

CAPSTEAD MORTGAGE CORP
 Form 424B5
 May 09, 2013
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CALCULATION OF REGISTRATION FEE

<i>Title of each class of securities to be registered</i>	<i>Amount to be registered⁽¹⁾</i>	<i>Proposed maximum offering price per unit</i>	<i>Proposed maximum aggregate offering price⁽¹⁾</i>	<i>Amount of registration fee⁽²⁾</i>
		<i>per unit</i>	<i>price⁽¹⁾</i>	
7.50% Series E Cumulative Redeemable Preferred Stock (Liquidation Preference \$25.00 per share)	6,900,000	\$25.00	\$172,500,000	\$23,529

⁽¹⁾ Assumes exercise in full of the underwriters' option to purchase up to 900,000 additional shares of 7.50% Series E Cumulative Redeemable Preferred Stock.

⁽²⁾ Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended. This Calculation of Registration Fee table shall be deemed to update the Calculation of Registration Fee table in the registrant's Registration Statement on Form S-3 (File No. 333-179607) in accordance with Rules 456(b) and 457(r) under the Securities Act of 1933, as amended.

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**Filed Pursuant to Rule 424(b)(5)
Registration No. 333-179607**

PROSPECTUS SUPPLEMENT

(To Prospectus Dated February 23, 2012)

6,000,000 Shares

Capstead Mortgage Corporation

7.50% Series E Cumulative Redeemable Preferred Stock

(Liquidation Preference \$25.00 Per Share)

Capstead Mortgage Corporation is offering to the public 6,000,000 shares of its 7.50% Series E Cumulative Redeemable Preferred Stock, par value \$0.10 per share (Series E Preferred Stock). This is an original issuance of the Series E Preferred Stock. We will pay quarterly cumulative dividends on the shares of the Series E Preferred Stock, in arrears, on the 15th day of each January, April, July and October commencing on July 15, 2013 (provided that if any dividend payment date is not a business day, then the dividend that would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day) from, and including, the date of original issuance at 7.50% of the \$25.00 per share liquidation preference per annum (equivalent to \$1.875 per annum per share).

The Series E Preferred Stock will not be redeemable before May 13, 2018, except under circumstances where it is necessary to preserve our qualification as a real estate investment trust for federal income tax purposes, or REIT, and except as described below upon the occurrence of a Change of Control (as defined herein). On or after May 13, 2018, we may, at our option, redeem any or all of the shares of the Series E Preferred Stock at \$25.00 per share plus any accumulated and unpaid dividends to, but not including, the redemption date. In addition, upon the occurrence of a Change of Control, we may, at our option, redeem any or all of the shares of Series E Preferred Stock within 120 days after the first date on which such Change of Control occurred at \$25.00 per share plus any accumulated and unpaid dividends to, but not including, the redemption date. The Series E Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless repurchased or redeemed by us or converted into our common stock in connection with a Change of Control by the holders of Series E Preferred Stock.

Upon the occurrence of a Change of Control, each holder of Series E Preferred Stock will have the right (subject to our election to redeem the Series E Preferred Stock in whole or in part, as described above, prior to the Change of Control Conversion Date (as defined herein)) to convert some or all of the shares of the Series E Preferred Stock held by such holder on the Change of Control Conversion Date into a number of shares of our common stock per share of Series E Preferred Stock equal to the lesser of:

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the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference per share of the Series E Preferred Stock plus the amount of any accumulated and unpaid dividends thereon to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a dividend record date (as defined herein) and prior to the corresponding dividend payment date (as defined herein) for the Series E Preferred Stock, in which case no additional amount for such accumulated and unpaid dividends will be included in this sum) by (ii) the Common Stock Price (as defined herein); and

3.81388 (the *Share Cap*), subject to certain adjustments as explained herein;

in each case, on the terms and subject to the conditions described in this prospectus supplement, including provisions for the receipt, under specified circumstances, of alternative consideration as described in this prospectus supplement.

The Series E Preferred Stock has not been rated and no current market exists for the Series E Preferred Stock. We intend to apply to list the shares of the Series E Preferred Stock on the New York Stock Exchange (*NYSE*), under the symbol *CMOPRE*. If the application is approved, trading of the Series E Preferred Stock on the NYSE is expected to begin within 30 days after the date of initial issuance of the Series E Preferred Stock.

There are restrictions on transfer and ownership of the Series E Preferred Stock intended to preserve our qualification as a REIT. Please see the sections entitled *Description of the Series E Preferred Stock*, *Restrictions on Transfer and Ownership* in this prospectus supplement and *Description of Our Capital Stock*, *Restrictions on Ownership and Transfer* in the accompanying prospectus. In addition, except under limited circumstances as described in this prospectus supplement, holders of the Series E Preferred Stock generally do not have any voting rights.

Investing in the Series E Preferred Stock involves various risks described under the heading **Risk Factors** beginning on page S-7 of this prospectus supplement and in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

	<i>Per Share</i>	<i>Total⁽¹⁾</i>
<i>Price to the public</i>	\$25.0000	\$150,000,000
<i>Underwriting discounts and commissions</i>	\$0.7875	\$4,725,000
<i>Proceeds to us (before expenses)</i>	\$24.2125	\$145,275,000

⁽¹⁾ Assumes no exercise of the underwriters' over-allotment option.

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

The underwriters have an option to purchase a maximum of 900,000 additional shares of our Series E Preferred Stock to cover over-allotments, if any, on the same terms and conditions set forth above within 30 days of the date of this prospectus supplement.

Delivery of the shares of the Series E Preferred Stock will be made on or about May 13, 2013, only in book-entry form through The Depository Trust Company.

Morgan Stanley

Joint Book-Running Managers

UBS Investment Bank

Keefe, Bruyette & Woods
A Stifel Company

Joint Lead Managers

RBC Capital Markets

Co-Managers

JMP Securities

Mitsubishi UFJ Securities

The date of this prospectus supplement is May 8, 2013

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CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words believe, anticipate, expect, estimate, intend, will be, will likely continue, will likely result, or words or phrases of similar meaning. Forward-looking statements are based largely on the expectations of management and are subject to a number of risks and uncertainties including, but not limited to, the following:

our expectations around the use of proceeds of this offering and the redemption of the Series A Preferred Stock and the Series B Preferred Stock;

changes in general economic conditions;

fluctuations in interest rates and levels of mortgage prepayments;

the effectiveness of risk management strategies;

the impact of differing levels of leverage employed;

liquidity of secondary markets and credit markets;

the availability of financing at reasonable levels and terms to support investing on a leveraged basis;

the availability of new investment capital;

the availability of suitable qualifying investments from both an investment return and regulatory perspective;

changes in legislation or regulation affecting exemptions for mortgage REITs from regulation under the Investment Company Act of 1940;

changes in legislation or regulation affecting Fannie Mae, Freddie Mac, Ginnie Mae and similar federal government agencies and related guarantees;

deterioration in credit quality and ratings of existing or future issuances of mortgage securities guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae; and

increases in costs and other general competitive factors.

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In addition to the above considerations, actual results and liquidity are affected by other risks and uncertainties which could cause actual results to be significantly different from those expressed or implied by any forward-looking statements included herein. It is not possible to identify all of the risks, uncertainties and other factors that may affect future results. In light of these risks and uncertainties, the forward-looking events and circumstances discussed herein may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. Forward-looking statements speak only as of the date the statement is made and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, readers of this prospectus supplement and the accompanying prospectus are cautioned not to place undue reliance on any forward-looking statements included or incorporated by reference herein.

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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.

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 Series E Preferred 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 Series E Preferred Stock.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by the more detailed information included elsewhere or incorporated by reference into this prospectus supplement and the accompanying prospectus. Because this is a summary, it may not contain all of the information that is important to you. You should read the entire prospectus supplement and the accompanying prospectus, including the section entitled "Risk Factors" and the documents incorporated by reference herein before making an investment decision.

OUR COMPANY

We are a self-managed real estate investment trust, or REIT, formed in 1985 and based in Dallas, Texas. We earn income from investing in a leveraged portfolio of residential mortgage pass-through securities consisting almost exclusively of adjustable-rate mortgage (ARM) securities issued and guaranteed by government-sponsored enterprises, either Fannie Mae or Freddie Mac (together, the GSEs), or by an agency of the federal government, Ginnie Mae. Residential mortgage pass-through securities guaranteed by the GSEs or Ginnie Mae are referred to as agency-guaranteed mortgage securities and are considered to have limited, if any, credit risk.

Our investment strategy is to manage a conservatively leveraged portfolio of agency-guaranteed ARM securities that can produce attractive risk-adjusted returns over the long term, while reducing, but not eliminating, sensitivity to changes in interest rates. This strategy differentiates us from our peers because ARM securities reset to more current interest rates within a relatively short period of time allowing for the recovery of financing spreads diminished during periods of rising interest rates and smaller fluctuations in portfolio values from changes in interest rates compared to portfolios that contain a significant amount of fixed-rate mortgage securities. From a credit-risk perspective, the credit quality of agency-guaranteed mortgage securities helps ensure that fluctuations in value due to credit risk should be limited and financing at reasonable rates and terms is more likely to remain available under stressed market conditions.

Our principal executive offices are located at 8401 N. 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 NYSE under the symbol CMO.

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THE OFFERING

Issuer	Capstead Mortgage Corporation
Securities Offered	6,000,000 shares of our 7.50% Series E Cumulative Redeemable Preferred Stock, par value \$0.10 per share (plus up to an additional 900,000 shares of our 7.50% Series E Cumulative Redeemable Preferred Stock that we may issue and sell upon the exercise of the underwriters' over-allotment option).
Dividends	<p>Holders of the Series E Preferred Stock will be entitled to receive cumulative cash dividends at a rate of 7.50% per annum of the \$25.00 per share liquidation preference (equivalent to \$1.875 per annum per share).</p> <p>Dividends will be payable quarterly in arrears on the 15th day of each January, April, July and October, provided that if any dividend payment date is not a business day, then the dividend which would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day. Dividends will accumulate and be cumulative from, and including, the date of original issuance, which is expected to be May 13, 2013. The first dividend will be payable on July 15, 2013 in the amount of \$0.32292 per share and will be paid to the persons who are the holders of record of the Series E Preferred Stock at the close of business on the corresponding record date, which will be June 30, 2013.</p>
No Maturity	The Series E Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption. Shares of the Series E Preferred Stock will remain outstanding indefinitely unless we decide to redeem or otherwise repurchase them or they become convertible and are converted as described below under Change of Control Conversion Right. We are not required to set apart for payment the funds to redeem the Series E Preferred Stock.
Optional Redemption	The Series E Preferred Stock is not redeemable by us prior to May 13, 2018, except under circumstances intended to preserve our qualification as a REIT and except as described below under Special Optional Redemption Upon Change of Control. On and after May 13, 2018, we may, at our option, redeem the Series E Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price equal to \$25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date fixed for redemption. Please see the section entitled Description of the Series E Preferred Stock Redemption Optional Redemption.
Special Optional Redemption Upon Change of Control	Upon the occurrence of a Change of Control, we may, at our option, redeem the Series E Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of \$25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date fixed for redemption. If, prior to the Change of Control Conversion Date (as defined herein), we have provided notice of our election to

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redeem some or all of the shares of Series E Preferred Stock (whether pursuant to our optional redemption right described above or this special optional redemption right), the holders of Series E Preferred Stock will not have the conversion right described below under **Change of Control Conversion Right** with respect to the shares of Series E Preferred Stock called for redemption. Please see the section entitled **Description of the Series E Preferred Stock Redemption** in this prospectus supplement.

A **Change of Control** is deemed to occur when, after the original issuance of the Series E Preferred Stock, the following have occurred and are continuing:

the acquisition by any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the Exchange Act) of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of our stock entitling that person to exercise more than 50% of the total voting power of all our stock entitled to vote generally in the election of our directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE Amex Equities (the NYSE Amex) or the Nasdaq Stock Market (Nasdaq), or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or Nasdaq.

Change of Control Conversion Right

Upon the occurrence of a Change of Control, each holder of Series E Preferred Stock will have the right (unless we have exercised our right to redeem the Series E Preferred Stock in whole or part, as described above under **Optional Redemption** or **Special Optional Redemption Upon Change of Control**, prior to the Change of Control Conversion Date) to convert some or all of the Series E Preferred Stock held by such holder on the Change of Control Conversion Date into a number of shares of our common stock per share of Series E Preferred Stock equal to the lesser of:

the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference per share of Series E Preferred Stock plus the amount of any accumulated and unpaid dividends thereon to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a

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dividend record date (as defined herein) and prior to the corresponding dividend payment date (as defined herein) for the Series E Preferred Stock, in which case no additional amount for such accumulated and unpaid dividends will be included in this sum) by (ii) the Common Stock Price (as defined herein); and

3.81388 (the Share Cap), subject to adjustments to the Share Cap for any splits, subdivisions or combinations of our common stock;

in each case, on the terms and subject to the conditions described in this prospectus supplement, including provisions for the receipt, under specified circumstances, of alternative consideration as described in this prospectus supplement.

For definitions of Change of Control Conversion Right, Change of Control Conversion Date and Common Stock Price and a description of certain adjustments and provisions for the receipt of alternative consideration that may be applicable to the conversion of Series E Preferred Stock in the event of a Change of Control, and for other important information, please see the section entitled Description of the Series E Preferred Stock Change of Control Conversion Right.

Liquidation Preference

If we liquidate, dissolve or wind up, holders of the Series E Preferred Stock will have the right to receive \$25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date of payment, before any payment is made to the holders of our common stock. Please see the section entitled Description of the Series E Preferred Stock Liquidation Preference.

Ranking

The Series E Preferred Stock will rank, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up, (1) senior to all classes or series of our common stock and to all other equity securities issued by us other than equity securities referred to in clauses (2) and (3); (2) on a parity with our \$1.60 Cumulative Preferred Stock, Series A (Series A Preferred Stock) and \$1.26 Cumulative Convertible Preferred Stock, Series B (Series B Preferred Stock) all other equity securities issued by us with terms specifically providing that those equity securities rank on a parity with the Series E Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up; (3) junior to all equity securities issued by us with terms specifically providing that those equity securities rank senior to the Series E Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up; and (4) effectively junior to all of our existing and future indebtedness (including any indebtedness convertible into our common stock or preferred stock) and to the indebtedness of our existing and future subsidiaries. Please see the section entitled Description of the Series E Preferred Stock Ranking.

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Limited Voting Rights

Holders of Series E Preferred Stock will generally have no voting rights. However, if we do not pay dividends on the Series E Preferred Stock for six or more quarterly dividend periods (whether or not consecutive), the holders of the Series E Preferred Stock, voting together as a single class with the holders of all other classes or series of our preferred stock we have issued or may issue upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series E Preferred Stock in the election referred to below, will be entitled to vote for the election of two additional directors to serve on our board of directors until we pay, or declare and set apart funds for the payment of, all dividends accumulated on the Series E Preferred Stock for all past dividend periods and the then current dividend period. In addition, the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series E Preferred Stock, voting together as a single class with the holders of all other classes of our preferred stock we have issued or may issue upon which like voting rights have been conferred and are exercisable, is required for us (a) to authorize or issue any class or series of stock ranking prior to the Series E Preferred Stock with respect to the payment of dividends or the distribution of assets on liquidation, dissolution or winding up, or (b) to amend any provision of our charter so as to materially and adversely affect any rights of the Series E Preferred Stock or to take certain other actions. Please see the section entitled "Description of the Series E Preferred Stock - Limited Voting Rights."

Information Rights

During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any shares of Series E Preferred Stock are outstanding, we will use our best efforts to (i) transmit by mail (or other permissible means under the Exchange Act) to all holders of Series E Preferred Stock, as their names and addresses appear on our record books and without cost to such holders, copies of the annual reports on Form 10-K and quarterly reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any holders or prospective holder of Series E Preferred Stock, subject to certain exceptions described in this prospectus supplement. We will use our best effort to mail (or otherwise provide) the information to the holders of the Series E Preferred Stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the SEC, if we were subject to Section 13 or 15(d) of the Exchange Act, in each case, based on the dates on which we would be required to file such periodic reports if we were a non-accelerated filer within the meaning of the Exchange Act.

Listing

No current market exists for the Series E Preferred Stock. We intend to file an application to list the Series E Preferred Stock on the NYSE

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under the symbol CMOPRE. If approved for listing, we expect that trading on the NYSE will commence within 30 days after the date of initial issuance of the Series E Preferred Stock. The underwriters have advised us that they intend to make a market in the Series E Preferred Stock prior to the commencement of any trading on the NYSE, but they are not obligated to do so and may discontinue market making at any time without notice. We cannot assure you that a market for the Series E Preferred Stock will develop prior to commencement of trading on the NYSE or, if developed, will be maintained or will provide you with adequate liquidity.

Restrictions on Transfer and Ownership

In order to ensure that we remain a qualified REIT, our charter contains provisions restricting ownership and transfer of our shares of capital stock (including the Series E Preferred Stock). Please see the sections entitled Description of the Series E Preferred Stock Restrictions on Transfer and Ownership in this prospectus supplement and Description of Our Capital Stock Restrictions on Ownership and Transfer in the accompanying prospectus.

Book Entry and Form

The Series E Preferred Stock will be represented by one or more global certificates in definitive, fully registered form deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company.

Use of Proceeds

We intend to use the net proceeds from this offering, together with cash on hand as necessary and deemed prudent, to redeem all or a portion of our outstanding Series A Preferred Stock and Series B Preferred Stock. Should we conclude not to use all or a portion of the net proceeds from this offering to fund a redemption transaction, such proceeds will be used for general corporate purposes.

Federal Income Tax Considerations

For a discussion of the federal income tax consequences of purchasing, owning and disposing of the Series E Preferred Stock and any common stock received upon conversion of the Series E Preferred Stock, please see the section entitled Additional U.S. Federal Income Tax Considerations.

Risk Factors

An investment in the Series E Preferred Stock is subject to risks. Please refer to Risk Factors and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before investing in shares of our Series E Preferred Stock.

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RISK FACTORS

An investment in shares of our Series E Preferred Stock is subject to certain risks. The trading price of our Series E Preferred Stock could decline due to any of these risks, and you may lose all or part of your investment. Before you decide to invest in our Series E Preferred Stock, you should consider the risk factors below relating to the offering as well as the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, which are incorporated by reference into this prospectus supplement and the accompanying prospectus.

Risks Related to the Offering

The Series E Preferred Stock ranks junior to all of our indebtedness and other liabilities.

In the event of our bankruptcy, liquidation, dissolution or winding-up of our affairs, our assets will be available to pay obligations on the Series E Preferred Stock only after all of our indebtedness and other liabilities have been paid. The rights of holders of the Series E Preferred Stock to participate in the distribution of our assets will rank junior to the prior claims of our current and future creditors and any future series or class of preferred stock we may issue that ranks senior to the Series E Preferred Stock. In addition, the Series E Preferred Stock would effectively rank junior to all indebtedness and other liabilities of our subsidiaries. If we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets to pay amounts due on any or all of the Series E Preferred Stock then outstanding. We have incurred and may in the future incur substantial amounts of debt and other obligations that will rank senior to the Series E Preferred Stock. At March 31, 2013, repurchase arrangements and similar borrowings totaled \$12.82 billion, consisting primarily of 30-day borrowings with 24 counterparties. At March 31, 2013, we held currently-paying and forward starting one-month LIBOR interest rate swap agreements with notional amounts totaling \$6.30 billion that require fixed rate interest payments through January 2016. Also, at March 31, 2013, we had long-term unsecured borrowings issued to statutory trusts of \$100.0 million (net of \$3.1 million in related trust assets). Certain of our existing or future debt instruments may restrict the authorization, payment or setting apart of dividends on the Series E Preferred Stock.

Future offerings of debt or senior equity securities may adversely affect the market price of the Series E Preferred Stock. If we decide to issue debt or senior equity securities in the future, it is possible that these securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of the Series E Preferred Stock and may result in dilution to owners of the Series E Preferred Stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of the Series E Preferred Stock will bear the risk of our future offerings reducing the market price of the Series E Preferred Stock and diluting the value of their holdings in us.

The Series E Preferred Stock has not been rated.

We have not sought to obtain a rating for the Series E Preferred Stock, and the Series E Preferred Stock may never be rated. It is possible, however, that one or more rating agencies might independently determine to assign a rating to the Series E Preferred Stock or that we may elect to obtain a rating of our Series E Preferred Stock in the future. Furthermore, we may elect to issue other securities for which we may seek to obtain a rating. If any

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ratings are assigned to the Series E Preferred Stock in the future or if we issue other securities with a rating, such ratings, if they are lower than market expectations or are subsequently lowered or withdrawn, could adversely affect the market for or the market value of the Series E Preferred Stock.

Ratings only reflect the views of the issuing rating agency or agencies and such ratings could at any time be revised downward or withdrawn entirely at the discretion of the issuing rating agency. Further, a rating is not a recommendation to purchase, sell or hold any particular security, including the Series E Preferred Stock. In addition, ratings do not reflect market prices or suitability of a security for a particular investor and any future rating of the Series E Preferred Stock may not reflect all risks related to us and our business, or the structure or market value of the Series E Preferred Stock.

We may issue additional shares of Series E Preferred Stock and additional series of preferred stock that rank on parity with the Series E Preferred Stock as to dividend rights, rights upon liquidation or voting rights.

As of March 31, 2013, we had 186,249 shares (approximately \$3.1 million aggregate liquidation preference and redemption price, plus dividends accruing and unpaid as of any subsequent redemption date) of Series A Preferred Stock issued and outstanding and 16,493,110 shares (approximately \$187.7 million aggregate liquidation preference and \$206.2 million aggregate redemption price, plus dividends accruing and unpaid as of any subsequent redemption date) of Series B Preferred Stock issued and outstanding. Our Series A Preferred Stock and Series B Preferred Stock, to the extent outstanding, will rank on a parity with the Series E Preferred Stock as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up.

We are allowed to issue additional shares of Series E Preferred Stock and additional series of preferred stock that would rank equally to the Series E Preferred Stock as to dividend payments and rights upon our liquidation, dissolution or winding up of our affairs, which we refer to in this prospectus supplement as parity preferred stock, pursuant to our charter, including the articles supplementary for the Series E Preferred Stock, without any vote of the holders of the Series E Preferred Stock, the Series A Preferred Stock and the Series B Preferred Stock. The issuance of additional shares of Series E Preferred Stock and additional series of parity preferred stock could have the effect of reducing the amounts available to the Series E Preferred Stock issued in this offering upon our liquidation or dissolution or the winding up of our affairs. It also may reduce dividend payments on the Series E Preferred Stock issued in this offering if we do not have sufficient funds to pay dividends on all Series E Preferred Stock outstanding and other classes of stock with equal priority with respect to dividends.

In addition, although holders of Series E Preferred Stock are entitled to limited voting rights, as described in Description of the Series E Preferred Stock Limited Voting Rights, with respect to such matters, the Series E Preferred Stock will vote as a class along with all other classes or series of our preferred stock that we have issued and may in the future issue upon which like voting rights have been conferred and are exercisable. As a result, the voting rights of holders of Series E Preferred Stock may be significantly diluted, and the holders of such other series of preferred stock that we have issued and may in the future issue may be able to control or significantly influence the outcome of any vote.

Future issuances and sales of parity preferred stock, or the perception that such issuances and sales could occur, may cause prevailing market prices for the Series E Preferred Stock and our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us.

We may not be able to pay dividends on the Series E Preferred Stock.

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Under Maryland law, no distributions on capital stock may be made if, after giving effect to the distribution, (a) the corporation would not be able to pay the indebtedness of the corporation as such indebtedness becomes

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due in the usual course of business or, (b) except in certain limited circumstances when distributions are made from net earnings, the corporation's total assets would be less than the sum of the corporation's total liabilities plus, unless the charter provides otherwise (which our charter does, with respect to the Series E Preferred Stock), the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights on dissolution are superior to those receiving the distribution. There can be no guarantee that we will have sufficient cash to pay dividends on the Series E Preferred Stock. Our ability to pay dividends may be impaired if any of the risks described in this prospectus supplement and the accompanying prospectus or incorporated by reference in this prospectus supplement and in the accompanying prospectus were to occur. In addition, payment of our dividends depends upon our earnings, our financial condition, maintenance of our REIT qualification and other factors as our board of directors may deem relevant from time to time. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions on our common stock and preferred stock, including the Series E Preferred Stock offered by this prospectus supplement, to pay our indebtedness or to fund our other liquidity needs.

You may not be able to exercise conversion rights upon a Change of Control. If exercisable, the Change of Control Conversion Right described in this prospectus supplement may not adequately compensate you. The Change of Control Conversion Right may also make it more difficult for a party to acquire us or discourage a party from acquiring us.

Upon the occurrence of a Change of Control, each holder of the Series E Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem some or all of the shares of Series E Preferred Stock held by such holder as described under Description of the Series E Preferred Stock Redemption Optional Redemption or Special Optional Redemption Upon Change of Control, in which case such holder will have the right only with respect to shares of Series E Preferred Stock that are not called for redemption) to convert some or all of such holder's Series E Preferred Stock into shares of our common stock (or under specified circumstances certain alternative consideration). Notwithstanding that we generally may not redeem the Series E Preferred Stock prior to May 13, 2018, we have a special optional redemption right to redeem the Series E Preferred Stock in the event of a Change of Control, and holders of the Series E Preferred Stock will not have the right to convert any shares that we have elected to redeem prior to the Change of Control Conversion Date. Please see the sections entitled Description of the Series E Preferred Stock Redemption Special Optional Redemption Upon Change of Control and Description of the Series E Preferred Stock Change of Control Conversion Right.

If we do not elect to redeem the Series E Preferred Stock prior to the Change of Control Conversion Date, then upon an exercise of the conversion rights provided to the holders of our Series E Preferred Stock, the holders of Series E Preferred Stock will be limited to a maximum number of shares of our common stock (or, if applicable, the Alternative Conversion Consideration) equal to the Share Cap multiplied by the number of shares of Series E Preferred Stock converted. If the Common Stock Price is less than \$6.555 (which is 50% of the per share closing sale price of our common stock reported on the NYSE on May 7, 2013), subject to adjustment in certain circumstances, the holders of the Series E Preferred Stock will receive a maximum of 3.81388 shares of our common stock per share of Series E Preferred Stock, which may result in a holder receiving shares of common stock (or Alternative Conversion Consideration, as applicable) with a value that is less than the liquidation preference of the Series E Preferred Stock plus any accumulated and unpaid dividends.

In addition, the Change of Control conversion feature of the Series E Preferred Stock may have the effect of discouraging a third party from making an acquisition proposal for us or of delaying, deferring or preventing certain of our change of control transactions under circumstances that otherwise could provide the holders of our common stock and Series E Preferred Stock with the opportunity to realize a premium over the then-current market price of such stock or that stockholders may otherwise believe is in their best interests.

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The market price of the Series E Preferred Stock could be substantially affected by various factors.

The market price of the Series E Preferred Stock will depend on many factors, which may change from time to time, including:

prevailing interest rates, increases in which may have an adverse effect on the market price of the Series E Preferred Stock;

trading prices of common and preferred equity securities issued by REITs and other similar companies;

the annual yield from distributions on the Series E Preferred Stock as compared to yields on other financial instruments;

general economic and financial market conditions;

government action or regulation;

the financial condition, performance and prospects of us and our competitors;

changes in financial estimates or recommendations by securities analysts with respect to us, our competitors or our industry;

our issuance of additional preferred equity or debt securities; and

actual or anticipated variations in quarterly operating results of us and our competitors.

As a result of these and other factors, investors who purchase the Series E Preferred Stock in this offering may experience a decrease, which could be substantial and rapid, in the market price of the Series E Preferred Stock, including decreases unrelated to our operating performance or prospects.

Our charter, including the articles supplementary establishing the terms of the Series E Preferred Stock, contains restrictions upon transfer and ownership of the Series E Preferred Stock, which may impair the ability of holders to acquire the Series E Preferred Stock or convert Series E Preferred Stock into our common stock.

Our charter, including the articles supplementary establishing the terms of the Series E Preferred Stock (the Articles Supplementary), contains restrictions on transfer and ownership of the Series E Preferred Stock intended to assist us in maintaining our qualification as a REIT. See Description of the Series E Preferred Stock Restrictions on Transfer and Ownership in this prospectus supplement. You should consider these ownership limitations prior to your purchase of the Series E Preferred Stock. Notwithstanding any other provision of the Articles Supplementary, no holder of Series E Preferred Stock will be entitled to convert such stock into our common stock to the extent that receipt of shares of our common stock would cause us to fail to qualify as a REIT. For the purpose of preserving our REIT qualification, our charter gives the board the ability to repurchase outstanding shares of capital stock from existing stockholders if the directors determine in good faith that the

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concentration of ownership by such stockholders, 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 the Company's outstanding stock than is acceptable for REIT purposes, thereby giving the board the ability to repurchase outstanding shares of our capital stock. Additionally, our board may refuse to transfer or issue shares of our capital stock to any person whose acquisition would result in us not being able to conform to certain REIT requirements.

In addition, these restrictions could have anti-takeover effects and could reduce the possibility that a third party will attempt to acquire control of us, which could adversely affect the market price of the Series E Preferred Stock.

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As a holder of Series E Preferred Stock, you will have extremely limited voting rights.

Your voting rights as a holder of Series E Preferred Stock will be limited. Our shares of common stock are the only class of our securities that carry full voting rights. Holders of Series E Preferred Stock may vote only (a) to elect two additional directors to our board of directors, in the event that six quarterly dividends (whether or not consecutive) payable on the Series E Preferred Stock are in arrears, (b) on amendments to our charter that materially and adversely affect the rights of the holders of Series E Preferred Stock or (c) to authorize, increase or create additional classes or series of our shares that are senior to the Series E Preferred Stock. The Series E Preferred Stock will vote together as a single class along with all other series of our preferred stock that we have issued or may issue upon which like voting rights have been conferred and are exercisable on each of these matters. However, holders of any parity preferred stock shall not be entitled to vote together as a class with the holders of Series E Preferred Stock as to any charter amendment described in (b) above if holders of Series E Preferred Stock are affected unequally by such amendment. As a result, the voting rights of holders of Series E Preferred Stock may be significantly diluted, and the holders of such other series of preferred stock that we have issued or may issue may be able to control or significantly influence the outcome of any vote. Other than the limited circumstances described in this prospectus supplement, holders of Series E Preferred Stock will not have any voting rights. Please see the section entitled **Description of the Series E Preferred Stock Limited Voting Rights**.

The Series E Preferred Stock is a new issue of securities and does not have an established trading market, which may negatively affect its value and your ability to transfer and sell your shares.

The Series E Preferred Stock is a new issue of securities and currently no market exists for the Series E Preferred Stock. We intend to apply to list the Series E Preferred Stock on the NYSE. However, we cannot assure you that the Series E Preferred Stock will be approved for listing on the NYSE. Even if so approved, trading of the Series E Preferred Stock on the NYSE is not expected to begin until some time during the period ending 30 days after the date of initial issuance of the Series E Preferred Stock and, in any event, a trading market on the NYSE for the Series E Preferred Stock may never develop or, even if one develops, may not be maintained and may not provide you with adequate liquidity. The underwriters have advised us that they intend to make a market in the Series E Preferred Stock prior to the commencement of any trading on the NYSE, but they are not obligated to do so and may discontinue market making at any time without notice. The liquidity of any market for the Series E Preferred Stock that may develop will depend on a number of factors, including prevailing interest rates, the dividend rate on our common stock, our financial condition and operating results, the number of holders of the Series E Preferred Stock, the market for similar securities and the interest of securities dealers in making a market in the Series E Preferred Stock. As a result, the ability to transfer or sell the Series E Preferred Stock and the amount you receive upon any sale or transfer of the Series E Preferred Stock could be adversely affected.

If our common stock is delisted, your ability to transfer or sell your shares of the Series E Preferred Stock may be limited and the market value of the Series E Preferred Stock will likely be materially adversely affected.

Other than in connection with a Change of Control, the Series E Preferred Stock does not contain provisions that are intended to protect you if our common stock is delisted from the NYSE. Since the Series E Preferred Stock has no stated maturity date, you may be forced to hold your shares of the Series E Preferred Stock and receive stated dividends on the Series E Preferred Stock when, as and if authorized by our board of directors and paid by us with no assurance as to ever receiving the liquidation value thereof. In addition, if our common stock is delisted from the NYSE, it is likely that the Series E Preferred Stock will be delisted from the NYSE as well. Accordingly, if our common stock is delisted from the NYSE, your ability to transfer or sell your shares of the Series E Preferred