

Two Harbors Investment Corp.

Form 424B5

May 26, 2011

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**Filed Pursuant to Rule 424(b)(5)
Registration No.: 333-170251**

20,000,000 Shares

Two Harbors Investment Corp.

Common Stock

We are offering 20,000,000 shares of our common stock as described in this prospectus supplement and the accompanying prospectus.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol TWO. The closing price of our common stock on the NYSE on May 24, 2011 was \$10.79 per share.

The underwriters have an option to purchase a maximum of 3,000,000 additional shares to cover over-allotment of shares.

To assist us in maintaining our qualification as a real estate investment trust, or REIT, for federal income tax purposes, among other purposes, no person may own more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock, unless our board of directors waives this limitation.

Investing in our common stock involves a high degree of risk. See the risks set forth under the heading Risk Factors beginning on page S-4 of this prospectus supplement, and the risks set forth under the heading Item 1A. Risk Factors beginning on page 11 of our Annual Report on Form 10-K for the year ended December 31, 2010.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us
Per Share	\$ 10.40	\$ 0.16	\$ 10.24
Total	\$ 208,000,000	\$ 3,200,000	\$ 204,800,000

Delivery of the shares will be made on or about May 31, 2011.

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.

Credit Suisse

**Barclays Capital
JMP Securities**

Wells Fargo Securities

The date of this prospectus supplement is May 25, 2011.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is a supplement to the accompanying prospectus that is also a part of this document. This prospectus supplement and the accompanying prospectus are part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or SEC or Commission, using a shelf registration process. This prospectus supplement contains specific information about us and the terms on which we are offering and selling shares of our common stock. To the extent that any statement made in this prospectus supplement is inconsistent with statements made in the prospectus, the statements made in the prospectus will be deemed modified or superseded by those made in this prospectus supplement. Before you purchase shares of our common stock, you should carefully read this prospectus supplement, the accompanying prospectus and the registration statement, together with the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

The terms Two Harbors, we, our, and us refer to Two Harbors Investment Corp., a Maryland corporation, together with its consolidated subsidiaries, unless otherwise specified.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We believe that some of the information in this prospectus supplement constitutes forward-looking statements within the definition of the Private Securities Litigation Reform Act of 1995. You can identify these statements by forward-looking words such as may, expect, anticipate, contemplate, believe, estimate, intends, planned, and continue or similar words. You should read statements that contain these words carefully because they:

discuss future expectations;

contain projections of future results of operations or financial condition; or

state other forward-looking information.

We believe it is important to communicate our expectations to our security holders. However, there may be events in the future that we are not able to predict accurately or over which we have no control. The risk factors and cautionary language discussed in this prospectus supplement provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described by us in such forward-looking statements, including among other things:

changes in interest rates and the market value of our target assets;

changes in prepayment rates of mortgages underlying our target assets;

the timing of credit losses within our portfolio;

our exposure to adjustable-rate and negative amortization mortgage loans underlying our target assets;

the state of the credit markets and other general economic conditions, particularly as they affect the price of earning assets and the credit status of borrowers;

the concentration of the credit risks we are exposed to;

legislative and regulatory actions affecting the mortgage and derivatives industries or our business;

the availability of target assets for purchase at attractive prices;

the availability of financing for our portfolio, including the availability of repurchase agreement financing;

declines in home prices;

increases in payment delinquencies and defaults on the mortgages underlying our non-Agency securities;

changes in liquidity in the market for real estate securities, the re-pricing of credit risk in the capital markets, inaccurate ratings of securities by rating agencies, rating agency downgrades of securities, and increases in the supply of real estate securities available-for-sale;

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changes in the values of securities we own and the impact of adjustments reflecting those changes on our income statement and balance sheet, including our stockholders' equity;

our ability to generate the amount of cash flow we expect from our investment portfolio;

changes in our investment, financing, and hedging strategies and the new risks that those changes may expose us to;

changes in the competitive landscape within our industry, including changes that may affect our ability to retain or attract personnel;

our ability to build successful relationships with loan originators;

our ability to acquire mortgage loans in connection with our securitization plans;

our ability to securitize the mortgage loans that we may acquire;

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our ability to manage various operational risks associated with our business;

our ability to maintain appropriate internal controls over financial reporting;

our ability to establish, adjust and maintain appropriate hedges for the risks in our portfolio;

our ability to maintain our REIT qualification for U.S. federal income tax purposes; and

limitations imposed on our business due to our REIT status and our status as exempt from registration under the 1940 Act.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this prospectus supplement. The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. Some of these factors are described in this prospectus supplement under *Risk Factors*. Additional factors are described in our Annual Report on Form 10-K for the year ended December 31, 2010, which document is incorporated by reference in this prospectus supplement and the accompanying prospectus. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us 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.

Before you make an investment decision, you should be aware that the occurrence of the events described in the *Risk Factors* section and elsewhere in this prospectus supplement, and incorporated herein by reference, may adversely affect us.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us. It may not contain all the information that may be important to you in deciding whether to invest in our common stock. You should read this entire prospectus supplement, including the Risk Factors, and the accompanying prospectus, together with the information incorporated by reference, including the risk factors, financial data and related notes, before making an investment decision.

Our Company

Two Harbors Investment Corp. is a Maryland corporation focused on investing in, financing and managing residential mortgage-backed securities, or RMBS, and related investments, which we collectively refer to as our target assets. We operate as a real estate investment trust, or REIT, as defined under the Internal Revenue Code of 1986, as amended, or the Code.

We are externally managed and advised by PRCM Advisers LLC, a wholly-owned subsidiary of Pine River Capital Management L.P., or Pine River. Founded in 2002, with offices in New York, London, Hong Kong, San Francisco, Beijing and Minnetonka, Minnesota, Pine River is a global multi-strategy asset management firm providing comprehensive portfolio management, transparency and liquidity to institutional and high net worth investors.

Our objective is to provide attractive risk-adjusted returns to our stockholders over the long term, primarily through dividends and secondarily through capital appreciation. We selectively acquire and manage an investment portfolio of our target assets, which is constructed to generate attractive returns through market cycles. We focus on security selection and implement a relative value investment approach across various sectors within the residential mortgage market. Our target assets include the following:

Agency RMBS, meaning RMBS whose principal and interest payments are guaranteed by the Government National Mortgage Association (or Ginnie Mae), the Federal National Mortgage Association (or Fannie Mae), or the Federal Home Loan Mortgage Corporation (or Freddie Mac);

Non-Agency RMBS, meaning RMBS that are not issued or guaranteed by Ginnie Mae, Fannie Mae or Freddie Mac;

Mortgage loans; and

Financial assets other than RMBS and mortgage loans, comprising approximately 5% to 10% of the portfolio.

We seek to deploy moderate leverage as part of our investment strategy. We generally finance our target assets through short-term borrowings structured as repurchase agreements.

We recognize that investing in our target assets is competitive and that we compete with other investment vehicles for attractive investment opportunities. We rely on our management team and Pine River, who have developed strong relationships with a diverse group of financial intermediaries. In addition, we have benefited and expect to continue to benefit from Pine River's analytical and portfolio management expertise and infrastructure. We believe that our significant focus on the RMBS area, the extensive RMBS expertise of our investment team, our strong analytics and our disciplined relative value investment approach give us a competitive advantage versus our peers.

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We have elected to be taxed as a REIT for U.S. federal income tax purposes. To qualify as a REIT we are required to meet certain investment and operating tests and annual distribution requirements. We generally will not be subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our net taxable income to stockholders, do not participate in prohibited transactions and maintain our qualification as a REIT. However, certain activities that we may perform may cause us to earn income which will not be qualifying income for REIT purposes. We have designated our subsidiary, Capitol Acquisition Corp., or Capitol, and will designate another subsidiary, TH TRS Corp., or TH TRS, as a taxable REIT subsidiary, or TRS, as defined in the Code, to engage in such activities, and we may in the future form

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additional TRSs. We also intend to operate our business in a manner that will permit us to maintain our exemption from registration under the Investment Company Act of 1940, as amended, or the 1940 Act.

Our headquarters are located at 601 Carlson Parkway, Suite 330, Minnetonka, Minnesota 55305 and our telephone number is (612) 238-3300. We maintain a website at *www.twoharborsinvestment.com*; however, the information found on this website is not a part of this prospectus supplement or the accompanying prospectus.

Recent Developments

On February 11, 2011, our common stock was listed on the New York Stock Exchange (NYSE) and ceased trading on the NYSE Amex. The description of our common stock included in our Registration Statement on Form 8-A filed on February 10, 2011 is incorporated by reference into this prospectus supplement.

On May 18, 2011, we announced our intention to establish a securitization issuance program. As a first step in establishing this program, TH TRS, our indirect wholly-owned subsidiary, entered into a Master Repurchase Agreement dated May 17, 2011 (the Repurchase Facility) with Barclays Bank Plc, as purchaser and agent (Barclays). We intend to use the Repurchase Facility to aggregate and finance prime jumbo residential mortgage loans that we acquire from one or more select mortgage loan originators with whom we will build strategic relationships. Two Harbors will act as guarantor of all the obligations of TH TRS under the Repurchase Agreement and will be subject to certain financial covenants.

Concurrently with the Repurchase Facility, TH TRS also entered into a Forward AAA Securities Agreement (the Forward AAA Agreement) with Barclays. Under the Forward AAA Agreement, we expect to securitize eligible mortgage loans that we acquire in connection with the Repurchase Facility in an ongoing securitization program that would issue one or more classes of senior securities and one or more classes of subordinate securities. Barclays will act as an underwriter or placement agent of the securitizations and TH TRS would act as the sponsor. Pursuant to the Forward AAA Agreement, Barclays would purchase the senior securities at a price and in accordance with the terms set forth in the Forward AAA Agreement. TH TRS, or an affiliate, would be expected to retain the subordinate securities. In the event that we are not able to securitize the eligible mortgage loans for one or more specified reasons, the Forward AAA Agreement provides that Barclays shall, at the election of TH TRS, purchase or place such eligible mortgage loans for the price or fee established in the Forward AAA Agreement.

We are targeting completion of a \$250 million RMBS securitization in 2011 for our initial securitization. Copies of the Repurchase Facility and the Forward AAA Agreement were filed as exhibits 10.1 and 10.2 to our Current Report on Form 8-K filed with the SEC on May 18, 2011 and incorporated into this prospectus supplement.

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THE OFFERING

Common stock offered by us ⁽¹⁾	20,000,000 shares.
Common stock outstanding after this offering ⁽¹⁾	89,277,094 shares.
Use of proceeds	We expect to receive net proceeds from the sale of the common stock of approximately \$204,500,000, after deducting underwriting discounts and estimated offering expenses. If the underwriters' over-allotment option is exercised in full, our net proceeds from the offering will be approximately \$235,220,000, after deducting underwriting discounts and estimated offering expenses. We plan to use the net proceeds from this offering to fund purchases of our target assets and for general corporate purposes, including potentially to finance acquisitions of residential mortgage loans. Prior to the time we have fully used the net proceeds of this offering, we may fund our quarterly dividends out of such net proceeds. See <i>Use of Proceeds</i> .
Distribution policy	To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to continue to pay regular quarterly dividends of all or substantially all of our taxable income to holders of our common stock out of assets legally available therefor. U.S. federal income tax law requires that a REIT distribute with respect to each year at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain. See <i>U.S. Federal Income Tax Considerations</i> in the accompanying prospectus. The timing and amount of any dividends we pay to holders of our common stock will be at the discretion of our board of directors and will depend upon various factors, including our actual and projected results of operations, financial condition, liquidity and business, our debt and preferred stock covenants, maintenance of our REIT qualification, applicable provisions of the Maryland General Corporation Law, or MGCL, and such other factors as our board of directors deems relevant.
Listing	Our common stock is listed on the NYSE under the symbol TWO.
Risk Factors	Investing in our common stock involves a high degree of risk. See <i>Risk Factors</i> beginning on page S-4 of this prospectus supplement for a discussion of some of the risks relating to investment in our common stock. You should also carefully read and consider the information set forth under the headings <i>Item 1A. Risk Factors</i> beginning on page 11 of our Annual Report on Form 10-K for the year ended December 31, 2010 and all other information in this prospectus supplement and the accompanying prospectus before investing in our common stock.

- (1) We have granted the underwriters a 30-day option to purchase up to 3,000,000 additional shares of our common stock. Unless otherwise indicated, all share amounts in this prospectus supplement assume no exercise of the underwriters' option or exercise of any outstanding warrants to purchase our common stock.

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RISK FACTORS

An investment in Two Harbors involves a number of risks. Before making an investment decision, you should carefully read and consider the information set forth under the headings "Item 1A. Risk Factors" beginning on page 11 of our Annual Report on Form 10-K for the year ended December 31, 2010 (which descriptions are incorporated herein by reference) and the following summary of risk factors, together with all other information in this prospectus supplement and the accompanying prospectus. We believe such risk factors, individually or in the aggregate, could cause our actual results to differ significantly from anticipated or historical results. In addition to understanding the key risks described below and incorporated herein by reference, investors should understand that it is not possible to predict or identify all risk factors, and consequently, such risk factors are not a complete discussion of all potential risks or uncertainties.

Risks Related to the Securities of Two Harbors

Future issuances and sales of shares of our common stock may depress the market price of our common stock or have adverse consequences for our stockholders.

Our charter provides that we may issue up to 450,000,000 shares of common stock. As of May 23, 2011, 69,277,094 shares of common stock were issued and outstanding and 33,249,000 warrants to purchase up to 33,249,000 shares of common stock were issued and outstanding. Our 2009 equity incentive plan provides for grants of restricted common stock and other equity-based awards, subject to a ceiling of 200,000 shares available for issuance under the plan. As of May 23, 2011, we have granted an aggregate of 78,372 shares of restricted common stock to our independent directors under our 2009 equity incentive plan, of which 7,387 shares have vested and 70,985 shares remain subject to vesting restrictions.

We cannot predict the effect, if any, of future issuances, sales, or exchanges of our common stock on the market price of our common stock. Sales or exchanges of substantial amounts of common stock or the perception that such sales or exchanges could occur may adversely affect the prevailing market price for our common stock.

Also, we may issue additional shares in subsequent public offerings or private placements to acquire new assets or for other purposes. We are not required to offer any such shares to existing stockholders on a preemptive basis. Therefore, it may not be possible for existing stockholders to participate in such future share issuances, which may dilute the existing stockholders' interests.

We have not established a minimum distribution payment level and we cannot assure you of our ability to pay distributions in the future.

We intend to continue to pay quarterly distributions and to make distributions to our stockholders in an amount such that we distribute all or substantially all of our REIT taxable income in each year, subject to certain adjustments. We have not established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described herein. All distributions will be made, subject to Maryland law, at the discretion of our board of directors and will depend on our earnings, our financial condition, any debt covenants, 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 we will achieve results that will allow us to make a specified level of cash distributions.

Our warrants may be exercised in the future, which would increase the number of shares of our common stock eligible for future resale in the public market.

Outstanding redeemable warrants to purchase an aggregate of 33,249,000 shares of our common stock are currently exercisable at an exercise price of \$11.00 per share. Of these warrants, an aggregate of 7,000,000 warrants issued to sponsors of Capitol are exercisable on a pro rata cashless basis based on the formula set forth in the Warrant Agreement. The warrant exercise price may be lowered under certain circumstances, including, among others, in our sole discretion at any time prior to the expiration date of the warrants for a period of not less than ten business days; provided, however, that any such reduction shall be identical in percentage terms among all of the warrants. These warrants likely will be exercised if the market price of the

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shares of our common stock equals or exceeds the warrant exercise price. Therefore, as long as warrants remain outstanding, there will be a drag on any increase in the price of our common stock in excess of the warrant exercise price. To the extent such warrants are exercised, additional shares of our common stock will be issued, which would dilute the ownership of existing stockholders. Further, if these warrants are exercised at any time in the future at a price lower than the book value per share of our common stock, existing stockholders could suffer substantial dilution of their investment, which dilution could increase in the event the warrant exercise price is lowered. Additionally, if we were to lower the exercise price in the near future, the likelihood of this dilution could be accelerated.

The market price of our common stock could fluctuate and could cause you to lose a significant part of your investment.

The market price of our common stock may be influenced by many factors, some of which are beyond our control, including those described above and the following:

changes in financial estimates by analysts;

fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;

general economic conditions;

changes in market valuations of similar companies;

exercise of the warrants;

regulatory developments in the United States; and

additions or departures of key personnel at Pine River.

Resulting fluctuations in the market price of our common stock could cause you to lose a significant part of your investment.

The allocation of the net proceeds of our equity offerings among our target assets, and the timing of the deployment of these proceeds is subject to, among other things, then prevailing market conditions and the availability of target assets.

Our allocation of the net proceeds of this and our other equity offerings among our target assets is subject to our investment guidelines and our REIT qualification. PRCM Advisers LLC will make determinations as to the percentage of our equity that will be invested in each of our target assets and the timing of the deployment of the net proceeds of our equity offerings. These determinations will depend on then prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments. Until appropriate assets can be identified, PRCM Advisers LLC may decide to use the net proceeds of our offerings to pay down our short-term debt or to invest the net proceeds in interest-bearing short-term investments, including funds which are consistent with our REIT election. These investments are expected to provide a lower net return than we seek to achieve from our target assets. Prior to the time we have fully used the net proceeds of our offerings to acquire our target assets, we may fund our quarterly dividends out of such net proceeds.

Risks Related to the Business of Two Harbors

We face certain additional risks to our business as a result of our new securitization program. See *Prospectus Supplement Summary Recent Developments*.

There are risks related to our plan to securitize prime jumbo residential mortgage loans.

Our plan to have our subsidiary, TH TRS, securitize prime jumbo residential mortgage loans is subject to many of the same risks as those related to our other target assets, including risks related to changes in interest rates, economic factors in general, pre-payment speeds, default risks and risks related to hedging strategies. However, our plan to purchase and securitize these loans subjects us to additional risks as well.

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Mortgage loans we intend to securitize will be subject to additional risks under repurchase agreements.

We intend to finance the prime jumbo residential mortgage loans that we acquire with repurchase agreements, including the Repurchase Facility, prior to the planned securitization. Repurchase agreements for newly originated mortgage loans specify in detail the characteristics of eligible mortgages which may be financed under the repurchase agreements, and those specified characteristics are different than those contained in the repurchase facilities we use to finance our other target assets. Many of the events which could cause the mortgage loans to become ineligible are not within our sole control. If the mortgage loans we acquire become ineligible to be financed under these facilities, we may be subject to less favorable advance rates, or haircuts, under the repurchase facilities, or we may be required to repurchase the ineligible mortgages on short notice. If that occurs, we will have to use additional capital to hold these mortgage loans, which will reduce the capital available to invest in our other target assets such as Agency RMBS and Non-Agency RMBS.

We may not be able to acquire targeted prime jumbo residential mortgage loans.

The success of our securitization program will depend upon sourcing a large volume of desirable prime jumbo residential loans. We may be unable to do so for many reasons. We may be unable to locate originators that are able to originate mortgage loans that meet our standards, and those originators may decline to sell us those mortgage loans. Competition for the loans may drive down supply or drive up prices, making it uneconomical to purchase the loans. General economic factors, such as recession, declining home values, unemployment and high interest rates, may limit the supply of available loans. As a result, we may incur additional costs to acquire a sufficient volume of mortgage loans or be unable to acquire mortgage loans at a reasonable price. If we cannot source an adequate volume of desirable loans, our securitization program may be unprofitable, and we may hold individual loans for long periods, increasing our exposure to the credit of the borrowers and requiring capital that might be better used elsewhere in our business.

Our Manager has not previously completed a securitization or acquired newly originated mortgage loans.

Our Manager, PRCM Advisors, has not previously completed a securitization or acquired newly originated mortgage loans. Through the use of existing resources within Pine River, the addition of new staff and the use of outside advisers, we believe that PRCM Advisors has sufficient experience to conduct our securitization program. Nonetheless, this is a new business for Two Harbors, and there can be no assurance that we will be able to implement our securitization program successfully, or at all.

Market conditions and other factors may affect our ability to securitize prime jumbo mortgage loans.

Our ability to complete a securitization of prime jumbo mortgage loans will be affected by a number of factors, including:

- conditions in the securities markets, generally;
- conditions in the asset-backed securities market, specifically;
- yields of our portfolio of prime jumbo mortgage loans;
- the credit quality of our portfolio of prime jumbo mortgage loans; and
- our ability to obtain any necessary credit enhancement.

In recent years, the asset-backed securitization markets have experienced unprecedented disruptions, and securitization volumes have decreased sharply. Recent conditions in the securitization markets include reduced liquidity, increased risk premiums for issuers, reduced investor demand, financial distress among financial guaranty insurance providers, and a general tightening of credit. These conditions, which may increase our cost of funding, and may reduce or even eliminate our access to the securitization market, may continue or worsen in the future. As a result, these conditions may lead us to be unable to sell securities in the asset-backed securities market. Further, our repurchase facilities may not be adequate to fund our mortgage purchasing activities until such disruptions in the securitization markets subside. Further or continued disruptions in this market or any adverse change or delay in our ability to access the market could have a material adverse effect on our financial position, liquidity and results of operations. Low investor demand for

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asset-backed securities could force us to hold prime jumbo mortgage loans until investor demand improves, but our capacity to hold such mortgage loans is not unlimited. Continuing adverse market conditions could also result in increased costs and reduced margins earned in connection with our planned securitization transactions.

Our ability to execute securitizations of prime jumbo mortgage loans could be delayed, limited, or precluded by legislative and regulatory reforms applicable to asset-backed securities and the institutions that sponsor, service, rate, or otherwise participate in, or contribute to, the successful execution of a securitization transaction. Other factors could also limit, delay, or preclude our ability to execute securitization transactions. These legislative, regulatory, and other factors could also reduce the returns we would otherwise expect to earn in connection with securitization transactions.

In July 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act. Provisions of the Dodd-Frank Act require significant revisions to the legal and regulatory framework which apply to the asset-backed securities markets and securitizations. Some of the provisions of the Dodd-Frank Act have become effective or been implemented, while others are in the process of being implemented or will become effective in the future.

We cannot predict how the Dodd-Frank Act and the other regulations that have been proposed will affect our ability to execute securitizations of residential mortgage loans. For example, Section 15G of the Securities Exchange Act, as modified by the Dodd-Frank Act, generally requires the issuer of asset-backed securities to retain not less than five percent of the credit risk of the assets collateralizing the asset-backed securities. Section 15G includes an exemption for asset-backed securities that are collateralized exclusively by residential mortgages that qualify as qualified residential mortgages. The Dodd-Frank Act, however, left the definition of qualified residential mortgage to be determined by a federal rule-making process. In March 2011, federal regulators proposed a definition for the terms, as well as other rules related to the risk retention requirements of Section 15G, but those regulations have not been finalized.

In addition to the Dodd-Frank Act and its related rules, other federal or state laws and regulations that could affect our ability to execute securitization transactions may be proposed, enacted, or implemented. These laws and regulations could effectively preclude us from executing securitization transactions, could delay our execution of these types of transactions, or could reduce the returns we would otherwise expect to earn from executing securitization transactions.

Other matters, such as (i) accounting standards applicable to securitization transactions and (ii) capital and leverage requirements applicable to banks and other regulated financial institutions that traditionally purchase and hold asset-backed securities, could result in less investor demand for securities issued through securitization transactions we plan to execute or increased competition from other institutions that execute securitization transactions.

Rating agencies may affect our ability to execute securitization transactions, or may reduce the returns we would otherwise expect to earn from securitization transactions.

In the past, the rating agencies have played a central role in the securitization markets. Many purchasers of asset-backed securities require that a security be rated by the agencies at or above a specific grade before they will consider purchasing it. The rating agencies could adversely affect our ability to execute securitization transactions by deciding not to publish ratings for our securitization transaction (or deciding not to consent to the inclusion of those ratings in the prospectuses we may file with the SEC relating to securitization transactions), or by assigning ratings that are below the thresholds investors require. Further, rating agencies could alter their ratings processes or criteria after we have accumulated loans for securitization in a manner that reduces the value of previously acquired loans or that requires us to incur additional costs to comply with those processes and criteria. Moreover, the ratings agencies have come under heavy criticism for their perceived role in the financial crisis that started in 2008, and as a result their

role and business model may change in ways that adversely affect our ability to execute securitization transactions.

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We may be subject to fines or other penalties based upon the conduct of independent mortgage brokers through which we originate mortgage loans and lenders from which we acquire mortgage loans.

The independent third party mortgage brokers and lenders through which we plan to obtain prime jumbo mortgage loans are subject to strict and evolving consumer protection laws and other legal obligations. While these laws may not explicitly hold us responsible for the legal violations of these third parties, federal and state agencies and private litigants have increasingly sought to impose such liability. In addition, various regulators and plaintiffs lawyers have sought to hold assignees of mortgage loans liable for the alleged violations of the originating lender under theories of express or implied assignee liability. Accordingly, we may be subject to fines, penalties or civil liability based upon the conduct of independent mortgage brokers or originating lenders from whom we acquire mortgage loans.

The purchase of residential mortgage loans in the secondary market may, in some circumstances, require us to maintain various state licenses and failure to obtain those licenses may adversely affect our securitization program.

The purchase of residential mortgage loans in the secondary market may, in some circumstances, require us to maintain various state licenses. We have recently begun the process of applying for the necessary licenses, but in some cases it may take months to acquire them. As a result, we could be delayed in conducting our planned business. There is no assurance that we will be able to obtain all of the licenses we need or that we will not experience significant delays in obtaining these licenses. Once licenses are issued we will be required to comply with various information reporting and other regulatory requirements to maintain those licenses, and there is no assurance that we will be able to satisfy those requirements on an ongoing basis. Our failure to obtain or maintain required licenses may restrict our planned securitization and could harm our business and expose us to penalties or other claims.

ADDITIONAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The rules dealing with Federal income taxation are constantly under review by persons involved in the legislative process, and by the Internal Revenue Service and the U.S. Treasury Department. The recently enacted Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 extends the 2001 and 2003 tax rates for taxpayers that are taxable as individuals, trusts and estates through 2012, including the maximum 35% tax rate on ordinary income and the maximum 15% tax rate for long-term capital gains and qualified dividend income. As noted in the prospectus, dividends paid by REITs will generally not constitute qualified dividend income eligible for the 15% tax rate for stockholders that are taxable as individuals, trusts and estates and will generally be taxable at the higher ordinary income tax rates.

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USE OF PROCEEDS

We expect to receive net proceeds from the sale of common stock totaling approximately \$204,500,000, after deducting underwriting discounts and estimated offering expenses. If the underwriters' over-allotment option is exercised in full, our net proceeds from the offering will be approximately \$235,220,000, after deducting underwriting discounts and estimated offering expenses.

We plan to use the net proceeds from this offering to purchase Agency RMBS, non-Agency RMBS, and financial assets other than RMBS, in each case subject to our investment guidelines and to the extent consistent with maintaining our REIT qualification, and for general corporate purposes, including potentially to finance acquisitions of residential mortgage loans. PRCM Advisers LLC will make determinations as to the percentage of our equity that will be invested in each of our target assets and the timing of deployment of the net proceeds of this offering. These determinations will depend on prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments. Until appropriate assets can be identified, PRCM Advisers LLC may decide to use the net proceeds to pay off our short-term debt or invest the net proceeds in interest-bearing short-term investments, including funds which are consistent with our REIT election. These investments are expected to provide a lower net return than we seek to achieve from our target assets. Prior to the time we have fully used the net proceeds of this offering to acquire our target assets, we may fund our quarterly dividends out of such net proceeds.

Table of Contents**CAPITALIZATION**

The following table sets forth (1) our actual capitalization at March 31, 2011, and (2) our capitalization as adjusted to reflect the effect of the sale of our common stock in this offering, after deducting the underwriting discount and estimated offering expenses. You should read this table together with our consolidated financial statements and the related notes incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of March 31, 2011 Actual (Dollars in thousands)	As Adjusted for This Offering⁽¹⁾
Stockholders equity:		
Common Stock, par value \$0.01 per share; 450,000,000 shares authorized, and 69,251,757 shares issued and outstanding, actual and 89,251,757 shares outstanding, as adjusted	\$ 693	\$ 893
Preferred Stock, par value \$0.01 per share; 50,000,000 shares authorized and no shares issued and outstanding, actual and no shares outstanding, as adjusted		
Additional paid in capital	\$ 654,514	\$ 858,814
Accumulated other comprehensive income	\$ 31,734	\$ 31,734
Cumulative earnings	\$ 52,397	\$ 52,397
Cumulative distributions to stockholders	\$ (53,770)	\$ (53,770)
Total stockholders equity	\$ 685,568	\$ 890,068

(1) Does not include the underwriters' over-allotment option to purchase up to 3,000,000 additional shares or 25,337 shares issued between April 1, 2011 and May 23, 2011. Outstanding share amounts assume no exercise of our warrants.

Table of Contents**UNDERWRITING**

Subject to the terms and conditions of the underwriting agreement, the underwriters named below, through Credit Suisse Securities (USA) LLC, Barclays Capital Inc. and Wells Fargo Securities, LLC, have severally agreed to purchase from us the following respective number of shares of common stock at a public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus supplement:

Underwriter	Number of Shares
Credit Suisse Securities (USA) LLC	8,400,000
Barclays Capital Inc.	5,000,000
Wells Fargo Securities, LLC	3,300,000
JMP Securities LLC	3,300,000
Total	20,000,000

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that, if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to 3,000,000 additional shares at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus supplement and to selling group members at that price less a selling concession of \$0.10 per share. After the initial public offering, the underwriters may change the public offering price and concession.

The following table summarizes the compensation we will pay:

Per Share		Total	
Without	With	Without	With
Over-Allotment	Over-Allotment	Over-Allotment	Over-Allotment