

CAPSTEAD MORTGAGE CORP

Form 10-K/A

January 27, 2009

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). (Check one):
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

At June 30, 2007 the aggregate market value of the voting common stock held by nonaffiliates was \$182,500,966.

Number of shares of Common Stock outstanding at March 3, 2008: 49,558,108

DOCUMENTS INCORPORATED BY REFERENCE:

- (1) Portions of the Registrant's Annual Report to Stockholders for the year ended December 31, 2007 are incorporated by reference into Parts I, II and IV.**
 - (2) Portions of the Registrant's definitive Proxy Statement, issued in connection with the 2008 Annual Meeting of Stockholders of the Registrant, are incorporated by reference into Part III.**
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CAPSTEAD MORTGAGE CORPORATION
2007 FORM 10-K/A ANNUAL REPORT
(Amendment No. 2)
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PART I

EXPLANATORY NOTE RECLASSIFYING RESTATEMENT

On January 12, 2009, Capstead Mortgage Corporation (the Company) filed its Amendment No. 1 to Form 10-K, filed on Form 10-K/A, to restate the Company's consolidated statements of income for the three years ending December 31, 2007 to reflect (a) interest income from overnight investments and collateral deposits on interest rate swap agreements with interest income on mortgage securities and similar investments to arrive at total interest income and (b) interest expense from unsecured borrowings with interest expense from repurchase arrangements and similar borrowings in order to reflect a more all-inclusive measure of net interest margin. The reclassifications contained in this restatement do not change the Company's previously reported net income, earnings per share or stockholders' equity for any of the aforementioned periods. In addition, the restatement does not impact the Company's consolidated balance sheets, statements of stockholders' equity or cash flows for the indicated periods.

This Amendment No. 2 to Form 10-K has been filed in order to conform Management's Discussion and Analysis more precisely to the revised presentation on the restated consolidated statements of income. This Amendment No. 2 does not amend or restate the financial statements included in Amendment No. 1.

Management and the Audit Committee of the Board of Directors have discussed these matters with the Company's independent registered public accounting firm, Ernst & Young, LLP.

For the convenience of the reader, this Form 10-K/A only includes those portions of the Company's original Annual Report on Form 10-K for the year ended December 31, 2007 that have been affected by the restatement, with appropriate explanations of the changes made. Exhibit 13 includes the Company's consolidated financial statements, selected financial data, management's discussion and analysis of financial position and results of operations, and related reports and certifications, as restated for the reclassifications described above and in Amendment No. 1 on Form 10-K/A.

ITEM 1. BUSINESS (updated for changes necessitated by the restatement).

Capstead Mortgage Corporation (together with its subsidiaries, Capstead or the Company) formed in 1985 and based in Dallas, Texas, is a self-managed real estate investment trust (REIT) for federal income tax purposes. Capstead's core strategy is managing a leveraged portfolio of residential mortgage securities consisting almost exclusively of ARM securities issued and guaranteed by government-sponsored entities, either Fannie Mae or Freddie Mac, or by an agency of the federal government, Ginnie Mae. Agency-guaranteed residential mortgage securities carry an implied AAA credit rating with limited, if any, credit risk. Capstead may also augment its core portfolio with investments in credit-sensitive commercial real estate-related assets.

For further discussion of the Company's business and financial condition, see the Registrant's Amended Annual Report to Stockholders for the year ended December 31, 2007 on pages 33 through 56, which is incorporated herein by reference.

Regulation and Related Matters

Operating as a REIT that primarily invests in financial assets subjects the Company to various federal regulatory requirements. For further discussion, see the Registrant's Amended Annual Report to Stockholders for the year ended December 31, 2007 on pages 50 through 54, which is incorporated herein by reference.

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Forward-looking Statements

For information on forward-looking statements made in this report, see the Registrant's Amended Annual Report to Stockholders for the year ended December 31, 2007 on page 56, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS (updated for page references to Exhibit 13).

Under the captions "Risk Factors" and "Critical Accounting Policies" on pages 46 through 56 of the Registrant's Amended Annual Report to Stockholders for the year ended December 31, 2007 which is incorporated herein by reference, are discussions of risk factors and critical accounting policies affecting Capstead's financial condition and results of operations that are an integral part of this discussion and analysis. Readers are strongly urged to consider the potential impact of these factors and accounting policies on the Company while reading this document.

ITEM 1B. UNRESOLVED STAFF COMMENTS

With the submission of this Amendment No. 2 on Form 10-K/A, management believes there are no unresolved staff comments relative to the Company's filings with the Commission.

PART II

(updated for changes necessitated by this restatement)

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The information required by this item regarding the market price of, dividends on, and number of holders of the Registrant's common shares is included in the Registrant's Amended Annual Report to Stockholders for the year ended December 31, 2007 on page 28 under the caption "Note 14 Market and Dividend Information," and is incorporated herein by reference. See ITEM 12 for information regarding equity compensation plans. Capstead did not sell any unregistered securities during the past three fiscal years.

ITEM 6. SELECTED FINANCIAL DATA.

The information required by this item is included in the Registrant's Amended Annual Report to Stockholders for the five years ended December 31, 2007 on page 32 under the caption "Selected Financial Data," and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information required by this item is included in the Registrant's Amended Annual Report to Stockholders for the year ended December 31, 2007 on pages 33 through 56 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," and is incorporated herein by reference.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS.

The information required by this item is included in the Registrant's Amended Annual Report to Stockholders for the year ended December 31, 2007 on pages 33 through 56 under the caption Management's Discussion and Analysis of Financial Condition and Results of Operations, and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this item is included in the Registrant's Amended Annual Report to Stockholders for the year ended December 31, 2007 on pages 6 through 30 and page 60, and is incorporated herein by reference.

ITEM 9A. CONTROLS AND PROCEDURES.

The information required by this item is included in the Registrant's Amended Annual Report to Stockholders for the year ended December 31, 2007 on pages 58 and 59 and is incorporated herein by reference.

PART III

(Omitted from this Amendment No. 2)

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Documents filed as part of this report:

1. The following restated consolidated financial statements of the Company, included in the Amended 2007 Annual Report to Stockholders, are incorporated herein by reference:

| | Page |
|--|-------------|
| Consolidated Statements of Income Three Years Ended December 31, 2007 (as Restated) | * |
| Consolidated Balance Sheets December 31, 2007 and 2006 | * |
| Consolidated Statements of Stockholders' Equity Three Years Ended December 31, 2007 | * |
| Consolidated Statements of Cash Flows Three Years Ended December 31, 2007 | * |
| Notes to Consolidated Financial Statements December 31, 2007 | * |
| 2. Financial Statement Schedules All schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted. | |

* *Incorporated herein by reference from the Company's Amended Annual Report to Stockholders for the year ended December 31, 2007, filed herewith as Exhibit 13.*

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3. Exhibits:

Exhibits unaffected by this Amendment No. 1 have been omitted.

**Exhibit
Number**

DESCRIPTION

| | |
|------|--|
| 13 | Portions of the Company's Amended Annual Report to Stockholders for the year ended December 31, 2007.* |
| 23 | Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.* |
| 31.1 | Certification pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.* |
| 31.2 | Certification pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.* |
| 32 | Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* |

* Filed herewith.

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SIGNATURES

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

**CAPSTEAD MORTGAGE
CORPORATION
Registrant**

Date: January 27, 2009

By: /s/ ANDREW F. JACOBS
Andrew F. Jacobs
President and Chief Executive Officer

Date: January 27, 2009

By: /s/ PHILLIP A. REINSCH
Phillip A. Reinsch
Executive Vice President and Chief
Financial Officer (Principal Financial
and Accounting Officer)

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INDEX TO EXHIBITS

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