale and cash generated from sales to investors. 74,036,701

Drafts payable 7,667,000

Loan sale agreements accounted for as financings:

An uncommitted \$700.0 million purchase agreement between OFS and Colonial Bank. The facility is due upon demand and can be cancelled by either party upon notification to the counter party. OFS incurs a charge for the facility based on one month LIBOR plus 0.50% for the first \$300.0 million purchased and one month LIBOR plus 0.75% for the amount used above and beyond \$300.0 million. The facility is secured by loans held for sale and cash generated from sales to investors. 175,785,292

Total \$ 852,676,646

In addition to the RFC, JPM, Citigroup, UBS Warburg and Colonial Bank facilities, OFS has purchase and sale agreements with Fannie Mae and Greenwich Capital Markets, Inc. These additional agreements allow OFS to accelerate the sale of its mortgage loan inventory, resulting in a more effective use of its warehouse facilities. There was \$9.7 million sold and being held under these agreements at September 30, 2006. These agreements are not committed facilities and may be terminated at the discretion of either party. RFC replaced Citigroup in the syndicated JP Morgan Chase facility.

The facilities are secured by mortgage loans and other assets of OFS. The facilities contain various covenants pertaining to tangible net worth, net income, available cash and liquidity, leverage ratio, current ratio and servicing delinquency. As of September 30, 2006 and October 31, 2006, OFS was not in compliance with respect to two covenants with one lender. The covenants pertained to net income and tangible net worth as of September 30, 2006. OFS has obtained waivers from the covenant violations. At October 31, 2006, OFS was not in compliance with respect to one covenant with a second lender. The covenant violation at October 31, 2006 with the second lender pertained to tangible net worth. OFS has obtained a waiver from the second lender with respect to the covenant violation as of October 31, 2006. Also at September 30, 2006, the Company, as guarantor of OFS, was in violation of one covenant with the second lender that pertained to cash flow coverage. The Company has obtained a waiver from the second lender with respect to the covenant violation as of September 30, 2006. All waivers obtained were granted with the mutual understanding that such violations will exist as of November 30, 2006. No additional covenant violations are anticipated at November 30, 2006.

NOTE 9. OTHER SECURED BORROWINGS

Other secured borrowings consisted of the following as of September 30, 2006:

	Outstanding Principal Balance as of September 30, 2006
A committed line of credit for \$150.0 million between OFS and JPM that allows for a sublimit for MSR. The agreement expires May 30, 2007 and is expected to be renewed prior to its expiration. The agreement provides for an interest rate based on LIBOR plus 1.50% to 1.85% depending on collateral type.	\$ 69,282,544
Citigroup Global Realty Inc., working capital line of credit secured by the retained interests in securitizations through OMAC 2006-2. The facility expires on December 31, 2006. The agreement provides for an interest rate based on LIBOR plus 2.00%.	34,756,508
	<u>\$ 104,039,052</u>

NOTE 10. REPURCHASE AGREEMENTS

Opteum has entered into repurchase agreements to finance the acquisition of most of its MBS. The repurchase agreements are effectively short-term borrowings that bear interest at rates that have historically moved in close relationship to LIBOR. As of September 30, 2006, Opteum had \$3.0 billion of repurchase

agreement borrowings with a net weighted average borrowing rate of 5.29% that were collateralized by MBS with a fair value as of September 30, 2006, of \$3.1 billion. As of December 31, 2005, Opteum had \$3.3 billion of repurchase agreement borrowings with a net weighted average borrowing rate of 4.15% that were collateralized by MBS with a fair value as of December 31, 2005, of \$3.5 billion and restricted cash of \$2.3 million.

As of September 30, 2006, Opteum's repurchase agreements had remaining maturities as summarized below:

	OVERNIGHT (1 DAY OR LESS)	BETWEEN 2 AND 30 DAYS	BETWEEN 31 AND 90 DAYS	GREATER THAN 90 DAYS	TOTAL
Agency-Backed Mortgage Backed securities:					
Amortized cost of securities sold, including accrued interest receivable	\$ —	\$ 863,729,471	\$ 1,425,413,664	\$ 762,975,372	\$ 3,052,118,507
Fair market value of securities sold, including accrued interest receivable	\$ —	\$ 837,257,623	\$ 1,386,056,997	\$ 736,756,041	\$ 2,960,070,661
Repurchase agreement liabilities associated with these securities	\$ —	\$ 898,377,240	\$ 1,374,639,489	\$ 723,723,000	\$ 2,996,739,729
Net weighted average borrowing rate	—	5.21%	5.33%	5.31%	5.29%

As of December 31, 2005, Opteum's repurchase agreements had remaining maturities as summarized below:

	OVERNIGHT (1 DAY OR LESS)	BETWEEN 2 AND 30 DAYS	BETWEEN 31 AND 90 DAYS	GREATER THAN 90 DAYS	TOTAL
Agency-Backed Mortgage Backed securities:					
Amortized cost of securities sold, including accrued interest receivable	\$ —	\$ 906,106,459	\$ 813,436,832	\$ 1,533,016,956	\$ 3,252,560,247
Fair market value of securities sold, including accrued interest receivable	\$ —	\$ 893,159,892	\$ 791,259,152	\$ 1,498,980,224	\$ 3,183,399,268
Repurchase agreement liabilities associated with these securities	\$ —	\$ 914,262,355	\$ 857,995,007	\$ 1,565,341,000	\$ 3,337,598,362
Net weighted average borrowing rate	—	4.22%	4.01%	4.19%	4.15%

Opteum has entered into contracts and paid commitment fees to three counterparties providing for an aggregate of \$1.65 billion in committed repurchase facilities at pre-determined borrowing rates and haircuts for a 364 day period following the commencement date of each contract. Opteum is utilizing \$0.5 billion under these repurchase lines.

As of September 30, 2006, Opteum's repurchase agreements had the following counterparties, amounts-at-risk and weighted average remaining maturities:

Repurchase Agreement Counterparties	Amount Outstanding (\$000)	Amount at Risk(1) (\$000)	Weighted Average Maturity of Repurchase Obligations in Days	Percent of Total Amount Outstanding
Deutsche Bank Securities, Inc.	\$ 1,023,632	10,723	132	34.16 %
JP Morgan Securities	604,198	15,540	51	20.16
Washington Mutual	471,194	16,021	82	15.72
Countrywide Securities Corp	283,030	9,975	98	9.44
Goldman Sachs	163,987	4,474	15	5.47
Nomura Securities International, Inc.	102,180	2,507	171	3.41
Lehman Brothers	90,251	2,595	27	3.01
BNP Paribas Securities Corp	62,966	2,183	8	2.10
Merrill Lynch	59,495	1,312	52	1.99
HSBC Securities (USA) Inc.	58,302	2,116	11	1.95
Bank of America	36,178	1,462	4	1.21
UBS Investment Bank, LLC	24,405	639	17	0.82
RBS Greenwich Capital	16,922	51	61	0.56
Total	\$ 2,996,740	69,598		100.00 %

(1) Equal to the fair value of securities sold, plus accrued interest income, minus the sum of repurchase agreement liabilities, plus accrued interest expense.

As of December 31, 2005, Opteum's repurchase agreements had the following counterparties, amounts-at-risk and weighted average remaining maturities:

Repurchase Agreement Counterparties	Amount Outstanding (\$000)	Amount at Risk(1) (\$000)	Weighted Average Maturity of	Percent of Total Amount
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			Repurchase Obligations in Days	Outstanding	
Deutsche Bank Securities, Inc.	\$	894,748	12,018	135	26.81 %
Nomura Securities International, Inc.		623,631	27,010	122	18.69
Cantor Fitzgerald		467,638	15,958	70	14.01
Washington Mutual		375,345	11,630	7	11.25
Goldman Sachs		207,525	7,438	44	6.22
Bear Stearns & Co. Inc.		167,610	6,096	157	5.02
UBS Investment Bank, LLC		158,781	5,059	93	4.76
Merrill Lynch		128,119	(7,949)	96	3.84
JP Morgan Securities		115,807	1,652	151	3.47
Morgan Stanley		73,505	1,767	26	2.20
Lehman Brothers		62,643	2,399	87	1.88
Countrywide Securities Corp		22,930	1,238	86	0.69
Daiwa Securities America Inc.		19,732	39	188	0.58
Bank of America Securities, LLC		19,584	815	27	0.58
Total	\$	3,337,598	85,170		100.00 %

(1) Equal to the fair value of securities sold, plus accrued interest income, minus the sum of repurchase agreement liabilities, plus accrued interest expense.

NOTE 11. TRUST PREFERRED SECURITIES

On May 17, 2005, Opteum completed a private offering of \$50.0 million of trust preferred securities of Bimini Capital Trust I (“BCTI”), a Delaware statutory business trust sponsored by Opteum. BCTI used the proceeds of the private offering, together with Opteum’s investment of \$1.6 million in BCTI common equity securities, to purchase \$51.6 million aggregate principal amount of Opteum’s BCTI Junior Subordinated Notes with terms that parallel the terms of the BCTI trust preferred securities.

The BCTI trust preferred securities and Opteum’s BCTI Junior Subordinated Notes have a fixed rate of interest until March 30, 2010, of 7.61% and thereafter, through maturity in 2035, the rate will float at a spread of 3.30% over the prevailing three-month LIBOR rate. The BCTI trust preferred securities and Opteum’s BCTI Junior Subordinated Notes require quarterly interest distributions and are redeemable at Opteum’s option, in whole or in part and without penalty, beginning March 30, 2010 and at any date thereafter. Opteum’s BCTI Junior Subordinated Notes are subordinate and junior in right of payment of all present and future senior indebtedness. The proceeds from the private offering net of costs were approximately \$48.5 million.

On October 5, 2005, Opteum completed a private offering of \$50.0 million of trust preferred securities of Bimini Capital Trust II (“BCTII”), a Delaware statutory business trust sponsored by Opteum. BCTII used the proceeds of the private offering, together with Opteum’s investment of \$1.5 million in BCTII common equity securities, to purchase \$51.5 million aggregate principal amount of Opteum’s BCTII Junior Subordinated Notes with terms that parallel the terms of the BCTII trust preferred securities.

The BCTII trust preferred securities and Opteum’s BCTII Junior Subordinated Notes have a fixed rate of interest until December 15, 2010, of 7.8575% and thereafter, through maturity in 2035, the rate will float at a spread of 3.50% over the prevailing three-month LIBOR rate. The BCTII trust preferred securities and Opteum’s BCTII Junior Subordinated Notes require quarterly interest distributions and are redeemable at Opteum’s option, in whole or in part and without penalty, beginning December 15, 2010, and at any date thereafter. Opteum’s BCTII Junior Subordinated Notes are subordinate and junior in right of payment of all present and future senior indebtedness. The proceeds from the private offering net of costs were approximately \$48.5 million.

Each trust is a variable interest entity pursuant to FIN No. 46 because the holders of the equity investment at risk do not have adequate decision making ability over the trust’s activities. Since Opteum’s investment in each trust’s common equity securities was financed directly by the applicable trust as a result of its loan of the proceeds to Opteum, that investment is not considered to be an equity investment at risk pursuant to FIN No. 46. Since Opteum’s common share investments in BCTI and BCTII are not a variable interest, Opteum is not the primary beneficiary of the trusts. Therefore, Opteum has not consolidated the financial statements of BCTI and BCTII into its financial statements. Based on the aforementioned accounting guidance, the accompanying consolidated financial statements present Opteum’s BCTI and BCTII Junior Subordinated Notes issued to the trusts as liabilities and Opteum’s investments in the common equity securities of BCTI and BCTII as assets. For financial statement purposes, Opteum records payments of interest on the Junior Subordinated Notes issued to BCTI and BCTII as interest expense.

NOTE 12. CAPITAL STOCK

Changes in Class A Common Stock

During the nine and three months ended September 30, 2006, the Company issued a total of 31,380 and 9,385 shares of Class A Common Stock, respectively, to four of its independent directors for the payment of director fees for services rendered.

During the nine and the three months ended September 30, 2006, the Company issued 102,409 and 33,441 shares of its Class A Common Stock, respectively, to Opteum employees pursuant to the terms of the stock incentive plan phantom share grants (see Note 14).

On April 28, 2006, the Company issued a total of 1,223,208 shares of Class A Common Stock in conjunction with the conversion of the Class A Redeemable Preferred Stock (see Note 7).

On July 17, 2006, the Company granted 79,725 restricted shares of its Class A Common Stock to certain key employees of the Company’s subsidiary pursuant to the terms of the Opteum Inc. 2003 Long Term Incentive Compensation Plan. The shares were subject to forfeiture prior to the November 3, 2006, vesting

date. During the three months ended September 30, 2006, 3,350 shares were forfeited. For the period from October 1, 2006 through November 2, 2006, an additional 1,300 shares were forfeited.

During the nine months ended September 30, 2006, the Company retired 1.1 million shares of Class A Common Stock.

Dividends

On September 7, 2006, the Company's Board of Directors declared a \$0.05 per share cash dividend to the holders of its dividend eligible securities on the record date of September 22, 2006. Dividends were payable on 24,396,940 shares of Class A Common Stock, 562,018 phantom shares and 76,375 restricted shares granted under the Company's stock incentive plan (see Note 14) and 319,388 shares of Class B Common Stock. The distribution totaling \$1,267,736 was paid on October 13, 2006.

On May 31, 2006, the Company's Board of Directors declared a \$0.25 per share cash dividend to the holders of its dividend eligible securities on the record date of June 21, 2006. Dividends were payable on 24,354,114 shares of Class A Common Stock, 612,268 phantom shares granted under the Company's stock incentive plan (see Note 14) and 319,388 shares of Class B Common Stock. The shares of Class A Common Stock include the shares of Class A Redeemable Preferred Stock that were converted on April 28, 2006. The distribution totaling \$6,321,444 was paid on July 7, 2006.

On March 10, 2006, the Company's Board of Directors declared a \$0.11 per share cash dividend to the holders of its dividend eligible securities. Dividends were payable on 23,083,498 shares of Class A Common Stock, 650,320 phantom shares granted under the Company's stock incentive plan (see Note 14) and 319,388 shares of Class B Common Stock. No dividends were paid on the Class A Redeemable Preferred Stock as the provisions of a formula in the Company's amended Articles of Incorporation were not met. The distribution totaling \$2,645,853 was paid on April 7, 2006.

Other Classes of Common and Preferred Stock

There was no change in the number of issued and outstanding shares of the Company's Class B Common Stock and Class C Common Stock. The conversion of the outstanding shares of Class A Redeemable Preferred Stock into Class A Common Stock was approved by the Company's stockholders at the Company's 2006 Annual Meeting of Stockholders on April 28, 2006, and the outstanding shares of Class A Redeemable Preferred Stock were converted into 1,223,208 shares of Class A Common Stock on that date.

NOTE 13. TRANSACTIONS WITH RELATED PARTIES

In January 2006, the independent directors received a total of 10,115 shares of Class A Common Stock, valued at \$98,116, and a total of \$38,125 cash as compensation for their activities as directors.

In April 2006, the independent directors received a total of 11,880 shares of Class A Common Stock, valued at \$98,129, and a total of \$38,125 cash as compensation for their activities as directors.

In July 2006, the independent directors received a total of 9,385 shares of Class A Common Stock, valued at \$81,274, and a total of \$55,000 cash as compensation for their activities as directors.

In January 2005, the independent directors received a total of 5,968 shares of Class A Common Stock, valued at \$92,027, as compensation for their activities as directors.

In April 2005, the independent directors received a total of 6,164 shares of Class A Common Stock, valued at \$84,015, as compensation for their activities as directors.

In July 2005, the independent directors received a total of 5,967 shares of Class A Common Stock, valued at \$84,015, as compensation for their activities as directors.

NOTE 14. STOCK INCENTIVE PLAN

On December 1, 2003, Opteum adopted the 2003 Long Term Incentive Compensation Plan (the "2003 Plan") to provide Opteum with the flexibility to use stock-based 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 4,000,000 shares of Class A Common Stock (but not more than 10% of the Class A Common Stock outstanding on the date of grant) may be awarded under the 2003 Plan.

Phantom Shares

During the nine months ended September 30, 2006, Opteum granted 215,389 phantom shares to employees with an aggregate fair value of \$2.0 million. No phantom shares were granted during the three months ended September 30, 2006. Each phantom share represents a right to receive a share of Opteum's Class A Common Stock. Dividend equivalent rights were also granted on these phantom shares.

Phantom share awards are valued at the fair value of Opteum's Class A Common Stock at the date of the grant. The total grant date value of all phantom share awards since the 2003 Plan's inception is \$9.8 million. The phantom awards do not have an exercise price. The grant date fair value is being amortized as 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 award agreements for periods through June 1, 2009.

As of September 30, 2006, a total of 733,850 phantom stock awards have been granted since the inception of the 2003 Plan, however, 2,090 shares were forfeited during 2005. The future compensation charge that was eliminated by the forfeiture totaled \$31,852. Of the remaining phantom shares, 331,864 phantom shares have fully vested and 399,896 phantom shares remain unvested. No phantom share awards have expired. Of the vested phantom shares, a total

of 153,657 shares of Class A Common Stock were distributed (issued to grantees or surrendered to pay income taxes) during the nine months ended September 30, 2006. A total of 168,742 shares of Class A Common Stock have been distributed since inception. As of September 30, 2006, 563,018 phantom shares remain outstanding. Total compensation expense recognized for the nine and three months ended September 30, 2006, was \$2.2 million and \$0.7 million, respectively, and for the nine and three months ended September 30, 2005, was \$1.6 million and \$0.6 million, respectively. Dividends paid on phantom shares are charged to retained earnings when declared.

Restricted Shares

On July 17, 2006, the Company granted 79,725 restricted shares of its Class A Common Stock to certain key employees of the Company's subsidiary pursuant to the terms of the 2003 Plan. Such share grants were initially recorded by OFS prior to the merger with the Company. However, during the three month period ended June 30, 2006, these awards were cancelled when the Company and the subject employees agreed to forego the award in contemplation of a new grant under the Company's 2003 Plan. The restricted shares are valued at the fair value of Opteum's Class A Common Stock at the date of grant, which totaled \$693,608 for the July 2006 awards, and this amount is being amortized to compensation over the vesting period of the award, net of any forfeitures. The restricted shares do not have an exercise price. Dividends paid on the restricted shares are charged to retained earnings when declared. The shares are subject to forfeiture prior to the November 3, 2006, vesting date. During the three months ended September 30, 2006, 3,350 shares were forfeited. For the period from October 1, 2006 through November 2, 2006, an additional 1,300 shares were forfeited.

NOTE 15. SAVINGS INCENTIVE PLANS

Opteum's employees have the option to participate in the Opteum Inc. 401(K) Plan (the "Plan"). Under the terms of the Plan, eligible employees can make tax-deferred 401(k) contributions and at Opteum's sole discretion, Opteum can match the employees' contributions. For the nine and three months ended September 30, 2006, Opteum made 401(k) matching contributions of \$51,347 and \$13,570, respectively and for the nine and three months ended September 30, 2005, Opteum made 401(k) matching contributions of \$31,915 and \$13,368, respectively.

OFS' employees have the option to participate in The Company Savings and Incentive Plan (the "OFS Plan"). Under the terms of the OFS Plan, eligible employees can make tax-deferred 401(k) contributions and at OFS' sole discretion, OFS can match the employees' contributions as well as make annual profit-sharing contributions to the OFS Plan. For the nine and three months ended September 30, 2006, OFS made 401(k) matching contributions of \$649,865 and \$190,631, respectively.

NOTE 16. COMMITMENTS AND CONTINGENCIES

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

OFS recognizes a liability for the estimated fair value of this repurchase obligation at the inception of each mortgage loan sale based on the anticipated repurchase levels and historical experience. The liability is recorded as a reduction of the gain on sale of mortgage loans and included as part of other liabilities in the accompanying financial statements.

Changes in this liability for the nine months ended September 30, 2006:

Balance—Beginning of period	\$	2,037,980
Provision		3,802,448
Charge-Offs		(2,455,693)
Balance—End of period	\$	<u>3,384,735</u>

Loan Funding and Delivery Commitments. As of September 30, 2006, OFS had commitments to fund loans approximating \$331.8 million. OFS hedges the interest rate risk of such commitments primarily with mandatory delivery commitments. The remaining commitments to fund loans with agreed-upon rates are anticipated to be sold through "best-efforts" and investor programs.

Net Worth Requirements. OFS is required to maintain certain specified levels of minimum net worth to maintain its approved status with Fannie Mae, the U.S. Department of Housing and Urban Development ("HUD") and other investors. As of September 30, 2006, the highest minimum net worth requirement applicable to OFS was approximately \$1.7 million.

Contractual Obligations and Commitments

The following table provides information with respect to the Company's contractual obligations as of September 30, 2006 (dollars in thousands):

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Repurchase agreements	\$ 2,996,740	\$ 2,996,740	\$ -	\$ -	\$ -
Warehouse lines of credit	845,010	845,010	-	-	-
Drafts payable	7,667	7,667	-	-	-
Other secured borrowings	104,039	104,039	-	-	-
Junior subordinated notes	103,097	-	-	103,097	-

Operating leases		18,165		6,059		8,806		2,609		691
Total	\$	4,074,718	\$	3,959,515	\$	8,806	\$	105,706	\$	691

Legal Proceedings. 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.

NOTE 17. SEGMENTS

The Company follows SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. The Company operates in two reportable segments: as a REIT and as an originator of mortgage loans.

Certain of the Company's operations are qualifying activities under the REIT provisions of the Code. The REIT activities primarily involve investing in residential mortgage-related securities by Opteum. As a REIT, Opteum's activities are not subject to federal income tax as long as the REIT taxable income is distributed to Opteum's stockholders and certain other conditions are satisfied.

On November 3, 2005, Opteum acquired OFS. OFS is a mortgage lender that originates loans. Goodwill associated with the OFS merger was \$2.3 million as of September 30, 2006.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1. The Company evaluates the performance of its REIT segment and mortgage origination business segment based on operating results. Each of the business segments' net income or loss includes direct costs attributable to such segment plus allocated corporate-level expenses.

The following tables show summarized financial information for the nine and three months ended September 30, 2006, concerning the Company's reportable segments.

(Amounts in thousands)	OPTEUM Nine months ended September 30, 2006		OFS Nine months ended September 30, 2006		CONSOLIDATED TOTAL Nine months ended September 30, 2006	
Net interest income	\$	17,100	\$	10,190	\$	20,442
Other revenues, net		(95)		17,427		17,332
Direct REIT operating expenses		(742)		-		(742)
Inter-segment interest income (expense)		6,848		(6,848)		-
General and administrative expenses		(7,034)		(68,181)		(68,367)
Income (loss) before income taxes		9,228		(40,564)		(31,335)
Income tax benefit		-		15,713		15,713
Total assets		3,325,521		1,126,188		4,309,245
Capital expenditures		754		2,521		3,275

(Amounts in thousands)	OPTEUM Three months ended September 30, 2006		OFS Three months ended September 30, 2006		CONSOLIDATED TOTAL Three months ended September 30, 2006	
Net interest income	\$	933	\$	3,146	\$	1,279
Other revenues, net		(166)		15,258		15,091
Direct REIT operating expenses		(197)		-		(197)
Inter-segment interest income (expense)		2,799		(2,799)		-
General and administrative expenses		(1,877)		(26,416)		(25,493)
Income (loss) before income taxes		(1,307)		(8,012)		(9,318)
Income tax benefit		-		3,063		3,063
Capital expenditures		67		372		439

For the nine months ended September 30, 2006, general and administrative expenses includes depreciation and amortization expense of \$0.5 million for the REIT and \$2.7 million for OFS. Other interest expense for OFS was \$5.6 million, for the nine months ended September 30, 2006. For the three months ended September 30, 2006, general and administrative expenses includes depreciation and amortization expense of \$0.2 million for the REIT and \$0.9 million for OFS. Other interest expense for OFS was \$1.9 million for the three months ended September 30, 2006.

The following information is provided to reconcile the above segment amounts to the amounts shown in the accompanying consolidated financial statements. During the consolidation process, Opteum's loans receivable totaling \$116.4 million, accrued interest of \$1.0 million and the related interest income for the nine and three months ended September 30, 2006 of \$6.9 million and \$2.8 million, respectively, are eliminated against corresponding liabilities and expenses

recorded in OFS' segment financial statements. There were no inter-segment gross revenues during the period ended September 30, 2006, except for this interest and, therefore, all other revenues were from external sources.

For the nine months ended September 30, 2006, approximately 94.6% of the REIT interest income was derived from MBS issued or guaranteed by U.S. governmental or quasi-governmental agencies.

NOTE 18. INCOME TAXES

As more fully described in Note 2, Opteum acquired OFS on November 3, 2005. OFS is a TRS, which is a taxpaying entity for U.S. federal income tax purposes and is taxed separately from Opteum. There is no tax provision for the Company for the nine and three months ended September 30, 2005, as this was prior to the acquisition of OFS, and Opteum was solely a non-taxpaying REIT during this period. At November 3, 2005, OFS recorded a deferred tax liability of approximately \$22.6 million related to the difference as of such date in the carrying amount and the tax basis of the originated MSRs, among other items.

The income tax benefit is as follows for the nine and three months ended September 30, 2006:

Deferred income tax benefit:		Nine Months ended September 30, 2006		Three Months ended September 30, 2006
Federal	\$	14,137,291	\$	2,755,595
State		1,575,298		307,052
Total deferred income tax benefit	\$	<u>15,712,589</u>	\$	<u>3,062,647</u>

The effective income tax benefit for the nine and three months ended September 30, 2006, differs from the amount determined by applying the statutory Federal rate of 35% as follows:

		Nine months ended September 30, 2006		Three months ended September 30, 2006
Benefit of the net loss at the Federal tax rate	\$	10,967,408	\$	3,261,420
Exclusion of REIT Taxable Income/(loss)		3,229,968		(457,290)
Permanent tax differences		(66,780)		(53,943)
State tax benefit, net of Federal tax effect		1,581,993		312,460
Total deferred income tax benefit	\$	<u>15,712,589</u>	\$	<u>3,062,647</u>

The tax affected cumulative temporary differences that give rise to deferred tax assets and liabilities as of September 30, 2006, are as follows:

Deferred tax assets:				
Federal tax loss carry-forward	\$		\$	25,338,920
State tax loss carry-forward				2,823,480
Mark-to-market adjustments				158,370
Total gross deferred tax assets	\$		\$	<u>28,320,770</u>
Deferred tax liabilities:				
Capitalized cost of mortgage servicing rights	\$		\$	30,792,920
Loan origination and other amounts				627,921
Intangible assets				1,224,326
Total gross deferred tax liabilities	\$		\$	<u>32,645,167</u>
Net deferred tax liabilities	\$		\$	<u>4,324,397</u>

As described in Note 1, the Company adopted SFAS No. 156 as of January 1, 2006. As a result of this adoption, net deferred tax liabilities were increased by approximately \$1.67 million. Management believes that the deferred tax assets will more likely than not be realized due to the reversal of the deferred tax liabilities and expected future taxable income. As of September 30, 2006, the Company had an estimated federal tax net operating loss carry-forward of \$68.4 million, which expires in 2025, and is fully available to offset future taxable income.

Tax differences on REIT income

Taxable income, as generated by Opteum's qualifying REIT activities, is computed differently from Opteum's financial statement net income 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 Opteum's REIT taxable income and Opteum's financial statement net income can be substantial and each item can affect several years. Opteum's most significant items and transactions currently being accounted for differently include restricted stock awards, depreciation of property and equipment and the accounting for debt issuance costs.

For the nine months ended September 30, 2006, Opteum's REIT taxable income was approximately \$1.5 million greater than Opteum's financial statement net income. A substantial portion of this amount is attributable to phantom stock awards. The future deduction of phantom stock compensation against REIT taxable income is uncertain both as to the year (as the timing of the tax impact of each restricted stock award is up to each employee who has received a grant) and as to the amount (the amount of the tax impact is measured at the fair value of the shares as of a future date and this amount may be greater than or less than the financial statement expense already recognized by Opteum). Since inception through September 30, 2006, Opteum's REIT taxable income is approximately \$4.4 million greater than Opteum's financial statement net income as reported in its financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward-Looking Statements

When used in this Quarterly Report on Form 10-Q, in future filings with the Securities and Exchange Commission (the "Commission") or in press releases or other written or oral communications, statements which are not historical in nature, including those containing words such as "anticipate," "estimate," "should," "expect," "believe," "intend" and similar expressions, are intended to identify "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

These forward-looking statements are subject to various risks and uncertainties, including, but not limited to, those described or incorporated by reference in Part II - Item 1A - Risk Factors of this Form 10-Q. These and other risks, uncertainties and factors, including those described in reports that the Company files from time to time with the Commission, could cause the Company's actual results to differ materially from those reflected in such forward-looking statements. All forward-looking statements speak only as of the date they are made and the Company does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report.

Introduction

As used in this document, discussions related to "Opteum," the parent company, the registrant, and to real estate investment trust ("REIT") qualifying activities or the general management of Opteum's portfolio of mortgage backed securities ("MBS") refer to "Opteum Inc." Further, as used in this document, "OFS," Opteum's taxable REIT subsidiary ("TRS") or non-REIT eligible assets refer to Opteum Financial Services, LLC and its consolidated subsidiaries. Discussions relating to the "Company" refer to the consolidated entity (the combination of Opteum and OFS). The assets and activities that are not REIT eligible, such as mortgage origination, acquisition and servicing activities, are conducted by OFS.

Opteum Inc., formerly Bimini Mortgage Management, Inc., was formed in September 2003 to invest primarily in but not limited to, residential mortgage related securities issued by the Federal National Mortgage Association (more commonly known as Fannie Mae), the Federal Home Loan Mortgage Corporation (more commonly known as Freddie Mac) and the Government National Mortgage Association (more commonly known as Ginnie Mae). Opteum attempts to earn a return on the spread between the yield on its assets and its costs, including the interest expense on the funds it borrows. It generally intends to borrow between eight and twelve times the amount of its equity capital in an attempt to enhance its returns to stockholders. This leverage may be adjusted above or below this range to the extent management or the Company's Board of Directors deems necessary or appropriate. For purposes of this calculation, Opteum treats its junior subordinated notes as an equity capital equivalent. Opteum is self-managed and self-advised and has elected to be taxed as a real estate investment trust (or "REIT") for U.S. federal income tax purposes.

In November 2005, Opteum executed a definitive merger agreement with Opteum Financial Services, LLC ("OFS"), a privately held home mortgage lender headquartered in Paramus, New Jersey. As a result of the merger, OFS became a wholly-owned taxable REIT subsidiary ("TRS") of Opteum. OFS is subject to corporate income taxes and files separate federal and state income tax returns. OFS acquires and originates mortgages that are either sold to third parties or securitized by a wholly-owned special purpose entity, Opteum Mortgage Acceptance Corporation ("OMAC"). OFS services the mortgages securitized by OMAC. In addition, OFS typically retains an interest in the securitizations which represents their right to the residual cash flows from the transactions once all debt service costs of the securities sold and expenses have been met.

Dividends to Stockholders

In order to maintain its qualification as a REIT, Opteum is required (among other provisions) to annually distribute dividends to its stockholders in an amount at least equal to, generally, 90% of Opteum's REIT taxable income. REIT taxable income is a term that describes Opteum's operating results calculated in accordance with rules and regulations promulgated pursuant to the Internal Revenue Code.

Opteum's REIT taxable income is computed differently from net income as computed in accordance with generally accepted accounting principles ("GAAP net income"), as reported in the Company's accompanying consolidated financial statements. Depending on the number and size of the various items or transactions being accounted for differently, the differences between REIT taxable income and GAAP net income can be substantial and each item can affect several reporting periods. Generally, these items are timing or temporary differences between years; for example, an item that may be a deduction for GAAP net income in the current year may not be a deduction for REIT taxable income until a later year.

As a REIT, Opteum may be subject to a federal excise tax if Opteum distributes less than 85% of its taxable income by the end of the calendar year. Accordingly, Opteum's dividends are based on its taxable income, as determined for federal income tax purposes, as opposed to its net income computed in accordance with GAAP (as reported in the accompanying consolidated financial statements).

In future periods, Opteum's REIT taxable income may grow to be even greater than the Company's consolidated GAAP net income because Opteum earns taxable interest income on an inter-company loan that Opteum has made to OFS. Although this taxable interest income is not reported on the Company's consolidated financial statements because it is eliminated in consolidation in accordance with GAAP, it is included in Opteum's REIT taxable income that must be distributed annually to stockholders.

Results of Operations

PERFORMANCE OVERVIEW

Described below are the Company's results of operations for the nine and three months ended September 30, 2006, as compared to the Company's results of operations for the nine and three months ended September 30, 2005. Readers are cautioned that because the merger with OFS did not close until the fourth quarter of 2005, the results of operations of OFS are not included in the Company's results of operations for the nine and three months ended September 30, 2005, making comparisons to the Company's prior year results less meaningful.

The Company's results of operations for the nine and three months ended September 30, 2006, were negatively affected by changes in various market interest rates, including short-term rates, due primarily to the monetary policy actions of the Federal Reserve during these periods. The Company's financing is based on short-term rates, which increased during these periods faster than the yields on Opteum's MBS portfolio. The increase in short-term borrowing rates also negatively impacted the net interest spread earned by OFS on its mortgage loans held for sale due to increases in the funding costs associated with warehouse lines of credit used to fund its mortgage loan originations.

Consolidated net income/(loss) for the nine and three months ended September 30, 2006, was (\$15.6) million and (\$6.3) million, respectively, compared to \$27.0 million and \$7.9 million for the nine and three months ended September 30, 2005, respectively. Consolidated net loss per basic and diluted share of Class A Common Stock was (\$0.64) and (\$0.25) in the nine and three months ended September 30, 2006, respectively, compared to \$1.27 and \$0.37 of per share income, respectively, for the comparable prior periods.

Included in the Company's consolidated results are \$20.4 million and \$1.3 million of consolidated net interest income for the nine and three months ended September 30, 2006, respectively, compared to \$31.3 million and \$10.1 million of net interest income for the nine and three months ended September 30, 2005, respectively. For the nine and three months ended September 30, 2006, consolidated interest income of \$204.3 million and \$68.4 million, respectively, was partially offset by consolidated interest expense of \$183.8 million and \$67.1 million, respectively. These figures are not reflected as annualized net yields on invested assets as was previously reported since the figures represent blended net interest earnings on both Opteum's MBS portfolio and mortgage loans held for sale by OFS.

For the nine months and three months ended September 30, 2006, the Company's consolidated general and administrative costs were \$68.4 million and \$25.5 million, respectively. Operating expenses, which incorporate trading costs, fees and other direct costs, were \$0.7 million and \$0.2 million for the nine months and three months ended September 30, 2006, respectively.

For the nine and three months ended September 30, 2006, comprehensive income/(loss) was (\$37.2) million and \$6.1 million, respectively, including the net unrealized gain/(loss) on available-for-sale securities of (\$21.5) million and \$12.4 million, respectively. For the nine and three months ended September 30, 2005, comprehensive income/(loss) was (\$24.3) million and (\$21.5) million, respectively, including the net unrealized loss on available-for-sale securities of (\$49.3) million and (\$29.3) million, respectively. The factors resulting in the unrealized loss on available-for-sale securities are described below.

Comprehensive (loss) income is as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2006	2005	2006	2005
Net (loss) income	\$ (15,622,862)	\$ 27,001,509	\$ (6,255,695)	\$ 7,875,257
Less realized gain on available-for-sale securities, net	-	(1,993,457)	-	(11,075)
Plus unrealized gain/(loss) on available-for-sale securities, net	(21,536,405)	(49,321,271)	12,359,938	(29,327,409)
Comprehensive (loss) income	\$ (37,159,267)	\$ (24,313,219)	\$ 6,104,243	\$ (21,463,227)

Accumulated other comprehensive loss, as reflected in stockholders' equity, increased approximately \$21.5 million from December 31, 2005, to September 30, 2006. This is reflective of an overall decline in the fair value of Opteum's MBS portfolio as compared to the original aggregate purchase price of Opteum's MBS. Changes in interest rates over time are the primary market factor for this value decline; generally, as interest rates rise, the value of long-term interest rate sensitive securities decline. The value of the majority of Opteum's assets is driven by movements in short-term rates—rates typically less than two years—and these rates increased substantially over the period. Additionally, as longer-term rates decreased, prepayment expectations increased resulting in a widening in the spreads at which Opteum's assets are priced.

The Company has negative retained earnings (titled "Accumulated deficit" in the stockholders' equity section of the accompanying consolidated financial statements) at September 30, 2006, partially because of the consequences of Opteum's tax qualification as a REIT. As is more fully described in the "Dividends to Stockholders" section above, Opteum's dividends are based on its REIT taxable income, as determined for federal income tax purposes, and not on its net income computed in accordance with GAAP (as reported in the accompanying consolidated financial statements).

For the nine months ended September 30, 2006, Opteum's REIT taxable income was approximately \$1.5 million greater than Opteum's net income computed in accordance with GAAP. A substantial portion of this amount is attributable to timing differences in the recognition of compensation expense attributable to phantom stock awards. With respect to the phantom stock awards, the future deduction of this temporary difference is uncertain both as to the year (as the timing of the tax impact of each phantom stock award is up to each employee who has received an award) and as to the amount (the amount of the tax impact is measured at the fair value of the shares as of a future date and this amount may be greater than or less than the financial statement deduction already taken by Opteum). Since inception through September 30, 2006, Opteum's taxable income is approximately \$4.4 million greater than Opteum's financial statement net income as computed in accordance with GAAP.

Therefore, to the extent that Opteum's cumulative taxable income is greater than cumulative GAAP net income and Opteum continues to pay out as dividends all of its REIT taxable income, the Company will continue to report a deficit in retained earnings on its balance sheet.

PERFORMANCE OF OPTEUM'S MBS PORTFOLIO

For the nine and three month periods ended September 30, 2006, Opteum's MBS portfolio generated \$17.1 million and \$0.9 million, respectively, of net interest income. Included in these results were \$144.7 million and \$45.8 million, respectively, of interest income, offset by \$127.6 million and \$44.9 million, respectively, of interest expense.

Opteum had no gains from the sale of any MBS from the investment portfolio during the nine months and three months ended September 30, 2006. For the nine and three month periods ended September 30, 2005, Opteum reported \$2.0 million and \$0.0 million, respectively, in gains from the sale of MBS.

At September 30, 2006, Opteum's MBS portfolio consisted of \$3.1 billion of agency or government MBS at fair value and had a weighted average yield on assets of 4.80% and a net weighted average borrowing cost of 5.29%. The following tables summarize Opteum's agency and government mortgage related securities as of September 30, 2006:

Asset Category	Market Value	Percentage of Entire Portfolio	Weighted Average Coupon	Weighted Average Maturity in Months	Longest Maturity	Weighted Average Coupon Reset in Months	Weighted Average Lifetime Cap	Weighted Average Periodic Cap
Adjustable-Rate MBS	\$ 2,139,858,096	69.47%	4.93%	327	1-Apr-44	4.63	10.27%	1.85%
Fixed-Rate MBS	\$ 616,445,158	20.02%	6.47%	250	1-Apr-36	n/a	n/a	n/a
Hybrid Adjustable-Rate MBS	\$ 281,762,509	9.15%	4.87%	330	1-Nov-35	16.49	10.03%	1.32%
Balloon Maturity MBS	\$ 41,994,359	1.36%	4.03%	39	1-Feb-11	n/a	n/a	n/a
Total Portfolio	\$ 3,080,060,122	100.00%	5.22%	308	1-Apr-44	6.01	10.25%	1.80%

Agency	Market Value	Percentage of Entire Portfolio
Fannie Mae	\$ 2,063,769,680	67.00%
Freddie Mac	547,471,702	17.78%
Ginnie Mae	468,818,740	15.22%
Total Portfolio	\$ 3,080,060,122	100.00%

Entire Portfolio	
Effective Duration (1)	1.143
Weighted Average Purchase Price	\$ 102.34
Weighted Average Current Price	\$ 100.79

(1) Effective duration of 1.143 indicates that an interest rate increase of 1% would be expected to cause a 1.143% decline in the value of the MBS in the Company's investment portfolio.

In evaluating Opteum's MBS portfolio assets and their performance, Opteum's management team primarily evaluates these critical factors: asset performance in differing interest rate environments, duration of the security, yield to maturity, potential for prepayment of principal and the market price of the investment.

Opteum's portfolio of MBS will typically be comprised of adjustable-rate MBS, fixed-rate MBS, hybrid adjustable-rate MBS and balloon maturity MBS. Opteum seeks to acquire low duration assets that offer high levels of protection from mortgage prepayments. Although the duration of an individual asset can change as a result of changes in interest rates, Opteum strives to maintain a portfolio with an effective duration of less than 2.0. The stated contractual final maturity of the mortgage loans underlying Opteum's portfolio of MBS generally ranges up to 30 years. However, the effect of prepayments of the underlying mortgage loans tends to shorten the resulting cash flows from Opteum's investments substantially. Prepayments occur for various reasons, including refinancing of underlying mortgages and loan payoffs in connection with home sales. In order to reduce leverage Opteum did not reinvest all of the proceeds of the mortgage loan prepayments and scheduled principal payments that occurred during the third quarter of 2006. The last time mortgage assets were added to the Opteum portfolio was on April 27, 2006.

Prepayments on the loans underlying Opteum's MBS can alter the timing of the cash flows from the underlying loans to the Company. As a result, Opteum gauges the interest rate sensitivity of its assets by measuring their effective duration. While modified duration measures the price sensitivity of a bond to movements in interest rates, effective duration captures both the movement in interest rates and the fact that cash flows to a mortgage related security are altered when interest rates move. Accordingly, when the contract interest rate on a mortgage loan is substantially above prevailing interest rates in the market, the effective duration of securities collateralized by such loans can be quite low because of expected prepayments. Although some of the fixed-rate MBS in Opteum's portfolio are collateralized by loans with a lower propensity to prepay when the contract rate is above prevailing rates, their price movements track securities with like contract rates and therefore exhibit similar effective duration.

At September 30, 2006, approximately 50.2% of Opteum's 15-year fixed-rate coupon MBS and approximately 47.1% of Opteum's 30-year fixed-rate coupon MBS contain only loans with principal balances of \$85,000 or less. Because of the low loan balance on these mortgages, Opteum believes borrowers have a lower economic incentive to refinance and have historically prepaid more slowly than comparable securities.

The value of Opteum's MBS portfolio changes as interest rates rise or fall. Opteum faces the risk that the market value of its assets will increase or decrease at different rates than that of its liabilities, including its hedging instruments. Opteum primarily assesses its interest rate risk by estimating the duration of its assets and the duration of its liabilities. Duration essentially measures the market price volatility of financial instruments as interest rates change. Opteum generally calculates duration using various financial models and empirical data and different models and methodologies can produce different duration numbers for the same securities.

The following sensitivity analysis shows the estimated impact on the fair value of Opteum's interest rate-sensitive investments at September 30, 2006, assuming rates instantaneously fall 100 basis points, rise 100 basis points and rise 200 basis points:

	Interest Rates Fall 100 Basis Points	Interest Rates Rise 100 Basis Points	Interest Rates Rise 200 Basis Points
Adjustable-Rate MBS			
(Fair Value \$2,139,858,096)			
Change in fair value	\$ 14,110,517	\$ (14,110,517)	\$ (28,221,034)
Change as a percent of fair value	0.66%	(0.66)%	(1.32)%
Fixed-Rate MBS			
(Fair Value \$616,445,159)			
Change in fair value	\$ 16,644,269	\$ (16,644,269)	\$ (33,288,539)

Change as a percent of fair value		2.70%		(2.70)%		(5.40)%
Hybrid Adjustable-Rate MBS						
(Fair Value \$281,762,509)						
Change in fair value	\$	3,601,896	\$	(3,601,896)	\$	(7,203,792)
Change as a percent of fair value		1.28%		(1.28)%		(2.56)%
Balloon Maturity MBS						
(Fair Value \$41,994,359)						
Change in fair value	\$	850,750	\$	(850,750)	\$	(1,701,499)
Change as a percent of fair value		2.03%		(2.03)%		(4.05)%
Cash						
(Fair Value \$65,122,207)						
Portfolio Total						
(Fair Value \$3,080,060,122)						
Change in fair value	\$	35,207,432	\$	(35,207,432)	\$	(70,414,864)
Change as a percent of fair value		1.14%		(1.14)%		(2.29)%

The table below reflects the same analysis presented above but with the figures in the columns that indicate the estimated impact of a 100 basis point fall or rise adjusted to reflect the impact of convexity.

		Interest Rates Fall 100 Basis Points		Interest Rates Rise 100 Basis Points		Interest Rates Rise 200 Basis Points
Adjustable-Rate MBS						
(Fair Value \$2,139,858,096)						
Change in fair value	\$	7,596,621	\$	(18,483,640)	\$	(45,792,186)
Change as a percent of fair value		0.36%		(0.86)%		(2.14)%
Fixed-Rate MBS						
(Fair Value \$616,445,159)						
Change in fair value	\$	12,505,435	\$	(19,524,978)	\$	(42,517,101)
Change as a percent of fair value		2.03%		(3.17)%		(6.90)%
Hybrid Adjustable-Rate MBS						
(Fair Value \$281,762,509)						
Change in fair value	\$	2,570,157	\$	(4,468,290)	\$	(10,461,762)
Change as a percent of fair value		0.91%		(1.59)%		(3.71)%
Balloon Maturity MBS						
(Fair Value \$41,994,359)						
Change in fair value	\$	797,101	\$	(869,053)	\$	(1,741,408)
Change as a percent of fair value		1.90%		(2.07)%		(4.15)%
Cash						
(Fair Value \$65,122,207)						
Portfolio Total						
(Fair Value \$3,080,060,122)						
Change in fair value	\$	23,469,313	\$	(43,345,961)	\$	(100,512,457)
Change as a percent of fair value		0.76%		(1.41)%		(3.26)%

In addition to changes in interest rates, other factors impact the fair value of Opteum's interest rate-sensitive investments and hedging instruments, such as the shape of the yield curve, market expectations as to future interest rate changes and other market conditions. Accordingly, in the event of changes in actual interest rates, the change in the fair value of Opteum's assets would likely differ from that shown above and such difference might be material and adverse to Opteum's stockholders.

For reference, the table below shows the principal balance of Opteum's investment securities, the net unamortized premium, amortized cost of securities held, average cost expressed as a price, the fair market value of investments and the fair market value expressed as a price for the current quarter and each of the previous nine quarters for the portfolio of MBS securities only. The data in the table below does not include information pertaining to OFS.

Quarter Ended	Principal Balance of Investment Securities Held	Unamortized Premium (Net)	Amortized Cost of Securities Held	Amortized Cost/Principal Balance Held	Fair Market Value of Investment Securities Held	Fair Market Value/Principal Balance Held
At September 30, 2006	\$ 3,055,791,372	\$ 122,299,554	\$ 3,178,090,926	104.002	\$ 3,080,060,122	100.794
At June 30, 2006	3,396,909,813	120,768,942	3,517,678,755	103.555	3,407,288,014	100.306
At March 31, 2006	3,515,112,798	111,360,553	3,626,473,350	103.168	3,538,554,210	100.667
At December 31, 2005	3,457,891,363	112,635,825	3,570,527,188	103.257	3,494,029,359	101.045
At September 30, 2005	3,797,400,645	113,392,661	3,910,793,306	102.986	3,858,319,701	101.604
At June 30, 2005	3,784,668,467	114,672,670	3,899,341,137	103.030	3,876,205,996	102.419
At March 31, 2005	3,212,516,823	109,389,703	3,321,906,527	103.405	3,299,051,561	102.694
At December 31, 2004	2,876,319,085	97,753,097	2,974,072,182	103.399	2,973,232,897	103.369
At September 30, 2004	1,589,828,988	48,498,955	1,638,327,943	103.051	1,638,264,065	103.047
At June 30, 2004	1,479,500,209	38,033,673	1,517,533,882	102.571	1,508,421,270	101.955
At March 31, 2004	1,473,583,661	39,535,014	1,513,118,676	102.683	1,516,539,744	102.915

The table below shows Opteum's average investments held, total interest income, yield on average earning assets, average repurchase obligations outstanding, interest expense, average cost of funds, net interest income and net interest spread for the quarter ended September 30, 2006, and the nine previous quarters for Opteum's portfolio of MBS securities only. The data in the table below does not include information pertaining to OFS' results of operations. As indicated in the table below, Net Interest Spread contracted in the third quarter of 2006 as funding costs continued to rise at a rate greater than the rate of increase on our investment securities held.

RATIOS FOR THE QUARTERS HAVE BEEN ANNUALIZED

Quarter Ended	Average Investment Securities Held	Total Interest Income	Yield on Average Interest Earning Assets	Average Balance of Repurchase Obligations Outstanding	Interest Expense	Average Cost of Funds	Net Interest Income	Net Interest Spread
September 30, 2006	\$ 3,243,674,068	\$ 45,849,978	5.654%	\$ 3,151,813,490	\$ 43,691,941	5.545%	\$ 2,158,036	0.109%
June 30, 2006	3,472,921,112	57,027,180	6.568%	3,360,421,038	42,829,452	5.098%	14,197,728	1.470%
March 31, 2006	3,516,291,784	42,344,654	4.817%	3,375,776,594	37,660,857	4.462%	4,683,796	0.354%
December 31, 2005	3,676,174,530	43,139,911	4.694 %	3,533,486,002	35,912,966	4.065 %	7,226,945	0.629 %
September 30, 2005	3,867,262,849	43,574,308	4.507 %	3,723,603,116	33,101,847	3.556 %	10,472,461	0.951 %
June 30, 2005	3,587,628,779	36,748,640	4.097 %	3,449,743,973	26,703,422	3.096 %	10,045,218	1.001 %
March 31, 2005	3,136,142,229	31,069,934	3.963 %	2,976,409,157	19,841,710	2.667 %	11,228,224	1.296 %
December 31, 2004	2,305,748,481	20,463,071	3.550 %	2,159,890,886	10,824,164	2.005 %	9,638,907	1.545 %
September 30, 2004	1,573,342,668	11,017,346	2.801 %	1,504,919,407	4,253,337	1.131 %	6,764,009	1.670 %
June 30, 2004	1,512,480,507	10,959,098	2.898 %	1,452,004,000	4,344,012	1.197 %	6,615,086	1.702 %
March 31, 2004	871,140,453	7,194,033	3.303 %	815,814,500	2,736,434	1.342 %	4,457,599	1.962 %

For the three months ended September 30, 2006, \$3.5 million of the \$45.8 million of interest income was derived from the quarterly retrospective adjustment. The adjustment represented 43.4 basis points of the 565.1 basis points of the yield on average interest earning assets. For the three months ended September 30, 2005, \$4.3 million of the \$43.6 million of interest income was derived from the quarterly retrospective adjustment. The adjustment represented 45.0 basis points of the 450.7 basis points of the yield on average interest earning assets.

PERFORMANCE OF OFS

The principal business activities of OFS are the origination and sale of mortgage loans. In addition, as part of the securitization of loans sold, OFS retains an interest in the resulting residual interest cash flows more fully described above. Finally, OFS services the loans securitized as well as some loans sold on a whole loan basis.

At September 30, 2006, OFS owned \$875.3 million of mortgage loans which were classified as mortgage loans held for sale. Gains realized on the sale of mortgage loans held for sale for the nine and three months ended September 30, 2006, were \$18.7 million and \$20.7 million, respectively. These gains reflect the effects of the mark to market of IRLCs and loans held for sale prior to the sale date of \$1.2 million and \$0.4 million, respectively. Opteum had no such gains for the nine and three months ended September 30, 2005, as those periods predate the acquisition of OFS by Opteum.

Gains on the sale of mortgage loans held for sale include changes in the fair value of retained interests in securitizations and the associated hedge gains or losses. Excluding changes in fair value of retained interests in securitizations net of hedge gains and losses, OFS had gains from sales of mortgages held for sale of \$26.1 million and \$3.6 million for the nine and three months ended September 30, 2006, respectively.

The retained interests in securitizations represent residual interests in loans originated or purchased by OFS prior to securitization. These retained interests are classified on the accompanying consolidated balance sheet as Retained Interest, Trading. The total fair market value of these retained interests was approximately \$109.8 million as of September 30, 2006. Fluctuations in value of retained interests are primarily driven by projections of future interest rates (the forward LIBOR curve), the discount rate used to determine the present value of the residual cash flows and prepayment and loss estimates on the underlying mortgage loans. Due to favorable movements in interest rates, particularly forward LIBOR rates, the market value of the retained interests increased by \$11.8 million and \$21.4 million, respectively, for the nine and three months ended September 30, 2006. The increase of \$11.8 million for the nine months ended September 30, 2006 includes the addition of \$16.9 million of new retained interests in securitizations associated with two securitizations consummated in the first six months of the year. Net of these additions, the value of the retained interests in securitizations declined over the nine months ended September 30, 2006 by \$5.1 million, primarily as a result of cash received from the retained interests of \$3.6 million and upward movements in forward Libor rates since the beginning of the period.

It is our intention to hedge these retained interests so as to protect earnings from an unexpected change due to a decline in value of the retained interests. However, movements in the variables that affect the value of the retained interests, in particular forward LIBOR rates and prepayment estimates, also affect retrospective adjustments to the effective interest computation of the Opteum MBS portfolio and the value of the Company's mortgage servicing rights ("MSRs"). Movements in these two variables have the opposite effect on the value of the retained interests and the retrospective adjustment to the effective interest computation of the Opteum MBS portfolio and the MSRs. Since movements in these two variables affect reported earnings in an offsetting fashion, they tend to naturally hedge the Company's earnings when taken as a whole. Accordingly, we take this fact into consideration when constructing and implementing our hedging strategy.

Changes in the fair value of retained interests described above are net of the results of hedge transactions. The results above include net losses on hedging transactions of \$6.8 million and \$6.7 million for the nine and three months ended September 30, 2006, respectively.

The table below provides details of OFS' gain/(loss) on the sale of mortgage loans held for sale for the nine and three months ended September 30, 2006. OFS recognizes a gain on sale of mortgages held for sale only when the loans are actually sold.

GAINS ON MORTGAGE BANKING ACTIVITIES
(in thousands)

For the Nine months Ending September 30, 2006 **For the Three months Ending September 30, 2006**

	2006	2006
Fair value adjustment of retained interests, trading	\$ (1,406)	23,071
Gain on sales of mortgage loans	65,775	20,288
Fees on brokered loans	4,485	1,350
Gain/(loss) on derivatives	(7,329)	(9,851)
Direct loan origination expenses, deferred	686	(3)
Fees earned, brokering	2,054	748
Write off purchased pipeline (Purchase Accounting Adjustment)	(534)	-
	63,731	35,603
Direct loan origination expenses, reclassified	(45,065)	(14,861)
Net gain on sale of mortgage loans	\$ 18,666	20,742
Change in market value of IRLCs	(34)	775
Change in market value of mortgage loans held for sale	(1,202)	(1,201)
Gain/(loss) on mortgage banking activities	\$ 17,430	20,136

For the nine and three months ended September 30, 2006, OFS originated mortgage loans of \$4.706 billion and \$1.941 billion, respectively. For the same periods, OFS sold \$4.499 billion and \$1.758 billion of these originated mortgage loans. Of the originated mortgage loans sold during the nine and three months ended September 30, 2006, \$2.947 billion of the \$4.499 billion and \$1.253 billion of the \$1.758 billion, respectively, were sold on a servicing retained basis.

For the nine and three months ended September 30, 2006, OFS had net servicing income (loss) of (\$5.2) million and (\$7.1) million, respectively. The results for the nine and three month periods were driven primarily by negative fair value adjustments to the MSR's (inclusive of run-off of the servicing portfolio) in third quarter and the Company's early adoption of SFAS 156 on January 1, 2006 (as reported in the Company's first quarter results of operations).

As of September 30, 2006, OFS held originated MSR's on approximately \$9.1 billion in mortgages with a fair market value of approximately \$101.3 million. For the nine and three months ended September 30, 2006, the net fair value adjustments to the MSR's were a decrease of \$22.9 million and \$13.3 million, respectively. In turn, the net fair value adjustments for the nine and three months ended September 30, 2006, reflect declines in fair value due to run-off of \$14.6 million and \$4.2 million and adjustments due to (decreases)/increases in fair value of (\$8.4) million and (\$9.1) million, respectively.

OFS had interest rate lock commitments ("IRLCs"), along with other instruments that are hedges for both these IRLCs and retained interests, securitizations, and both are considered derivatives. The changes to the fair value of these derivatives from inception to the period end are recorded at their fair value with the resulting gain or loss reflected in current period earnings. The result of the changes in the fair value of these derivatives was a loss of approximately \$7.3 million as of September 30, 2006.

Liquidity and Capital Resources

The Company presently believes that its equity and junior subordinated debt capital, combined with the cash flow from operations and the utilization of borrowings, will be sufficient to enable the Company to meet its anticipated liquidity requirements. Various changes in market conditions could, however, adversely affect the Company's liquidity, including increases in interest rates, increases in prepayment rates substantially above expectations or the reduction of fee income generated through mortgage originations at OFS. If cash resources are, at any time, insufficient to satisfy the Company's liquidity requirements, such as when cash flow from operations were 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. Any sale of mortgage-related securities or originated mortgage loans held for sale by OFS at prices lower than the carrying value of such assets would reduce our income.

The Company may, in the future, increase capital resources by making additional offerings of equity and debt securities, including classes of preferred stock, common stock, commercial paper, medium-term notes, collateralized mortgage obligations and senior or subordinated notes. All debt securities, other borrowings and classes of preferred stock will be senior to the Class A Common Stock in a liquidation of the company. Additional equity offerings may be dilutive to stockholders' equity or reduce the market price of the Class A Common Stock or both. The Company is unable to estimate the amount, timing or nature of any additional offerings as they will depend upon market conditions and other factors.

In addition to its equity and junior subordinated debt capital and cash flow from operations, which consists primarily of monthly principal and interest payments received on Opteum's mortgage-related securities and cash generated by OFS from sales of mortgage loans, retained interests in mortgage securitizations, originated MSR's and originated loan fees, the Company presently relies upon repurchase agreements and credit facilities to finance its operations.

Repurchase agreements are used primarily in connection with the financing of Opteum's MBS portfolio and, although structured as repurchase agreements, are treated as secured loans for U.S. federal income tax purposes. Credit facilities are used primarily in connection with OFS' mortgage loan origination activities.

OPTEUM'S LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2006 the Company, as guarantor of OFS, was in violation of a covenant with a warehouse lender of OFS that pertained to cash flow coverage. The Company has obtained a waiver from the lender with respect to the covenant violation as of October 31, 2006.

At September 30, 2006, Opteum had master repurchase agreements in place with 18 counterparties and had outstanding balances under 13 of these agreements. None of the counterparties to these agreements are affiliates of Opteum. These agreements are secured by Opteum's MBS and bear interest rates that are based on a spread to LIBOR.

As of September 30, 2006, Opteum had obligations outstanding under its repurchase agreements totaling \$3.0 billion with a net weighted average borrowing cost of 5.29%. All of Opteum's outstanding repurchase agreement obligations are due in less than one year with \$0.9 billion maturing between two and 30 days,

\$1.4 billion maturing between 31 and 90 days and \$0.7 billion maturing in more than 90 days. Securing these repurchase agreement obligations as of September 30, 2006, were MBS with an estimated fair value of \$3.1 billion and a weighted average maturity of 308 months.

At September 30, 2006, Opteum's repurchase agreements had the following counterparties, amounts outstanding, amounts-at-risk and weighted average remaining maturities:

Repurchase Agreement Counterparties	Amount Outstanding (\$000)	Amount at Risk(1) (\$000)	Weighted Average Maturity of Repurchase Obligations in Days	Percent of Total Amount Outstanding	
Deutsche Bank Securities, Inc.	\$ 1,023,632	10,723	132	34.16	%
JP Morgan Securities	604,198	15,540	51	20.16	
Washington Mutual	471,194	16,021	82	15.72	
Countrywide Securities Corp	283,030	9,975	98	9.44	
Goldman Sachs	163,987	4,474	15	5.47	
Nomura Securities International, Inc.	102,180	2,507	171	3.41	
Lehman Brothers	90,251	2,595	27	3.01	
BNP Paribas Securities Corp	62,966	2,183	8	2.10	
Merrill Lynch	59,495	1,312	52	1.99	
HSBC Securities (USA) Inc	58,302	2,116	11	1.95	
Bank of America	36,178	1,462	4	1.21	
UBS Investment Bank, LLC	24,405	639	17	0.82	
RBS Greenwich Capital	16,922	51	61	0.56	
Total	\$ 2,996,740	69,598		100.00	%

(1) Equal to the fair value of securities sold, plus accrued interest income, minus the sum of repurchase agreement liabilities, plus accrued interest expense.

Opteum's master repurchase agreements have no stated expiration, but can be terminated at any time at Opteum's option or at the option of the counterparty. However, once a definitive repurchase agreement under a master repurchase agreement has been entered into, it generally may not be terminated by either party. A negotiated termination can occur, but may involve a fee to be paid by the party seeking to terminate the repurchase agreement transaction.

During 2005 and the nine months ended September 30, 2006, Opteum entered into contracts and paid commitment fees to three counterparties providing for an aggregate of \$1.7 billion in committed repurchase agreement facilities at pre-determined borrowing rates and haircuts for a 364 day period following the commencement date of each contract. Opteum has no obligation to utilize these repurchase agreement facilities. All of these facilities have been renewed for an additional 364 day period.

In addition, two of the agreements described above are available to provide financing for up to \$150 million to cover margin requirements associated with monthly principal payments on the MBS portfolio.

It is the Company's present intention to seek to renew its various committed and uncommitted repurchase agreements as they become due or expire. However, market conditions could change making the renewal of these contractual arrangements more expensive or unattainable. Further, as discussed above, increases in short-term interest rates could negatively impact the valuation of Opteum's MBS portfolio. Should this occur, Opteum's ability to enter into new repurchase agreements or extend its existing repurchase agreements could be limited and may cause Opteum's repurchase agreement counterparties to initiate margin calls. Under this scenario, Opteum would likely seek alternative sources of financing which could include additional debt or equity financing or sales of assets.

In May 2005, Opteum completed a private offering of \$51.5 million of trust preferred securities of Bimini Capital Trust I ("BCTI") resulting in the issuance by Opteum of \$50 million of junior subordinated notes. The interest rate payable by Opteum on the BCTI junior subordinated notes is fixed for the first five years at 7.61% and then floats at a spread of 3.30% over three-month LIBOR for the remaining 25 years. However, the BCTI junior subordinated notes and the corresponding BCTI trust preferred securities are redeemable at Opteum's option at the end of the first five year period and at any subsequent date that Opteum chooses.

In addition, in October 2005, Opteum completed a private offering of an additional \$51.5 million of trust preferred securities of Bimini Capital Trust II ("BCTII") resulting in the issuance by Opteum of an additional \$50 million of junior subordinated notes. The interest rate on the BCTII junior subordinated notes and the corresponding BCTII trust preferred securities is fixed for the first five years at 7.8575% and then floats at a spread of 3.50% over three-month LIBOR for the remaining 25 years. However, the BCTII junior subordinated notes and the corresponding BCTII trust preferred securities are redeemable at Opteum's option at the end of the first five year period and at any subsequent date that Opteum chooses.

Opteum attempts to ensure that the income generated from available investment opportunities, when the use of leverage is employed for the purchase of assets, exceeds the cost of its borrowings. However, the issuance of debt at a fixed rate for any long-term period, considering the use of leverage, could create an interest rate mismatch if Opteum is not able to invest at yields that exceed the interest rates of the Company's junior subordinated notes and other borrowings.

OFS' LIQUIDITY AND CAPITAL RESOURCES

In order to facilitate the origination of mortgage loans, OFS has various warehouse and aggregation lines of credit available, some of which are committed facilities while others are uncommitted. With respect to the committed lines, the commitments are for 364 day periods. At September 30, 2006 OFS had committed warehouse lines of \$0.95 billion, uncommitted warehouse lines of \$1.25 billion and a committed aggregation line of \$1 billion. In addition, OFS had \$0.25 billion of various committed lines of credit secured by OFS's retained interests in securitizations and originated mortgage servicing rights.

At September 30, 2006, OFS had outstanding balances of approximately \$853 million under their various warehouse and aggregation lines and approximately \$104 million outstanding on other lines of credit with various lenders. The rates on these borrowings generally are based on a spread to LIBOR.

The committed and uncommitted warehouse and aggregation lines are sufficient to support OFS's production at current levels while also providing ample capacity for growth. However, in the event OFS were not able to renew the existing lines or growth in the level of production caused OFS to exceed their capacity under the lines, OFS would have to seek to obtain additional financing that might only be available at less favorable terms or not available at all. In such instance, OFS might have to curtail production or pledge additional assets to obtain financing.

OFS has commitments to borrowers to fund residential mortgage loans as well as commitments to purchase and sell mortgage loans to third parties. As of September 30, 2006, OFS had outstanding commitments to originate loans of approximately \$331.8 million. As of September 30, 2006, OFS had outstanding commitments to sell loans of approximately \$367.8 million. The commitments to originate and purchase loans do not necessarily represent future cash requirements, as some portion of the commitments are likely to expire without being drawn upon or may be subsequently declined for credit or other reasons.

The Company's TRS, OFS has been in violation of certain covenants with respect to their warehouse lines of credit related to their loan origination operations for three consecutive quarters. While the violations to the covenants has been waived by the lender, should conditions in the mortgage origination industry continue to deteriorate or fail to recover in sufficient time, it is possible OFS may not be able to obtain such waivers in the future. Under such circumstances, OFS might be precluded from accessing their warehouse lending agreements to the extent they do now and might have to curtail their originations accordingly. At October 31, 2006, OFS was not in compliance with respect to a covenant with a second lender. The covenant violation at October 31, 2006 with the second lender pertained to tangible net worth. OFS has obtained a waiver from the second lender with respect to the covenant violation as of October 31, 2006. All waivers obtained were granted with the mutual understanding that such violations will exist as of November 30, 2006. No additional covenant violations are anticipated at November 30, 2006.

Outlook

As discussed above, the Company's results of operations for the nine and three months ended September 30, 2006, were negatively affected by changes in various market interest rates due primarily to the monetary policy actions of the Federal Reserve during these periods. If the Federal Reserve further tightens monetary policy by increasing its target for the federal funds rate, the Company's borrowing costs will likely increase and will further impact the Company's consolidated results of operations and liquidity. To mitigate the affect of further increases in short-term interest rates, the Company may seek to restructure its portfolio further by increasing the allocation to monthly resetting floating rate securities, engage in hedging transactions to reduce our funding costs or sell lower yielding assets and redeploy the proceeds into assets with yields above our funding costs, if available.

However, if short-term rates declined, the Company's consolidated results of operations and liquidity will likely be positively impacted. In this event, the Company may seek to raise additional equity or debt financing or reposition its assets to maximize its earnings and dividend potential.

Finally, in the event short-term rates remained the same, the effect on the Company's consolidated results of operations would depend on the rate at which our portfolio of adjustable MBS securities reset upward in relation to our funding costs and future retrospective adjustments. The actions taken by management in such instance would depend on the outcome realized.

Further, recent downward trends in the residential housing market may impact the Company's consolidated results of operations and liquidity due to lower mortgage originations at OFS. However, any decline in mortgage originations due to a cooling of the housing market may be partially offset by appreciation in the value of OFS's originated mortgage servicing rights and retained interests in securitizations, which generally are positively impacted by declining prepayment rates.

Recently, operations at OFS have been cash flow negative and such shortfalls have been funded by Opteum. As a result management is currently evaluating various alternatives to ensure the Company will be able to maintain adequate liquidity. Should these efforts prove unsuccessful, the Company's liquidity may be further reduced.

Critical Accounting Policies

The Company's financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company's significant accounting policies are described in Note 1 to the Company's accompanying Consolidated Financial Statements.

GAAP requires the Company's management to make some complex and subjective decisions and assessments. The Company's most critical accounting policies involve decisions and assessments which could significantly affect our reported assets and liabilities, as well as our reported revenues and expenses. The Company believes that all of the decisions and assessments upon which its financial statements are based were reasonable at the time made based upon information available to it at that time. Management has identified its most critical accounting policies to be the following:

MORTGAGE BACKED SECURITIES

The Company's investments in MBS are classified as available-for-sale securities. As a result, changes in fair value are recorded as a balance sheet adjustment to accumulated other comprehensive income (loss), which is a component of stockholders' equity, rather than through the statement of operations. The Company's MBS have fair values determined by management based on the average of third-party broker quotes received and/or by independent pricing sources when available. Because the price estimates may vary to some degree between sources, management must make certain judgments and assumptions about the appropriate price to use to calculate the fair values for financial reporting purposes. Alternatively, management could opt to have the value of all of its positions in MBS determined by either an independent third-party pricing source or do so internally based on managements own estimates. Management believes pricing on the basis of third-party broker quotes is the most consistent with the definition of fair value described in Statement of Financial Accounting Standards ("SFAS") No. 107, *Disclosures about the Fair Value of Financial Instruments*.

RETAINED INTEREST, TRADING

Retained interest, trading is the subordinated interests retained by the Company from the Company's various securitizations and includes the over-collateralization and residual net interest spread remaining after payments to the Public Certificates and NIM Notes. (See Notes 1 and 4 in the accompanying consolidated financial statements.) Retained interest, trading represents the present value of estimated cash flows to be received from these subordinated

interests in the future. The subordinated interests retained are classified as “trading securities” and are reported at fair value with unrealized gains or losses reported in earnings. In order to value these unrated and unquoted retained interests, the Company utilizes either pricing available directly from dealers or calculates their present value by projecting their future cash flows on a publicly-available analytical system. When a publicly-available analytical system is employed, the Company uses the following variable factors in estimating the fair value of these assets:

Interest Rate Forecast. The forward London Interbank Offered Rate (“LIBOR”) interest rate curve.

Discount Rate. The present value of all future cash flows utilizing a discount rate assumption established at the discretion of the Company to represent market conditions and value.

Prepayment Forecast. The prepayment forecast may be expressed by the Company in accordance with one of the following standard market conventions: Constant Prepayment Rate (“CPR”) or Percentage of a Prepayment Vector. Prepayment forecasts are made utilizing Citigroup Global Markets Yield Book and/or management estimates based on historical experience. Conversely, prepayment speed forecasts could have been based on other market conventions or third-party analytical systems. Prepayment forecasts may be changed as OFS observes trends in the underlying collateral as delineated in the Statement to Certificate Holders generated by the securitization trust’s Trustee for each underlying security.

Credit Performance Forecast. A forecast of future credit performance of the underlying collateral pool will include an assumption of default frequency, loss severity and a recovery lag. In general, the Company will utilize the combination of default frequency and loss severity in conjunction with a collateral prepayment assumption to arrive at a target cumulative loss to the collateral pool over the life of the pool based on historical performance of similar collateral by the originator. The target cumulative loss forecast will be developed and noted at the pricing date of the individual security but may be updated by the Company consistent with observations of the actual collateral pool performance.

At September 30, 2006, and December 31, 2005, key economic assumptions and the sensitivity of the current fair value of retained interests to the immediate 10% and 20% adverse change in those assumptions are as follows:

	September 30, 2006	December 31, 2005
Balance Sheet Carrying value of retained interests - fair value	\$ 109,829,818	\$ 98,010,592
Weighted average life (in years)	4.39	2.62
Prepayment assumption (annual rate)	36.59%	32.53%
Impact on fair value of 10% adverse change	\$ (9,326,848)	\$ (7,817,000)
Impact on fair value of 20% adverse change	\$ (17,051,186)	\$ (16,089,000)
Expected Credit losses (annual rate)	0.58%	0.61%
Impact on fair value of 10% adverse change	\$ (3,236,459)	\$ (3,247,000)
Impact on fair value of 20% adverse change	\$ (6,475,707)	\$ (6,419,000)
Residual Cash-Flow Discount Rate	15.72%	13.96%
Impact on fair value of 10% adverse change	\$ (4,962,825)	\$ (3,804,000)
Impact on fair value of 20% adverse change	\$ (9,514,122)	\$ (7,392,000)
Interest rates on variable and adjustable loans and bonds	Forward LIBOR Yield Curve	Forward LIBOR Yield Curve
Impact on fair value of 10% adverse change	\$ (22,203,185)	\$ (21,265,000)
Impact on fair value of 20% adverse change	\$ (44,846,814)	\$ (34,365,000)

These sensitivities are entirely hypothetical and should be used with caution. As the figures indicate, changes in fair value based upon 10% and 20% variations in assumptions generally cannot be extrapolated to greater or lesser percentage variations because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of the variation in a particular assumption on the fair value of the subordinated interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another that may magnify or counteract the sensitivities. To estimate the impact of a 10% and 20% adverse change of the forward LIBOR curve, a parallel shift in the forward LIBOR curve was assumed based on the forward LIBOR curve at September 30, 2006.

MORTGAGE SERVICING RIGHTS

The Company recognizes mortgage servicing rights (“MSRs”) as assets when separated from the underlying mortgage loans in connection with the sale of such loans. Upon sale of a loan, the Company measures the retained MSRs by allocating the total cost of originating a mortgage loan between the loan and the servicing right based on their relative fair values. Gains or losses on the sale of MSRs are recognized when title and all risks and rewards have irrevocably passed to the purchaser of such MSRs and there are no significant unresolved contingencies.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets* (“SFAS 156”). The Company elected to early adopt SFAS 156 as of January 1, 2006, and to measure all mortgage servicing assets at fair value (and as one class). (See Notes 1 and 5 in the accompanying consolidated financial statements.)

To facilitate hedging of the MSRs, management has elected to utilize an internal model for valuation purposes. Accordingly, fair value is estimated based on internally generated expected cash flows considering market prepayment estimates, historical prepayment rates, portfolio characteristics, interest rates and other economic factors.

At September 30, 2006, and December 31, 2005, key economic assumptions and the sensitivity of the current fair value of MSR cash flows to the immediate 10 percent and 20 percent adverse change in those assumptions are as follows:

	At September 30, 2006	At December 31, 2005
Prepayment assumption (annual rate) (PSA)	328.7	254.0
Impact on fair value of 10% adverse change	\$ (3,739,212)	\$ (3,615,000)

Impact on fair value of 20% adverse change	\$	(7,121,265)	\$	(6,936,000)
MSR Cash-Flow Discount Rate		14.72%		10.74%
Impact on fair value of 10% adverse change	\$	(3,760,697)	\$	(4,856,000)
Impact on fair value of 20% adverse change	\$	(7,213,037)	\$	(9,280,000)

These sensitivities are entirely hypothetical and should be used with caution. As the figures indicate, changes in fair value based upon 10% and 20% variations in assumptions generally cannot be extrapolated to greater or lesser percentage variations because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of the variation in a particular assumption on the fair value of the MSRs is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another which may magnify or counteract the sensitivities.

INCOME RECOGNITION

Interest income on MBS is accrued based on the actual coupon rate and the outstanding principal amount of the underlying mortgages. Premiums and discounts are amortized or accreted into interest income over the estimated lives of the MBS using the effective yield method adjusted for the effects of estimated prepayments based on SFAS No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*; an amendment of FASB Statements No. 13, 60 and 65 and a rescission of FASB Statement No. 17. Adjustments are made using the retrospective method to the effective interest computation each reporting period based on the actual prepayment experiences to date and the present expectation of future prepayments of the underlying mortgages. To make assumptions as to future estimated rates of prepayments, the Company currently uses actual market prepayment history for the securities it owns and for similar securities that the Company does not own and current market conditions. If the estimate of prepayments is incorrect, the Company is required to make an adjustment to the amortization or accretion of premiums and discounts that would have an impact on future income.

With respect to mortgage loans held for sale, interest income and interest expense are recognized as earned or incurred. Loans are placed on a non-accrual status when concern exists as to the ultimate collectability of principal or interest. Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible. The Company recognizes gain (or loss) on the sale of these loans. Gains or losses on such sales are recognized at the time legal title transfers to the purchaser of such loans based upon the difference between the sales proceeds from the purchaser and the allocated basis of the loan sold, adjusted for net deferred loan fees and certain direct costs and selling costs. The Company defers net loan origination costs and fees as a component of the loan balance on the balance sheet. Such costs are not amortized and are recognized into income as a component of the gain or loss upon sale. Accordingly, salaries, commissions, benefits and other operating expenses of \$45.1 million and \$14.9 million during the nine and three months ended September 30, 2006, respectively, were capitalized as direct loan origination costs.

Servicing fee income is generally a fee based on a percentage of the outstanding principal balances of the mortgage loans serviced by the Company (or by a sub-servicer where the Company is the master servicer) and is recorded as income as the installment payments on the mortgages are received by the Company or the sub-servicer.

Off-Balance Sheet Arrangements

As previously discussed, OFS pools the loans they originate or purchase and then sells them or securitizes them to obtain long-term financing for its assets. Securitized loans are transferred to a trust where they serve as collateral for asset-backed bonds, which the trust primarily issues to the public. During the third quarter of 2006, OFS did not execute a securitization. However, OFS held approximately \$109.8 million of retained interests from securitizations as of September 30, 2006. OFS' ability to access the capital markets via the use of securitizations is critical to the operations and overall profitability of the business and OFS' liquidity.

External factors that are reasonably likely to affect OFS' ability to continue to complete securitizations would be those factors that could disrupt the securitization capital markets. A disruption in the markets could prevent OFS from being able to securitize its mortgage loans at a favorable price or at all. Factors that could disrupt the securitization capital markets include an international liquidity crisis such as occurred in the fall of 1998, a terrorist attack, outbreak of war or other significant event risk or market specific events such as a default of a comparable type of securitization. If OFS was unable to access the securitization capital markets, OFS may still be able to finance its mortgage operations by selling the loans to investors in the whole loan market, but at lower than anticipated margins.

Specific items that may affect OFS' ability to use the securitizations to finance OFS' specific loans relate primarily to the performance of the loans that have been securitized. Extremely poor loan performance may lead to poor bond performance and investor unwillingness to buy bonds supported by OFS' collateral. OFS' financial condition could also have an adverse impact on its ability to access the securitization market if there was the perception that its financial condition had deteriorated to the point where investors would question OFS' ability to stand behind its representations and warranties made in connection with its securitizations even though Opteum has guaranteed the performance of OFS' representation and warranties. It is too early to evaluate the impact of the underlying collateral's performance attributable to the financial performance and condition of the past securitizations of OFS. Additionally, past economic conditions that may have contributed to a favorable performance may not be an indication of future performance should economic conditions change unfavorably.

The cash flows associated with OFS's securitization activities over the nine and three months ended September 30, 2006, were as follows:

		For the Nine Months Ended September 30, 2006		For the Three Months Ended September 30, 2006
Proceeds from securitizations	\$	1,436,837,754	\$	-
Servicing fees received		13,719,852		4,467,391
Servicing advances net of repayments		546,535		251,762
Cash flows received on retained interests		3,642,263		1,633,486

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes to the Company's exposure to market risk since December 31, 2005. The information set forth under Item 7A - Quantitative and Qualitative Disclosures About Market Risk in the Company's amended Annual Report on Form 10-K/A for the period ended December 31, 2005, is incorporated herein by reference.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Controls over Financial Reporting

On November 3, 2005, the Company acquired Opteum Financial Services, LLC, ("OFS") a privately held company. Management's assessment of the internal controls at the OFS level started with the assumption that OFS, as a private company, may not possess a system of internal controls sufficient to comply fully with all of the rules and requirements for internal control systems for SEC registrants at the time of the acquisition. Accordingly, management conducted a comprehensive review of all controls in place coupled with an assessment of all critical processes so as to ensure full compliance with the rules and requirements for SEC registrants by year end. This process was a substantial undertaking and required the Company to hire external consultants to assist. As of the dates the Company's quarterly reports for the periods ended March 31, 2006 and June 30, 2006 were filed, this process was not complete. During the period ended September 30, 2006, as part of the process of establishing whether or not the system of internal controls that existed at OFS were sufficient to comply, management discovered a material weakness with respect to the controls in place associated with the accounting by OFS for IRLCs. Owing to a lack of sufficient internal controls being in place, the accounting treatment utilized to account for IRLCs up to that point was not in compliance with GAAP and the quarterly financial statements issued for the periods ended March 31, 2006 and June 30, 2006 required re-statement. Management has since made changes, where needed, at the OFS level to ensure such system of internal control is adequate to allow management to rely on the OFS internal controls for purposes of preparing the Company's quarterly and annual reports.

There were no significant changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter, other than as reported above, that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION.

ITEM 1. LEGAL PROCEEDINGS.

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.

ITEM 1A. RISK FACTORS.

During the period covered by this report, there were no material changes from the risk factors previously disclosed under Item 1A - Risk Factors in the Company's second amended Annual Report on Form 10-K/A for the period December 31, 2005 as filed on October 13, 2006. The information set forth under Item 1A - Risk Factors in the Company's amended Annual Report on Form 10-K/A for the period ended December 31, 2005, is incorporated herein by reference.

ITEM 6. EXHIBITS.

Exhibit No.

2.1	Agreement and Plan of Merger, incorporated by reference to Exhibit 2.1 to the Company's Form 8-K, dated September 29, 2005, filed with the SEC on September 30, 2005
3.1	Articles of Amendment and Restatement, incorporated by reference to Exhibit 3.1 to the Company's Form S-11/A, filed with the SEC on April 29, 2004
3.2	Articles Supplementary, incorporated by reference to Exhibit 3.1 to the Company's Form 8-K, dated November 3, 2005, filed with the SEC on November 8, 2005
3.3	Articles of Amendment, incorporated by reference to Exhibit 3.1 to the Company's Form 8-K, dated February 10, 2006, filed with the SEC on February 15, 2006

3.4	Amended and Restated Bylaws, incorporated by reference to Exhibit 3.1 to the Company's Form 8-K, filed with the SEC on September 26, 2006
4.1	Specimen Common Stock Certificate incorporated by reference to Exhibit 4.1 to the Company's Form 10-Q for the period ended March 31, 2006, filed with the SEC on May 8, 2006.
*10.1	Opteum Inc. 2003 Long Term Incentive Compensation Plan
10.2	Employment Agreement between Bimini Mortgage Management, Inc. and Jeffrey J. Zimmer, incorporated by reference to Exhibit 10.3 to the Company's Form S-11/A, dated April 12, 2004, filed with the SEC on April 29, 2004
10.3	Employment Agreement between Bimini Mortgage Management, Inc. and Robert E. Cauley, incorporated by reference to Exhibit 10.4 to the Company's Form S-11/A, dated April 12, 2004, filed with the SEC on April 29, 2004
10.4	Employment Agreement between Opteum Financial Services, LLC and Peter R. Norden, incorporated by reference to Exhibit 10.5 to the Company's Form 10-K, dated September 29, 2005, filed with the SEC on March 10, 2006
10.5	Letter Agreement, dated November 4, 2003 from AVM, L.P. to Bimini Mortgage Management, Inc. with respect to consulting services to be provided by AVM, L.P. and Letter Agreement, dated February 10, 2004 from AVM, L.P. to Bimini Mortgage Management with respect to assignment of AVM, L.P.'s rights, interest and responsibilities to III Associates, incorporated by reference to Exhibit 10.5 to the Company's Form S-11/A, filed with the SEC on May 26, 2004
10.6	Agency Agreement, dated November 20, 2003 between AVM, L.P. and Bimini Mortgage Management, Inc., incorporated by reference to Exhibit 10.6 to the Company's Form S-11/A, dated November 20, 2003, filed with the SEC on May 26, 2004
*10.7	Opteum Inc. 2004 Performance Bonus Plan
10.8	Phantom Share Award Agreement between Bimini Mortgage Management, Inc. and Jeffrey J. Zimmer, incorporated by reference to Exhibit 10.8 to the Company's Form S-11/A, dated August 13, 2004, filed with the SEC on August 25, 2004
10.9	Phantom Share Award Agreement between Bimini Mortgage Management, Inc. and Robert E. Cauley, incorporated by reference to Exhibit 10.9 to the Company's Form S-11/A, dated August 13, 2004, filed with the SEC on August 25, 2004
10.10	Voting Agreement, among certain stockholders of Bimini Mortgage Management, Inc., Jeffrey J. Zimmer, Robert E. Cauley, Amber K. Luedke, George H. Haas, IV, Kevin L. Bespolka, Maureen A. Hendricks, W. Christopher Mortenson, Buford H. Ortale, Peter Norden, certain of Mr. Norden's affiliates, Jason Kaplan, certain of Mr. Kaplan's affiliates and other former owners of Opteum Financial Services, LLC, incorporated by reference to Exhibit 99(D) to the Company's Schedule 13D, dated November 3, 2005, filed with the SEC on November 14, 2005
*10.11	Form of Phantom Share Award Agreement
*10.12	Form of Restricted Stock Award Agreement
*31.1	Certification of the Principal Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of the Principal Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OPTEUM INC.

Date: December 19, 2006

By: /s/ Robert E. Cauley
Robert E. Cauley
Vice Chairman, Senior Executive Vice President,
Chief Financial Officer and Chief Investment Officer

Exhibit Index

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* Filed herewith.

OPTEUM INC.

2003 LONG TERM INCENTIVE COMPENSATION PLAN

Opteum Inc., a Maryland corporation, wishes to attract key employees, directors and consultants to the Company and its Subsidiaries and induce key employees, directors and consultants to remain with the Company and its Subsidiaries, and encourage them to increase their efforts to make the Company's business more successful whether directly or through its Subsidiaries. In furtherance thereof, the Opteum Inc. 2003 Long Term Incentive Compensation Plan is designed to provide equity-based incentives to key employees, directors and consultants of the Company and its Subsidiaries. Awards under the Plan may be made to selected key employees, directors and consultants of the Company and its Subsidiaries in the form of Options, Restricted Stock, Phantom Shares, Dividend Equivalent Rights or other forms of equity-based compensation.

1. DEFINITIONS.

Whenever used herein, the following terms shall have the meanings set forth below:

"Award," except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock, Phantom Shares and Dividend Equivalent Rights.

"Award Agreement" means a written agreement in a form approved by the Committee to be entered into by the Company and the Participant as provided in Section 3.

"Board" means the Board of Directors of the Company.

"Cause" means, unless otherwise provided in the Participant's Award Agreement, (i) engaging in (A) willful or gross misconduct or (B) willful or gross neglect; (ii) repeatedly failing to adhere to the directions of superiors or the Board or the written policies and practices of the Company or its Subsidiaries or its affiliates; (iii) the commission of a felony or a crime of moral turpitude, dishonesty, breach of trust or unethical business conduct, or any crime involving the Company or its Subsidiaries, or any affiliate thereof; (iv) fraud, misappropriation or embezzlement; (v) a material breach of the Participant's employment agreement (if any) with the Company or its Subsidiaries or its affiliates; (vi) acts or omissions constituting a material failure to perform substantially and adequately the duties assigned to the Participant; (vii) any illegal act detrimental to the Company or its Subsidiaries or its affiliates; or (viii) repeated failure to adhere to the directions of the Board, to adhere to the Company's policies and practices or to devote substantially all of Participant's business time and efforts to the Company if required by Participant's employment agreement; provided, however, that, if at any particular time the Participant is subject to an effective employment agreement with the Company, then, in lieu of the foregoing definition, "Cause" shall at that time have such meaning as may be specified in such employment agreement.

"Change in Control" shall mean the happening of any of the following:

(i) any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, but excluding the Company, any entity controlling, controlled by or under common control with the Company, any employee benefit plan of the Company or any such entity, and with respect to any particular Participant, the Participant and any "group" (as such term is used in Section 13(d)(3) of the Exchange Act) of which the Participant is a member, is or becomes the "beneficial owner" (as defined in Rule 13(d)(3) under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of either (A) the combined voting power of the Company's then outstanding securities or (B) the then outstanding Shares (in either such case other than as a result of an acquisition of securities directly from the Company); provided, however, that, in no event shall a Change in Control be deemed to have occurred upon an initial public offering of the Common Stock under the Securities Act; or

(ii) any consolidation or merger of the Company where the shareholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, shares representing in the aggregate 50% or more of the combined voting power of the securities of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any); or

(iii) there shall occur (A) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by "persons" (as defined above in Section (i)) in substantially the same proportion as their ownership of the Company immediately prior to such sale or (B) the approval by shareholders of the Company of any plan or proposal for the liquidation or dissolution of the Company; or

(iv) the members of the Board at the beginning of any consecutive 24-calendar-month period (the "Incumbent Directors") cease for any reason other than due to death to constitute at least a majority of the members of the Board; provided that any director whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the members of the Board then still in office who were members of the Board at the beginning of such 24-calendar-month period, shall be deemed to be an Incumbent Director.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Compensation Committee of the Board.

“Common Stock” means the Company’s Class A Common Stock, par value \$.001 per share, either currently existing or authorized hereafter.

“Company” means the Opteum Inc., a corporation.

“Director” means a non-employee director of the Company or its Subsidiaries.

“Disability” means, unless otherwise provided by the Committee in the Participant’s Award Agreement, a disability which renders the Participant incapable of performing all of his or her material duties for a period of at least 180 consecutive or non-consecutive days during any consecutive twelve-month period.

“Dividend Equivalent Right” means a right awarded under Section 8 of the Plan to receive (or have credited) the equivalent value (in cash or Shares of Common Stock) of dividends declared on shares of Class A Common Stock otherwise subject to an award.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Fair Market Value” per Share as of a particular date means (i) if Shares are then listed on a national stock exchange, the closing sales price per Share on the exchange for the last preceding date on which there was a sale of Shares on such exchange, as determined by the Committee, (ii) if Shares are not then listed on a national stock exchange but are then traded on an over-the-counter market, the average of the closing bid and asked prices for the Shares in such over-the-counter market for the last preceding date on which there was a sale of such Shares in such market, as determined by the Committee, or (iii) if Shares are not then listed on a national stock exchange or traded on an over-the-counter market, such value as the Committee in its discretion may in good faith determine; provided that, where the Shares are so listed or traded, the Committee may make such discretionary determinations where the Shares have not been traded for 10 trading days.

“Grantee” means an employee, director or consultant granted Restricted Stock, Phantom Shares or Dividend Equivalent Rights hereunder.

“Incentive Stock Option” means an “incentive stock option” within the meaning of Section 422(b) of the Code.

“Non-Qualified Stock Option” means an Option which is not an Incentive Stock Option.

“Option” means the right to purchase, at a price and for the term fixed by the Committee in accordance with the Plan, and subject to such other limitations and restrictions in the Plan and the applicable Award Agreement, a number of Shares determined by the Committee.

“Optionee” means an employee or director of, or consultant to, the Company to whom an Option is granted, or the Successors of the Optionee, as the context so requires.

“Option Price” means the exercise price per Share.

“Participant” means a Grantee or Optionee.

“Phantom Share” means a right, pursuant to the Plan, of the Grantee to payment of the Phantom Share Value.

“Phantom Share Value,” per Phantom Share, means the Fair Market Value of a Share of Class A Common Stock, or, if so provided by the Committee, such Fair Market Value to the extent in excess of a base value established by the Committee at the time of grant.

“Plan” means the Company’s 2003 Long Term Incentive Compensation Plan, as set forth herein and as the same may from time to time be amended.

“Restricted Stock” means an award of Shares that are subject to restrictions hereunder.

“Retirement” means, unless otherwise provided by the Committee in the Participant’s Award Agreement, the Termination of Service (other than for Cause) of a Participant on or after the Participant’s attainment of age 65 or on or after the Participant’s attainment of age 55 with five consecutive years of service with the Company and or its Subsidiaries or its affiliates.

“Securities Act” means the Securities Act of 1933, as amended.

“Settlement Date” means the date determined under Section 7.4(c).

“Shares” means shares of Class A Common Stock of the Company.

“Subsidiary” means any corporation (other than the Company) that is a “subsidiary corporation” with respect to the Company under Section 424(f) of the Code. In the event the Company becomes a subsidiary of another company, the provisions hereof applicable to subsidiaries shall, unless otherwise determined by the Committee, also be applicable to any company that is a “parent corporation” with respect to the Company under Section 424(e) of the Code.

“Successor of the Optionee” means the legal representative of the estate of a deceased Optionee or the person or persons who shall acquire the right to exercise an Option by bequest or inheritance or by reason of the death of the Optionee.

“Termination of Service” means a Participant’s termination of employment or other service, as applicable, with the Company and its Subsidiaries. Cessation of service as an officer, employee, director or consultant shall not be treated as a Termination of Service if the Participant continues without interruption to serve thereafter in another one (or more) of such other capacities.

2. EFFECTIVE DATE AND TERMINATION OF PLAN.

The effective date of the Plan is December 1, 2003. The Plan shall not become effective unless and until it is approved by the shareholders of the Company. The Plan shall terminate on, and no Award shall be granted hereunder on or after, the 10-year anniversary of the earlier of the approval of the Plan by (i) the Board or (ii) the shareholders of the Company; provided, however, that the Board may at any time prior to that date terminate the Plan.

3. ADMINISTRATION OF PLAN.

(a) The Plan shall be administered by the Committee appointed by the Board. The Committee, upon and after such time as it is covered in Section 16 of the Exchange Act, shall consist of at least two individuals each of whom shall be a “nonemployee director” as defined in Rule 16b-3 as promulgated by the Securities and Exchange Commission (“Rule 16b-3”) under the Exchange Act and shall, at such times as the Company is subject to Section 162(m) of the Code (to the extent relief from the limitation of Section 162(m) of the Code is sought with respect to Awards), qualify as “outside directors” for purposes of Section 162(m) of the Code. The acts of a majority of the members present at any meeting of the Committee at which a quorum is present, or acts approved in writing by a majority of the entire Committee, shall be the acts of the Committee for purposes of the Plan. If and to the extent applicable, no member of the Committee may act as to matters under the Plan specifically relating to such member. If no Committee is designated by the Board to act for these purposes, the Board shall have the rights and responsibilities of the Committee hereunder and under the Award Agreements.

(b) Subject to the provisions of the Plan, the Committee shall in its discretion as reflected by the terms of the Award Agreements (i) authorize the granting of Awards to key employees, directors and consultants of the Company and its Subsidiaries; and (ii) determine the eligibility of an employee, director or consultant to receive an Award, as well as determine the number of Shares to be covered under any Award Agreement, considering the position and responsibilities of the employee, director or consultant, the nature and value to the Company of the employee’s, director’s or consultant’s present and potential contribution to the success of the Company whether directly or through its Subsidiaries and such other factors as the Committee may deem relevant.

(c) The Award Agreement shall contain such other terms, provisions and conditions not inconsistent herewith as shall be determined by the Committee. In the event that any Award Agreement or other agreement hereunder provides (without regard to this sentence) for the obligation of the Company or any affiliate thereof to purchase or repurchase Shares from a Participant or any other person, then, notwithstanding the provisions of the Award Agreement or such other agreement, such obligation shall not apply to the extent that the purchase or repurchase would not be permitted under governing state law. The Participant shall take whatever additional actions and execute whatever additional documents the Committee may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the express provisions of the Plan and the Award Agreement.

(d) Without limiting the generality of the Committee’s discretion hereunder, the Committee may (subject to such considerations as may arise under Section 16 of the Exchange Act, or under other corporate, securities or tax laws) take any steps it deems appropriate, that are not inconsistent with the purposes and intent of the Plan, to establish performance-based criteria applicable to Awards otherwise permitted to be granted hereunder, and to attempt to procure shareholder approval with respect thereto, to take into account the provisions of Section 162(m) of the Code.

4. SHARES AND UNITS SUBJECT TO THE PLAN.

4.1 In General.

(a) Subject to Section 4.2, and subject to adjustments as provided in Section 13, the total number of Shares subject to Options granted under the Plan, Shares of Restricted Stock and Phantom Shares granted under the Plan, in the aggregate, may not exceed 4,000,000, or, if less, 10% of the number of Shares outstanding from time to time. Shares distributed under the Plan may be treasury Shares or authorized but unissued Shares. Any Shares that have been granted as Restricted Stock or that have been reserved for distribution in payment for Options or Phantom Shares but are later forfeited or for any other reason are not payable under the Plan may again be made the subject of Awards under the Plan.

(b) Shares subject to Dividend Equivalent Rights, other than Dividend Equivalent Rights based directly on the dividends payable with respect to Shares subject to Options or the dividends payable on a number of Shares corresponding to the number of Phantom Shares awarded, shall be subject to the limitation of Section 4.1(a).

(c) The certificates for Shares issued hereunder may include any legend which the Committee deems appropriate to reflect any restrictions on transfer hereunder or under the Award Agreement, or as the Committee may otherwise deem appropriate.

4.2 Options.

Subject to adjustments pursuant to Section 13, and subject to the last sentence of Section 4.1(a), Options with respect to an aggregate of no more than 4,000,000 Shares may be granted under the Plan, or, if less, 10% of the number of Shares outstanding from time to time. Subject to adjustments pursuant to Section 13, in no event may any Optionee receive Options for more than 2,000,000 Shares over the life of the Plan. The aggregate Fair Market Value, determined as of the date an Option is granted, of the Common Stock for which any Optionee may be awarded Incentive Stock Options which are first exercisable by the Optionee during any calendar year under the Plan (or any other stock option plan required to be taken into account under Section 422(d) of the Code) shall not exceed \$100,000.

5. PROVISIONS APPLICABLE TO STOCK OPTIONS.

5.1 Grant of Option.

Subject to the other terms of the Plan, the Committee shall, in its discretion as reflected by the terms of the applicable Award Agreement: determine and designate from time to time those key employees, directors and consultants of the Company and its Subsidiaries to whom Options are to be granted and the number of Shares to be optioned to each employee, director and consultant; (ii) determine whether to grant Options intended to be Incentive

Stock Options, or to grant Non-Qualified Stock Options, or both (to the extent that any Option does not qualify as an Incentive Stock Option, it shall constitute a separate Non-Qualified Stock Option); provided that Incentive Stock Options may only be granted to employees; (iii) determine the time or times when and the manner and condition in which each Option shall be exercisable and the duration of the exercise period; (iv) designate each Option as one intended to be an Incentive Stock Option or as a Non-Qualified Stock Option; and (v) determine or impose other conditions to the grant or exercise of Options under the Plan as it may deem appropriate.

5.2 Option Price.

The Option Price shall be determined by the Committee on the date the Option is granted and reflected in the Award Agreement, as the same may be amended from time to time. Any particular Award Agreement may provide for different exercise prices for specified amounts of Shares subject to the Option. The Option Price with respect to each Incentive Stock Option, or other Option intended to qualify for relief from the restrictions of Section 162(m) of the Code, shall not be less than 100% (or, for Incentive Stock Options, 110%, in the case of an individual described in Section 422(b)(6) of the Code (relating to certain 10% owners)) of the Fair Market Value of a Share on the day the Option is granted.

5.3 Period of Option and Vesting.

(a) Unless earlier expired, forfeited or otherwise terminated, each Option shall expire in its entirety upon the 10th anniversary of the date of grant or shall have such other shorter term as is set forth in the applicable Award Agreement (except that, in the case of an individual described in Section 422(b)(6) of the Code (relating to certain 10% owners) who is granted an Incentive Stock Option, the term of such Option shall be no more than five years from the date of grant). The Option shall also expire, be forfeited and terminate at such times and in such circumstances as otherwise provided hereunder or under the Award Agreement.

(b) Each Option, to the extent that the Optionee has not had a Termination of Service and the Option has not otherwise lapsed, expired, terminated or been forfeited, shall first become exercisable according to the terms and conditions set forth in the Award Agreement, as determined by the Committee at the time of grant. Unless otherwise determined by the Committee at the time of the grant, such stock options shall vest ratably, in annual installments, over a five-year period beginning on the date of the grant. Unless otherwise provided in the Award Agreement, no Option (or portion thereof) shall ever be exercisable if the Optionee has a Termination of Service before the time at which such Option would otherwise have become exercisable, and any Option that would otherwise become exercisable after such Termination of Service shall not become exercisable and shall be forfeited upon such termination. Notwithstanding the foregoing provisions of this Section 5.3(b), Options exercisable pursuant to the schedule set forth by the Committee at the time of grant may be fully or more rapidly exercisable or otherwise vested at any time in the discretion of the Committee. Upon and after the death of an Optionee, such Optionee's Options, if and to the extent otherwise exercisable hereunder or under the applicable Award Agreement after the Optionee's death, may be exercised by the Successors of the Optionee.

5.4 Exercisability Upon and After Termination of Optionee.

(a) Subject to provisions of the Award Agreement, in the event the Optionee has a Termination of Service other than by the Company or its Subsidiaries for Cause, other than by the Optionee for any reason, or other than by reason of death, Retirement or Disability, no exercise of an Option may occur after the expiration of the three-month period to follow the termination, or if earlier, the expiration of the term of the Option as provided under Section 5.3(a); provided that, if the Optionee should die after the Termination of Service, such termination being for a reason other than Disability or Retirement, but while the Option is still in effect, the Option (if and to the extent otherwise exercisable by the Optionee at the time of death) may be exercised until the earlier of (i) one year from the date of the Termination of Service of the Optionee, or (ii) the date on which the term of the Option expires in accordance with Section 5.3(a).

(b) Subject to provisions of the Award Agreement, in the event the Optionee has a Termination of Service on account of death or Disability or Retirement, the Option (whether or not otherwise exercisable) may be exercised until the earlier of (i) one year from the date of the Termination of Service of the Optionee, or (ii) the date on which the term of the Option expires in accordance with Section 5.3.

(c) Notwithstanding any other provision hereof, unless otherwise provided in the Award Agreement, if the Optionee has a Termination of Service by the Company for Cause, the Optionee's Options, to the extent then unexercised, shall thereupon cease to be exercisable and shall be forfeited forthwith.

5.5 Exercise of Options.

(a) Subject to vesting, restrictions on exercisability and other restrictions provided for hereunder or otherwise imposed in accordance herewith, an Option may be exercised, and payment in full of the aggregate Option Price made, by an Optionee only by written notice (in the form prescribed by the Committee) to the Company specifying the number of Shares to be purchased.

(b) Without limiting the scope of the Committee's discretion hereunder, the Committee may impose such other restrictions on the exercise of Incentive Stock Options (whether or not in the nature of the foregoing restrictions) as it may deem necessary or appropriate.

(c) If Shares acquired upon exercise of an Incentive Stock Option are disposed of in a disqualifying disposition within the meaning of Section 422 of the Code by an Optionee prior to the expiration of either two years from the date of grant of such Option or one year from the transfer of Shares to the Optionee pursuant to the exercise of such Option, or in any other disqualifying disposition within the meaning of Section 422 of the Code, such Optionee shall notify the Company in writing as soon as practicable thereafter of the date and terms of such disposition and, if the Company (or any affiliate thereof) thereupon has a tax-withholding obligation, shall pay to the Company (or such affiliate) an amount equal to any withholding tax the Company (or affiliate) is required to pay as a result of the disqualifying disposition.

5.6 Payment.

(a) The aggregate Option Price shall be paid in full upon the exercise of the Option. Payment must be made by one of the following methods:

- (i) a certified or bank cashier's check;
- (ii) the proceeds of a Company loan program or third-party sale program or a notice acceptable to the Committee given as consideration under such a program, in each case if permitted by the Committee in its discretion, if such a program has been established and the Optionee is eligible to participate therein;
- (iii) if approved by the Committee in its discretion, Shares of previously owned Common Stock, which have been previously owned for more than six months, having an aggregate Fair Market Value on the date of exercise equal to the aggregate Option Price; or
- (iv) by any combination of such methods of payment or any other method acceptable to the Committee in its discretion.

(b) Except in the case of Options exercised by certified or bank cashier's check, the Committee may impose limitations and prohibitions on the exercise of Options as it deems appropriate, including, without limitation, any limitation or prohibition designed to avoid accounting consequences which may result from the use of Common Stock as payment upon exercise of an Option.

(c) The Committee may provide that no Option may be exercised with respect to any fractional Share. Any fractional Shares resulting from an Optionee's exercise that is accepted by the Company shall in the discretion of the Committee be paid in cash.

5.7 Exercise by Successors.

An Option may be exercised, and payment in full of the aggregate Option Price made, by the Successors of the Optionee only by written notice (in the form prescribed by the Committee) to the Company specifying the number of Shares to be purchased. Such notice shall state that the aggregate Option Price will be paid in full, or that the Option will be exercised as otherwise provided hereunder, in the discretion of the Company or the Committee, if and as applicable.

5.8 Nontransferability of Option.

Each Option granted under the Plan shall be nontransferable by the Optionee except by will or the laws of descent and distribution of the state wherein the Optionee is domiciled at the time of his death; provided, however, that the Committee may (but need not) permit other transfers, where the Committee concludes that such transferability (i) does not result in accelerated U.S. federal income taxation, (ii) does not cause any Option intended to be an Incentive Stock Option to fail to be described in Section 422(b) of the Code, and (iii) is otherwise appropriate and desirable.

5.9 Deferral.

The Committee may establish a program under which Participants will have Phantom Shares subject to Section 7 credited upon their exercise of Options, rather than receiving Shares at that time.

6. PROVISIONS APPLICABLE TO RESTRICTED STOCK.

6.1 Grant of Restricted Stock.

Subject to the other terms of the Plan, the Committee may, in its discretion as reflected by the terms of the applicable Award Agreement: (i) authorize the granting of Restricted Stock to key employees, directors and consultants of the Company and its Subsidiaries; (ii) provide a specified purchase price for the Restricted Stock (whether or not the payment of a purchase price is required by any state law applicable to the Company); (iii) determine the restrictions applicable to Restricted Stock and (iv) determine or impose other conditions to the grant of Restricted Stock under the Plan as it may deem appropriate. Restricted Stock may be awarded on an annual basis.

6.2 Certificates.

(a) Each Grantee of Restricted Stock shall be issued a stock certificate in respect of Shares of Restricted Stock awarded under the Plan. Such certificate shall be registered in the name of the Grantee. Without limiting the generality of Section 4.1(c), the certificates for Shares of Restricted Stock issued hereunder may include any legend which the Committee deems appropriate to reflect any restrictions on transfer hereunder or under the Award Agreement, or as the Committee may otherwise deem appropriate, and, without limiting the generality of the foregoing, shall bear a legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Opteum Inc. 2003 Long Term Incentive Compensation Plan and an Award Agreement entered into between the registered owner and Opteum Inc. Copies of such Plan and Award Agreement are on file in the offices of Opteum Inc., at 3305 Flamingo Drive, Suite 100, Vero Beach, Florida 32963.

(b) The Committee shall require that the stock certificates evidencing such Shares be held in custody by the Company until the restrictions hereunder shall have lapsed, and that, as a condition of any Award of Restricted Stock, the Grantee shall have delivered a stock power, endorsed in blank, relating to the stock covered by such Award. If and when such restrictions so lapse, the stock certificates shall be delivered by the Company to the Grantee or his or her designee as provided in Section 6.3.

6.3 Restrictions and Conditions.

Unless otherwise provided by the Committee, the Shares of Restricted Stock awarded pursuant to the Plan shall be subject to the following restrictions and conditions:

(i) Subject to the provisions of the Plan and the Award Agreements, during a period commencing with the date of such Award and ending on the date the period of forfeiture with respect to such Shares lapses, the Grantee shall not be permitted voluntarily or involuntarily to sell, transfer, pledge, anticipate, alienate, encumber or assign Shares of Restricted Stock awarded under the Plan (or have such Shares attached or garnished). Subject to the provisions of the Award Agreements and clauses (iv) and (v) below, the period of forfeiture with respect to Shares granted hereunder shall lapse as provided in the applicable Award Agreement. Notwithstanding the foregoing, unless otherwise expressly provided by the Committee, the period of forfeiture with respect to such Shares shall only lapse as to whole Shares.

(ii) Subject to the provisions of the Plan and Award Agreements, unless otherwise determined by the Committee at the time of grant, the period of forfeiture described in clause (i) shall be a three-year period, and restriction shall lapse ratably in annual installments over the period. In addition, unless otherwise provided by the Committee at the time of the grant, 50% of each grant of Restricted Stock granted pursuant to the Plan shall also be subject to the Company's achieving such financial hurdles, pre-determined by the Committee, as the Committee may determine are applicable for each of the applicable three years.

(iii) Except as provided in the foregoing clause (i), below in this clause (iii), or in Section 13, the Grantee shall have, in respect of the Shares of Restricted Stock, all of the rights of a shareholder of the Company, including the right to vote the Shares, and, except as provided below, the right to receive any cash dividends. The Committee may provide in the Award Agreement that cash dividends on such Shares shall be held by the Company (unsegregated as a part of its general assets) until the period of forfeiture lapses (and forfeited if the underlying Shares are forfeited), and paid over to the Grantee as soon as practicable after such period lapses (if not forfeited), or alternatively may provide for other treatment of such dividends (including without limitation the crediting of Phantom Shares in respect of dividends or other deferral provisions). Certificates for Shares (not subject to restrictions hereunder) shall be delivered to the Grantee or his or her designee promptly after, and only after, the period of forfeiture shall lapse without forfeiture in respect of such Shares of Restricted Stock.

(iv) Except if otherwise provided in the applicable Award Agreement, and subject to clause (v) below, if the Grantee has a Termination of Service by the Company and its Subsidiaries for Cause, or by the Grantee for any reason, during the applicable period of forfeiture, then (A) all Shares still subject to restriction shall thereupon, and with no further action, be forfeited by the Grantee, and (B) the Company shall pay to the Grantee as soon as practicable (and in no event more than 30 days) after such termination an amount equal to the lesser of (x) the amount paid by the Grantee for such forfeited Restricted Stock as contemplated by Section 6.1, and (y) the Fair Market Value on the date of termination of the forfeited Restricted Stock.

(v) Subject to the provisions of the Award Agreement, in the event the Grantee has a Termination of Service on account of death or Disability or Retirement during the applicable period of forfeiture, then restrictions under the Plan will immediately lapse on all Restricted Stock granted to the applicable Grantee.

7. PROVISIONS APPLICABLE TO PHANTOM SHARES.

7.1 Grant of Phantom Shares.

Subject to the other terms of the Plan, the Committee shall, in its discretion as reflected by the terms of the applicable Award Agreement: (i) authorize the granting of Phantom Shares to key employees, directors and consultants of the Company and its Subsidiaries and (ii) determine or impose other conditions to the grant of Phantom Shares under the Plan as it may deem appropriate.

7.2 Term.

The Committee may provide in an Award Agreement that any particular Phantom Share shall expire at the end of a specified term.

7.3 Vesting.

Phantom Shares shall vest as provided in the applicable Award Agreement.

7.4 Settlement of Phantom Shares.

(a) Each vested and outstanding Phantom Share shall be settled by the transfer to the Grantee of one Share; provided that, the Committee at the time of grant may provide that a Phantom Share may be settled (i) in cash at the applicable Phantom Share Value, (ii) in cash or by transfer of Shares as elected by the Grantee in accordance with procedures established by the Committee or (iii) in cash or by transfer of Shares as elected by the Company.

(b) Each Phantom Share shall be settled with a single-sum payment by the Company; provided that, with respect to Phantom Shares of a Grantee which have a common Settlement Date, the Committee may permit the Grantee to elect in accordance with procedures established by the Committee to receive installment payments over a period not to exceed 10 years.

(c) (i) The Settlement Date with respect to a Grantee is the first day of the month to follow the Grantee's Termination of Service, provided that a Grantee may elect, in accordance with procedures to be adopted by the Committee, that such Settlement Date will be deferred as elected by the Grantee to a time permitted by the Committee under procedures to be established by the Committee. Unless otherwise determined by the

Committee, elections under this Section 7.4(c)(i) must be made at least six months before, and in the year prior to the year in which, the Settlement Date would occur in the absence of such election.

(ii) Notwithstanding Section 7.4(c)(i), the Committee may provide that distributions of Phantom Shares can be elected at any time in those cases in which the Phantom Share Value is determined by reference to Fair Market Value to the extent in excess of a base value, rather than by reference to unreduced Fair Market Value.

(iii) Notwithstanding the foregoing, the Settlement Date, if not earlier pursuant to this Section 7.4(c), is the date of the Grantee's death.

(d) Notwithstanding the other provisions of this Section 7, in the event of a Change in Control, the Settlement Date shall be the date of such Change in Control and all amounts due with respect to Phantom Shares to a Grantee hereunder shall be paid as soon as practicable (but in no event more than 30 days) after such Change in Control, unless such Grantee elects otherwise in accordance with procedures established by the Committee.

(e) Notwithstanding any other provision of the Plan, a Grantee may receive any amounts to be paid in installments as provided in Section 7.4(b) or deferred by the Grantee as provided in Section 7.4(c) in the event of an "Unforeseeable Emergency." For these purposes, an "Unforeseeable Emergency," as determined by the Committee in its sole discretion, is a severe financial hardship to the Grantee resulting from a sudden and unexpected illness or accident of the Grantee or "dependent," as defined in Section 152(a) of the Code, of the Grantee, loss of the Grantee's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Grantee. The circumstances that will constitute an Unforeseeable Emergency will depend upon the facts of each case, but, in any case, payment may not be made to the extent that such hardship is or may be relieved:

(i) through reimbursement or compensation by insurance or otherwise,

(ii) by liquidation of the Grantee's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or

(iii) by future cessation of the making of additional deferrals under Section 7.4 (b) and (c).

Without limitation, the need to send a Grantee's child to college or the desire to purchase a home shall not constitute an Unforeseeable Emergency. Distributions of amounts because of an Unforeseeable Emergency shall be permitted to the extent reasonably needed to satisfy the emergency need.

7.5 Other Phantom Share Provisions.

(a) Rights to payments with respect to Phantom Shares granted under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, garnishment, levy, execution, or other legal or equitable process, either voluntary or involuntary; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, attach or garnish, or levy or execute on any right to payments or other benefits payable hereunder, shall be void.

(b) A Grantee may designate in writing, on forms to be prescribed by the Committee, a beneficiary or beneficiaries to receive any payments payable after his or her death and may amend or revoke such designation at any time. If no beneficiary designation is in effect at the time of a Grantee's death, payments hereunder shall be made to the Grantee's estate. If a Grantee with a vested Phantom Share dies, such Phantom Share shall be settled and the Phantom Share Value in respect of such Phantom Shares paid, and any payments deferred pursuant to an election under Section 7.4(c) shall be accelerated and paid, as soon as practicable (but no later than 60 days) after the date of death to such Grantee's beneficiary or estate, as applicable.

(c) The Committee may establish a program under which distributions with respect to Phantom Shares may be deferred for periods in addition to those otherwise contemplated by foregoing provisions of this Section 7. Such program may include, without limitation, provisions for the crediting of earnings and losses on unpaid amounts, and, if permitted by the Committee, provisions under which Participants may select from among hypothetical investment alternatives for such deferred amounts in accordance with procedures established by the Committee.

(d) Phantom Shares (including for purposes of this Section 7.5(d) any accounts established to facilitate the implementation of Section 7.4(c)), are solely a device for the measurement and determination of the amounts to be paid to a Grantee under the Plan. Each Grantee's right in the Phantom Shares is limited to the right to receive payment, if any, as may herein be provided. The Phantom Shares do not constitute Common Stock and shall not be treated as (or as giving rise to) property or as a trust fund of any kind; provided, however, that the Company may establish a mere bookkeeping reserve to meet its obligations hereunder or a trust or other funding vehicle that would not cause the Plan to be deemed to be funded for tax purposes or for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. The right of any Grantee of Phantom Shares to receive payments by virtue of participation in the Plan shall be no greater than the right of any unsecured general creditor of the Company.

(e) Notwithstanding any other provision of this Section 7, any fractional Phantom Share will be paid out in cash at the Fair Market Value as of the Settlement Date.

(f) Nothing contained in the Plan shall be construed to give any Grantee any rights with respect to Shares or any ownership interest in the Company. Except as may be provided in accordance with Section 8, no provision of the Plan shall be interpreted to confer upon any Grantee any voting, dividend or derivative or other similar rights with respect to any Phantom Share.

7.6 Claims Procedures.

(a) The Grantee, or his beneficiary hereunder or authorized representative, may file a claim for payments with respect to Phantom Shares under the Plan by written communication to the Committee or its designee. A claim is not considered filed until such communication is actually

received. Within 90 days (or, if special circumstances require an extension of time for processing, 180 days, in which case notice of such special circumstances should be provided within the initial 90-day period) after the filing of the claim, the Committee will either:

(i) approve the claim and take appropriate steps for satisfaction of the claim; or

(ii) if the claim is wholly or partially denied, advise the claimant of such denial by furnishing to him a written notice of such denial setting forth (A) the specific reason or reasons for the denial; (B) specific reference to pertinent provisions of the Plan on which the denial is based and, if the denial is based in whole or in part on any rule of construction or interpretation adopted by the Committee, a reference to such rule, a copy of which shall be provided to the claimant; (C) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of the reasons why such material or information is necessary; and (D) a reference to this Section 7.6 as the provision setting forth the claims procedure under the Plan.

(b) The claimant may request a review of any denial of his claim by written application to the Committee within 60 days after receipt of the notice of denial of such claim. Within 60 days (or, if special circumstances require an extension of time for processing, 120 days, in which case notice of such special circumstances should be provided within the initial 60-day period) after receipt of written application for review, the Committee will provide the claimant with its decision in writing, including, if the claimant's claim is not approved, specific reasons for the decision and specific references to the Plan provisions on which the decision is based.

8. PROVISIONS APPLICABLE TO DIVIDEND EQUIVALENT RIGHTS.

8.1 Grant of Dividend Equivalent Rights.

Subject to the other terms of the Plan, the Committee shall, in its discretion as reflected by the terms of the Award Agreements, authorize the granting of Dividend Equivalent Rights to key employees, directors and consultants of the Company and its Subsidiaries based on the dividends declared on Common Stock, to be credited as of the dividend payment dates, during the period between the date an Award is granted, and the date such Award is exercised, vests or expires, as determined by the Committee. Such Dividend Equivalent Rights shall be converted to cash or additional Shares of Common Stock by such formula and at such time and subject to such limitation as may be determined by the Committee. With respect to Dividend Equivalent Rights granted with respect to Options intended to be qualified performance-based compensation for purposes of Section 162(m) of the Code, such Dividend Equivalent Rights shall be payable regardless of whether such Option is exercised. If a Dividend Equivalent Right is granted in respect of another Award hereunder, then, unless otherwise stated in the Award Agreement, in no event shall the Dividend Equivalent Right be in effect for a period beyond the time during which the applicable portion of the underlying Award is in effect.

8.2 Certain Terms.

(a) The term of a Dividend Equivalent Right shall be set by the Committee in its discretion.

(b) Unless otherwise determined by the Committee, a Dividend Equivalent Right is exercisable or payable only while the Participant is an employee, director or consultant.

(c) Payment of the amount determined in accordance with Section 8.1 shall be in cash, in Common Stock or a combination of the both, as determined by the Committee.

(d) The Committee may impose such employment-related conditions on the grant of a Dividend Equivalent Right as it deems appropriate in its discretion.

8.3 Other Types of Dividend Equivalent Rights.

The Committee may establish a program under which Dividend Equivalent Rights of a type not described in the foregoing provisions of this Section 8 may be granted to Participants. For example, and without limitation, the Committee may grant a dividend equivalent right in respect of each Share subject to an Option or with respect to a Phantom Share, which right would consist of the right (subject to Section 8.4) to receive a cash payment in an amount equal to the dividend distributions paid on a Share from time to time.

8.4 Deferral.

(a) The Committee may establish a program under which Participants (i) will have Phantom Shares credited, subject to the terms of Sections 7.4 and 7.5 as though directly applicable with respect thereto, upon the granting of Dividend Equivalent Rights, or (ii) will have payments with respect to Dividend Equivalent Rights deferred.

(b) The Committee may establish a program under which distributions with respect to Dividend Equivalent Rights may be deferred. Such program may include, without limitation, provisions for the crediting of earnings and losses on unpaid amounts, and, if permitted by the Committee, provisions under which Participants may select from among hypothetical investment alternatives for such deferred amounts in accordance with procedures established by the Committee.

9. OTHER STOCK-BASED AWARDS

The Board shall have the right to grant other Awards based upon the Common Stock having such terms and conditions as the Board may determine, including the grant of shares based upon certain conditions, the grant of securities convertible into Common Stock and the grant of stock appreciation rights.

10. TAX WITHHOLDING.

10.1 In General.

The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding determined by the Committee to be required by law. Without limiting the generality of the foregoing, the Committee may, in its discretion, require the Participant to pay to the Company at such time as the Committee determines the amount that the Committee deems necessary to satisfy the Company's obligation to withhold federal, state or local income or other taxes incurred by reason of (i) the exercise of any Option, (ii) the lapsing of any restrictions applicable to any Restricted Stock, (iii) the receipt of a distribution in respect of Phantom Shares or Dividend Equivalent Rights or (iv) any other applicable income-recognition event (for example, an election under Section 83(b) of the Code).

10.2 Share Withholding.

(a) Upon exercise of an Option, the Optionee may, if approved by the Committee in its discretion, make a written election to have Shares then issued withheld by the Company from the Shares otherwise to be received, or to deliver previously owned Shares, in order to satisfy the liability for such withholding taxes. In the event that the Optionee makes, and the Committee permits, such an election, the number of Shares so withheld or delivered shall have an aggregate Fair Market Value on the date of exercise sufficient to satisfy the applicable withholding taxes. Where the exercise of an Option does not give rise to an obligation by the Company to withhold federal, state or local income or other taxes on the date of exercise, but may give rise to such an obligation in the future, the Committee may, in its discretion, make such arrangements and impose such requirements as it deems necessary or appropriate.

(b) Upon lapsing of restrictions on Restricted Stock (or other income-recognition event), the Grantee may, if approved by the Committee in its discretion, make a written election to have Shares withheld by the Company from the Shares otherwise to be released from restriction, or to deliver previously owned Shares (not subject to restrictions hereunder), in order to satisfy the liability for such withholding taxes. In the event that the Grantee makes, and the Committee permits, such an election, the number of Shares so withheld or delivered shall have an aggregate Fair Market Value on the date of exercise sufficient to satisfy the applicable withholding taxes.

(c) Upon the making of a distribution in respect of Phantom Shares or Dividend Equivalent Rights, the Grantee may, if approved by the Committee in its discretion, make a written election to have amounts (which may include Shares) withheld by the Company from the distribution otherwise to be made, or to deliver previously owned Shares (not subject to restrictions hereunder), in order to satisfy the liability for such withholding taxes. In the event that the Grantee makes, and the Committee permits, such an election, any Shares so withheld or delivered shall have an aggregate Fair Market Value on the date of exercise sufficient to satisfy the applicable withholding taxes.

10.3 Withholding Required.

Notwithstanding anything contained in the Plan or the Award Agreement to the contrary, the Participant's satisfaction of any tax-withholding requirements imposed by the Committee shall be a condition precedent to the Company's obligation as may otherwise be provided hereunder to provide Shares to the Participant and to the release of any restrictions as may otherwise be provided hereunder, as applicable; and the applicable Option, Restricted Stock, Phantom Shares or Dividend Equivalent Rights shall be forfeited upon the failure of the Participant to satisfy such requirements with respect to, as applicable, (i) the exercise of the Option, (ii) the lapsing of restrictions on the Restricted Stock (or other income-recognition event) or (iii) distributions in respect of any Phantom Share or Dividend Equivalent Right.

11. REGULATIONS AND APPROVALS.

(a) The obligation of the Company to sell Shares with respect to an Award granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

(b) The Committee may make such changes to the Plan as may be necessary or appropriate to comply with the rules and regulations of any government authority or to obtain tax benefits applicable to an Award.

(c) Each grant of Options, Restricted Stock, Phantom Shares (or issuance of Shares in respect thereof) or Dividend Equivalent Rights (or issuance of Shares in respect thereof) is subject to the requirement that, if at any time the Committee determines, in its discretion, that the listing, registration or qualification of Shares issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of Options, Shares of Restricted Stock, Phantom Shares or Dividend Equivalent Rights or other Shares, no payment shall be made, or Phantom Shares or Shares issued or grant of Restricted Stock made, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions in a manner acceptable to the Committee.

(d) In the event that the disposition of stock acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act, and is not otherwise exempt from such registration, such Shares shall be restricted against transfer to the extent required under the Securities Act, and the Committee may require any individual receiving Shares pursuant to the Plan, as a condition precedent to receipt of such Shares, to represent to the Company in writing that such Shares are acquired for investment only and not with a view to distribution and that such Shares will be disposed of only if registered for sale under the Securities Act or if there is an available exemption for such disposition.

(e) Notwithstanding any other provision of the Plan, the Company shall not be required to take or permit any action under the Plan or any Award Agreement which, in the good-faith determination of the Company, would result in a material risk of a violation by the Company of Section 13(k) of the Exchange Act.

12. INTERPRETATION AND AMENDMENTS; OTHER RULES.

The Committee may make such rules and regulations and establish such procedures for the administration of the Plan as it deems appropriate. Without limiting the generality of the foregoing, the Committee may (i) determine the extent, if any, to which Options, Phantom Shares or Shares (whether or not Shares of Restricted Stock) or Dividend Equivalent Rights shall be forfeited (whether or not such forfeiture is expressly contemplated hereunder); (ii) interpret the Plan and the Award Agreements hereunder, with such interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law; and (iii) take any other actions and make any other determinations or decisions that it deems necessary or appropriate in connection with the Plan or the administration or interpretation thereof. In the event of any dispute or disagreement as to the interpretation of the Plan or of any rule, regulation or procedure, or as to any question, right or obligation arising from or related to the Plan, the decision of the Committee shall be final and binding upon all persons. Unless otherwise expressly provided hereunder, the Committee, with respect to any grant, may exercise its discretion hereunder at the time of the Award or thereafter. No action which is otherwise permitted under or in connection with the Plan shall be prohibited hereunder merely because it constitutes a repricing of an Award, and, in furtherance of the foregoing, the Committee is expressly authorized and empowered, without limitation, to effect repricings that are consistent with the terms of the Plan. The Board may amend the Plan as it shall deem advisable, except that no amendment may adversely affect a Participant with respect to an Award previously granted unless such amendments are required in order to comply with applicable laws; provided, however, that the Plan may not be amended without shareholder approval in any case in which amendment in the absence of shareholder approval would cause the Plan to fail to comply with any applicable legal requirement or applicable exchange or similar rule.

13. CHANGES IN CAPITAL STRUCTURE.

(a) If (i) the Company or its Subsidiaries shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company or its Subsidiaries or a transaction similar thereto, (ii) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization or other similar change in the capital structure of the Company or its Subsidiaries, or any distribution to holders of Common Stock other than cash dividends, shall occur or (iii) any other event shall occur which in the judgment of the Committee necessitates action by way of adjusting the terms of the outstanding Awards, then:

(x) the maximum aggregate number of Shares which may be made subject to Options and Dividend Equivalent Rights under the Plan, the maximum aggregate number maximum aggregate number and kind of Shares of Restricted Stock that may be granted under the Plan, and the maximum aggregate number of Phantom Shares which may be granted under the Plan may be appropriately adjusted by the Committee in its discretion; and

(y) the Committee may take any such action as in its judgment shall be necessary to maintain the Optionees' rights hereunder (including under the Award Agreements) so that they are substantially in their respective Options, Phantom Shares and Dividend Equivalent Rights substantially proportionate to the rights existing in such Options, Phantom Shares and Dividend Equivalent Rights prior to such event, including, without limitation, adjustments in (A) the number of Options, Phantom Shares and Dividend Equivalent Rights granted, (B) the number and kind of shares or other property to be distributed in respect of Options, Phantom Shares and Dividend Equivalent Rights (as applicable), (C) the Option Price and Phantom Share Value, and (D) performance-based criteria established in connection with Awards; provided that, in the discretion of the Committee, the foregoing clause (D) may also be applied in the case of any event relating to a Subsidiary if the event would have been covered under this Section 13(a) had the event related to the Company.

(b) Any Shares or other securities distributed to a Grantee with respect to Restricted Stock or otherwise issued in substitution of Restricted Stock shall be subject to the restrictions and requirements imposed by Section 6, including depositing the certificates therefor with the Company together with a stock power and bearing a legend as provided in Section 6.2(a).

(c) If the Company shall be consolidated or merged with another corporation or other entity, each Grantee who has received Restricted Stock that is then subject to restrictions imposed by Section 6.3(a) may be required to deposit with the successor corporation the certificates for the stock or securities or the other property that the Grantee is entitled to receive by reason of ownership of Restricted Stock in a manner consistent with Section 6.2(b), and such stock, securities or other property shall become subject to the restrictions and requirements imposed by Section 6.3(a), and the certificates therefor or other evidence thereof shall bear a legend similar in form and substance to the legend set forth in Section 6.2(a).

(d) If a Change in Control shall occur, then the Committee may make such adjustments as it, in its discretion, determines are necessary or appropriate in light of the Change in Control, provided that the Committee determines that such adjustments do not have an adverse economic impact on the Participant as determined at the time of the adjustments.

(e) The judgment of the Committee with respect to any matter referred to in this Section 13 shall be conclusive and binding upon each Participant without the need for any amendment to the Plan.

14. MISCELLANEOUS.

14.1 No Rights to Employment or Other Service.

Nothing in the Plan or in any grant made pursuant to the Plan shall confer on any individual any right to continue in the employ or other service of the Company or its Subsidiaries or interfere in any way with the right of the Company or its Subsidiaries and its shareholders to terminate the individual's employment or other service at any time.

14.2 Right of First Refusal; Right of Repurchase.

At the time of grant, the Committee may provide in connection with any grant made under the Plan that Shares received hereunder shall be subject to a right of first refusal pursuant to which the Company shall be entitled to purchase such Shares in the event of a prospective sale of the Shares, subject to such terms and conditions as the Committee may specify at the time of grant or (if permitted by the Award Agreement) thereafter, and to a right of repurchase, pursuant to which the Company shall be entitled to purchase such Shares at a price determined by, or under a formula set by, the Committee at the time of grant or (if permitted by the Award Agreement) thereafter.

14.3 No Fiduciary Relationship.

Nothing contained in the Plan (including without limitation Sections 7.5(c) and 8.4(b), and no action taken pursuant to the provisions of the Plan, shall create or shall be construed to create a trust of any kind, or a fiduciary relationship between the Company or its Subsidiaries, or their officers or the Committee, on the one hand, and the Participant, the Company, its Subsidiaries or any other person or entity, on the other.

14.4 Notices.

All notices under the Plan shall be in writing, and if to the Company, shall be delivered to the Board or mailed to its principal office, addressed to the attention of the Board; and if to the Participant, shall be delivered personally, sent by facsimile transmission or mailed to the Participant at the address appearing in the records of the Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this Section 14.4.

14.5 Exculpation and Indemnification.

The Company shall indemnify and hold harmless the members of the Board and the members of the Committee from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the Plan, to the maximum extent permitted by law.

14.6 Captions.

The use of captions in this Plan is for convenience. The captions are not intended to provide substantive rights.

14.7 Governing Law.

THE PLAN SHALL BE GOVERNED BY THE LAWS OF FLORIDA WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS.

OPTEUM INC.
2004 PERFORMANCE BONUS PLAN

1. *Purpose of the Plan*

The Plan is intended to advance the interests of the Company by providing an opportunity to selected employees of the Company to earn bonuses, and to encourage and motivate them to achieve superior operating results for Opteum Inc. The Plan is effective as of August 13, 2004 and is an amendment and complete restatement of a predecessor hereto adopted by the Committee (as defined below) on May 4, 2004.

2. *Definitions*

As used in this Plan, the following definitions apply:

“Annual Supplemental Bonus” means the bonus described in Section 4(b).

“Board” means the Board of Directors of Opteum Inc.

“Bonus” means a Formula Bonus, an Annual Supplemental Bonus or any bonus described in Section 3(c).

“Committee” means the Compensation Committee of the Board.

“Company” means Opteum Inc., and its subsidiaries.

“Formula Bonus” means the bonus described in Section 4(a).

“Key Employee” means an officer or other employee of the Company whose position and responsibilities, in the judgment of the Committee, enable the employee to have a significant impact on the operating results of the Company.

“Performance Period” means each applicable fiscal year of the Company.

“Plan” means this Opteum Inc. 2004 Performance Bonus Plan, as the same may be amended from time to time.

“Termination of Service” means a Key Employee’s termination of employment or other service, as applicable, with the Company. Cessation of service as an officer, employee, director or consultant shall not be treated as a Termination of Service if the Key Employee continues without interruption to serve thereafter in another one (or more) of such other capacities.

3. *Bonuses - In General*

(a) There are two types of bonuses provided for hereunder: (i) a Formula Bonus and (ii) an Annual Supplemental Bonus.

(b) Eligibility from among Key Employees shall be determined by the Committee. The Formula Bonus shall be determined based on a formula, as described in Section 4(a). The Committee may determine the Annual Supplemental Bonus a Key Employee will receive with regard to a Performance Period or other period. Subject to the provisions of the Plan, the Committee shall (i) determine and designate from time to time those Key Employees to whom Bonuses are to be granted; (ii) determine, consistently with the Plan, the amount of the Bonus to be granted to any Key Employee for any Performance Period; (iii) determine, consistently with the Plan, the terms and conditions of each Bonus; and (iv) determine, consistently with the Plan, whether the stock (or stock-based grants) will vest upon the occurrence of a change in control (as may be defined for purposes of the applicable grant) and in the case of terminations of employment by the Company without cause (as may be defined for purposes of the applicable grant) or by the Key Employee for such good reason as may be specified by the Committee. Bonuses may be so awarded by the Committee prior to the commencement of any Performance Period or at the end of or after such Performance Period.

(c) The Committee may grant discretionary bonuses within the parameters of the Plan based on Company performance otherwise than as specified in Section 3(a) on account of a registration statement on Form S-11 having been declared effective and on account of the completion of a capital raising event.

4. *Amount of Awards*

(a) Unless otherwise provided for by the Committee, the Formula Bonus is determined pursuant to a formula, determined as follows: if the Company’s funds from operations during the applicable quarterly period exceed the product of (i) 25% (except for purposes of the last sentence of this Section 4(a)) of (A) the annualized 10-year U.S. Treasury rate for the applicable quarterly period, as determined by the Committee in accordance with such rules as it may prescribe, plus (B) 2.25%, and (ii) the weighted average net book value of the Company (any such excess, the “Excess FFO”), then the Formula Bonus shall be calculated and paid quarterly, as follows:

(i) 15% of the Excess FFO as to the initial \$1.0 billion of invested assets;

(ii) 10% of the Excess FFO as to the invested assets over \$1 billion, but under \$2 billion; and

(iii) 5% of the Excess FFO as to the invested assets over \$2 billion.

The foregoing pool shall be allocated amongst Key Employees as determined by the Committee. Formula Bonuses shall never cause general and administrative (G&A) expenses to exceed 18 basis points of assets, as determined by the Committee. Notwithstanding the foregoing provisions of this Section 4(a), at the end of each fiscal year, a hypothetical Formula Bonus shall be determined based on the foregoing formula, and performance, on a full-year basis (and, for the avoidance of doubt, without regard to the 25% reduction in clause (i) of the first sentence of this Section 4(a)) and the final quarterly Formula Bonus for the year shall be increased or decreased (but not to below zero) so that the aggregate of the four quarterly Formula Bonuses for the year conforms to such hypothetical Formula Bonus, as determined by the Committee.

(b) The Committee shall decide whether to grant an Annual Supplemental Bonus, in addition to the Formula Bonus, based on the performance of the Company as compared with its peer group and other material factors not otherwise taken into account for purposes of the Formula Bonus, considering, without limitation, the Key Employee's aggregate Formula Bonus and other compensation that would be payable in the aggregate in the absence of the Annual Supplemental Bonus. Subject to the other terms of the Plan, no Annual Supplemental Bonus shall exceed 100% of the Key Employee's aggregate salary for the year. Notwithstanding the foregoing, for any employee with an employment agreement that contemplates bonus payments, the Committee may provide in its discretion that Annual Supplemental Bonuses in excess of 100% of the Key Employee's aggregate salary for the year may be paid. Further, without limitation by the Plan, any capital-raising bonus expressly provided for in an employment agreement shall be payable, without duplication, in accordance with the applicable employment agreement, in addition to the Bonuses hereunder.

(c) The Committee may provide for partial Bonus payments at target and other levels. Any performance hurdles or measures for any Bonuses may be adjusted by the Committee in its discretion to reflect (i) dilution from corporate acquisitions and share offerings and (ii) changes in applicable accounting rules and standards.

(d) The Committee may determine that Bonuses shall be paid in cash or stock (or other stock-based grants), or a combination thereof; provided that, unless otherwise determined by the Committee, (i) Formula Bonuses shall, at the election of the Key Employee, be paid in cash, stock (or other equity-based grants) or any combination thereof, (ii) Annual Supplemental Bonuses shall be paid 60% in cash and 40% in stock (or other equity-based grants) and (iii) Bonuses under Section 3(c) shall be paid in cash. The Committee may provide that any such stock or stock-based grants be made under the Opteum Inc. 2003 Long Term Incentive Compensation Plan (the "LTIP") or any other equity-based plan or program of the Company and, notwithstanding any provision of the Plan to the contrary, in the case of any such grant, the grant shall be governed in all respects by the LTIP or such other plan or program of the Company; provided that, unless otherwise provided by the Committee, Annual Supplemental Bonus payments in stock (or other equity-based grants) shall vest in equal proportions over three years and Formula Bonus payments in stock (or other equity-based grants) shall vest at the time of grant.

(e) The Committee may provide for programs under which the payment of Bonuses may be deferred at the election of the Key Employee.

5. *Termination of Employment*

(a) Unless otherwise determined by the Committee, no Bonus payments shall be made to any Key Employee who is not employed on the date payment is to be made; provided that no Bonuses shall be made in any event to a Key Employee who is terminated for "Cause." For these purposes, Cause shall mean, unless otherwise provided in the grantee's award agreement, (i) engaging in (A) willful or gross misconduct or (B) willful or gross neglect; (ii) repeatedly failing to adhere to the directions of superiors or the Board or the written policies and practices of the Company or its affiliates; (iii) the commission of a felony or a crime of moral turpitude, dishonesty, breach of trust or unethical business conduct, or any crime involving the Company, or any affiliate thereof; (iv) fraud, misappropriation or embezzlement; (v) a material breach of the Key Employee's employment agreement (if any) with the Company or its affiliates; (vi) acts or omissions constituting a material failure to perform substantially and adequately the duties assigned to the Key Employee; (vii) any illegal act detrimental to the Company or its affiliates; or (viii) repeated failure to devote substantially all of the Key Employee's business time and efforts to the Company if required by the Key Employee's employment agreement; provided, however, that, if at any particular time the Key Employee is subject to an effective employment agreement with the Company, then, in lieu of the foregoing definition, "Cause" shall at that time have such meaning as may be specified in such employment agreement.

(b) Unless otherwise provided by the Committee, no portion of the 40% Annual Supplemental Bonus awarded in stock (in accordance with Section 4(d)) shall be transferred to the Key Employee if the Key Employee has a Termination of Service before three years from the date of the grant and such Shares shall be forfeited upon such termination.

6. *Administration of the Plan; Amendment and Termination*

(a) The Plan shall be administered by the Committee.

(b) The Committee will have full power to construe, interpret and administer the Plan and to amend and rescind the rules and regulations for its administration, with such interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law. In the event of any dispute or disagreement as to the interpretation of the Plan or of any rule, regulation or procedure, or as to any question, right or obligation arising from or related to the Plan, the decision of the Committee shall be final and binding upon all persons.

(c) The Committee will have discretion to determine whether a Bonus is established for particular Key Employees. The Committee's decisions and determinations under the Plan need not be uniform and may be made selectively among Key Employees, whether or not such Key Employees are similarly situated.

(d) No Key Employee shall have any claim to a bonus until it is actually granted under the Plan. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments provided for under the Plan shall be paid in cash from the general funds of the Company. The Plan does not create a fiduciary relationship between the Board or Committee on one hand, and employees, their beneficiaries or any other persons on the other.

(e) The Board or the Committee may at any time amend or terminate the Plan. No amendment to or termination of the Plan may affect any Key Employee's right to receive a Bonus which, before the amendment or termination, has been earned by the Key Employee and is payable without any

contingency or other further action, unless the Key Employee consents to the change.

7. *Beneficiaries*

Each Key Employee shall designate a beneficiary to receive such Key Employee's Bonus, if any, in the event of death. In the event of a failure to designate a beneficiary, amounts, if any, so payable to a Key Employee in the event of death shall be payable to the estate of such Key Employee. The last designation received by the Company shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Company prior to the Key Employee's death, and in no event shall it be effective as of a date prior to such receipt. If no such beneficiary designation is in effect at the time of a Key Employee's death, or if no designated beneficiary survives the Key Employee or if such designation conflicts with law, the Key Employee's estate shall be entitled to receive the amounts, if any, payable under the Plan upon his or her death. If the Company is in doubt as to the right of any person to receive such amounts, the Company may retain such amounts, without liability for any interest thereon, until the Company determines the rights thereto, or the Company may pay such amounts into any court of appropriate jurisdiction and such payment shall be a complete discharge of the liability of the Company therefor. No rights to Bonuses granted hereunder shall be transferable by a Key Employee otherwise than by will or the laws of descent and distribution.

8. *Miscellaneous*

(a) The Company may cause to be made, as a condition precedent to the payment of any Bonus, or otherwise, appropriate arrangements with the Key Employee or his or her beneficiary for the withholding of any federal, state, local or foreign taxes.

(b) Nothing in the Plan and no award of any Bonus which is payable immediately or in the future (whether or not future payments may be forfeited), will give any Key Employee a right to continue to be an employee of the Company or in any other way affect the right of the Company to terminate the employment of any Key Employee at any time.

(c) All elections, designations, requests, notices, instructions and other communications from a Key Employee, beneficiary or other person, required or permitted under the Plan, shall be in such form as is prescribed from time to time by the Committee.

(d) In the event that the Company's fiscal year is changed, the Committee may make such adjustments to the Plan, as he or she may deem necessary or appropriate to effectuate the intent of the Plan. All such adjustments, without the need for Plan amendment, shall be effective and binding for all Bonuses and otherwise for all purposes of the Plan.

(e) The use of captions in this Plan is for convenience. The captions are not intended to provide substantive rights.

OPTEUM INC.

(FORMERLY BIMINI MORTGAGE MANAGEMENT, INC.)

2003 LONG TERM INCENTIVE COMPENSATION PLAN

PHANTOM SHARE AWARD AGREEMENT

AGREEMENT by and between Opteum Inc., a Maryland corporation (the “Company”) and _____ (the “Grantee”), dated as of the ___ day of _____, 200_.

WHEREAS, the Company maintains the Opteum Inc. (formerly Bimini Mortgage Management, Inc.) 2003 Long Term Incentive Compensation Plan, as it may be amended from time to time (the “Plan”) (capitalized terms used but not defined herein shall have the respective meanings ascribed thereto by the Plan);

WHEREAS, the Grantee is an employee of the Company or one of its Subsidiaries;

WHEREAS, the Committee has determined that it is in the best interests of the Company and its shareholders to grant Phantom Shares to the Grantee subject to the terms and conditions set forth below.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Grant of Phantom Shares. The Company hereby grants the Grantee _____ Phantom Shares. The Phantom Shares are subject to the terms and conditions of this Agreement, and are also subject to the provisions of the Plan. The Plan is hereby incorporated herein by reference as though set forth herein in its entirety.

2. Vesting.

The Phantom Shares shall be subject to the following:

(a) The Phantom Shares shall vest, except as provided herein, if and as employment continues, pursuant to the following schedule:

Number of Phantom Shares	Vesting Date
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(b) Upon Termination of Service, all Phantom Shares which have not vested prior to or concurrently with such Termination of Service shall thereupon, and with no further action, be forfeited by the Grantee.

(c) The Phantom Shares shall fully vest upon (i) Termination of Service by the Company without Cause or for Disability, (ii) Termination of Service by the Grantee for “Good Reason” (as defined below), within 30 days of the occurrence (or initial occurrence, in the case of a continuing condition) thereof, (iii) the Grantee's death while employed or (iv) the occurrence of a Change of Control while employed. For these purposes, “Good Reason” shall mean, without the Grantee's prior consent, a material diminution by the Company in the Grantee's title, duties or responsibilities; provided that (i) if the Grantee wishes to terminate for Good Reason, the Grantee shall give notice to the Company, and (ii) Good Reason shall not be deemed to exist if the Company cures any such diminution within a reasonable period (which shall be at least 15 days) after receipt of such notice.

3. Distributions

Distributions to the Grantee attributable to the Grantee's receipt of Phantom Shares hereunder will be distributed as soon as practicable after the first day of the month following the date on which the Phantom Shares vest. Other than in accordance with an election permitted by the Committee, distributions made to the Grantee will be made as a single delivery of Common Stock.

4. Dividend Equivalent Rights.

A Dividend Equivalent Right is hereby granted to the Grantee, consisting of the right to receive, with respect to each Phantom Share, cash in an amount equal to the cash dividend distributions paid in the ordinary course on a Share to the Company's common shareholders (each, a "Dividend Payment"), as set forth below. For each Phantom Share then outstanding, whether or not then vested, if a cash dividend is payable in the ordinary course on a Share, the Company shall make a payment to the Grantee in an amount equal to the applicable Dividend Payment, on or about the date of the Dividend Payment; provided that the Grantee may elect, in accordance with such procedures as may be prescribed by the Committee, to receive, in lieu of such Dividend Payment, a number of additional Phantom Shares equal to (x) the otherwise payable Dividend Payment, divided by (y) the Fair Market Value of a Share on the date of the Dividend Payment.

5. Tax Withholding.

Upon the making of a distribution in respect of Phantom Shares or Dividend Equivalent Rights, the Grantee may, in accordance with procedures set forth by the Committee, make a written election to have amounts (which may include Shares) withheld by the Company from the distribution otherwise to be made, or to deliver previously owned Shares (not subject to restrictions hereunder), in order to satisfy the liability for such withholding taxes. In the event that the Grantee makes, and the Committee permits, such an election, any Shares so withheld or delivered shall have an aggregate Fair Market Value on the date of exercise sufficient to satisfy the applicable withholding taxes.

6. Miscellaneous.

- (a) The value of a Phantom Share may decrease depending upon the performance of a Share from time to time. Neither the Company nor the Committee, nor any other party associated with the Plan, shall be held liable for any decrease in the value of my Phantom Shares. If the value of my Phantom Shares decreases, there will be a decrease in the value of what is distributed to the Grantee under the Plan and this Agreement.
- (b) With respect to this Agreement, (i) the Phantom Shares are mere bookkeeping entries, (ii) the obligations of the Company under the Plan are unsecured and constitute a mere promise by the Company to make benefit payments in the future, (iii) to the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of any general unsecured creditor of the Company, (iv) all payments under the Plan (including distributions of Shares) shall be paid from the general funds of the Company and (v) no special or separate fund shall be established or other segregation of assets made to assure such payments (except that the Company may in its discretion establish a mere bookkeeping reserve to meet its obligations under the Plan). The Plan is intended to be an arrangement that is unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.
- (c) The Grantee shall take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Grantee pursuant to the express provisions of the Plan. The issuance of shares of Common Stock, if applicable, and delivery of the certificate or certificates therefor, shall be subject to any delay necessary to complete (i) the listing of such Shares on any stock exchange upon which shares of the same class are then listed, (ii) such registration or other qualification of such Phantom Shares under any state or federal law, rule, or regulation as the Company may determine to be necessary or advisable, and (iii) the making of provision for the payment or withholding of any taxes required to be withheld pursuant to any applicable law, in respect of the receipt of such Common Stock.
- (d) **THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF FLORIDA, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS.** The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.
- (e) The Committee may make such rules and regulations and establish such procedures for the administration of this Agreement as it deems appropriate. Without limiting the generality of the foregoing, the Committee may interpret this Agreement, with such interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law. In the event of any dispute or disagreement as to the interpretation of this Agreement or of any rule, regulation or procedure, or as to any question, right or obligation arising from or related to this Agreement, the decision of the Committee shall be final and binding upon all persons.
- (f) All notices hereunder shall be in writing, and if to the Company, shall be delivered to the Board or mailed to its principal office, addressed to the attention of the Board; and if to the Grantee, shall be delivered personally, sent by facsimile transmission or mailed to the Grantee at the address appearing in the records of the Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this paragraph 6(f).
- (g) The failure of the Grantee or the Company to insist upon strict compliance with any provision of this Agreement or the Plan, or to assert any right the Grantee or the Company, respectively, may have under this Agreement or the Plan, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement or the Plan.
- (h) Nothing in this Agreement shall confer on the Grantee any right to continue in the employ or other service of the Company or its Subsidiaries or interfere in any way with the right of the Company or its Subsidiaries and its shareholders to terminate the Grantee's employment or other service at any time.
- (i) This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Agreement as of the day and year first above written.

By:
Name:
Title:

[Grantee]

OPTEUM INC.

(FORMERLY BIMINI MORTGAGE MANAGEMENT, INC.)

2003 LONG TERM INCENTIVE COMPENSATION PLAN

RESTRICTED STOCK AWARD AGREEMENT

AGREEMENT by and between Opteum Inc., a Maryland corporation (the "Company") and _____ (the "Grantee"), dated as of the _____ day of _____, 200_.

WHEREAS, the Company maintains the Opteum Inc. (formerly Bimini Mortgage Management, Inc.) 2003 Long Term Incentive Compensation Plan (the "Plan") (capitalized terms used but not defined herein shall have the respective meanings ascribed thereto by the Plan);

WHEREAS, the Grantee is an employee of the Company or one of its Subsidiaries; and

WHEREAS, the Committee has determined that it is in the best interests of the Company and its shareholders to grant Restricted Stock to the Grantee subject to the terms and conditions set forth below.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Grant of Restricted Stock.

The Company hereby grants the Grantee _____ Shares of Restricted Stock of the Company, subject to the following terms and conditions and subject to the provisions of the Plan. The Plan is hereby incorporated herein by reference as though set forth herein in its entirety.

2. Restrictions and Conditions.

The Restricted Stock awarded pursuant to this Agreement and the Plan shall be subject to the following restrictions and conditions:

- (i) Subject to clauses (iii) and (iv) below, the period of restriction with respect to Shares granted hereunder (the "Restriction Period") shall begin on the date hereof and lapse on _____, 200_ (for the avoidance of doubt, without regard to the Company's achievement of financial hurdles).

Notwithstanding the foregoing, unless otherwise expressly provided by the Committee, the Restriction Period with respect to such Shares shall only lapse as to whole Shares. Subject to the provisions of the Plan and this Agreement, during the Restriction Period, the Grantee shall not be permitted voluntarily or involuntarily to sell, transfer, pledge, anticipate, alienate, encumber or assign the Shares (or have such Shares attached or garnished).

- (ii) Except as provided in the foregoing clause (i), below in this clause (ii) or in the Plan, the Grantee shall have, in respect of the Shares of Restricted Stock, all of the rights of a shareholder of the Company, including the right to vote the Shares and the right to receive dividends. Certificates for Shares (not subject to restrictions under the Plan) shall be delivered to the Grantee or his or her designee promptly after, and only after, the Restriction Period lapses without forfeiture in respect of such Shares of Restricted Stock.

- (iii) Subject to clause (iv) below, if the Grantee has a Termination of Service for any reason whatsoever during the Restriction Period, then all Shares still subject to restriction shall thereupon, and with no further action, be forfeited by the Grantee.

- (iv) In the event the Grantee has a Termination of Service on account of death or Disability during the Restriction Period, then the Restriction Period will immediately lapse on all Restricted Stock granted to the Grantee.

3. Miscellaneous.

- (a) **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA, WITHOUT REGARD TO ANY PRINCIPLES OF CONFLICTS OF LAW WHICH COULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF FLORIDA.** The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

- (b) The Committee may make such rules and regulations and establish such procedures for the administration of this Agreement as it deems appropriate. Without limiting the generality of the foregoing, the Committee may interpret the Plan and this Agreement, with such interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law and take any other actions and make any other determinations or decisions that it deems necessary or appropriate in connection with the Plan, this Agreement or the administration or interpretation thereof. In the event of any dispute or disagreement as to interpretation of the Plan or this Agreement or of any rule, regulation or procedure, or as to any question, right or obligation arising from or related to the Plan or this Agreement, the decision of the Committee shall be final and binding upon all persons.

- (c) All notices hereunder shall be in writing, and if to the Company or the Committee, shall be delivered to the Board or mailed to its principal office, addressed to the attention of the Board; and if to the Grantee, shall be delivered personally, sent by facsimile transmission, e-mailed or mailed to the Grantee at the address appearing in the records of the Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this paragraph 3(c).
- (d) The failure of the Grantee or the Company to insist upon strict compliance with any provision of this Agreement, or to assert any right the Grantee or the Company, respectively, may have under this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.
- (e) Nothing in this Agreement shall confer on the Grantee any right to continue in the employ or other service of the Company or its Subsidiaries or interfere in any way with the right of the Company or its Subsidiaries and its shareholders to terminate the Grantee's employment or other service at any time.
- (f) This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Agreement as of the day and year first above written.

OPTEUM INC.

By:

Name: Jeffrey J. Zimmer

Title: Chairman, President and Chief Executive Officer

GRANTEE

[Name of Grantee]

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Jeffrey J. Zimmer, Chairman of the Board, President and Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2006, of Opteum Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - a) all significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 19, 2006

/s/ Jeffrey J. Zimmer

Name: Jeffrey J. Zimmer

Title: Chairman of the Board, President and Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Robert E. Cauley, Vice Chairman of the Board, Senior Executive Vice President, Chief Financial Officer and Chief Investment Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2006, of Opteum Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - a) all significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 19, 2006

/s/ Robert E. Cauley

Name: Robert E. Cauley

Title: Vice Chairman of the Board, Senior Executive Vice President, Chief
Financial Officer and Chief Investment Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Opteum Inc. (the "Company") for the fiscal quarter ended September 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey J. Zimmer, Chairman of the Board, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

December 19, 2006

/s/ Jeffrey J. Zimmer
Jeffrey J. Zimmer
Chairman of the Board, President
and Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Opteum Inc. (the "Company") for the fiscal quarter ended September 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert E. Cauley, Vice Chairman of the Board, Senior Executive Vice President, Chief Financial Officer and Chief Investment Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

December 19, 2006

/s/ Robert E. Cauley
Robert E. Cauley
Vice Chairman of the Board,
Senior Executive Vice President,
Chief Financial Officer and
Chief Investment Officer