CAPSTEAD MORTGAGE CORP
Form 424B5
September 27, 2007

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Filed pursuant to Rule 424(b)(5)
Registration No. 333-143390

Prospectus Supplement
(To prospectus dated August 10, 2007)

10,000,000 Shares

Capstead Mortgage Corporation

Common Stock

We are offering 10,000,000 shares of our common stock to be sold in this offering.

Our common stock is subject to certain restrictions on ownership designed to preserve our qualification as a real estate investment trust for federal income tax purposes. See Description of Our Capital Stock on page 3 of the accompanying prospectus.

Our common stock is listed on the New York Stock Exchange under the symbol CMO. The last reported sale price of our common stock on the New York Stock Exchange on September 26, 2007 was $10.21 per share.

Investing in our common stock involves risks that are described under the caption Risk Factors beginning on page S-5.

	Per Share	Total
Public offering price	$ 9.75000	$ 97,500,000
Underwriting discounts and commissions	$ 0.53625	$ 5,362,500
Proceeds, before expenses, to us	$ 9.21375	$ 92,137,500

We have granted the underwriters a 30-day option to purchase up to 1,500,000 additional shares to cover any over-allotments.

The shares will be ready for delivery on or about October 2, 2007.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Book-Running Managers

Bear, Stearns & Co. Inc.

JMP Securities **Keefe, Bruyette & Woods**

RBC Capital Markets

The date of this prospectus supplement is September 26, 2007.

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying base prospectus and the documents incorporated by reference into this prospectus supplement and the base prospectus. The second part, the base prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. Unless otherwise indicated, all information presented in this prospectus supplement assumes that the underwriters option to purchase up to 1,500,000 shares of common stock to cover over-allotments is not exercised.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in or incorporated by reference in this document is accurate only as of the date such information was issued, regardless of the time of delivery of this prospectus supplement or any sale of our common stock.

FORWARD-LOOKING STATEMENTS

In this document, we make forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that inherently involve risks and uncertainties. Our actual results and liquidity can differ materially from those anticipated in these forward-looking statements because of changes in the level and composition of our investments and unforeseen factors. These factors may include, but are not limited to, changes in general economic conditions, the availability of suitable investments from both an investment return and regulatory perspective, the availability of new investment capital, fluctuations in interest rates and levels of mortgage prepayments, deterioration in credit quality and ratings, the effectiveness of risk management strategies, the impact of leverage, liquidity of secondary markets and credit markets, increases in costs and other general competitive factors. In addition to these considerations, actual results and liquidity related to investments in loans secured by commercial real estate are affected by borrower performance under operating or development plans, lessee performance under lease agreements, changes in general as well as local economic conditions and real estate markets, increases in competition and inflationary pressures, changes in the tax and regulatory environment including zoning and environmental laws, uninsured losses or losses in excess of insurance limits and the availability of adequate insurance coverage at reasonable costs, among other factors.

For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, please see the risks set forth under the caption Risk Factors in this prospectus supplement. We do not undertake, and specifically disclaim any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. It may not contain all of the information that is important to you. Before making a decision to invest in our common stock, you should read carefully this entire prospectus supplement and the accompanying prospectus, including the risks set forth under the caption Risk Factors in this prospectus supplement and the information set forth under the caption Where You Can Find More Information on page ii of the accompanying prospectus, as well as the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. This summary is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, appearing elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. All references to we, our and us in this prospectus supplement mean Capstead Mortgage Corporation and all entities owned or controlled by us except where it is made clear that the term means only the parent company. The term you refers to a prospective investor.

Our Company

We are a self-managed real estate investment trust, or REIT, formed in 1985 and based in Dallas, Texas. Our core strategy is managing a leveraged portfolio of residential mortgage securities consisting primarily of adjustable-rate mortgage, or 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, which we refer to collectively as agency securities. Agency securities carry an actual or implied AAA credit rating with limited, if any, credit risk. We also seek to prudently augment our core portfolio with investments in credit-sensitive commercial real estate-related assets. We have elected to be treated as a REIT for federal income tax purposes.

Our Assets

As of June 30, 2007, our assets consisted of a core portfolio of approximately $5.5 billion of residential mortgage securities, with ARM agency securities accounting for approximately 99% of our total portfolio. ARM agency securities that we hold are backed by residential mortgage loans that have coupon interest rates that adjust at least annually to more current interest rates or begin doing so after an initial fixed-rate period. Agency securities carry an actual or implied AAA-rating with limited, if any, credit risk due to Freddie Mac, Fannie Mae or Ginnie Mae guaranteeing payment of the principal or interest related to these securities. We classify our ARM securities based on each security s average number of months until coupon reset, or months-to-roll. Current-reset ARM securities have months-to-roll of 18 months or less while longer-to-reset ARM securities have months-to-roll of greater than 18 months. At June 30, 2007, we had approximately $3.5 billion of current-reset ARM securities, with an average months-to-roll of less than five months, and approximately $2.0 billion of longer-to-reset ARM securities, with an average months-to-roll of approximately 45 months.

Our Borrowings under Repurchase Arrangements

We finance the purchase of our mortgage securities by pledging our interest in the securities as collateral under uncommitted repurchase arrangements with well-established lenders, the terms and conditions of which are negotiated on a transaction-by-transaction basis. Borrowings under repurchase arrangements secured by residential mortgage securities totaled $5.1 billion at June 30, 2007. Our borrowings under repurchase arrangements that support current-reset ARM securities typically have maturities of 30 days or less. We routinely finance a significant portion of our investments in longer-to-reset ARM securities with longer-term repurchase arrangements. Interest rates on 30-day or less borrowings are generally based on one-month London Interbank Offered Rate, or LIBOR, while a corresponding benchmark rate is used for longer-term arrangements. Related terms and conditions are negotiated on a transaction-by-transaction basis. Amounts available to be borrowed under these arrangements are dependent upon collateral requirements of our lenders and the fair value of the securities pledged as collateral, which fluctuates with changes in interest rates, credit quality and liquidity conditions within the investment banking, mortgage finance and real estate industries.

We expect to maintain a ratio of debt-to-long-term investment capital, or leverage ratio, of between 8:1 and 12:1. The ratio may vary from time to time depending upon investment opportunities, market conditions and other factors such as the size and composition of our investment portfolio. For purposes of calculating this ratio, our long-term investment capital employed to support our investments is considered equal to the value of our investment portfolio on a mark-to-market basis, less the book value of our obligations under repurchase arrangements. At June 30, 2007, our leverage ratio was 11.5:1.

Utilization of Long-Term Investment Capital and Potential Liquidity

We finance a majority of our holdings of residential mortgage securities with well-established lenders using repurchase arrangements. The balance of our portfolio is supported by our long-term investment capital, which totaled $445 million as of June 30, 2007, consisting of $345 million in preferred and common equity capital as well as $100 million in long-term unsecured borrowings, net of our investment in related statutory trusts accounted for as unconsolidated affiliates. We generally use our available liquidity to pay down borrowings under repurchase arrangements, which reduces our borrowing costs, and to otherwise efficiently manage our long-term investment capital. Potential liquidity is affected by, among other things, changes in market value of assets pledged; principal prepayments; collateral requirements of our lenders; and general conditions in the investment banking, mortgage finance and real estate industries.

Our Business Strategy

Our principal business objective is to invest in a leveraged portfolio of ARM agency securities that can earn attractive returns over the long term, while reducing, but not eliminating, sensitivity to changes in interest rates. Agency securities carry an actual or implied AAA credit rating, with limited, if any, credit risk. To achieve this business objective, our strategies include:

- Acquiring primarily ARM agency securities backed by mortgage loans with coupon interest rates that reset at least annually or begin doing so after an initial fixed-rate period of typically five years or less;

- Financing our investments primarily with repurchase arrangements with well-established lenders, with the balance being supported by our long-term investment capital; and

- Financing purchases of additional ARM agency securities with the proceeds of this offering and utilizing leverage to increase potential returns to stockholders using similar borrowing arrangements.

Over time we may opportunistically invest a portion of our investment capital in credit-sensitive commercial real estate-related assets, including subordinate commercial real estate loans with the business objective of earning attractive risk-adjusted returns and providing earnings support during periods of rising short-term interest rates.

Recent Developments

During 2007, increasing subprime residential mortgage delinquencies heightened investor concerns regarding risks associated with securities backed by subprime residential mortgage loans as well as other asset-backed securities, particularly other residential mortgage-backed securities and collateralized debt obligations not guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. As a consequence, the values of nearly all subprime residential mortgage-backed securities and collateralized debt obligations have decreased significantly, regardless of ratings originally assigned by rating agencies, as investor interest for these securities has greatly diminished. As a consequence, many holders of these securities incurred asset impairments, losses on asset sales and losses from forced liquidations. Although our investment portfolio is not comprised of the types of securities at the center of the recent market turmoil, the distressed sales of these securities have placed downward pressure on market values of all residential mortgage-backed securities, including agency securities such as those that comprise the majority of our portfolio.

In addition, lenders have become more cautious in providing financing of agency collateral through repurchase agreements, impacting the amounts, terms and other conditions including margin requirements associated with these financings. In August, we began reducing our residential mortgage securities portfolio through asset sales, portfolio runoff and reduced portfolio acquisitions in order to prudently reduce our leverage in light of these conditions. Provided conditions in the credit markets do not deteriorate further, we anticipate reporting gross asset sales of approximately $809 million during the third quarter of 2007 with related losses totaling approximately $8 million, consisting of $6 million in direct losses on asset sales and $2 million in losses resulting from settling related longer-dated repurchase arrangements. After considering portfolio runoff and quarter-to-date acquisitions, we anticipate ending the third quarter with a residential mortgage securities portfolio of approximately $4.7 billion.

While the current environment has created opportunities to deploy the proceeds of this offering into attractively-priced ARM agency securities, it has also resulted in a decline in our book value per common share both through the above-mentioned realized losses and through lower market values on our remaining portfolio. Additionally, a rally in the U.S. Treasury market has led to a decline in the market value of our longer-dated repurchase arrangements, which is excluded from the calculation of book value per common share. In normal market conditions, this decline in value would tend to be offset by higher pricing on our longer-to-reset ARM securities.

In addition, we have experienced higher interest rates on our 30-day borrowings due primarily to an increase in one-month LIBOR, resulting in diminished financing spreads (the difference between the yields earned on our investments and interest rates charged on related borrowings). We would anticipate improvements in financing spreads if this current period of turmoil in the credit markets subsides. Additionally, we believe the Federal Reserve Open Market Committee s recent action to reduce the federal funds rate should be beneficial to our financing spreads.

On September 13, 2007, we declared a dividend of $0.04 per share on our common stock for the third quarter of 2007. This dividend will be paid on October 19, 2007 to common stockholders of record as of September 28, 2007. Additionally, during the third quarter of 2007, we declared our fixed monthly dividend of $0.105 per Series B preferred share on July 5, August 3 and September 4. The July and August dividends were paid on July 31 and August 31, respectively, and the September dividend will be paid on September 28. Also on September 4, 2007, we declared our fixed quarterly dividend of $0.40 per Series A preferred share which will be paid on September 28, 2007.

Compliance with REIT Requirements and Investment Company Act of 1940

We have elected to be treated as a REIT for U.S. federal income tax purposes. In order to maintain our qualification as a REIT, we must comply with a number of requirements under U.S. federal income tax law that are discussed under Federal Income Tax Consequences of Our Status as a REIT in the accompanying prospectus. If we fail to maintain our qualification as a REIT, we would be subject to U.S. federal income tax, which could have an adverse impact on our business. In addition, we at all times intend to conduct our business so as to maintain our exempt status under, and not to become regulated as an investment company for purposes of, the Investment Company Act of 1940, as amended, or the Investment Company Act. If we fail to maintain our exempt status under the Investment Company Act, we would be unable to conduct our business as described in this prospectus supplement and the accompanying prospectus.

Corporate Information

Our principal executive offices are located at 8401 North Central Expressway, Suite 800, Dallas, Texas 75225. Our telephone number is (214) 874-2323. Our website is http://www.capstead.com. The contents of our website are not a part of this prospectus supplement or the accompanying prospectus. Our shares of common stock are traded on the

New York Stock Exchange, or NYSE, under the symbol CMO.

The Offering

Issuer	Capstead Mortgage Corporation.
Common stock offered by us	10,000,000 shares.
Common stock to be outstanding after this offering	29,393,161 shares, based upon 19,393,161 shares of common stock outstanding as of September 26, 2007.
NYSE symbol	CMO.
Use of proceeds	We intend to use the net proceeds of this offering to finance purchases of additional ARM agency securities, on a leveraged basis, and for general corporate purposes.
Risk factors	An investment in our common stock involves various risks. You should carefully consider these and other matters discussed under Risk Factors prior to making an investment in us.

Unless otherwise indicated, all offering information in this prospectus supplement is based on the number of shares of common stock and number of options to purchase shares of common stock outstanding as of September 26, 2007. Unless otherwise indicated, that number of shares of common stock does not include (i) 1,500,000 shares of common stock that may be issued if the underwriters over-allotment option is exercised in full, (ii) 1,020,032 shares of our common stock issuable upon the exercise of outstanding options granted pursuant to our long-term incentive plan or (iii) 9,777,009 shares of our common stock issuable upon the conversion of our Series A and Series B Preferred Stock.

RISK FACTORS

An investment in our common stock involves various risks. You should carefully consider the following risk factors in conjunction with the other information contained in this prospectus supplement and the accompanying prospectus, as well as in documents incorporated herein and therein by reference, before purchasing our common stock. The risks discussed in this prospectus supplement can adversely affect our business, liquidity, operating results, prospects and financial condition, causing the market price of our common stock to decline, which could cause you to lose all or part of your investment. The risk factors described below are not the only risks that may affect us. Additional risks and uncertainties not presently known to us also may adversely affect our business, liquidity, operating results, prospects and financial condition.

Risks Related to Our Business

Periods of illiquidity in the mortgage markets may reduce amounts available to be borrowed under our repurchase arrangements, which could negatively impact our financial condition and earnings. We finance our mortgage securities by pledging mortgage securities as collateral under uncommitted repurchase arrangements, the terms and conditions of which are negotiated on a transaction-by-transaction basis. The amount borrowed under a repurchase arrangement is limited to a percentage of the estimated market value of the pledged collateral and is specified at the inception of the transaction. The portion of the pledged collateral held by the lender that is not advanced under the repurchase arrangement is deemed the margin collateral and is required to be maintained throughout the term of the borrowing. As a result of a decrease in the value of the pledged collateral, we may be subject to margin calls wherein the lender requires us to pledge additional collateral to reestablish the agreed-upon margin percentage. Because market illiquidity tends to put downward pressure on asset prices, we may be presented with substantial margin calls during such periods. If we are unable or unwilling to pledge additional collateral, our lenders can liquidate our collateral, potentially under adverse market conditions, resulting in losses. At such times we may determine that it is prudent to sell assets to improve our ability to pledge sufficient collateral to support our remaining borrowings, which could result in losses.

Periods of rising interest rates may reduce amounts available to be borrowed under our repurchase arrangements, which could negatively impact our financial condition and earnings. Because rising interest rates tend to put downward pressure on asset prices, we may be presented with substantial margin calls during such periods. If we are unable or unwilling to pledge additional collateral, our lenders can liquidate our collateral, potentially under adverse market conditions, resulting in losses. At such times we may determine it is prudent to sell assets to improve our ability to pledge sufficient collateral to support our remaining borrowings, which could result in losses.

If we are unable to negotiate favorable terms and conditions on future repurchase arrangements with one or more of our counterparties, our financial condition and earnings could be negatively impacted. The terms and conditions of each repurchase arrangement are negotiated on a transaction-by-transaction basis, and these borrowings generally are renewed, or rolled, at maturity. Key terms and conditions of each transaction include interest rates, maturity dates, asset pricing procedures and margin requirements. We cannot assure you that we will be able to continue to negotiate favorable terms and conditions on our future repurchase arrangements. Also, during periods of market illiquidity or due to perceived credit quality deterioration of the collateral pledged, a lender may require that less favorable asset pricing procedures be employed or the margin requirement be increased. Under these conditions, we may determine it is prudent to sell assets to improve our ability to pledge sufficient collateral to support our remaining borrowings, which could result in losses.

Most of our borrowings under repurchase arrangements support our holdings of current-reset ARM securities and routinely have maturities of 30 days or less. Interest rates on these borrowings are generally based on one-month

LIBOR. Borrowings under longer-term repurchase arrangements that support our holdings of longer-to-reset ARM securities are generally based on a corresponding longer-term benchmark rate. Our ability to achieve our investment objectives depends on our ability renew or replace maturing borrowings on a continuous basis. If we are not able to renew or replace maturing borrowings, we would be forced to sell some of our assets under possibly adverse market conditions, which may adversely affect our profitability.

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This risk is increased if we rely significantly on a small number of counterparties for our repurchase arrangements. As of June 30, 2007, three counterparties accounted for 55% of our total outstanding borrowings pursuant to repurchase arrangements. As of the same date our largest single repurchase arrangement counterparty (Cantor Fitzgerald & Company) accounted for $1.6 billion in repurchase arrangements that had an average maturity of 18 months.

Our use of repurchase arrangements to borrow money may give our lenders greater rights in the event of bankruptcy. Borrowings made under repurchase arrangements may qualify for special treatment under the U.S. Bankruptcy Code. This may make it difficult for us to recover our pledged assets if a lender files for bankruptcy. In addition, if we ever file for bankruptcy, lenders under our repurchase arrangements may be able to avoid the automatic stay provisions of the U.S. Bankruptcy Code and take possession of, and liquidate, our collateral under these arrangements without delay.

We may sell assets for various reasons, including a change in our investment focus, which could increase earnings volatility. We may periodically sell assets to enhance our liquidity during periods of market illiquidity or rising interest rates, as discussed above. Additionally we may change our investment focus requiring us to sell some portion of our existing investments. Transactional gains or losses resulting from any such asset sales, or from settling any related longer-dated repurchase arrangements, will likely increase our earnings volatility.

Changes in interest rates, whether increases or decreases, may adversely affect our earnings. Our earnings currently depend primarily on the difference between the interest we receive on our mortgage securities and the interest we pay on our related borrowings. As of June 30, 2007, approximately 71% of our borrowings were based on one-month LIBOR, an index that reflects prevailing short-term interest rates. Because only a portion of the ARM loans underlying our securities reset each month and the term of these ARM loans generally limit the amount of any increases during any single interest rate adjustment period and over the life of a loan, in a rising short-term interest rate environment, interest rates on related borrowings can rise to levels that may exceed yields on these securities, contributing to lower or even negative financing spreads and adversely affecting earnings. At other times, during periods of relatively low short-term interest rates, declines in the indices used to reset ARM loans may negatively affect yields on our ARM securities as the underlying ARM loans reset at lower rates. If declines in these indices exceed declines in our borrowing rates, our earnings would be adversely affected.

An increase in prepayments may adversely affect our earnings. When short- and long-term interest rates are at nearly the same levels (i.e., a flat yield curve environment), or when long-term interest rates decrease, the rate of principal prepayments on mortgage loans underlying residential mortgage securities generally increases. Prolonged periods of high mortgage prepayments can significantly reduce the expected life of these investments; therefore, the actual yields we realize can be lower due to faster amortization of investment premiums.

The lack of availability of suitable investments at attractive pricing may adversely affect our earnings. To the extent the proceeds from prepayments on our mortgage investments are not reinvested or cannot be reinvested at a rate of return at least equal to the rate previously earned on those investments, our earnings may be adversely affected. We cannot assure you that we will be able to acquire suitable investments at attractive pricing and in a timely manner to replace portfolio runoff as it occurs or that we will maintain the current composition of our investments, consisting primarily of ARM agency securities.

We may invest in derivatives to mitigate our interest rate risk on our mortgage investments and borrowings, which may negatively affect our liquidity, financial condition or earnings. Although we did not own any derivative financial instruments such as interest rate caps or swaps as of June 30, 2007, we may invest in such instruments from time to time with the goal of achieving more stable financing spreads on a portion of our mortgage investment portfolio. However, these activities may not have the desired beneficial impact on our liquidity, financial condition or earnings. For instance, the pricing of assets being hedged and the pricing of the related derivatives may deteriorate at the same time leading to margin calls on both the hedged assets and the derivatives, negatively impacting our liquidity. Should we be required to sell or assign derivatives in such a situation, we may incur losses. No such derivative activity can completely insulate us from the risks associated with changes in interest rates and prepayment rates.

We may be unable to invest the net proceeds raised on acceptable terms or at all, which could affect our earnings. We will have broad authority to use the net proceeds from any sale of our common stock pursuant to this prospectus supplement and accompanying prospectus to either invest in additional mortgage securities on a leveraged basis or provide additional liquidity to us for paying any margin calls that may be made by our repurchase arrangement counterparties. We cannot assure that we will be able to use the proceeds to invest in additional mortgage related assets or that mortgage-related assets that meet our investment criteria will be available for us to purchase at attractive prices.

We are dependent on our executives and employees and the loss of one or more of our executive officers could harm our business and our prospects. As a self-managed REIT, we are dependent on the efforts of our key officers and employees, most of whom have significant experience in the mortgage industry. Although all of our named executive officers and many of our other employees, with the exception of our Director of Commercial Mortgage Investments, are parties to severance agreements, our key officers and employees are not subject to employment agreements with non-compete clauses, nor have we acquired key man life insurance policies on any of these individuals. The loss of any of their services could have an adverse effect on our operations.

Potential requirements to adopt generally accepted accounting principles for investment companies may increase our earnings volatility. Under current generally accepted accounting principles, most of our investments are recorded at fair value on our balance sheet with resulting changes in fair value reported in other comprehensive income, not on the income statement as a component of net income and earnings per share. Beginning on January 1, 2008, we may be required to begin reporting changes in fair value of our investments in earnings which would likely increase volatility of our reported earnings and earnings per share.

Commercial mortgage investments may expose investors to greater risks of loss than investments in residential mortgage securities. Commercial mortgage securities are typically secured by a relatively small pool of loans and individual commercial mortgage loans typically have a single obligor. The repayment of a loan secured by an income-producing property is typically dependent upon the successful operation of the related real estate project and the ability of the applicable property to produce net operating income rather than upon the liquidation value of the underlying real estate. The repayment of loans secured by development properties is typically dependent upon the successful development of the property for its intended use and (a) the subsequent lease-up such that the development becomes a successful income-producing property or (b) the subsequent sale of some or all of the property for adequate consideration. In the event cash flows from operating or developing a commercial property are insufficient to cover all debt service requirements, junior liens generally absorb the shortfall. As a result, declines in current or anticipated cash flows, among other factors, can lead to declines in value of the underlying real estate large enough that the aggregate outstanding balances of senior and junior liens could exceed the value of the real estate. In the event of default, the junior lienholder may need to make payments on the senior loans to preserve its rights to the underlying real estate and prevent foreclosure. Because the senior lienholders generally have priority on proceeds from liquidating the underlying real estate, junior lienholders may not recover all or any of their investment.

Additionally, we may leverage our commercial mortgage investments through the use of secured borrowing arrangements, the availability of which is predicated on the fair value of the underlying collateral. Similar to investments in residential mortgage securities financed with repurchase arrangements, declines in the value of this collateral could lead to increased margin calls, or loss of financing altogether, reducing our liquidity and potentially leading to losses from the sale of our investments under adverse market conditions.

Risks Related to Our Status as a REIT and Other Tax Matters

If we do not qualify as a REIT, we will be subject to tax as a regular corporation and face substantial tax liability. We have elected to be taxed as a REIT for federal income purposes and intend to continue to so qualify. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only a limited number of judicial or administrative interpretations exist. Even a

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technical or inadvertent mistake could jeopardize our REIT status. Furthermore, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT. If we fail to qualify as a REIT in any tax year, then:

We would be taxed as a regular domestic corporation, which, among other things, means that we would be unable to deduct dividends paid to our stockholders in computing taxable income and would be subject to federal income tax on our taxable income at regular corporate rates.

Any resulting tax liability could be substantial and would reduce the amount of cash available for distribution to stockholders, and we would not be required to make distributions of our income.

Unless we were entitled to relief under applicable statutory provisions, we would be disqualified from treatment as a REIT for the subsequent four taxable years following the year during which we lost our qualification, and, thus, our cash available for distribution to stockholders would be reduced for each of the years during which we did not qualify as a REIT.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our earnings. Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets.

For example:

We will be required to pay tax on any undistributed REIT taxable income.

We may be required to pay the alternative minimum tax on our items of tax preference.

We may operate taxable REIT subsidiaries that are required to pay taxes on any taxable income earned.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities. To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts that we distribute to our stockholders, and the ownership of our stock. We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Complying with REIT requirements may limit our ability to hedge effectively. The REIT provisions of the Internal Revenue Code may limit our ability to hedge mortgage securities and related borrowings by requiring us to limit our income in each year from qualified hedges, together with any other income not generated from qualified real estate assets, to no more than 25% of our gross income. In addition, we must limit our aggregate income from nonqualified hedging transactions, from providing certain services, and from other non-qualifying sources to not more than 5% of our annual gross income. As a result, we may have to limit our use of advantageous hedging techniques. This could result in greater risks associated with changes in interest rates than we would otherwise want to incur. If we were to violate the 25% or 5% limitations, we may have to pay a penalty tax equal to the amount of gross income in excess of those limitations, multiplied by a fraction intended to reflect our profitability. If we fail to satisfy the REIT gross income tests, unless our failure was due to reasonable cause and not due to willful neglect, we could lose our REIT status for federal income tax purposes.

Complying with REIT requirements may force us to liquidate otherwise attractive investments. To qualify as a REIT, we must also ensure that at the end of each calendar quarter at least 75% of the value of our assets consists of cash, cash items, United States government securities and qualified REIT real estate assets. The remainder of our investments in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 20% of the value of our total securities can be represented by securities of one or more taxable REIT subsidiaries. If we fail to comply with these requirements at the end of any calendar quarter, we must correct such failure within 30 days after the end of the calendar quarter to avoid losing our REIT status and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments.

Complying with REIT requirements may force us to borrow to make distributions to stockholders. As a REIT, we must distribute at least 90% of our annual taxable income (subject to certain adjustments) to our stockholders. To the extent that we satisfy the distribution requirement, but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under the federal tax laws. From time to time, we may generate taxable income greater than our net income for financial reporting purposes or our taxable income may be greater than our cash flow available for distribution to stockholders. If we do not have other funds available in these situations, we could be required to borrow funds, sell investments at disadvantageous prices or find another alternative source of funds to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our stockholders equity.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our securities. At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may change. Any such changes in laws or interpretations thereof may apply retroactively and could adversely affect us or you as a stockholder. On May 28, 2003, the President signed the Jobs and Growth Tax Relief Reconciliation Act of 2003, which we refer to as the Jobs and Growth Tax Act. Effective for taxable years beginning after December 31, 2002, the Jobs and Growth Tax Act reduced the maximum rate of tax applicable to individuals on dividend income from regular C corporations from 38.6% to 15.0%. This reduced substantially the so-called double taxation (that is, taxation at both the corporate and stockholder levels) that has generally applied to corporations that are not taxed as REITs. Generally, dividends from REITs will not qualify for the dividend tax reduction. The implementation of the Jobs and Growth Tax Act could ultimately cause individual investors to view stocks of non-REIT corporations as more attractive relative to shares of REITs than was the case previously because the dividends paid by non-REIT corporations would be subject to lower tax rates for the individual. We cannot predict whether in fact this will occur or, if it occurs, what the impact will be on the value of our securities.

Your investment in our securities has various federal, state and local income tax risks that could affect the value of your investment. Although the provisions of the Internal Revenue Code relevant to your investment in our common stock are generally described in Federal Income Tax Consequences of Our Status as a REIT, we strongly urge you to consult your own tax advisor concerning the effects of federal, state and local income tax law on an investment in our common stock, because of the complex nature of the tax rules applicable to REITs and their stockholders.

Risk Factors Related to Our Corporate Structure

There are no assurances of our ability to pay dividends in the future. We intend to continue paying quarterly dividends and to make distributions to our stockholders in amounts such that all or substantially all of our taxable income in each year, subject to certain adjustments, is distributed. This, along with other factors, should enable us to qualify for the tax benefits accorded to a REIT under the Internal Revenue Code. However, our ability to pay dividends may be adversely affected by the risk factors described in this prospectus supplement. All distributions will be made at the discretion of our board of directors and will depend upon our earnings, our financial condition, maintenance of our REIT status and such other factors as our board of directors may deem relevant from time to time. There are no assurances of our ability to pay dividends in the future. In addition, some of our distributions may include a return of capital.

Failure to maintain an exemption from the Investment Company Act would adversely affect our results of operations. The Investment Company Act exempts from regulation as an investment company any entity that is primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on, and interests in, real estate. We believe that we conduct our business in a manner that allows us to avoid registrations as an investment company under the Investment Company Act. If it were to be regulated as an investment company, our ability to use leverage would be substantially reduced and it would be unable to conduct business as described in this prospectus supplement.

The Securities and Exchange Commission, or SEC, staff s position generally requires us to maintain at least 55% of our assets directly in qualifying real estate interests to be able to be exempted from regulation as an investment company. To constitute a qualifying real estate interest under this 55% requirement, a real estate interest must meet various criteria. In satisfying this 55% requirement, we may treat mortgage-backed securities issued with respect to an underlying pool to which we hold all issued certificates as qualifying real estate interests. Mortgage securities that do not represent all of the certificates issued with respect to an underlying pool of mortgages may be treated as securities separate from the underlying mortgage loans and, thus, may not qualify for purposes of the 55% requirement. If the SEC or its staff adopts a contrary interpretation of its current treatment, we could be required to sell a substantial amount of our securities or other non-qualified assets under potentially adverse market conditions. Further, there are no assurances that efforts to pursue our intended investment program will not be adversely affected by operation of these rules.

Pursuant to our charter, our board of directors has the ability to limit ownership of our capital stock, to the extent necessary to preserve our REIT qualification. For the purpose of preserving our REIT qualification, our charter gives our board of directors the ability to repurchase outstanding shares of our capital stock from existing shareholders if the directors determine in good faith that the concentration of ownership by such individuals, directly or indirectly, would cause us to fail to qualify or be disqualified as a REIT. Constructive ownership rules are complex and may cause the outstanding stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of outstanding stock by an individual or entity could cause that individual or entity to own constructively a greater concentration of our outstanding stock than is acceptable for REIT purposes, thereby giving our board of directors the ability to repurchase any excess shares.

Because provisions contained in Maryland law and our charter may have an anti-takeover effect, investors may be prevented from receiving a control premium for their shares. Provisions contained in our charter and Maryland general corporation law may have effects that delay, defer or prevent a takeover attempt, which may prevent stockholders from receiving a control premium for their shares. For example, these provisions may defer or prevent tender offers for our common stock or purchases of large blocks of our common stock, thereby limiting the opportunities for our stockholders to receive a premium for their common stock over then-prevailing market prices. These provisions include the following:

Repurchase Rights: The repurchase rights granted to our board of directors in our charter limits related investors, including, among other things, any voting group, from owning common stock if the concentration owned would jeopardize our REIT status.

Classification of preferred stock: Our charter authorizes our board of directors to issue preferred stock in one or more classes and to establish the preferences and rights of any class of preferred stock issued. These actions can be taken without soliciting stockholder approval. The issuance of preferred stock could have the effect of delaying or preventing someone from taking control of us, even if a change in control were in our stockholders best interests.

Maryland statutory law provides that an act of a director relating to or affecting an acquisition or a potential acquisition of control of a corporation may not be subject to a higher duty or greater scrutiny than is applied to any other act of a director. Hence, directors of a Maryland corporation are not required to act in takeover situations under the same standards as apply in Delaware and other corporate jurisdictions.

We may change our policies without stockholder approval. Our board of directors and management determine all of our policies, including our investment, financing and distribution policies and may amend or revise these policies at any time without a vote of our stockholders. Policy changes could adversely affect our financial condition, results of operations, the market price of our common stock and/or preferred stock or our ability to pay dividends or distributions.

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USE OF PROCEEDS

We expect that the net proceeds to us from this offering of our common stock (after deducting underwriting discounts and commissions and estimated offering expenses) will be approximately $92 million ($106 million if the underwriters over-allotment option is exercised in full) calculated at the offering price of $9.75 per share. We intend to use the net proceeds from this offering to purchase additional ARM agency securities, on a leveraged basis, and for general corporate purposes.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2007 on a historical basis and as adjusted for the sale of 10,000,000 shares of our common stock at an offering price per share, net of the underwriters discounts and commissions of $9.21375. This presentation should be read in conjunction with our more detailed information contained in the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and in our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007, which are incorporated by reference into the accompanying prospectus and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and in our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007, which are incorporated by reference into the accompanying prospectus.

	As of June 30, 2007	
	Actual	**As Adjusted**
	(Unaudited) (In thousands, except share data)	
Debt		
Repurchase arrangements and similar borrowings	$ 5,115,170	$ 5,115,170
Unsecured borrowings	103,095	103,095
Total Debt	$ 5,218,265	$ 5,218,265
Stockholders Equity:		
Preferred stock $0.10 par value; 100,000 shares authorized:		
$1.60 Cumulative Preferred Stock, Series A, 202 shares issued and outstanding	$ 2,828	$ 2,828
$1.26 Cumulative Convertible Preferred Stock, Series B 15,819 shares issued and outstanding	176,705	176,705
Common stock $0.01 par value; 100,000 shares authorized:		
19,392 shares issued and outstanding, actual, and 29,392 issued and outstanding, as adjusted(1)	194	294
Paid-in capital	498,208	589,896
Accumulated deficit	(352,809)	(352,809)
Accumulated other comprehensive income	19,522	19,522
Total Stockholders Equity	$ 344,648	$ 436,436
Total Capitalization	**$ 5,562,913**	**$ 5,654,701**

(1) Reflects the consummation of this offering of 10,000,000 shares at an offering price of $9.75 per share. Does not include up to an additional 1,500,000 shares of our common stock that we may issue and sell upon the exercise of the underwriters over-allotment option and excludes 700 shares of our common stock issued after June 30, 2007 in at-the-market transactions through our controlled equity offering program.

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OUR COMPANY

Overview

We operate as a self-managed REIT for federal income tax purposes and are based in Dallas, Texas. We earn income from investing our long-term investment capital in real estate-related securities on a leveraged basis. Our investments currently consist primarily of a portfolio of residential ARM mortgage 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 securities carry an actual or implied AAA rating with limited, if any, credit risk.

The size and composition of our investment portfolio depends on investment strategies being implemented by our management team, the availability of investment capital and overall market conditions, including the availability of attractively priced investments.

Our Assets

As of June 30, 2007, our residential mortgage securities portfolio consisted primarily of ARM agency securities. Our ARM securities are backed by residential mortgage loans that have coupon interest rates that adjust at least annually to more current interest rates or begin doing so after an initial fixed-rate period. We classify our ARM securities based on each security s average number of months until coupon reset, or months-to-roll. Current-reset ARM securities have months-to-roll of 18 months or less while longer-to-reset ARM securities have months-to-roll of greater than 18 months. Investments in non-agency securities, which totaled approximately $41 million as of June 30, 2007, consisted of seasoned private mortgage pass-through securities in which the related credit risk of the underlying loans is borne directly by us or by AAA-rated private mortgage insurers. We generally finance the purchase of our mortgage securities under repurchase arrangements with lenders pursuant to which we pledge specific securities as collateral. As of June 30, 2007, our ARM securities featured the following average current and fully-indexed weighted average coupon rates, net of servicing and other fees, or WAC, net margins over related indexes, periodic and lifetime limits, referred to as caps, and months-to-roll (dollars in thousands):

ARM Type	Basis[(1)]	Net WAC	Fully Indexed WAC	Average Net Margins	Average Periodic Caps	Average Lifetime Caps	Months to Roll
Current-reset ARMs:							
Agency Securities:							
Fannie Mae/Freddie Mac	$ 2,825,534	6.34%	6.76%	1.85%	4.18%	10.64%	4.4
Ginnie Mae	625,777	5.66	6.41	1.54	1.00	9.88	5.5
Non-agency Securities	26,084	7.22	7.49	2.11	1.69	11.30	5.8
	3,477,395	6.22	6.70	1.80	3.59	10.51	4.6
Longer-to-reset ARMs:							
Agency Securities:							
Fannie Mae/Freddie Mac	1,955,460	6.25	7.14	1.79	3.78	12.01	45.5
	$ 5,432,855	6.23	6.86	1.79	3.66	11.05	19.3

(1) Basis represents our investment before unrealized gains and losses.

As of June 30, 2007, we also had approximately $6 million of collateral for structured financings in our portfolio, which consisted of non-agency securities pledged to related securitizations. The related credit risk for these assets is borne by bondholders of the securitization to which the collateral is pledged. Also as of June 30, 2007, we had committed approximately $10 million to commercial real estate-related assets, consisting of subordinated mortgage loans or mezzanine debt supported by interests in commercial real estate, including a $7 million investment in a subordinate commercial loan limited partnership and several loans

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totaling less than $3 million to a Dallas, Texas-based developer. These commercial loans are subordinate loans that carry credit risk associated with specific commercial real estate collateral.

The following yield and cost analysis illustrates results achieved during the second quarter of 2007 for our mortgage securities and similar investments (dollars in thousands):

	2nd Quarter Average			As of June 30, 2007	
	Basis(1)	Yield/Cost(1)	Runoff(1)	Premiums	Basis(1)
Agency Securities:					
Fannie Mae/Freddie Mac:					
Fixed-rate	$ 15,294	6.36%	24%	$ 43	$ 14,697
ARMs	4,722,469	5.56	29	65,873	4,780,994
Ginnie Mae ARMs	657,306	5.45	36	2,698	625,777
	5,395,069	5.55	30	68,614	5,421,468
Non-agency Securities:					
Fixed-rate	15,754	6.91	34	28	14,901
ARMs	27,561	6.58	37	242	26,084
	43,315	6.70	36	270	40,985
Commercial loans	2,838	18.00			2,881
Collateral for structured financings	5,701	7.96	2	89	5,727
	$ 5,446,923	5.57	30	$ 68,973	$ 5,471,061
Related borrowings:					
30-day LIBOR	$ 3,652,138	5.29			$ 3,629,770
Greater than 30-day LIBOR	1,438,464	4.98			1,479,673
Structured financings	5,701	7.96			5,727
	$ 5,096,303	5.21			$ 5,115,170
Capital employed/financing spread	$ 350,620	0.36			$ 355,891

(1) Basis represents our investment before unrealized gains and losses. Asset yields, runoff rates, borrowing rates and resulting financing spread are presented on an annualized basis.

Our Borrowings under Repurchase Arrangements

We generally pledge our residential mortgage securities as collateral under uncommitted repurchase arrangements with well-established lenders, the terms and conditions of which are negotiated on a transaction-by-transaction basis. Our borrowings under repurchase arrangements that support current-reset ARM securities typically have maturities of 30 days or less. We routinely finance a significant portion of our investments in longer-to-reset ARM securities with longer-term repurchase arrangements. Interest rates on 30 days or less borrowings are generally based on one-month

LIBOR while a corresponding benchmark rate is used for longer-term arrangements. Amounts available to be borrowed under these arrangements are dependent upon collateral requirements of our lenders and the fair value of the securities pledged as collateral, which fluctuates with changes in interest rates, credit quality and liquidity conditions within the investment banking, mortgage finance and real estate industries.

We generally expect to maintain a leverage ratio of between 8:1 and 12:1. The ratio may vary from time to time depending upon investment opportunities, market conditions and other factors such as the size and composition of our investment portfolio. For purposes of calculating this ratio, our long-term investment capital employed to support our investments is considered equal to the value of our investment portfolio on a mark-to-market basis, less the book value of our obligations under repurchase arrangements. At June 30, 2007, our leverage ratio was 11.5:1.

Utilization of Long-Term Investment Capital and Potential Liquidity

As described above, we finance a majority of our holdings of residential mortgage securities with well-established lenders using repurchase arrangements. The balance of our portfolio is supported by our long-term investment capital, which totaled $445 million as of June 30, 2007, consisting of $345 million in preferred and common equity capital as well as $100 million in long-term unsecured borrowings, net of our investment in related statutory trusts accounted for as unconsolidated affiliates. We generally use our available liquidity to pay down borrowings under repurchase arrangements to reduce borrowing costs and otherwise efficiently manage our long-term investment capital. Potential liquidity is affected by, among other things, changes in market value of assets pledged; principal prepayments; collateral requirements of our lenders; and general conditions in the investment banking, mortgage finance and real estate industries.

Our utilization of long-term investment capital and potential liquidity were as follows as of June 30, 2007 in comparison with December 31, 2006 (in thousands):

	Investments(1)	Related Borrowings	Capital Employed(1)	Potential Liquidity(1)
Residential mortgage securities	$ 5,487,568	$ 5,115,170	$ 372,398	$ 212,208
Commercial real estate-related assets:				
Commercial loans	2,881		2,881	
Investment in commercial loan partnership	7,406		7,406	60
	$ 5,497,855	$ 5,115,170	382,685	212,268
Other assets, net of other liabilities			62,738	6,560
Second quarter common dividend			(775)	(775)(2)
			$ 444,648	$ 218,053
Balances as of December 31, 2006	$ 5,269,355	$ 4,876,134	$ 439,962	$ 226,330

(1) Investments are stated at carrying amounts on our balance sheet. Potential liquidity is based on maximum amounts of borrowings available under existing uncommitted repurchase arrangements considering the fair value of related collateral as of the indicated dates adjusted for other sources (uses) of liquidity such as unrestricted cash and cash equivalents, cash flow (requirements) distributions from the commercial loan partnership and dividends payable.

(2) The second quarter 2007 common dividend was declared June 14, 2007 and paid July 20, 2007 to stockholders of record as of June 29, 2007.

To prudently and efficiently manage our liquidity and capital resources, we strive to maintain sufficient liquidity reserves in the form of potential liquidity to fund margin calls (requirements to pledge additional collateral or pay down borrowings) required by monthly principal payments (that are not remitted to us for 20 to 45 days after any given month-end) and potential declines in the market value of pledged assets under stressed market conditions.

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SELECTED FINANCIAL INFORMATION

The selected financial information set forth below is derived from our audited consolidated financial statements for the fiscal years ended December 31, 2006, 2005, 2004, 2003 and 2002 and our unaudited consolidated financial statements for the six months ended June 30, 2007 and 2006 (in thousands, except for share and per share data). The following selected financial information should be read in conjunction with our more detailed information contained in the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and in our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007, which are incorporated by reference into the accompanying prospectus and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and in our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007, which are incorporated by reference into the accompanying prospectus.

	As of or for the Six Months Ended June 30,		As of or for the Years Ended December 31,				
	2007	**2006**	**2006**	**2005**	**2004**	**2003**	**2002**
ted statement of income and per data:							
gage securities and similar investments:							
st income	$ 147,937	$ 110,275	$ 242,859	$ 130,333	$ 91,121	$ 119,444	$ 264,
st expense	(130,696)	(102,228)	(228,379)	(105,937)	(44,939)	(58,924)	(164,
	17,241	8,047	14,480	24,396	46,182	60,520	99,
on asset sales and redemptions of ured financings				156		4,560	4,
st expense on unsecured borrowings	(4,374)	(3,208)	(7,142)	(972)			
revenue (expense)	(2,105)	(2,883)	(5,863)	(6,375)	(6,313)	(6,414)	(9,
y in earnings (losses) of nsolidated affiliates	1,239	1,030	2,368	(10)			
ne from continuing operations	12,001	2,986	3,843	17,195	39,869	58,666	95,
ne from discontinued operation, taxes[1]				39,997	1,936	1,993	
ncome	$ 12,001	$ 2,986	$ 3,843	$ 57,192	$ 41,805	$ 60,659	$ 96,
ncome available (loss attributable) to non stockholders, after payment of rred share dividends	$ 1,873	$ (7,142)	$ (16,413)	$ 36,936	$ 21,546	$ 40,386	$ 75,
earnings (loss) per common share:							
ne (loss) from continuing operations	$ 0.10	$ (0.38)	$ (0.87)	$ (0.16)	$ 1.22	$ 2.75	$ [illegible]
ne from discontinued operations				2.12	0.12	0.14	[illegible]
	$ 0.10	$ (0.38)	$ (0.87)	$ 1.96	$ 1.34	$ 2.89	$ [illegible]

ed earnings (loss) per common share:							
ne (loss) from continuing operations	$ 0.10	$ (0.38)	$ (0.87)	$ (0.16)	$ 1.21	$ 2.51	$ 4
ne from discontinued operations				2.12	0.12	0.09	0
	$ 0.10	$ (0.38)	$ (0.87)	$ 1.96	$ 1.33	$ 2.60	$ 4
ar cash dividends per common share	$ 0.06	$ 0.04	$ 0.08	$ 0.32	$ 1.58	$ 3.10	$ 3
value per common share	8.32	7.24	8.13	8.48	7.91	6.67	8
ge number of common shares nding:							
	18,973	18,883	18,902	18,868	16,100	13,977	13,
ed	19,155	18,883	18,902	18,868	16,437	23,295	19,

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	As of or for the Six Months Ended June 30,		As of or for the Years Ended December 31,				
	2007	2006	2006	2005	2004	2003	2002
Select balance sheet data:							
Mortgage securities and similar investments	$ 5,490,449	$ 4,787,645	$ 5,252,399	$ 4,368,025	$ 3,438,559	$ 2,362,688	