

DYNEX CAPITAL INC
Form 424B2
April 12, 2013
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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-173551

PROSPECTUS SUPPLEMENT

(To prospectus dated December 13, 2011)

2,000,000 Shares

Dynex Capital, Inc.

7.625% Series B Cumulative Redeemable Preferred Stock

(Liquidation Preference \$25.00 Per Share)

We are offering 2,000,000 shares of our 7.625% Series B Cumulative Redeemable Preferred Stock, which we refer to in this prospectus supplement as the Series B Preferred Stock.

We will pay cumulative dividends on our Series B Preferred Stock in the amount of \$1.90625 per share each year, which is equivalent to the rate of 7.625% of the \$25.00 liquidation preference per share. Dividends on our Series B Preferred Stock sold in this offering will be payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, commencing July 15, 2013, to holders of record on the applicable record date. The Series B Preferred Stock has no maturity and will remain outstanding indefinitely unless redeemed or otherwise repurchased or converted into common stock pursuant to the terms of the Series B Preferred Stock. Except under circumstances intended to preserve our qualification as a real estate investment trust, or REIT, for federal income tax purposes, or, in accordance with our articles of incorporation, to avoid penalty taxes in respect of, or protect the tax status of, any real estate mortgage investment conduit, or REMIC, in which we have or plan to take an interest, the Series B Preferred Stock is not redeemable prior to April 30, 2018. On or after April 30, 2018, at any time and from time to time the Series B Preferred Stock will be redeemable in whole, or in part, at our option, at a cash redemption price of \$25.00 per share, plus any accumulated and unpaid dividends (whether or not declared) to, but not including, the redemption date.

In addition, upon the occurrence of a Change of Control (as defined herein), we may, subject to certain conditions, at our option, redeem the Series B Preferred Stock, in whole or in part and within 120 days after the first date on which such Change of Control occurred by paying the liquidation preference of \$25.00 per share plus any accumulated and unpaid dividends to, but not including, the redemption date. If we exercise any of our redemption rights relating to the Series B Preferred Stock, the holders of Series B Preferred Stock will not have the conversion rights described below with respect to those shares.

Upon the occurrence of a Change of Control, each holder of Series B Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date (as defined herein), we provide notice of our election to redeem the Series B Preferred Stock) to convert all or part of the Series B 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 B Preferred Stock equal to the lesser of: (a) the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference plus the amount of any accumulated and unpaid dividends 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 B Preferred Stock, in which case no additional amount for such accumulated and unpaid dividends to be paid on such dividend payment date will be included in this sum) by (ii) the Common Stock Price (as defined herein); and (b) 4.7574, or the Share Cap, subject to certain adjustments and subject, in each case, to provisions for the receipt of alternative consideration as described in this prospectus supplement.

Holders of the Series B Preferred Stock generally have no voting rights, except if we fail to pay dividends for six or more quarterly periods, whether or not consecutive, or with respect to certain specified events. Our Series B Preferred Stock is not subject to any sinking fund. Our Series B Preferred Stock will rank senior to our common stock and equally with our Series A Cumulative Redeemable Preferred Stock with respect to dividend rights and rights upon liquidation, dissolution or winding up.

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We intend to apply to list the Series B Preferred Stock on the New York Stock Exchange under the symbol DXPrB. If the application is approved, trading of the Series B Preferred Stock on the NYSE is expected to begin within 30 days after the date of initial issuance of the Series B Preferred Stock.

Investing in the Series B Preferred Stock involves risks, including those that are described in the Risk Factors section beginning on page S-12 of this prospectus supplement, page 6 of the accompanying prospectus and page 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which is incorporated herein by reference.

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

	Per share	Total (1)
Public offering price	\$ 25.0000	\$ 50,000,000
Underwriting discount	\$ 0.7875	\$ 1,575,000
Proceeds to us (before expenses)	\$ 24.2125	\$ 48,425,000

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

We have granted the underwriters the right to purchase up to an additional 300,000 shares of Series B Preferred Stock at the public offering price, less the underwriting discount, to cover over-allotments within 30 days from the date of this prospectus supplement.

The underwriters expect that the shares will be delivered in global form through the book-entry delivery system of The Depository Trust Company on or about April 19, 2013.

Joint Book Running Managers

J.P. Morgan

Keefe, Bruyette & Woods

A Stifel Company

Co-Managers

Credit Suisse

Ladenburg Thalmann & Co. Inc.

MLV & Co

Sterne Agee

The date of this prospectus supplement is April 11, 2013.

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should read this prospectus supplement along with the accompanying prospectus, as well as the information incorporated by reference herein and therein, carefully before you invest in our Series B Preferred Stock. These documents contain important information that you should consider before making your investment decision. This prospectus supplement and the accompanying prospectus contain the terms of this offering of Series B Preferred Stock. The accompanying prospectus contains information about certain of our securities generally, some of which does not apply to the Series B Preferred Stock covered by this prospectus supplement. This prospectus supplement may add, update or change information contained in or incorporated by reference in the accompanying prospectus. If the information in or incorporated by reference in this prospectus supplement is inconsistent with any information contained in or incorporated by reference in the accompanying prospectus, the information in or incorporated by reference in this prospectus supplement will apply and will supersede the inconsistent information contained in or incorporated by reference in the accompanying prospectus.

It is important for you to read and consider all of the information contained in this prospectus supplement and the accompanying prospectus before making your investment decision. You should also read and consider the additional information incorporated by reference in this prospectus supplement and the accompanying prospectus before making your investment decision. See [Where You Can Find More Information](#) in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus required to be filed with the Securities and Exchange Commission (the SEC). Neither we nor the underwriters have authorized any other person to provide you with additional or different information. If anyone provides you with additional or different information, you should not rely on it. Neither we nor the underwriters are making an offer to sell the Series B Preferred Stock in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any such free writing prospectus and the documents incorporated by reference herein and therein is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless this prospectus supplement otherwise indicates or the context otherwise requires, all references in this prospectus to the registrant, we, us, our, or the Company include Dynex Capital, Inc., a Virginia corporation, and any subsidiaries or other entities controlled by us. Unless otherwise expressly stated or the context otherwise requires, all information in this prospectus supplement assumes that the option to purchase additional shares granted to the underwriters is not exercised in whole or in part.

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CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING STATEMENTS

Certain written statements we make in this prospectus supplement and the accompanying prospectus, and in our other filings with the SEC that are incorporated herein by reference, that are not historical facts constitute forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. All statements contained or incorporated by reference in this prospectus supplement and the accompanying prospectus addressing our future results of operations and operating performance, events, or developments that we expect or anticipate will occur in the future, including, but not limited to, statements relating to investment strategies, changes in net interest income growth, investment performance, earnings or earnings per share growth, the future interest rate environment, future capital raising strategies and activities, economic conditions and outlook, expected impact of hedging transactions, and market share, as well as statements expressing optimism or pessimism about future operating results, are forward-looking statements. You can generally identify forward-looking statements as statements containing the words will, believe, expect, anticipate, intend, estimate, assume, continue, should, may or other similar expressions. Forward-looking statements are based on our current beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed or implied in our forward-looking statements. We caution you not to place undue reliance on these forward-looking statements, which may be based on assumptions and expectations that do not materialize.

We make forward-looking statements in this prospectus supplement and in the accompanying prospectus, and in our other filings with the SEC that are incorporated herein by reference, regarding:

- Our business and investment strategy including our ability to generate acceptable risk-adjusted returns;
- Our financing and hedging strategy, including our target leverage ratios;
- Our investment portfolio composition and target investments;
- Our investment portfolio performance, including the fair value, yields and forecasted prepayment speeds of our investment portfolio;
- Our liquidity and ability to access financing, and the anticipated availability and cost of financing;
- Our use of our tax net operating loss carryforward;
- The status of pending litigation;
- Estimates of future interest expenses related to our derivatives designated as hedging instruments;
- Market, industry and economic trends; and
- Interest rates.

Forward-looking statements are inherently subject to risks, uncertainties and other factors that could cause our actual results to differ materially from historical results or from any results expressed or implied by such forward-looking statements. Not all of these risks and other factors are known to us. New risks and uncertainties arise over time, and it is not possible to predict those events or how they may affect us. The beliefs, assumptions, or expectations upon which the forward-looking statements are based can also change as a result of these risks or other factors. If such a risk or other factor materializes in future periods, our business, financial condition, liquidity and results of operations may vary materially from those expressed or implied in our forward-looking statements.

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While it is not possible to identify all factors, some of the factors that may cause actual results to differ from historical results or from any results expressed or implied by forward-looking statements, or that may cause our beliefs, projections, assumptions, or expectations to change, include the following:

The risks and uncertainties referenced in this prospectus supplement and the accompanying prospectus, or in our other filings with the SEC that are incorporated herein by reference, particularly those set forth under the heading "Risk Factors" herein and in our annual report on Form 10-K for the year ended December 31, 2012 under Item 1A, "Risk Factors";

Revisions to our estimated book value per common share as of February 28, 2013;

Our ability to find suitable reinvestment opportunities;

Changes in economic conditions;

Changes in interest rates and interest rate spreads, including the repricing of interest-earning assets and interest-bearing liabilities;

Our investment portfolio performance particularly as it relates to cash flow, prepayment rates and credit performance;

Adverse reactions in financial markets related to the budget deficit or national debt of the United States government; potential or actual default by the United States government on Treasury securities; and potential or actual downgrades to the sovereign credit rating of the United States;

The cost and availability of financing;

The cost and availability of new equity capital;

Changes in our use of leverage;

The quality of performance of third-party servicer providers of our loans and loans underlying our securities;

The level of defaults by borrowers on loans we have securitized;

Changes in our industry;

Increased competition;

Changes in government regulations affecting our business, including, without limitation, regulations under the Investment Company Act of 1940;

Government initiatives to support the United States financial system and United States housing and real estate markets;

Government-sponsored entity reform or other government policies and actions; and

Another ownership change under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), that further impacts the use of our tax net operating loss carryforward.

These and other risks, uncertainties and factors, including those described in the annual, quarterly and current reports that we file with the SEC, could cause our actual results to differ materially from those projected in any forward-looking statements we make. All forward-looking statements speak only as of the date on which they are made. New risks and uncertainties arise over time and it is not possible to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

We are including this cautionary statement in this prospectus supplement to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by us or on our behalf. Any forward-looking statements should be considered in context with the various disclosures made by us about our business in our public filings with the SEC, including without limitation the risk factors described above and those described in "Risk Factors" beginning on page S-12.

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SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this prospectus supplement and the accompanying prospectus or incorporated by reference into this prospectus supplement and the accompanying prospectus. We encourage you to read this prospectus supplement and the accompanying prospectus, as well as the information which is incorporated by reference into this prospectus supplement and the accompanying prospectus, in their entireties. You should carefully consider the risks identified in our annual report on Form 10-K for the year ended December 31, 2012, which is incorporated by reference into this prospectus supplement and the accompanying prospectus, and in this prospectus supplement before making an investment decision to purchase shares of our Series B Preferred Stock.

The Company

We are an internally-managed mortgage real estate investment trust, or mortgage REIT, which invests in mortgage assets on a leveraged basis. Our objective is to provide attractive risk-adjusted returns to our shareholders over the long term that are reflective of a leveraged, high quality fixed income portfolio with a focus on capital preservation. We seek to provide returns to our shareholders through regular quarterly dividends and through capital appreciation. Our common stock is traded on the New York Stock Exchange (the NYSE) under the symbol DX, and our 8.50% Series A Cumulative Redeemable Preferred Stock, which we refer to in this prospectus supplement as the Series A Preferred Stock, is traded on the NYSE under the symbol DXPrA.

We were formed in 1987 and commenced operations in 1988. Beginning with our inception through 2000, our operations largely consisted of originating and securitizing various types of loans, principally single-family and commercial mortgage loans and manufactured housing loans. Since 2000, we have been an investor in Agency and non-Agency mortgage-backed securities (MBS). Agency MBS consist of residential MBS (RMBS) and commercial MBS (CMBS), which come with a guaranty of principal payment by an agency of the U.S. government or a U.S. government-sponsored entity such as Fannie Mae and Freddie Mac. Non-Agency MBS (also consisting of RMBS and CMBS) have no such guaranty of payment.

Our primary source of income is net interest income, which is the excess of the interest income earned on our investments over the cost of financing these investments. We invest our capital pursuant to our operating policies as approved by our board of directors. Our diversified investment strategy permits investment in Agency MBS and investment grade non-Agency MBS, and since 2008 our investments have been in higher credit quality, shorter duration investments. Investments considered to be of higher credit quality have less or limited exposure to loss of principal while investments which have shorter durations have less or limited exposure to changes in interest rates. The target asset allocation for the Company is 60% in Agency MBS and 40% in non-Agency MBS, though our actual progress toward these targets will vary based on available investment opportunities.

In executing our investment strategy, we seek to balance the various risks of owning mortgage assets with the earnings opportunity on the investment. We believe our strategy of investing in Agency and non-Agency mortgage assets provides superior diversification of these risks across our investment portfolio and therefore provides ample opportunities to generate attractive risk-adjusted returns while preserving our shareholders' capital. We also believe that our shorter duration strategy will provide less volatility in our results and our book value per common share than strategies which invest in longer duration assets with potentially more interest rate risk.

We finance our investments primarily through the use of repurchase agreements, and to a lesser extent, non-recourse collateralized financing. Repurchase agreement financing is uncommitted short-term financing in which we pledge our MBS as collateral to secure loans made by the repurchase agreement counterparty. Repurchase

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agreements generally have terms of 30-90 days, though in some instances longer terms may be available, and carry a rate of interest which is usually based on a spread to one-month LIBOR and fixed for the term of the agreement.

Our address and telephone number are 4991 Lake Brook Drive, Suite 100, Glen Allen, Virginia 23060 and (804) 217-5800.

Recent Developments

As of February 28, 2013 the most recent period through which we have financial information available, we estimate that our book value per common share was between \$10.35 and \$10.43.

General Information

Our common stock and Series A Preferred Stock are listed on the New York Stock Exchange under the symbols *DX* and *DXPrA*, respectively. We maintain a website at www.dynexcapital.com. Information contained on our website is not, and should not be interpreted to be, part of this prospectus supplement or the accompanying prospectus.

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The Offering

Issuer	Dynex Capital, Inc.
Securities offered	2,000,000 shares of 7.625% Series B Cumulative Redeemable Preferred Stock.
Option to purchase additional shares	The underwriters may purchase up to an additional 300,000 shares of the Series B Preferred Stock within 30 days of the date of this prospectus supplement.
Dividend rate and payment dates	<p>Holders of the Series B Preferred Stock will be entitled to receive cumulative cash dividends at a rate of 7.625% per year of the \$25.00 per share liquidation preference (equivalent to \$1.90625 per year per share).</p> <p>Dividends will be payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, 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 accrue and be cumulative from, and including, the date of original issuance, which is expected to be April 19, 2013. The first dividend payable on July 15, 2013 in the amount of \$0.46068 per share will be paid to the persons who are the holders of record of the Series B Preferred Stock at the close of business on the corresponding record date, which will be July 1, 2013.</p>
Liquidation preference	If we liquidate, dissolve or wind up, holders of the Series B Preferred Stock and Series A Preferred Stock will have the right to receive \$25.00 per share, plus any accumulated and unpaid dividends thereon 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 B Preferred Stock - Liquidation Preference."
Optional redemption	The Series B Preferred Stock is not redeemable by us prior to April 30, 2018, except under circumstances intended to preserve our qualification as a REIT or, in accordance with our articles of incorporation, to avoid the direct or indirect imposition of a penalty tax in respect of, or protect the tax status of, any of our REMIC interests and except as described below under "Special optional redemption." On and after April 30, 2018, we may, at our option, redeem the Series B 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 thereon to, but not including, the redemption date. See "Description of the Series B Preferred Stock - Redemption - Optional Redemption."
Special optional redemption	Upon the occurrence of a Change of Control, we may, at our option, redeem the Series B 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

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accumulated and unpaid dividends thereon to, but not including, the redemption date. If, prior to the Change of Control Conversion Date (as defined herein), we have provided notice of our election to redeem some or all of the shares of Series B Preferred Stock (whether pursuant to our optional redemption right described above or this special optional redemption right), the holders of Series B Preferred Stock will not have the conversion right described below under Conversion rights with respect to the shares of Series B Preferred Stock called for redemption. Please see the section entitled Description of the Series B Preferred Stock Redemption Special Optional Redemption in this prospectus supplement.

A Change of Control is deemed to occur when, after the original issuance of the Series B 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 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, or the NYSE Amex, or the Nasdaq Stock Market, or Nasdaq, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or Nasdaq.

Conversion rights

Upon the occurrence of a Change of Control, each holder of Series B Preferred Stock will have the right, subject to our election prior to the Change of Control Conversion Date to redeem the Series B Preferred Stock in whole or part, as described above under Optional redemption or Special optional redemption, to convert some or all of the Series B 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 B 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 B 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

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

4.7574 (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 B Preferred Stock in the event of a Change of Control, and for other important related information, please see the section entitled Description of the Series B Preferred Stock Conversion Rights.

No maturity

The Series B Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption. Shares of the Series B Preferred Stock will remain outstanding indefinitely unless we redeem or repurchase them or they become convertible and are converted as described below under Conversion rights. We are not required to set aside funds to redeem the Series B Preferred Stock.

Restrictions on ownership and transfer

Our articles of incorporation contain restrictions on the number of shares of our capital stock that a person may own that are intended to assist us in maintaining our qualification as a REIT and restrictions on acquisitions that could result in imposition of a penalty tax or endanger the tax status of one of our REMIC interests. Among other things, our articles of incorporation provide that, subject to exceptions, no person may beneficially or constructively own in excess of 9.8% of our outstanding shares of capital stock. In addition, our articles of incorporation, subject to exceptions, prohibit any person from beneficially owning our shares of capital stock to the extent that such ownership of shares would result in our failure to qualify as a REIT. For more information about these restrictions, see Description of the Series B Preferred Stock Restrictions on Ownership and Transfer in this prospectus supplement and Description of Our Capital Stock Restrictions on Ownership and Transfer in the accompanying prospectus.

Ranking

The Series B 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

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

Further issuances

The articles of amendment establishing the Series B Preferred Stock authorize the issuance of up to 7,000,000 shares of Series B Preferred Stock, which means that we may issue additional shares of Series B Preferred Stock ranking equally and ratably with the Series B Preferred Stock offered by this prospectus supplement and accompanying prospectus in all respects. Any additional shares of Series B Preferred Stock would form a single series with the Series B Preferred Stock offered by this prospectus supplement and accompanying prospectus and will have the same terms.

Voting rights

Holders of Series B Preferred Stock will generally have no voting rights. However, if we do not pay dividends on the Series B Preferred Stock for six or more quarterly dividend periods (whether or not consecutive), the holders of the Series B Preferred Stock (voting separately as a class with all other classes or series of our preferred stock we may issue upon which similar voting rights have been conferred and are exercisable (including holders of our Series A Preferred Stock, if applicable) and which are entitled to vote as a class with the Series B 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 aside funds for the payment of, all dividends that we owe on the Series B Preferred Stock, subject to certain limitations described in the section entitled "Description of the Series B Preferred Stock Voting Rights." In addition, certain changes that would be material and adverse to the rights of holders of the Series B Preferred Stock cannot be made without the affirmative vote of holders of at least two-thirds of the outstanding Series B Preferred Stock, Series A Preferred Stock and all other series of our preferred stock that we may issue upon which similar voting rights have been conferred and are exercisable, voting separately as a class. If any such changes would be material and adverse to holders of the Series B Preferred Stock and some but not all series of our preferred stock that we may issue upon which

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similar voting rights have been conferred and are exercisable (excluding our Series A Preferred Stock), a vote of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock and shares of only the series materially and adversely affected would be required. Please see the section entitled "Description of the Series B Preferred Stock - 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 B 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 B 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 holders of Series B Preferred Stock, subject to certain exceptions described in this prospectus supplement. We will use our best efforts to mail (or otherwise provide) the information to the holders of the Series B 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 B Preferred Stock. We intend to file an application to list the Series B Preferred Stock on the NYSE. 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 B Preferred Stock. The underwriters have advised us that they intend to make a market in the Series B 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 B 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.

Book-entry and form

The Series B 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 (the "DTC").

Use of proceeds

We estimate that the net proceeds for this offering will be approximately \$48,425,000 (or \$55,688,750 if the underwriters exercise their option to purchase additional shares in full). We intend to use the net proceeds

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from this offering to acquire additional investments, consistent with our investment strategy, and for general corporate purposes, which may include, among other things, repayment of maturing obligations, capital expenditures and working capital.

U.S. federal income tax considerations

For a discussion of the federal income tax consequences of purchasing, owning and disposing of the Series B Preferred Stock and any common stock received upon conversion of the Series B Preferred Stock, please see the section entitled "Additional U.S. Federal Income Tax Considerations" together with the discussion under the heading "U.S. Federal Income Tax Considerations" in the accompanying prospectus.

Risk factors

Investing in our Series B Preferred Stock involves various risks. Risks associated with an investment in our Series B Preferred Stock are described under the caption "Risk Factors" beginning on page S-12 below, page 6 of the accompanying prospectus and page 7 of our annual report on Form 10-K for the year ended December 31, 2012, which is incorporated by reference herein, for a discussion of risks you should carefully consider before deciding to invest in our Series B Preferred Stock.

Table of Contents**RISK FACTORS**

An investment in our Series B Preferred Stock involves various risks, including those described below and in the accompanying prospectus and the risks set forth in our annual report on Form 10-K for the year ended December 31, 2012 under Item 1A, Risk Factors, which are incorporated by reference in this prospectus supplement, or any similar caption in the documents that we subsequently file with the SEC that are deemed to be incorporated by reference in this prospectus supplement. You should carefully consider these risk factors, together with all of the information contained in or incorporated, or deemed to be incorporated, by reference in this prospectus supplement and the accompanying prospectus, in determining whether to purchase our Series B Preferred Stock. If any of these risks occur, our business, operating results, liquidity, prospects and financial condition could be materially and adversely affected. This could cause the market price of our Series B Preferred Stock and the common stock into which the Series B Preferred Stock, in certain circumstances, is convertible to decline and could cause you to lose all or part of your investment. Moreover, the risks and uncertainties discussed below and in the foregoing documents are not the only risks and uncertainties that we face, and our business, operating results, liquidity, prospects and financial condition and the market price of the Series B Preferred Stock and our shares of common stock could be materially adversely affected by other matters that are not known to us or that we currently do not consider to be material risks to our business.

Risks Related to the Series B Preferred Stock and This Offering

The Series B Preferred Stock ranks junior to all of our indebtedness and other liabilities and is effectively junior to all indebtedness and other liabilities of our subsidiaries.

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 B Preferred Stock only after all of our indebtedness and other liabilities have been paid. The rights of holders of the Series B 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 B Preferred Stock. In addition, the Series B Preferred Stock effectively ranks junior to all existing and future indebtedness and other liabilities of (as well as any preferred equity interests held by others in) our existing subsidiaries and any future subsidiaries. Our existing subsidiaries are, and any future subsidiaries would be, separate legal entities and have no legal obligation to pay any amounts to us in respect of dividends due on the Series B Preferred Stock. 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 B Preferred Stock then outstanding. Thus, the Series B Preferred Stock will be either subordinated or effectively subordinated to all of our indebtedness, which includes our repurchase agreements, interest rate swaps, and other financing arrangements. Consequently, in the event of a bankruptcy, liquidation, dissolution, or winding up of affairs with respect to us, the holders of any indebtedness will be entitled to payment prior to our obligations on the Series B Preferred Stock. As of February 28, 2013, we had outstanding approximately \$1.4 billion of repurchase agreements with original maturities ranging from 30 to 90 days. As of February 28, 2013, our total consolidated liabilities were approximately \$3.7 billion. Our consolidated liabilities are likely to increase in the future from the investments of proceeds from this offering and from future offerings of our stock.

Future offerings of debt or senior equity securities may adversely affect the market price of the Series B 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 to the holders of those securities than those of the Series B Preferred Stock with respect to the owners of the Series B Preferred Stock and may result in dilution to owners of the Series B Preferred Stock. We and, indirectly, our shareholders, 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

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offerings. Thus, holders of the Series B Preferred Stock will bear the risk of our future offerings reducing the market price of the Series B Preferred Stock and the common stock into which the Series B Preferred Stock, in certain circumstances, is convertible and diluting the value of their holdings in us.

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

We are allowed to issue additional shares of Series B Preferred Stock and additional series of preferred stock that would rank equally to the Series B Preferred Stock as to dividend payments and rights upon our liquidation or dissolution or winding up of our affairs pursuant to our articles of incorporation and the articles of amendment establishing the Series B Preferred Stock (the Series B articles of amendment) without any vote of the holders of the Series B Preferred Stock. The issuance of additional shares of Series B Preferred Stock and additional series of parity preferred stock could have the effect of reducing the amounts available to the Series B 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 B Preferred Stock issued in this offering if we do not have sufficient funds to pay dividends on all Series B Preferred Stock outstanding and other classes of stock with equal priority with respect to dividends.

In addition, although holders of Series B Preferred Stock are entitled to limited voting rights, as described in Description of the Series B Preferred Stock Voting Rights, with respect to such matters, the Series B Preferred Stock will generally vote separately as a class along with all other series of our preferred stock that we may issue upon which similar voting rights have been conferred and are exercisable (including our Series A Preferred Stock, if applicable). As a result, the voting rights of holders of Series B Preferred Stock may be significantly diluted, and the holders of such other series of preferred stock that we may 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 B 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.

You may not be able to exercise conversion rights upon a Change of Control and, if exercisable, the change of control conversion rights described in this prospectus supplement may not adequately compensate you.

Upon the occurrence of a Change of Control, each holder of the Series B 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 B Preferred Stock held by such holder as described under Description of the Series B Preferred Stock Redemption Optional Redemption or Special Optional Redemption, in which case such holder will have the right only with respect to shares of Series B Preferred Stock that are not called for redemption) to convert some or all of such holder's Series B Preferred Stock into our shares of common stock (or under specified circumstances, the Alternative Conversion Consideration, as defined herein). Notwithstanding that we generally may not redeem the Series B Preferred Stock prior to April 30, 2018, we have a special optional redemption right to redeem the Series B Preferred Stock in the event of a Change of Control, and holders of the Series B 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 B Preferred Stock Redemption Special Optional Redemption and Description of the Series B Preferred Stock Conversion Rights.

If we do not elect to redeem the Series B Preferred Stock prior to the Change of Control Conversion Date, then upon an exercise of the conversion rights provided for in this prospectus supplement, the holders of Series B Preferred Stock will be limited to a maximum number of shares of our common stock (or, if applicable, the Alternative Conversion Consideration (as defined herein)) equal to 4.7574, referred to as the Share Cap, multiplied by the number of shares of Series B Preferred Stock converted. If the Common Stock Price is less than \$5.255 (which is 50% of the per share closing sale price of our common stock reported on the NYSE on April 10, 2013), subject to adjustment in certain circumstances, the holders of the Series B Preferred Stock will receive a maximum of 4.7574 shares of our common stock per share of Series B Preferred Stock, which may result in a

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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 B Preferred Stock plus any accumulated and unpaid dividends thereon.

The Change of Control conversion rights may also make it more difficult for a party to acquire us or discourage a party from acquiring us.

The Change of Control conversion feature of the Series B 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 B Preferred Stock with the opportunity to realize a premium over the then-current market price of such stock or that shareholders may otherwise believe is in their best interests.

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

Your voting rights as a holder of Series B Preferred Stock will be limited. Our shares of common stock are the only class of our securities that carry full voting rights. Voting rights for holders of Series B Preferred Stock exist primarily with respect to the ability to elect, voting together with the holders of any other series of our preferred stock having similar voting rights (including holders of our Series A Preferred Stock, if applicable), two additional directors to our board of directors if we do not pay dividends on the Series B Preferred Stock for six or more quarterly dividend periods (whether or not consecutive), and with respect to voting on amendments to our articles of incorporation or Series B articles of amendment that materially and adversely affect the rights of the holders of Series B Preferred Stock or authorize, increase or create additional classes or series of our shares that are senior to the Series B Preferred Stock. Other than the limited circumstances described in this prospectus supplement, holders of Series B Preferred Stock will not have any voting rights. Please see the section entitled "Description of the Series B Preferred Stock - Voting Rights."

The Series B 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 B Preferred Stock is a new issue of securities and currently no market exists for the Series B Preferred Stock. We intend to file an application to list the Series B Preferred Stock on the NYSE. However, we cannot assure you that the Series B Preferred Stock will be approved for listing on the NYSE. Even if so approved, trading of the Series B Preferred Stock on the NYSE is not expected to begin until sometime during the period ending 30 days after the date of initial issuance of the Series B Preferred Stock. In any event, a trading market on the NYSE for the Series B 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 B Preferred Stock prior to the commencement of any trading on the NYSE, but are not obligated to do so and may discontinue market making at any time without notice. The liquidity of any market for the Series B 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 B Preferred Stock, the market for similar securities and the interest of securities dealers in making a market in the Series B Preferred Stock. As a result, the ability to transfer or sell the Series B Preferred Stock and the amount you receive upon any transfer or sale of the Series B Preferred Stock could be adversely affected.

The trading price of the Series B Preferred Stock may be volatile.

If the Series B Preferred Stock is approved for listing, the trading price of the Series B Preferred Stock will depend on many factors, including, without limitation:

- prevailing interest rates;
- the market price of our common stock and our Series A Preferred Stock;
- the market for similar securities;

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additional issuances by us of shares of our common stock;
additional issuances by us of other series or classes of shares of preferred stock;
government action or regulation; general economic conditions; and
our financial condition, performance and prospects.

Each of these factors, among others, may cause the trading price of the Series B Preferred Stock to fall below the offering price, which could have a material adverse effect on your investment in the Series B Preferred Stock.

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

Other than in connection with a Change of Control, the Series B Preferred Stock does not contain provisions that are intended to protect you if our common stock is delisted from the NYSE. Since the Series B Preferred Stock has no stated maturity date, you may be forced to hold your shares of the Series B Preferred Stock and receive stated dividends on the Series B 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 B 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 B Preferred Stock may be limited and the market value of the Series B Preferred Stock will likely be materially adversely affected.

Our articles of incorporation and the Series B articles of amendment contain restrictions upon ownership and transfer of the Series B Preferred Stock, which may imp