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COMPANY REPORT

Real Estate Investment Trusts:

Capstead Mortgage Corporation (CMO - \$17.97) - Capstead Mortgage earns money from four different kinds of real estate related assets. The unique nature of the company's income stream is not known or understood, even by analysts and portfolio managers who monitor the industry and the firms operating in Capstead's sector. The following table attempts to clarify the company's sources of income.

<u>Asset Category</u>	<u>As of December 31, 2003</u>	
	<u>Return</u>	<u>Assets</u>
1. Residential adjustable-rate mortgage securities	3.9%	\$2.2 billion
2. Real estate	9.5% est.	\$133 million*
3. Fixed-rate Securities	6.7%	\$118.6 million
4. Commercial adjustable-rate securities	3.0%	\$74.4 million**

Asset categories 2,3 and 4 provide approximately 30-35% of Capstead's core income, which we estimate at a minimum of \$1.50 per share, given a normal yield curve. The primary cost items are interest on borrowings and dividends on the convertible preferred stock. The financing spread between costs and yields can change substantially over time. On the positive side, during the next two to three years we look for a gradual widening of the spread as interest rates rise. Even more favorably, we expect the total portfolio to be increased substantially during that period.

** Net of accumulated depreciation of \$6.2 million.

** Unlike residential adjustable rate instruments, commercial securities can be reset (raised or lowered) monthly rather than only once or twice each year.

Analyst's Certification: I Alan M. Silverman certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their securities. I also certify that I have not been and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report. I have a long position in the shares of Capstead Mortgage.

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