

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

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FILER

CAPSTEAD MORTGAGE CORP

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SIC: **6798** Real estate investment trusts

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DALLAS TX 75201
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

AMENDMENT NO. 1

[X] AMENDMENT NO. 1 TO ANNUAL REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED: DECEMBER 31, 1993

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 1-8896

CAPSTEAD MORTGAGE CORPORATION
(Exact name of Registrant as specified in its Charter)

MARYLAND 75-2027937
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

2001 BRYAN TOWER, DALLAS, TEXAS 75201
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (214) 999-2323

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

<TABLE> <CAPTION>	TITLE OF EACH CLASS -----	NAME OF EXCHANGE ON WHICH REGISTERED -----
<S>		<C>
	Common Stock (\$.01 par value)	New York Stock Exchange
	\$1.60 Cumulative Preferred Stock, Series A (\$.10 par value)	New York Stock Exchange
	\$1.26 Cumulative Convertible Preferred Stock, Series B (\$.10 par value)	New York Stock Exchange

CAPSTEAD MORTGAGE CORPORATION

1993 FORM 10-K/A
AMENDMENT NO. 1

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PART II

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF

FINANCIAL CONDITION

During the year ended December 31, 1993, the Company purchased 14,089 mortgage loans totaling \$4,393,273,000, compared to purchases of 17,063 mortgage loans totaling \$5,483,602,000 during 1992. Purchase and commitment volumes remained high during 1993 compared to historical levels primarily due to a generally favorable interest rate environment.

During 1993 the Company was able to expand its correspondent network resulting in less reliance on the economically depressed California market. During 1993, 44 percent of the Company's mortgage loan acquisitions were secured by properties located in California, down from 75 percent in 1992. As of December 31, 1993, approximately 60 percent of the Company's mortgage assets were secured by properties located in California, compared to 77 percent as of December 31, 1992. Although the Company continues to expand its marketing efforts to acquire mortgage loans from other regions of the United States, California is the largest market for jumbo mortgage loans; therefore, no assurance can be given that the Company's operations would not be materially affected by economic or other events in California.

On January 17, 1994, the Los Angeles region of southern California suffered a relatively severe earthquake. The Company has exposure to earthquake losses in cases where a homeowner defaults on his mortgage and the property has structural damage from an earthquake, exclusive of fire or water damage (the standard homeowners policy covers fire and water damage even if such damage was the result of an earthquake). Although approximately \$460 million of the Company's mortgage assets are located in the affected areas (as determined by reference to affected zip codes as reported by a rating agency), all but approximately \$67 million of these assets are insured against such losses. At this point in time, it is unclear how many of the underlying properties may have sustained damage and, ultimately, if any loss will be incurred by the Company. The Company, however, does not believe any such losses will be material. Indications are that like the 1989 San Francisco earthquake, most of the damage was sustained by infrastructure (i.e., water and gas mains, roads and bridges). Additionally, according to an industry source, an estimated 25 percent of homeowners in California carry earthquake insurance. Other considerations include homeowner equity and the availability of low-cost loans from the government for repairs. Finally, and perhaps most significantly, in costly areas such as southern California, land can represent over 50 percent of the value of a home.

The Company formed \$1 billion of AAA-rated private mortgage pass-through securities ("Mortgage Pass-Throughs") during the year ended December 31, 1993, the majority of which were backed by adjustable-rate mortgage loans ("ARM" loans). The primary benefit

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of pooling mortgage loans into Mortgage Pass-Throughs is the liquidity of AAA-rated securities over that of individual loans. As a result, when securing short-term borrowings, the Company is able to negotiate more favorable terms. Over the past several years the Company has followed a strategy of building a large portfolio of Mortgage Pass-Throughs. During 1993 an industry-wide reduction in the number of ARM loan originations resulted in a shortage of ARM loans in the market, thereby enabling the Company to realize substantial gains from the sale of \$1.1 billion of this portfolio. The Company plans to continue to retain a large portfolio of Mortgage Pass-Throughs.

During the year ended December 31, 1993, the Company's collateralized mortgage obligation ("CMO") investment portfolio declined from \$126,443,000 to \$71,546,000, as record levels of prepayments on mortgage securities collateral dramatically reduced outstanding balances of existing CMOs. Additionally, in a modification of its previous investment strategy, the Company sold a portion of its fixed-rate mortgage loans in 1993, primarily by issuing publicly-offered, multi-class mortgage pass-through certificates ("MPCs"). During 1993 the Company issued nine MPCs through special-purpose finance subsidiaries totaling \$2.2 billion (including the sales of Mortgage Pass-Throughs mentioned above) and sold \$211 million of whole loans, retaining investments totaling \$11,045,000 (primarily interest-only and principal-only bonds). The Company also issued seven CMOs totaling \$1.2 billion through special-purpose finance subsidiaries secured by mortgage loans or agency securities. The Company's net investment in these financings at issuance totaled \$7,661,000.

The following table summarizes the Company's utilization of capital as of December 31, 1993 (in thousands):

<TABLE>
<CAPTION>

Funded Through

	Assets	Borrowings	Equity
	-----	-----	-----
<S>	<C>	<C>	<C>
Mortgage loan portfolio:			
Fixed-rate mortgage loans	\$1,249,575	\$ 965,102	\$284,473
Adjustable-rate mortgage loans	331,758	222,619	109,139
5/25 mortgage loans	43,484	32,373	11,111
Mortgage Pass-Through portfolio:			
Adjustable-rate mortgage securities	571,651	554,834	16,817
5/25 mortgage securities	276,178	269,848	6,330
Agency securities portfolio	402,781	399,031	3,750
CMO investment portfolio	3,962,680	3,891,134	71,546
	-----	-----	-----
	\$6,838,107	\$6,334,941	503,166
	=====	=====	=====
Other assets, net of other liabilities (and including \$29 million of purchased mortgage servicing rights and master servicing rights)			135,024

Total stockholders' equity			\$638,190
			=====

</TABLE>

As of December 31, 1993, the Company's mortgage investments and its commitments to acquire mortgage loans ("Pipeline") totaled approximately \$3.35 billion. Market value risk associated with holding or acquiring these assets was reduced by pricing three CMOs totaling approximately \$950 million prior to year-end and entering into forward sale agreements for

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hedging purposes totaling \$450 million. In addition, approximately \$1.0 billion was invested or committed for investment in ARM loans, which generally tend to hold their market value in a rising interest rate environment. Remaining mortgage assets and Pipeline (adjusted for historical Pipeline fallout of 30 percent on "best efforts" commitments) that was subject to market value risk as of December 31, 1993 was approximately \$800 million. As the Company continues to acquire mortgage loans, it may pool such loans into CMOs or MPCs, thereby periodically reducing the amount of mortgage loans subject to market value risk (see "Effects of Interest Rate Changes").

The Company formed its mortgage servicing unit early in 1993, and as of December 31, 1993, serviced and master serviced mortgage loan portfolios of \$2.4 billion and \$4.4 billion, respectively. This growth was accomplished primarily by retaining servicing rights on mortgage loans purchased during the year and master servicing rights on mortgage loans placed into securitizations during the year. Federal National Mortgage Association and Federal Home Loan Mortgage Corporation servicing approvals have been obtained so that the Company can service conforming loans guaranteed by these government sponsored entities and the Company has committed to bulk acquisitions of servicing rights for both conforming and non-conforming mortgage loan portfolios totaling \$1.6 billion to be completed in early 1994.

In February 1992 the Company received \$61.6 million in net proceeds from an offering of 2,046,000 shares of common stock. In December 1992 the Company issued 29,429,815 shares of \$1.26 Cumulative Convertible Preferred Stock, Series B, ("Series B Preferred Stock") valued at \$315 million, in connection with the acquisition of Tyler Cabot Mortgage Securities Fund, Inc. During 1993 the Company received \$6,248,000 of additional capital through its common stock and Series B Preferred Stock dividend reinvestment plans, and through stock option exercises. After payment of a record \$93.8 million in common and preferred stock dividends, stockholders' equity stood at over \$638 million at December 31, 1993, making Capstead one of the most strongly capitalized mortgage banking companies in America.

RESULTS OF OPERATIONS

1993 Compared to 1992

Net income for the year ended December 31, 1993 was \$94,256,000, or \$3.68 per primary share (\$3.57 per fully diluted share), which represents a return on average total stockholders' equity of 14.65 percent. This compares to 1992 net income of \$53,191,000, or \$3.37 per primary share (\$3.23 per fully diluted share), which represents a return on average total stockholders' equity of 16.08 percent. The Company's 1993 operating results were heavily influenced by the relatively steady decline in long-term interest rates throughout much of the year. As discussed in more detail below, the most significant positive influence on operating results of the decline in long-term rates was on the Company's securitization activity. The Company was able to realize gains from the securitization or sale of mortgage assets totaling \$61.2 million in 1993,

compared to \$2.9 million in 1992. These gains more than offset losses sustained by the Company's CMO investment portfolio. The CMO investment portfolio experienced a net loss of \$34.6 million in 1993 compared to net income of \$18.4 million in 1992, primarily because of high prepayments on the related collateral also brought on by the decline in rates. Another important factor in producing higher operating results in 1993 was the issuance of \$315 million of Series B Preferred Stock in December 1992, which doubled the Company's capital and greatly enhanced its earnings potential. Throughout most of 1993, the Company maintained larger mortgage investment portfolios as the Company sought to deploy this additional capital. Lower short-term borrowing rates further increased these portfolios' contributions to net income. Because of higher contributions to income from these investments and the gains from securitizations and asset sales, losses sustained by the CMO investment portfolio and \$11.9 million in costs associated with terminating the Company's relationship with the former manager did not disrupt the Company's trend of continued earnings growth.

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The following table presents the components and weighted average yields of the Company's mortgage investment portfolios, and related short-term borrowings:

<TABLE>
<CAPTION>

	Year Ended December 31	
	1993	1992
	-----	-----
<S>	<C>	<C>
Mortgage loans	7.07%	8.06%
Mortgage Pass-Throughs	6.07	6.93
Agency securities	6.80	7.33
Short-term borrowings	3.40	4.43

</TABLE>

Interest income earned on the Company's mortgage investments increased for the year ended December 31, 1993 because of an increase in the average portfolios outstanding, net of the effects of decreases in mortgage interest rates. The combined average mortgage investment portfolio increased to \$2,805,709,000 for the year ended December 31, 1993, from \$1,569,131,000 in 1992. The increase reflects the continued growth in the underlying mortgage loan and Mortgage Pass-Through portfolios because of continued high volume of loan purchases during the year and the timing of securitizations. The Company also maintained a larger position in agency securities due primarily to opportunities to earn superior interest rate spreads with dollar repurchase agreements. The lower yields on these portfolios reflects the general reduction in interest rates on all types of mortgage products.

Short-term borrowing costs for the year ended December 31, 1993 were higher than those experienced during 1992 because of a \$1 billion increase in the average debt outstanding to \$2,338,796,000, primarily due to growth of the related portfolios, net of the effect of decreases in short-term interest rates. The weighted average interest rate on short-term borrowings declined 103 basis points for the year ended December 31, 1993, due to declines in short-term interest rates over the last two years and use of dollar repurchase agreements to finance the agency securities portfolio.

The following table presents the weighted average yields of the mortgage securities collateral and collateralized mortgage securities components of the CMO investment portfolio :

<TABLE>
<CAPTION>

	Year Ended December 31	
	1993	1992
	-----	-----
<S>	<C>	<C>
Mortgage securities collateral	8.38%	9.32%
Collateralized mortgage securities	9.05	8.80
	-----	-----
Net interest spread	(0.67)%	0.52%
	=====	=====

</TABLE>

The CMO investment portfolio experienced a net loss of \$34,560,000 during the year ended December 31, 1993, compared to net income of \$18,420,000 in 1992. Operating results produced by the CMO investment portfolio is represented by interest income on mortgage securities collateral less interest expense and professional fees on collateralized mortgage

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securities, and mortgage pool insurance expense on mortgage securities collateral, and includes net investment income or loss on other mortgage securities held by the Company.

Operating results produced by the CMO investment portfolio decreased primarily because of high levels of prepayments on mortgage securities collateral. During 1993 the Company received principal collections on mortgage securities collateral totaling \$2.4 billion, nearly double the \$1.3 billion of runoff in 1992. Due to these high levels of prepayments, and the expectation that high prepayments may continue, it became apparent late in the year that it was unlikely that remaining mortgage securities collateral would be outstanding long enough to recover unamortized bond discounts as previously expected. Consequently, an additional \$28 million in discount was amortized to bring total amortization to \$48,631,000 in 1993, up from \$16,933,000 in 1992.

During 1993 the Company sold mortgage assets totaling \$3.9 billion recognizing a net gain of \$61.2 million. Included in the sales were \$1.1 billion of ARM loans from the Mortgage Pass-Through portfolio on which gains of \$35 million were recognized.

Mortgage insurance expense increased during the year due primarily to a \$1.0 billion increase in the average balance of insured mortgage loans from 1992 to 1993.

In March and again in September 1993, the Company negotiated amendments to its management agreement and a related non-competition agreement, principally to shorten the agreements' terms and lower the required payments by \$1,972,000. Consequently, on October 1, 1993 the Company became fully self-administered. Termination costs under the terms of the amended management agreement totaled \$7,528,000. Also included in manager termination costs is \$4,363,000, which represents unamortized amounts paid under the non-competition agreement.

The Company provided \$2,800,000 for possible losses during the year ended December 31, 1993, compared to \$7,750,000 in 1992. Lower purchase volume and more stringent underwriting guidelines contributed to lower provision requirements.

1992 Compared to 1991

Net income for the year ended December 31, 1992 was \$53,191,000, or \$3.37 per primary share (\$3.23 per fully diluted share), which represents a return on average total stockholders' equity of 16.08 percent. This compares to 1991 net income of \$33,717,000, or \$2.92 per primary share (\$2.46 per fully diluted share), which represents a return on average total stockholders' equity of 13.25 percent.

The increase in net income in 1992 resulted primarily from increased mortgage loan acquisitions, lower short-term borrowing rates and additions to capital of \$62 million in February and \$315 million in December. Mortgage loan acquisitions were \$5.5 billion in 1992, compared to \$2.2 billion in 1991 primarily due to a favorable interest rate environment, which in addition to stimulating demand for mortgage loan originations, contributed to lower short-term borrowing rates. Borrowing rates were also favorably impacted by

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utilization of less expensive short-term financing vehicles, namely, repurchase arrangements secured by mortgage loans and Mortgage Pass-Throughs.

Interest income on the Company's mortgage investments increased for the year ended December 31, 1992 because of a \$941 million increase in the combined average portfolios outstanding, as a result of increased mortgage loan acquisitions and the Company's decision to increase the size of the Mortgage Pass-Through portfolio. Yields on the Company's mortgage investments declined 190 basis points to 7.49 percent during 1992. Lower yields reflect a general reduction in interest rates on all types of mortgage products and an increase in the amount of adjustable-rate mortgage loans held in the Mortgage Pass-Through portfolio. Short-term borrowing costs for the year ended December 31, 1992 were higher than those experienced during 1991 primarily because of an \$890 million increase in the average debt outstanding, net of the effects of 195 basis point decrease in short-term interest rates to 4.43 percent during 1992.

Net income produced from the CMO Investment portfolio increased \$2,754,000 to \$18,420,000 for the year ended December 31, 1992. The increase is due primarily to a \$22,362,000 increase in the average CMO investment portfolio to \$115,046,000 for the year ended December 31, 1992, as a result of issuing 20 CMOs offset by a seven basis point decline in the net interest spread between the mortgage securities collateral and related bonds due primarily to increased

prepayments on several previously issued CMOs.

On July 31, 1992, the Company entered into a 65-month management agreement with an effective date of August 1, 1992. Under this agreement, the management fee was limited to an amount equal to the manager's cost plus a fixed profit aggregating \$14,500,000 over the term of the agreement.

Mortgage insurance expense increased during the year due primarily to a \$3.0 billion increase in the average balance of insured mortgage loans from 1991 to 1992.

The Company provided \$7,750,000 for possible losses during the year ended December 31, 1992, compared to \$1,707,000 in 1991. The substantial increase in purchase volume and a rise in delinquencies and foreclosures attributed to a general slowdown in the California economy contributed to higher provision requirements.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of funds include monthly mortgage loan principal and interest payments, short-term financing arrangements, excess cash flows on issued CMOs, proceeds from securitizations, and equity offerings when available. The Company currently believes that these funds are sufficient for the acquisition of additional mortgage loans and other mortgage assets, repayments on short-term borrowings, growth of its servicing unit and the payment of cash dividends as required for Capstead's continued qualification as a Real Estate Investment Trust ("REIT"). It is the Company's policy to remain strongly capitalized and conservatively leveraged.

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In a modification to its previous investment strategy, the Company may, from time to time, sell a portion of its fixed-rate mortgage loans and its investments in other mortgage loans, by issuing MPCs and electing Real Estate Mortgage Investment Conduit ("REMIC") status for tax purposes on these transactions. Such sales may make quarterly income more volatile than in the past because of the recognition of transactional gains or losses.

Short-term borrowings are primarily made under repurchase arrangements. At December 31, 1993, the Company had uncommitted repurchase facilities with investment banking firms with approved credit limits of \$2 billion, subject to certain conditions, to finance the mortgage loan portfolio. Interest rates on borrowings under these facilities are based on overnight London interbank offered rate ("LIBOR") rates. The Company currently uses other repurchase arrangements as needed. As the Company commits to the issuance of CMOs or MPCs, the Company may deliver the mortgage loans that are expected to secure the issuance as collateral for a repurchase transaction with the managing underwriter of the related issuance. The Company also enters into repurchase and dollar repurchase arrangements with investment banking firms pursuant to which the Company pledges Mortgage Pass-Throughs and agency securities. The terms and conditions of these arrangements, including interest rates, are negotiated on a transaction-by-transaction basis.

EFFECTS OF INTEREST RATE CHANGES

Changes in interest rates may impact the Company's earnings in various ways. The Company's earnings depend, in part, on the difference between the interest received on mortgage investments and the interest paid on related short-term borrowings (primarily repurchase arrangements). The resulting spread may be reduced in a rising interest rate environment. For ARM loans the risk of rising short-term interest rates is offset to some extent by increases in the rates of interest earned on these loans. Since ARM loans generally limit the amount of such increase during any single interest rate adjustment period and over the life of the loan, it is possible that the interest rates on the repurchase arrangements could rise to levels that may exceed the interest rates on the underlying ARM loans which may cause the Company to realize a negative interest spread.

In addition, the Company's earnings are impacted if long-term interest rates change during the period after the Company has committed to purchase fixed-rate mortgage loans, but before these loans have been pledged to secure CMOs or MPCs. If long-term interest rates increase during this period, the interest payable on the CMOs issued will increase, while the yield on the underlying mortgage loans pledged to collateralize the CMOs will not change; as a consequence, the interest spread on the CMO will be lower. Conversely, if long-term interest rates decrease during this period, the interest payable on the CMO issued will decrease, while the yield on the underlying mortgage loans pledged to collateralize the CMO will not change; as a consequence, the interest spread on the CMO will be higher. Similarly, proceeds received on the issuance of MPCs, and related gains or losses, will be negatively impacted by an increase in long-term interest rates during this period due to the resulting

decline in market value of the related collateral. Conversely, these transactional gains or losses will be favorably impacted by a decrease in long-term interest rates during this period. The Company attempts to manage its exposure to long-term interest rate changes in part by pricing CMOs and MPCs prior to the purchase of, but subsequent to the commitment to purchase, all of the mortgages that will collateralize the issuance, and may from time to time elect to enter into forward sale agreements for hedging purposes.

A change in interest rates also impacts earnings recognized from the Company's CMO investment portfolio, which consists primarily of fixed-rate CMO residuals. The amount of income that may be generated from the typical CMO residual is dependent upon the rate of principal prepayments on the underlying mortgage loans. If mortgage interest rates fall significantly below the interest rate on the collateral pledged to secure the CMO, principal prepayments will increase, reducing or even eliminating the overall return on the investment in the CMO residual. This is due primarily to the acceleration of the amortization of bond discounts, a noncash item, as bond classes are repaid more rapidly than originally anticipated. During 1993 the Company experienced such a period of declining rates and high prepayments and having concluded that high levels of prepayments may continue, has reduced its remaining bond discounts accordingly.

Another effect of changes in interest rates is that if interest rates decrease, the rate of prepayment of mortgage loans may increase. To the extent the proceeds of prepayments of mortgage loans or agency securities in the Company's mortgage investment portfolios cannot be reinvested at a rate of interest at least equal to the rate previously earned on such mortgage loans or agency securities, the Company's earnings may be adversely affected. In addition, the rates of interest earned on the Company's ARM loans generally will decline during periods of falling interest rates.

The above discussion regarding how changes in interest rates impact our investments in mortgage loans and other mortgage assets also applies to our growing investment in purchased mortgage servicing rights and master servicing rights. If interest rates rise, our servicing and master servicing assets become more valuable since the average lives of the related mortgage loans will tend to be longer and earnings from large, temporarily-held cash balances will be greater. Conversely, lower interest rates will spur prepayments thus reducing the period of time we can service the related loans. Because the Company began servicing in 1993, exposure to lower interest rates is less than for other servicers that acquired servicing portfolios in previous years when interest rates were substantially higher.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 1993 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities." The Company will adopt SFAS No. 115 on a prospective basis effective January 1, 1994. The adoption will not have a material impact on the Company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF ERNST & YOUNG, INDEPENDENT AUDITORS

Stockholders and Board of Directors
Capstead Mortgage Corporation

We have audited the accompanying consolidated balance sheet of Capstead Mortgage Corporation and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by

management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capstead Mortgage Corporation and subsidiaries at December 31, 1993 and 1992, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

ERNST & YOUNG

Dallas, Texas
January 24, 1994

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CAPSTEAD MORTGAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	Year Ended December 31		
	1993	1992	1991
<S>	<C>	<C>	<C>
Interest income:			
Mortgage securities collateral	\$390,690	\$383,060	\$176,578
Mortgage investments	184,136	117,527	58,989
Total interest income	574,826	500,587	235,567
Interest and related expenses:			
Collateralized mortgage securities:			
Interest	382,065	353,356	158,366
Additional amortization of discount	28,088	--	--
Short-term borrowings	80,923	62,077	31,474
Mortgage insurance and other	20,084	13,821	3,118
Provision for possible losses	2,800	7,750	1,707
Total interest and related expenses	513,960	437,004	194,665
Net margin on mortgage assets	60,866	63,583	40,902
Other revenues:			
Gain on sales	61,216	2,910	1,379
Mortgage servicing revenues	2,574	--	--
Other	2,887	952	1,303
Total other revenues	66,677	3,862	2,682
Other expenses:			
Management fees	4,275	5,909	4,363
Manager termination costs	11,891	--	--
Salaries and related costs	8,295	4,124	2,694
General and administrative	7,343	4,221	2,810
Amortization of purchased mortgage servicing rights	1,483	--	--
Total other expenses	33,287	14,254	9,867
Net income	\$ 94,256	\$ 53,191	\$ 33,717
Net income	\$ 94,256	\$ 53,191	\$ 33,717
Less cash dividends on preferred stock	(38,592)	(4,707)	(7,499)
Net income available to common stockholders	\$ 55,664	\$ 48,484	\$ 26,218
Net income per share:			
Primary	\$ 3.68	\$ 3.37	\$ 2.92
Fully diluted	3.57	3.23	2.46

Average number of shares outstanding:				
Primary	15,146	14,394	8,964	
Fully diluted	15,930	15,591	13,683	
Cash dividends paid per share:				
Common	\$ 3.66	\$ 3.26	\$ 2.56	
Series A Preferred	1.60	1.60	1.60	
Series B Preferred	1.26	0.10	--	

</TABLE>

See notes to accompanying consolidated financial statements.

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CAPSTEAD MORTGAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(IN THOUSANDS)

<TABLE>
<CAPTION>

	December 31	
	1993	1992
	-----	-----
<S>	<C>	<C>
ASSETS		
Mortgage securities collateral	\$3,962,680	\$5,269,600
Mortgage investments	2,875,427	1,904,600
	-----	-----
Less allowance for possible losses	6,838,107 (6,927)	7,174,200 (8,228)
	-----	-----
	6,831,180	7,165,972
Cash and cash equivalents	87,760	30,302
Prepays, receivables and other	32,421	33,334
Purchased mortgage servicing rights	28,963	--
	-----	-----
	\$6,980,324	\$7,229,608
	=====	=====
LIABILITIES		
Collateralized mortgage securities	\$3,891,134	\$5,143,157
Repurchase arrangements	2,443,807	1,449,209
Accounts payable and accrued expenses	7,193	5,743
	-----	-----
	6,342,134	6,598,109
	-----	-----
STOCKHOLDERS' EQUITY		
Preferred stock - \$0.10 par value; 100,000 shares authorized:		
\$1.60 Cumulative Preferred Stock, Series A, 735 and 942 shares issued and outstanding (\$12,054 aggregate liquidation preference)	10,295	13,205
\$1.26 Cumulative Convertible Preferred Stock, Series B, 29,797 shares and 29,430 shares issued and outstanding (\$339,090 aggregate liquidation preference)	319,543	315,025
Common stock - \$0.01 par value; 100,000 shares authorized; 15,154 and 14,894 shares issued and outstanding	152	149
Paid-in capital	308,140	303,503
Undistributed income (deficit)	60	(383)
	-----	-----
	638,190	631,499
	-----	-----
	\$6,980,324	\$7,229,608
	=====	=====

</TABLE>

See notes to accompanying consolidated financial statements.

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CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

<TABLE>
<CAPTION>

	Three Years Ended December 31, 1993								
	Shares Outstanding			Stated Value			Paid-in Capital	Undistributed Income (Deficit)	Total
	Preferred		Common	Preferred		Common			
	Series A	Series B	Common	Series A	Series B	Common			
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Balance at									
January 1, 1991	5,465	--	8,700	\$ 76,706	\$ --	\$ 87	\$177,076	\$ (2,846)	\$251,023
Net income	--	--	--	--	--	--	--	33,717	33,717
Cash dividends:									
Common	--	--	--	--	--	--	--	(24,287)	(24,287)
Preferred	--	--	--	--	--	--	--	(7,499)	(7,499)
Conversion of									
preferred stock	(3,140)	--	2,827	(44,090)	--	28	44,062	--	--
Other	--	--	27	--	--	1	384	--	385
Balance at									
Dec. 31, 1991	2,325	--	11,554	32,616	--	116	221,522	(915)	253,339
Stock issuance	--	29,430	2,046	--	315,025	20	61,623	--	376,668
Net income	--	--	--	--	--	--	--	53,191	53,191
Cash dividends:									
Common	--	--	--	--	--	--	--	(47,952)	(47,952)
Preferred:									
Series A	--	--	--	--	--	--	--	(1,823)	(1,823)
Series B	--	--	--	--	--	--	--	(2,884)	(2,884)
Conversion of									
preferred stock	(1,383)	--	1,244	(19,411)	--	12	19,399	--	--
Other	--	--	50	--	--	1	959	--	960
Balance at									
Dec. 31, 1992	942	29,430	14,894	13,205	315,025	149	303,503	(383)	631,499
Net income	--	--	--	--	--	--	--	94,256	94,256
Cash dividends:									
Common	--	--	--	--	--	--	--	(55,221)	(55,221)
Preferred:									
Series A	--	--	--	--	--	--	--	(1,274)	(1,274)
Series B	--	--	--	--	--	--	--	(37,318)	(37,318)
Conversion of									
preferred stock	(207)	(14)	191	(2,910)	(144)	2	3,052	--	--
Other	--	381	69	--	4,662	1	1,585	--	6,248
Balance at									
Dec. 31, 1993	735	29,797	15,154	\$ 10,295	\$319,543	\$152	\$308,140	\$ 60	\$638,190

</TABLE>

See notes to accompanying consolidated financial statements.

CAPSTEAD MORTGAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	Year Ended December 31		
	1993	1992	1991
	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net income	\$ 94,256	\$ 53,191	\$ 33,717
Noncash items:			
Amortization of discount and premium	47,988	7,398	1,405
Amortization of purchased mortgage servicing rights	1,483	--	--
Provision for possible losses	2,800	7,750	1,707
Net change in prepaids, receivables, other assets			

and payables	2,363	(19,681)	(6,113)
Net gain from investing activities	(61,216)	(2,910)	(1,379)
	-----	-----	-----
Net cash provided by operating activities	87,674	45,748	29,337
	-----	-----	-----
INVESTING ACTIVITIES:			
Mortgage securities collateral:			
Principal collections on collateral	2,437,768	1,270,681	297,147
Decrease (increase) in accrued interest receivable	11,302	(13,947)	(8,957)
Increase in short-term investments	(25,361)	(98,242)	(37,484)
Purchases of mortgage loans	(4,410,950)	(5,489,456)	(2,173,149)
Purchases of agency securities	(1,747,931)	--	(157,214)
Purchases of mortgage servicing rights	(30,446)	--	--
Principal collections on mortgage loans	266,347	99,447	49,752
Proceeds from sales of mortgage assets	3,859,993	1,160,920	71,720
Net cash from acquisition	--	8,236	--
	-----	-----	-----
Net cash provided (used) by investing activities	360,722	(3,062,361)	(1,958,185)
	-----	-----	-----
FINANCING ACTIVITIES:			
Collateralized mortgage securities:			
Issuance of securities	1,185,482	3,564,780	1,485,031
Principal payments on securities	(2,469,026)	(1,168,581)	(259,517)
Increase (decrease) in accrued interest payable	(14,427)	21,396	11,863
Capital stock transactions	6,248	62,603	385
Dividends paid	(93,813)	(52,659)	(31,786)
Increase in short-term borrowings	994,598	593,637	747,406
	-----	-----	-----
Net cash provided (used) by financing activities	(390,938)	3,021,176	1,953,382
	-----	-----	-----
Net increase in cash and cash equivalents	57,458	4,563	24,534
Cash and cash equivalents at beginning of year	30,302	25,739	1,205
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 87,760	\$ 30,302	\$ 25,739
	=====	=====	=====

</TABLE>

See notes to accompanying consolidated financial statements.

CAPSTEAD MORTGAGE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1993

NOTE A -- BUSINESS

Capstead Mortgage Corporation, together with certain affiliated entities, operates as a mortgage conduit which purchases and securitizes various types of single-family residential mortgage loans. In addition, the Company has formed a mortgage servicing unit to function as the primary mortgage servicer and master servicer for loans and servicing rights acquired by the Company. The Company offers investors the opportunity to participate in the income generated from servicing and investing in mortgage loans, securitization activities and other portfolio strategies.

NOTE B -- ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Capstead Mortgage Corporation ("Capstead"), its special-purpose finance subsidiaries and certain other entities (collectively, the "Company"). Intercompany balances and

transactions have been eliminated. Substantially all of the assets of the special-purpose finance subsidiaries are pledged to secure the issuance of mortgage pass-through securities and collateralized mortgage securities and are not available for the satisfaction of general claims of Capstead. Capstead has no obligation for the mortgage pass-through securities and collateralized mortgage securities beyond the assets pledged as collateral.

Mortgage Assets

Substantially all mortgage securities collateral and mortgage investments are carried at their unpaid principal balances, net of unamortized discount or premium and adjusted for deferred hedging gains or losses, if any. The Company may, from time to time, hold loans for sale. Loans held for sale are carried at the lower of cost or market on an aggregate basis. The cost of these mortgage loans is adjusted for gains or losses generated from corresponding hedging transactions prior to the lower of cost or market valuation. Transfers from loans held for sale to loans held for investment are recorded at the lower of cost or market. Interest income, net of servicing fees, is recorded as income when earned. Any discount or premium is recognized as an adjustment to interest income by the interest method over the life of the related mortgage loan.

Included in mortgage securities collateral are other mortgage securities consisting primarily of interest-only and principal-only securities. Interest-only securities represent ownership of an undivided interest in interest payments on the underlying securities. Principal-only securities represent ownership of an undivided interest in principal payments on the underlying securities. Other mortgage securities are carried at the present value of the future cash flows expected to be received during the remaining term of the investment, discounted at a constant effective yield. Income (loss) recognized on other mortgage securities is the difference between the actual cash received and the reduction in the carrying value.

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Mortgage assets may be subject to changes in value because of changes in interest rates and/or rates of prepayment, as well as the risk that the mortgagor may fail to perform under the mortgage agreement. The Company manages its exposure to these risks by the issuance of mortgage pass-through securities or collateralized mortgage securities, the acquisition of mortgage pool insurance, forward sale agreements and other appropriate strategies.

The fair value of mortgage assets at December 31, 1993 was estimated using either (i) quoted market prices when available including quotes made by the Company's lenders in connection with designating collateral for repurchase arrangements, (ii) offer prices by the Company for similar mortgage assets, or (iii) expected securitization results. The fair value for other mortgage securities was estimated using discounted cash flow analyses based on current interest rates and prepayment expectations.

Hedging Activities

The Company may enter into forward sale agreements for the purpose of reducing exposure to the effect of changes in interest rates primarily on fixed-rate mortgage loans which it has purchased or has committed to purchase. These agreements generally have terms of not more than 90 days. Gains and losses on such contracts are deferred as an adjustment of the carrying value of the related mortgage loans.

Allowance for Possible Losses

The Company provides for possible losses at a level believed adequate by management to absorb possible losses due to (i) mortgagor default on uninsured mortgage loans, (ii) fraud in the origination of loans, (iii) special hazards on pools of loans not covered by a special hazard insurance policy, and (iv) higher than anticipated prepayments on other mortgage securities. The Company continues to provide for losses in amounts it believes are commensurate with purchases of mortgage loans and mortgage securities; the level of delinquencies, foreclosures, fraud and special hazards expected to be experienced by the Company; and expected prepayment performance of its investments in other mortgage securities. The Company does not provide for losses resulting from defaults on investments with guarantees from government sponsored entities or with mortgage pool insurance (see Note G).

Purchased Mortgage Servicing Rights

In connection with the acquisition of mortgage loans, the Company may also acquire the related servicing rights. The portion of the purchase price that represents the cost of acquiring the servicing rights is capitalized as purchased mortgage servicing rights. In addition, in connection with securitization activities, the Company generally creates an excess servicing fee receivable, the discounted present value of which is capitalized as master servicing rights and is included in purchased mortgage servicing rights. Amortization of purchased mortgage servicing rights and master servicing rights

is recorded in proportion to, and over the period of, estimated future net servicing income or the excess servicing income stream.

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 and cash equivalents approximates their fair value.

Borrowings

Collateralized mortgage securities and repurchase arrangements are carried at their unpaid principal balances, net of unamortized discount or premium. Any discount or premium is recognized as an adjustment to interest expense by the interest method over the expected term of the related borrowings.

The fair value of collateralized mortgage securities is dependent upon the characteristics of the mortgage securities collateral pledged to secure the issuance. Therefore, fair value is based on the same method used for determining fair value for the underlying mortgage securities collateral, adjusted for credit enhancements. The carrying amount of borrowings under repurchase arrangements approximates fair value.

Mortgage Servicing Revenues

Mortgage servicing revenues represent fees received for servicing and master servicing loans. Servicing fees are calculated on the basis of the outstanding monthly principal balance of loans serviced and are recognized as income when collected. Master servicing fees are calculated in the same fashion and are recognized as income when earned.

Income Taxes

Capstead and its qualified real estate investment trust ("REIT") subsidiaries have elected to be taxed as a REIT and intend to continue to do so. As a result of this election, Capstead is not taxed on taxable income distributed to stockholders, provided that certain REIT qualification tests are met. Currently, it is Capstead's policy to distribute 100 percent of taxable income within the time limits prescribed by the Internal Revenue Code (the "Code"), which may extend into the subsequent taxable year. Accordingly, no provision has been made for income taxes for Capstead and its qualified REIT subsidiaries. Net income for financial reporting purposes of Capstead and its qualified REIT subsidiaries is lower than taxable income for the years presented. This difference primarily results from the timing of the recognition of collateralized mortgage security discounts, the provision for losses and the write-down of certain investments. These items will reverse in future years resulting in higher net income for financial reporting purposes than for federal income tax purposes.

Certain of the Capstead's subsidiaries (the "non-REIT" subsidiaries) are consolidated for financial reporting purposes, but are not consolidated for federal and state income tax purposes. Because the non-REIT subsidiaries were only recently incorporated, the January 1, 1993 adoption of the liability method of accounting for income taxes as prescribed by Statement of Financial Accounting Standards ("SFAS") No. 109 "Accounting for Income Taxes" had no cumulative effect on the Company's consolidated financial statements. As of December 31, 1993, the non-REIT subsidiaries had deferred tax liabilities of approximately \$300,000 that were offset by deferred tax assets totaling approximately \$675,000. A valuation allowance has been recorded against the remaining deferred tax assets.

Net Income per Share

Primary net income per share is computed by dividing net income, after deduction of preferred stock dividends, by the weighted average number of common shares and common stock equivalents outstanding during the year.

Fully diluted net income per share is computed by dividing net income, after deducting dividends on the \$1.26 Cumulative Convertible Preferred Stock, Series B ("Series B Preferred Stock"), by the weighted average number of common shares and common stock equivalents outstanding during the year, assuming conversion of the \$1.60 Cumulative Preferred Stock, Series A ("Series A Preferred Stock"). The Series B Preferred Stock is not considered convertible for purposes of calculating fully diluted net income per share as it is currently antidilutive.

Reclassification

Upon becoming fully self-administered on October 1, 1993, personnel of the former manager became employees of the Company (see Note K). For comparison purposes, amounts paid to the manager during the past three years for reimbursement of salaries and related costs, as well as general and administrative expenses, have been reclassified with similar expenses incurred directly by the Company. These amounts totaled \$5,196,000, \$5,077,000 and \$3,482,000 for the periods ended September 30, 1993, December 31, 1992 and December 31, 1991, respectively. Certain other amounts for prior years have also been reclassified to conform to the 1993 presentation.

Recent Accounting Pronouncements

In May 1993 the Financial Accounting Standards Board issued SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities." The Company will adopt SFAS No. 115 on a prospective basis effective January 1, 1994. The adoption will not have a material impact on the Company.

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NOTE C -- MORTGAGE INVESTMENTS

The components of the Company's mortgage investment portfolios and the related weighted average effective interest rates during the years indicated, were as follows (dollars in thousands):

<TABLE>

<CAPTION>

	As of December 31		Year Ended December 31	
	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>
Mortgage loan portfolio:				
Fixed-rate mortgage loans	\$1,249,575	\$ 293,883	7.42%	8.86%
Adjustable-rate mortgage loans	331,758	221,467	6.21	6.03
5/25 mortgage loans	43,484	73,410	7.17	8.43
AAA-rated mortgage pass-through securities portfolio:				
Adjustable-rate mortgage securities	571,651	964,028	5.76	6.47
5/25 mortgage securities	276,178	136,303	7.58	8.36
Agency securities portfolio	402,781	215,509	6.80	7.33
	-----	-----		
	\$2,875,427	\$1,904,600		
	=====	=====		

</TABLE>

A portion of the Company's mortgage investments consist of adjustable-rate mortgage loans and 5/25 mortgage loans. Adjustable-rate mortgage loans have rates of interest which either (i) adjust semiannually based on a specified margin over the six-month London interbank offered rate ("LIBOR"), or (ii) adjust annually based on a specified margin over one-year United States Treasury Securities, after an initial fixed rate period of one, three, five, or ten years after origination. The 5/25 mortgage loans have initial interest rates that adjust one time, approximately five years following the origination of the mortgage loan, based on a specified margin over the Federal National Mortgage Association ("FNMA") yields for 30-year fixed-rate commitments at the time of the adjustment. Mortgage loans typically have original maturities ranging from 15 to 30 years and are fully amortizing over their terms. The AAA-rated mortgage pass-through securities ("Mortgage Pass-Throughs") portfolio consists of adjustable-rate and 5/25 mortgage loans from the Company's mortgage loan portfolio, which have been securitized and rated AAA by a nationally recognized statistical rating organization ("Rating Agency"). Agency securities consist of mortgage-backed securities issued by government-sponsored entities, either Federal Home Loan Mortgage Corporation ("FHLMC"), FNMA or Government National Mortgage Association ("GNMA").

During 1993 the Company sold mortgage assets with a basis of \$3,798,777,000 for gains totaling \$61,216,000. These sales were accomplished through the issuance of publicly offered, multi-class mortgage pass-through certificates ("MPCs") or by selling the mortgage assets outright. Included in these sales were approximately \$1.1 billion of Mortgage Pass-Throughs secured by ARM loans on which gains of approximately \$35 million were recognized.

During 1993, no correspondent accounted for more than 10% of mortgage loan purchases. One correspondent, The Franklin Group/New America Savings Bank, accounted for 11.8% and 11.5% of mortgage loan purchases during the years ended December 31, 1992 and 1991, respectively.

As of December 31, 1993, the Company had outstanding for hedging purposes forward sale agreements with an aggregate gross contract amount of \$450 million and had commitments for the purchase of mortgage loans of approximately \$472,662,000. All loans were held for investment at December 31, 1993. As of December 31, 1993, the fair value of the Company's mortgage investments, including forward sale agreements for hedging purposes and commitments for the purchase of mortgage loans, was estimated at \$3.3 billion.

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NOTE D -- MORTGAGE SECURITIES COLLATERAL

Mortgage securities collateral consists of collateral pledged to secure repayment of borrowings through collateralized mortgage securities and other mortgage securities. All principal and interest on the collateral is remitted directly to a collection account maintained by a trustee. The trustee is responsible for reinvesting those funds in short-term investments. All collections on the collateral and the reinvestment income earned thereon are available for the payment of principal and interest on the collateralized mortgage securities.

The components of mortgage securities collateral are summarized as follows (in thousands):

<TABLE>
<CAPTION>

	December 31	
	1993	1992
<S>	<C>	<C>
Mortgage collateral	\$3,721,257	\$5,056,007
Short-term investments	195,458	170,097
Accrued interest receivable	26,953	38,255
Total collateral	3,943,668	5,264,359
Unamortized premium (discount)	6,341	(4,620)
Net collateral	3,950,009	5,259,739
Other mortgage securities	12,671	9,861
	\$3,962,680	\$5,269,600

</TABLE>

Mortgage collateral consists of adjustable-rate, fixed-rate, and 5/25 mortgage loans and agency securities. The weighted average effective interest rate for all mortgage securities collateral was 8.38 percent and 9.32 percent during the years ended December 31, 1993 and 1992, respectively. As of December 31, 1993, the fair value of mortgage securities collateral was estimated at \$4.1 billion.

NOTE E -- COLLATERALIZED MORTGAGE SECURITIES

Each collateralized mortgage securities issuance, (a "series"), consists of various classes, of which substantially all are at a fixed rate of interest. Interest is payable quarterly or monthly at specified rates for all classes. Typically, principal payments on each series are made to each class in the order of their stated maturities so that no payment of principal will be made on any class until all classes having an earlier stated maturity have been paid in full.

The components of collateralized mortgage securities and certain other information are summarized as follows (dollars in thousands):

<TABLE>
<CAPTION>

	December 31	
	1993	1992
<S>	<C>	<C>
Collateralized mortgage securities	\$3,857,303	\$5,150,941
Accrued interest payable	45,362	59,789
Total obligation	3,902,665	5,210,730
Less unamortized discount	(11,531)	(67,573)
Net obligation	\$3,891,134	\$5,143,157

Range of average interest rates	4.78% to 10.00%	5.04% to 10.00%
Range of stated maturities	2007 to 2023	2007 to 2023
Number of series	43	44

</TABLE>

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The maturity of each series of securities is directly affected by the rate of principal prepayments on the related mortgage securities collateral. Each series of securities is also subject to redemption at the Company's option provided that certain requirements specified in the related indenture have been met. As a result, the actual maturity of any series of securities is likely to occur earlier than its stated maturity. Because of continued high prepayments on mortgage securities collateral, the Company accelerated amortization of bond discount on existing collateralized mortgage securities resulting in the recognition of additional interest expense. The average effective interest rate for all collateralized mortgage securities was 9.05 percent and 8.80 percent during the years ended December 31, 1993 and 1992, respectively. As of December 31, 1993, the fair value of collateralized mortgage securities was estimated at \$4.0 billion.

NOTE F -- SHORT-TERM BORROWINGS

Short-term borrowings are primarily made under repurchase arrangements. At December 31, 1993, the Company had approved credit limits of \$2 billion with investment banking firms to finance the mortgage loan portfolio. Interest rates on borrowings under these facilities are based on overnight LIBOR rates.

The Company currently uses other repurchase arrangements as needed. As the Company commits to the issuance of collateralized mortgage securities or publicly offered, multi-class mortgage pass-through certificates ("MPCs"), the Company may pledge the mortgage loans that are expected to secure the issuance as collateral for a repurchase transaction with the managing underwriter of the related issuance. The Company also enters into repurchase and dollar repurchase arrangements with investment banking firms pursuant to which the Company pledges Mortgage Pass-Throughs and agency securities. The terms and conditions of these arrangements, including interest rates, are negotiated on a transaction-by-transaction basis.

Repurchase arrangements outstanding, which had maturities of less than 31 days, were as follows (dollars in thousands):

<TABLE>

<CAPTION>

	December 31, 1993			
	Collateral		Borrowings	
	Carrying Value	Market Value	Amount Outstanding	Weighted Average Rate
<S>	<C>	<C>	<C>	<C>
Mortgage loans	\$1,282,814	\$1,284,780	\$1,220,094	4.07%
Mortgage Pass-Throughs	847,829	856,841	824,682	3.62
Agency securities	402,781	396,390	399,031	3.38
	\$2,533,424	\$2,538,011	\$2,443,807	
	=====	=====	=====	

</TABLE>

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<TABLE>

<CAPTION>

	December 31, 1992			
	Collateral		Borrowings	
	Carrying Value	Market Value	Amount Outstanding	Weighted Average Rate
<S>	<C>	<C>	<C>	<C>
Mortgage loans	\$ 201,449	\$ 199,199	\$ 184,374	4.33%
Mortgage Pass-Throughs	1,100,331	1,115,072	1,050,795	4.14
Agency securities	215,509	217,711	214,040	3.75

-----	-----	-----
\$1,517,289	\$1,531,982	\$1,449,209
=====	=====	=====

</TABLE>

Accrued interest on short-term borrowings totaled \$2,285,000 at December 31, 1993. The weighted average effective interest rate on all short-term borrowings was 3.40 percent and 4.43 percent during 1993 and 1992, respectively.

NOTE G -- ALLOWANCE FOR POSSIBLE LOSSES

The Company has limited exposure to losses on mortgage loans. Losses due to typical mortgagor default are substantially reduced by the acquisition of mortgage pool insurance from AAA-rated mortgage pool insurers, which supplements primary mortgage insurance, if any, and homeowner down payments. The amount of coverage under any such mortgage pool insurance policy is the amount (typically 7 to 15 percent of the aggregate amount in such pool of mortgage loans) determined by one or more Rating Agencies necessary to allow the related securities to be rated AAA, when combined with homeowner down payments or other insurance coverage. At December 31, 1993, the Company had default risk on approximately \$5,939,000 of its mortgage loans of which approximately \$1,822,000 were delinquent 60 days or more. The remainder of mortgage assets were considered to have no default risk because of guarantees from government sponsored entities on agency securities or the acquisition of or commitment for the issuance of mortgage pool insurance.

Certain other risks, however, are not covered by mortgage pool insurance and may subject the Company to loss. These risks include fraud or misrepresentation during origination of a mortgage loan and special hazards which are not covered by standard hazard insurance policies (e.g. earthquakes). In cases of fraud the Company generally will not be able to recover its losses from the mortgage insurance company, but will generally have recourse to the prior owner of a loan based on representations and warranties made at the time the loan was purchased. However, to the extent the prior owner does not perform its repurchase obligation, the Company may incur a loss. Special hazards are typically catastrophic events that are unable to be predicted. In September 1991 the Company began to limit its exposure to special hazard losses by acquiring special hazard insurance coverage from a AAA-rated insurer. As of December 31, 1993, 69 percent of the Company's mortgage assets (excluding agency securities) were covered by a special hazard insurance policy. Management does not believe that fraud or special hazard risks pose a material threat to the operations of the Company; however, the Company continually monitors its underwriting guidelines and correspondents from which it purchases mortgage loans, as well as the geographic concentration of its mortgage assets, for possible changes in the level of risk.

As of December 31, 1993, approximately 60 percent of the Company's mortgage assets (excluding agency securities) were secured by properties located in California. The Company's exposure arising from this geographic concentration is reduced by the acquisition of mortgage pool insurance and special hazard insurance (see Note M).

During 1993 and 1992 a portion of the Company's investment in other mortgage securities was charged off due to diminishing cash flows resulting from increased prepayments on the underlying collateral. Declines in mortgage interest rates have made it increasingly advantageous for mortgagors whose loans secure these investments to refinance. Management does not believe that the risk of further impairment of these investments, which total \$12,671,000 at December 31, 1993, pose a material threat to the operations of the Company.

Activity in the allowance for possible losses was as follows (in thousands):

<TABLE>

<CAPTION>

	Year Ended December 31	
	1993	1992
	-----	-----
<S>	<C>	<C>
Beginning balance	\$ 8,228	\$ 3,505
Provision for possible losses	2,800	7,750
Charge-offs due to:		
Mortgagor default	(433)	(515)
Fraud/misrepresentation	(1,567)	(616)
Special hazard losses	(33)	--
Impairment of other mortgage securities	(2,068)	(1,896)
	-----	-----
	\$ 6,927	\$ 8,228
	=====	=====

NOTE H -- ACQUISITION

On December 2, 1992, the Company acquired the net assets of Tyler Cabot Mortgage Securities Fund, Inc. ("Tyler Cabot"), a diversified closed-end management investment company, in exchange for 29,429,815 shares of the Company's Series B Preferred Stock. The acquisition has been accounted for as a purchase and, accordingly, the assets and liabilities have been recorded based on their fair value at the date of acquisition. The net income earned on the assets and liabilities acquired have been included in the consolidated statement of income from the date of the acquisition.

NOTE I -- STOCKHOLDERS' EQUITY

The Series A Preferred Stock issued in connection with a 1989 acquisition is non-voting. Each share is entitled to a cumulative fixed dividend at an annual rate of \$1.60 and is eligible for conversion into 9/10 of 1 share of common stock. The Series A Preferred Stock has a liquidation preference of \$16.40 per share and is redeemable at the Company's option, in whole or in part, at a redemption price equal to the liquidation preference after November 6, 1994. At December 31, 1993, 4,730,076 shares of the Series A Preferred Stock had been converted to 4,257,005 shares of common stock.

The Series B Preferred Stock issued in connection with the acquisition of Tyler Cabot is non-voting. Each share is entitled to a cumulative fixed dividend at an annual rate of \$1.26 and is eligible for conversion into 0.3196 of 1 share of common stock. The Series B Preferred

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Stock has a liquidation preference of \$11.38 per share and is redeemable at the Company's option, in whole or in part, at a redemption price of \$12.50 after December 2, 1997. At December 31, 1993, 13,580 shares of the Series B Preferred Stock had been converted to 4,337 shares of common stock.

In February 1992 the Company received \$61,643,000 in net proceeds from the offering of 2,046,000 shares of common stock. Proceeds from the offering were used to acquire mortgage assets.

During 1993 and 1992 the Company issued 10,362 and 17,408 shares of common stock through its dividend reinvestment plan on which net proceeds of \$395,000 and \$526,000 were received, respectively. During 1993 the Company also issued 381,473 shares of Series B Preferred Stock through its dividend reinvestment plan for Series B stockholders on which net proceeds of \$4,662,000 were received.

On July 31, 1992, the Company issued a six-year option to Lomas Financial Corporation ("LFC"), an affiliate of the former manager, for the purchase of 750,000 shares of common stock at a price of \$32.63 per share. The option becomes exercisable in 250,000 share increments through August 1, 1994.

The Company's Charter provides that if the Board of Directors determines in good faith that the direct or indirect ownership of stock of Capstead has become concentrated to an extent which would cause Capstead to fail to qualify as a REIT, the Company may redeem or repurchase, at fair market value, any number of shares of common stock and/or preferred stock sufficient to maintain or bring such ownership into conformity with the Code and may refuse to transfer or issue shares of common stock and/or preferred stock to any person whose acquisition would result in Capstead being unable to comply with the requirements of the Code. In addition, the Charter provides that the Company may redeem or refuse to transfer any shares of capital stock of Capstead necessary to prevent the imposition of a penalty tax as a result of ownership of such shares by certain disqualified organizations, including governmental bodies and tax-exempt entities that are not subject to tax on unrelated business taxable income.

NOTE J -- STOCK OPTION PLAN

The 1990 Directors' Stock Option Plan (the "Directors' Plan") and 1990 Employee Stock Option Plan (the "Employee Plan") (together, the "Plans") provide for the issuance of up to 160,000 and 240,000 shares, respectively, of common stock at a price not less than the fair market value of the common stock at the time the option is granted. All options granted under the Plans are 100% exercisable from the time the options are granted. The Plans also provide for dividend equivalent rights which permit the option holder to obtain additional shares of common stock based upon formulas set forth in the Plans.

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Activity in the Plans is summarized as follows:

<TABLE>

<CAPTION>

	Directors' Plan		Employee Plan	
	Number of Shares	Price Range	Number of Shares	Price Range
<S>	<C>	<C>	<C>	<C>
Balance at inception of Plan and at January 1, 1991	60,000	\$ 13.00	53,000	\$ 13.00
Options granted	--	--	39,000	25.50
Options exercised	(25,000)	13.00	(500)	13.00
Balance at December 31, 1991	35,000	13.00	91,500	13.00 - 25.50
Options granted	6,000	29.38	39,000	34.50
Options exercised	(5,114)	13.00	(27,619)	13.00
Dividend equivalent rights earned	802	--	1,205	--
Balance at December 31, 1992	36,688	13.00 - 29.38	104,086	13.00 - 34.50
Options granted	22,000	39.13 - 39.25	44,000	38.88
Options exercised	(11,663)	13.00 - 29.38	(46,637)	13.00 - 34.50
Dividend equivalent rights earned	1,494	--	2,646	--
Balance at December 31, 1993	48,519	\$13.00-\$39.25	104,095	\$13.00-\$38.88

</TABLE>

In accordance with the terms of the Plans, on January 1, 1994 the Company granted options to acquire 8,000 shares at an exercise price of \$41 per share under the Directors' Plan, and granted dividend equivalent rights for the issuance of an additional 2,314 and 2,857 shares under the Directors' Plan and Employee Plan, respectively. In addition, on January 24, 1994 the Company granted options to a new member of the Board of Directors to acquire 5,000 shares at an exercise price of \$40.63 per share.

NOTE K -- MANAGEMENT AND NON-COMPETITION AGREEMENTS

Since its inception and through September 30, 1993, the Company operated under a management agreement with a subsidiary (the "Manager") of Lomas Mortgage USA, Inc. ("LMUSA"). The agreement provided that the Manager advise the Company with respect to all facets of its business and administer its day-to-day operations under the supervision of the Board of Directors. The Manager paid, among other things, salaries and benefits of its personnel, accounting fees and expenses, other office expenses and expenses incurred in supervising and monitoring the Company's investments. During the period from inception through July 31, 1992, the Manager received management fees equal to specified percentages of the Company's average invested assets and incentive fees equal to specified percentages of amounts by which the return on common stockholders' equity exceeded a specified return based on the average ten-year treasury yield.

On July 31, 1992, the Company entered into a 65-month management agreement with the Manager with an effective date of August 1, 1992. Under the agreement, the management fee was limited to an amount equal to the Manager's cost plus a fixed profit aggregating \$14,500,000 over the term of the agreement. Also on July 31, 1992, Capstead entered into a 65-month non-competition agreement with LFC, the parent company of LMUSA, whereby LFC and its subsidiaries agreed to refrain from engaging in the promotion, organization, operation or management of REITs, other than Capstead, that invest primarily in jumbo mortgage loans in return for payments aggregating \$7 million.

In March and again in September 1993, the Company negotiated amendments to these agreements to shorten their terms and lower the required payments by \$1,972,000. Consequently, on October 1, 1993 the Company became fully self-administered. Termination costs under the terms of the amended management agreement totaled \$7,528,000. Also included in manager termination costs is \$4,363,000 which represents unamortized amounts paid under the non-competition agreement.

NOTE L -- TRANSACTIONS WITH AFFILIATES OF THE FORMER MANAGER

In connection with the acquisition of mortgage loans, the Company acquires most of its loans on a servicing-released basis. On September 7, 1993, the Company ceased its practice of simultaneously selling servicing rights associated with these loans to LMUSA. Such sales were at a price comparable to that which would be paid by unaffiliated third parties. Servicing rights

purchased by LMUSA totaled \$16,512,000, \$39,446,000 and \$17,020,000 during 1993, 1992 and 1991, respectively. At December 31, 1993, LMUSA serviced approximately 42 percent of the Company's mortgage assets excluding agency securities. The mortgage loans are serviced in accordance with the terms of a servicing agreement typical for the industry. Servicing fees of \$19,029,000, \$12,978,000 and \$3,834,000 were retained by LMUSA for the years ended December 31, 1993, 1992 and 1991, respectively.

Capstead purchased approximately \$6,016,000, \$20,195,000 and \$4,440,000 of mortgage loans from LMUSA in 1993, 1992 and 1991, respectively, at prices and terms prevailing at the time of purchase.

NOTE M -- SUBSEQUENT EVENTS

Prior to December 31, 1993, the Company committed to issue three series of collateralized mortgage securities and on January 11, 1994, committed to issue one additional series. The series are scheduled to close in January or February 1994 with an aggregate issue balance of approximately \$1.15 billion. These issuances will be collateralized by mortgage loans from the Company's mortgage loan portfolio. The Company will elect Real Estate Mortgage Investment Conduit ("REMIC") status for tax purposes on these issuances.

In addition, the Company has committed to bulk acquisitions of servicing rights to service approximately \$1.6 billion of mortgage loans. The Company will begin servicing these loans between January and April of 1994.

On January 17, 1994, the Los Angeles region of southern California suffered a relatively severe earthquake. The Company has exposure to earthquake losses in cases where a homeowner defaults on his mortgage and the property has structural damage from an earthquake, exclusive of fire or water damage (the standard homeowners policy covers fire and water damage even if such damage was the result of an earthquake). Although approximately \$460 million of the Company's mortgage assets are located in the affected areas (as determined by reference to affected zip codes as reported by a rating agency), all but approximately \$67 million of these assets are insured against such losses. At this point in time, it is unclear how many of the underlying properties may have sustained damage and, ultimately, if any loss will be incurred by the Company. The Company, however, does not believe any such losses will be material.

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NOTE N -- SUPPLEMENTAL CASH FLOW INFORMATION

The following table provides supplemental cash and noncash information (in thousands):

<TABLE>
<CAPTION>

	Year Ended December 31		
	1993	1992	1991
<S>	<C>	<C>	<C>
Interest paid:			
Short-term borrowings	\$ 81,722	\$ 62,247	\$ 29,479
Collateralized mortgage securities	375,948	323,346	139,584
Noncash investing and financing activities:			
Transfers from mortgage investments to mortgage securities collateral	1,197,947	3,603,844	1,484,947
Charges to allowance for possible losses	4,101	3,027	1,145
Acquisition of Tyler Cabot:			
Net assets acquired	--	307,077	--
Net liabilities assumed	--	288	--
Preferred stock issued	--	315,025	--

</TABLE>

NOTE O -- NET INTEREST INCOME ANALYSIS

The following table summarizes the amount of interest income and interest expense and the average effective interest rate (dollars in thousands):

<TABLE>
<CAPTION>

	1993		1992		1991	
	Amount	Average Rate	Amount	Average Rate	Amount	Average Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest income:						
Mortgage securities collateral	\$390,690	8.38%	\$383,060	9.32%	\$176,578	10.29%
Mortgage investments	184,136	6.56	117,527	7.49	58,989	9.38

Total interest income	574,826		500,587		235,567	
Interest expense:						
Collateralized mortgage securities	410,153	9.05	353,356	8.80	158,366	9.70
Short-term borrowings	80,923	3.40	62,077	4.43	31,474	6.38
Total interest expense	491,076		415,433		189,840	
Net interest	\$ 83,750		\$ 85,154		\$ 45,727	

</TABLE>

The following table summarizes the amount of changes in interest income and interest expense due to changes in interest rates versus changes in volume (in thousands):

	1993/1992*			1992/1991*		
	Rate	Volume	Total	Rate	Volume	Total
Interest income:						
Mortgage securities collateral	\$ (40,878)	\$ 48,508	\$ 7,630	\$ (18,194)	\$ 224,676	\$ 206,482
Mortgage investments	(16,008)	82,617	66,609	(14,061)	72,599	58,538
	(56,886)	131,125	74,239	(32,255)	297,275	265,020
Interest expense:						
Collateralized mortgage securities	10,057	46,740	56,797	(13,140)	208,130	194,990
Short-term borrowings	(16,887)	35,733	18,846	(12,091)	42,694	30,603
	(6,830)	82,473	75,643	(25,231)	250,824	225,593
	\$ (50,056)	\$ 48,652	\$ (1,404)	\$ (7,024)	\$ 46,451	\$ 39,427

</TABLE>

*The change in interest due to both volume and rate has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

NOTE P - QUARTERLY RESULTS (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations (in thousands, except per share amounts):

	Year Ended December 31, 1993			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest income	\$149,566	\$153,129	\$149,683	\$122,448
Interest and related expenses	127,756	130,861	125,466	129,877*
Net margin on mortgage assets	21,810	22,268	24,217	(7,429)
Other revenues	9,692	6,528	13,208	37,249
Net income	22,904	23,255	23,640	24,457
Net income per share:				
Primary	\$.88	\$.90	\$.92	\$.97
Fully diluted	.86	.88	.90	.95

<CAPTION>

	Year Ended December 31, 1992			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest income	\$100,791	\$123,976	\$133,329	\$142,491
Interest and related expenses	87,433	107,485	117,081	125,005
Net margin on mortgage assets	13,358	16,491	16,248	17,486
Other revenues	1,112	(100)	1,095	1,755
Net income	11,207	12,553	13,234	16,197
Net income per share:				

Primary	\$.81	\$.83	\$.87	\$.87
Fully diluted		.76		.80		.84		.84

</TABLE>

* Because of high prepayments on mortgage securities collateral during the fourth quarter, the Company accelerated amortization of bond discount on existing collateralized mortgage securities resulting in the recognition of an additional \$28 million in interest expense.

NOTE Q -- MARKET AND DIVIDEND INFORMATION (UNAUDITED)

The New York Stock Exchange trading symbol for the Company's common stock is CMO. There were approximately 2,600 holders of record of the Company's common stock at December 20, 1993. In addition, depository companies held stock for approximately 22,000 beneficial owners. During the last two years, the high and low stock sales prices and dividends declared on common stock were as follows:

<TABLE>
<CAPTION>

	Year Ended December 31, 1993			Year Ended December 31, 1992		
	Stock Prices			Stock Prices		
	High	Low	Dividends Declared	High	Low	Dividends Declared
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
First quarter	\$42 7/8	\$36 1/2	\$.88	\$35 1/4	\$27 1/2	\$.76
Second quarter	42 7/8	35 3/4	.90	34 1/4	28 3/4	.80
Third quarter	40	37 1/2	.92	36 7/8	31 7/8	.84
Fourth quarter	42 3/8	35 7/8	.96	39 3/8	33 1/8	.86

</TABLE>

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) Documents filed as part of this report:

1. The following financial statements of the Company:

<TABLE>
<CAPTION>

	PAGE
-----	-----
<S>	<C>
Consolidated Statement of Income - Years Ended December 31, 1993, 1992 and 1991.....	10
Consolidated Balance Sheet - December 31, 1993 and 1992.....	11
Consolidated Statement of Stockholders' Equity - Three Years Ended December 31, 1993.....	12
Consolidated Statement of Cash Flows - Years Ended December 31, 1993, 1992 and 1991.....	13
Notes to Consolidated Financial Statements - December 31, 1993.....	14
2. Financial statement schedules:	
Schedule VIII-Valuation and Qualifying Accounts...	31
Schedule IX-Short-Term Borrowings.....	32
Schedule XII-Mortgage Loans on Real Estate.....	33
NOTE: All other 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.	

</TABLE>

3. Exhibits:

<TABLE>
<CAPTION>

Exhibit Number	

<C>	<S>
3.1(a)	Charter of the Company, which includes Articles of

Incorporation, Articles Supplementary for each outstanding Series of Preferred Stock and all other amendments to such Articles of Incorporation.(9)

- 3.1(b) Articles Supplementary (\$1.26 Cumulative Convertible Preferred Stock, Series B).(7)
- 3.2 Bylaws of the Company, as amended.(9)
- 10.16 Management Agreement between Capstead Mortgage Corporation and Capstead Advisers, Inc. dated July 31, 1992.(8)
- 10.17 Amendment to Management Agreement dated March 31, 1993, between the Registrant and Capstead Advisers, Inc.(9)
- 10.18 Second Amendment to Management Agreement dated September 3, 1993, between the Registrant and Capstead Advisers, Inc.*
- 10.19 Stock Option Agreement, dated June 16, 1992, between the Company and Lomas Financial Corporation.(9)
- 10.20 Form of Loan Sale Agreement.(6)
- 10.21 1990 Employee Stock Option Plan(4)
- 10.22 1990 Directors' Stock Option Plan(5)
- 10.23 Employment Agreement dated August 1, 1992 between Capstead Mortgage Corporation and Ronn K. Lytle.(7)

</TABLE>

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<TABLE>
<CAPTION>

- | <C> | <S> |
|-------|---|
| 10.24 | Restricted Stock Grant Agreement dated August 1, 1992 between Capstead Mortgage Corporation and Ronn K. Lytle.(7) |
| 11 | Computation of earnings per share.(10) |
| 12.1 | Statement regarding computation of ratios of earnings to fixed charges and preferred stock dividends.(10) |
| 13 | Portions of the Annual Report to Stockholders of the Company for the year ended December 31, 1993.(10) |
| 22.1 | List of subsidiaries of the Company.(10) |
| 23.1 | Consent of Ernst & Young, Independent Auditors.* |

</TABLE>

- (1) Incorporated by reference to the Company's Registration Statement on Form S-11 (No. 2-97182) dated September 5, 1985.
 - (2) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1989.
 - (3) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1991.
 - (4) Incorporated by reference to the Company's Registration Statement on Form S-8 (No. 33-40016) dated April 29, 1991.
 - (5) Incorporated by reference to the Company's Registration Statement on Form S-8 (No. 33-40017) dated April 29, 1991.
 - (6) Incorporated by reference to Amendment No. 1 on Form 8 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991.
 - (7) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1992.
 - (8) Incorporated by reference to Amendment No. 1 of the Company's Registration Statement on Form S-4 (No. 33-31260) dated October 27, 1992.
 - (9) Incorporated by reference to the Company's Registration Statement on Form S-3 (No. 33-62212) dated May 6, 1993.
 - (10) Previously filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1993.
- * Filed herewith.

(b) Reports on Form 8-K: None.

(c) Exhibits - The response to this section of ITEM 14 is submitted as a separate section of this report.

(d) Financial Statement Schedules - The response to this section of ITEM 14 is submitted as a separate section of this report.

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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 amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPSTEAD MORTGAGE CORPORATION
Registrant

Date: April 20, 1994

By /s/ ANDREW F. JACOBS

Andrew F. Jacobs
Senior Vice President
and Treasurer

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SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS

CAPSTEAD MORTGAGE CORPORATION AND SUBSIDIARIES

<TABLE>
<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS		DEDUCTIONS- DESCRIBE *	BALANCE AT END OF PERIOD
		CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS- DESCRIBE		
<S>	<C>	<C>	<C>	<C>	<C>
Reserves and Allowances Deducted From Mortgage Investments:					
Year ended December 31, 1993					
Allowance for losses.....	\$8,228,000	\$2,800,000	-	\$4,101,000	\$6,927,000
Year ended December 31, 1992					
Allowance for losses.....	\$3,505,000	\$7,750,000	-	\$3,027,000	\$8,228,000
Year ended December 31, 1991					
Allowance for losses.....	\$2,943,000	\$1,707,000	-	\$1,145,000	\$3,505,000

</TABLE>

* Loss on sale of foreclosed properties and charge-offs of other mortgage securities.

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SCHEDULE IX - SHORT-TERM BORROWINGS

CAPSTEAD MORTGAGE CORPORATION AND SUBSIDIARIES

<TABLE>
<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
CATEGORY OF AGGREGATE SHORT-TERM BORROWINGS	BALANCE AT END OF PERIOD	WEIGHTED AVERAGE INTEREST RATE	MAXIMUM AMOUNT OUTSTANDING DURING THE PERIOD	AVERAGE AMOUNT OUTSTANDING DURING THE PERIOD (4)	WEIGHTED AVERAGE INTEREST RATE
					DURING THE PERIOD (5)
<S>	<C>	<C>	<C>	<C>	<C>
Year ended December 31, 1993:					
Repurchase agreements(2).....	\$2,044,776,000	3.89%	\$2,300,478,000	\$2,033,598,000	3.61%
Dollar repurchase agreements(3)...	\$ 399,031,000	3.38%	\$ 604,094,000	\$ 305,198,000	2.07%

Year ended December 31, 1992:					
Notes payable(1).....	-	-	\$ 25,000,000	\$ 10,364,000	5.61%
Repurchase agreements(2).....	\$1,449,209,000	4.09%	\$1,451,944,000	\$1,367,986,000	4.33%
Year ended December 31, 1991					
Notes payable(1).....	\$ 25,000,000	6.75%	\$ 86,600,000	\$ 19,708,000	7.01%
Repurchase agreements(2).....	\$ 830,572,000	5.82%	\$1,071,816,000	\$ 431,692,000	6.29%
Dollar repurchase agreements(3)...	-	-	\$ 48,666,000	\$ 27,976,000	9.50%

</TABLE>

- (1) Notes payable consisted of borrowings under the Company's revolving lines of credit with commercial banks.
- (2) Repurchase agreements consisted of borrowings from investment banks with terms typically not longer than 160 days with no provisions for extension of maturity.
- (3) Dollar repurchase agreements consisted of borrowings from investment banks with mortgage-backed securities as collateral and terms typically not longer than 60 days.
- (4) The average amount outstanding during the period was computed by dividing the total of the monthly weighted average outstanding principal balances by 12 months.
- (5) The weighted average interest rate during the period was computed by dividing the total of the monthly weighted average interest rates by 12 months.

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SCHEDULE XII - MORTGAGE LOANS ON REAL ESTATE

CAPSTEAD MORTGAGE CORPORATION AND SUBSIDIARIES

DECEMBER 31, 1993

<TABLE>

<CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G	COLUMN H
DESCRIPTION (1)	INTEREST RATE	FINAL MATURITY DATE	PERIODIC PAYMENT TERMS	PRIOR LIENS	FACE AMOUNT OF MORTGAGES	CARRYING AMOUNT OF MORTGAGES	PRINCIPAL AMOUNT OF LOANS SUBJECT TO DELINQUENT PRINCIPAL OR INTEREST (4)
<S> \$ -0- - \$ 49,999 (77)	<C> 5.125% - 13.500%	<C> Varies	<C> Monthly	<C> None	<C> \$ 113,000	<C> \$ 113,000	<C> \$ -
\$ 50,000 - \$ 99,999 (17)	3.875% - 12.250%	Varies	Monthly	None	1,463,000	1,463,000	84,000
\$100,000 - \$ 149,999 (49)	4.250% - 10.750%	Varies	Monthly	None	6,355,000	6,355,000	248,000
\$150,000 - \$ 199,999 (120)	4.125% - 11.250%	Varies	Monthly	None	21,147,000	21,147,000	178,000
\$200,000 - \$ 249,999 (2,695)	3.875% - 12.375%	Varies	Monthly	None	607,259,000	607,259,000	10,307,000
\$250,000 - \$ 299,999 (2,031)	3.625% - 11.375%	Varies	Monthly	None	555,505,000	555,505,000	8,948,000
\$300,000 - \$ 349,999 (1,103)	4.125% - 11.250%	Varies	Monthly	None	357,036,000	357,036,000	7,122,000
\$350,000 - \$ 399,999 (720)	3.625% - 9.375%	Varies	Monthly	None	269,649,000	269,649,000	3,711,000
\$400,000 - \$ 449,999 (392)	3.875% - 10.750%	Varies	Monthly	None	166,380,000	166,380,000	5,440,000
\$450,000 - \$ 499,999 (279)	4.250% - 9.000%	Varies	Monthly	None	133,375,000	133,375,000	3,844,000
\$500,000 - \$1,500,000 (576)	4.000% - 10.000%	Varies	Monthly	None	352,802,000	352,802,000	7,600,000
					----- \$2,471,084,000 =====	----- 2,471,084,000	----- 47,482,000
			Plus premium			----- 1,562,000	----- -
						----- \$2,472,646,000 (2) =====	----- \$47,482,000 =====

</TABLE>

See accompanying Notes to Schedule XII on the following page.

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- (1) The portfolio at December 31, 1993 consisted of single-family, conventional, first mortgage loans. Principal amount of mortgage loans in the portfolio totaling \$900,936,000, or 36%, are adjustable-rate loans; and \$318,319,000, or 13%, are 30 year mortgage loans with one rate or payment change five years from origination. The remaining \$1,251,829,000, or 51%, are fixed-rate level payment loans.
- (2) The basis for valuing the mortgage loan portfolio for tax purposes is the same as that used for financial reporting.
- (3) Reconciliation of mortgage loans:

<TABLE>
<CAPTION>

<S>	<C>	<C>
Balance at January 1, 1991.....		\$ 209,528,000
Additions:		
Purchases of mortgage loans.....	2,173,148,000	
Amortization of discount.....	700,000	2,173,848,000
	-----	-----
		2,383,376,000
Deductions:		
Principal collections.....	32,192,000	
Sale of mortgage loans.....	6,515,000	
Mortgage loans transferred to mortgage securities collateral....	1,484,947,000	1,523,654,000
	-----	-----
Balance at December 31, 1991.....		859,722,000
Additions:		
Purchases of mortgage loans.....	5,488,051,000	
Amortization of discount.....	391,000	5,488,442,000
	-----	-----
		6,348,164,000
Deductions:		
Principal collections.....	90,011,000	
Mortgage loans transferred to mortgage securities collateral....	3,603,844,000	
Sale of mortgage loans.....	965,217,000	4,659,072,000
	-----	-----
Balance at December 31, 1992.....		1,689,092,000
Additions:		
Purchases of mortgage loans.....	4,410,950,000	
Released CMO collateral.....	83,955,000	
Amortization of discount.....	73,000	4,494,978,000
	-----	-----
		6,184,070,000
Deductions:		
Principal collections.....	271,511,000	
Mortgage loans transferred to mortgage securities collateral....	995,513,000	
Sale of mortgage loans.....	2,444,400,000	3,711,424,000
	-----	-----
Balance at December 31, 1993.....		\$2,472,646,000 =====

</TABLE>

- (4) Consists of all mortgage loans delinquent 60 days or more. Note that of this total, \$46,527,000 is covered by mortgage pool insurance which effectively limits the Company's exposure to loss.

NOTES TO SCHEDULE XII - CONTINUED

CAPSTEAD MORTGAGE CORPORATION AND SUBSIDIARIES

- (5) The geographic distribution of the Company's portfolio at December 31, 1993 was as follows:

<TABLE>

<CAPTION>

STATE	NUMBER OF LOANS	PRINCIPAL AMOUNT
-----	-----	-----
<S>	<C>	<C>
Alabama.....	24	\$ 6,958,000
Arizona.....	36	12,586,000
Arkansas.....	8	2,973,000

California.....	3,775	1,157,448,000
Colorado.....	151	43,872,000
Connecticut.....	49	17,194,000
Delaware.....	13	3,274,000
District of Columbia...	104	32,439,000
Florida.....	275	84,437,000
Georgia.....	327	98,781,000
Hawaii.....	19	7,953,000
Illinois.....	71	22,098,000
Indiana.....	5	1,808,000
Iowa.....	2	505,000
Kansas.....	11	3,003,000
Kentucky.....	8	2,694,000
Louisiana.....	74	21,412,000
Maryland.....	549	176,495,000
Massachusetts.....	115	32,850,000
Michigan.....	130	40,181,000
Minnesota.....	2	464,000
Mississippi.....	3	689,000
Missouri.....	84	28,017,000
Nebraska.....	10	3,493,000
Nevada.....	21	6,269,000
New Hampshire.....	3	687,000
New Jersey.....	284	85,095,000
New Mexico.....	55	17,227,000
New York.....	100	32,314,000
North Carolina.....	26	7,508,000
Ohio.....	47	13,703,000
Oklahoma.....	65	18,509,000
Oregon.....	1	643,000
Pennsylvania.....	194	59,940,000
Rhode Island.....	6	1,327,000
South Carolina.....	16	4,435,000
Tennessee.....	14	4,037,000
Texas.....	485	149,494,000
Utah.....	19	6,153,000
Vermont.....	5	1,666,000
Virginia.....	683	204,439,000
Washington.....	184	53,807,000
Wisconsin.....	6	2,207,000
	-----	-----
		2,471,084,000
Plus premium.....		1,562,000

Total.....	8,059	\$2,472,646,000
	=====	=====

</TABLE>

EXHIBIT INDEX

Exhibit Number -----	Sequentially Numbered Page -----
23.1	Consent of Ernst & Young, Independent Auditors.*

* Filed herewith.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-40116) pertaining to the 1990 Employee Stock Option Plan, the Registration Statement (Form S-8 No. 33-40117) pertaining to the 1990 Directors' Stock Option Plan, the Registration Statement (Form S-3 No. 33-62212) pertaining to the Universal Shelf, the Registration Statement (Form S-8 No. 33-52415) pertaining to the registration of 1,000,000 shares of common stock and in the related prospectuses of our report dated January 24, 1994, with respect to the consolidated financial statements included in this Form 10-K/A of Capstead Mortgage Corporation.

ERNST & YOUNG

Dallas, Texas

April 20, 1994