

Two Harbors Investment Corp.
Form S-11
March 18, 2010

As filed with the Securities and Exchange Commission on March 18, 2010

Registration Statement No. 333-

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**FORM S-11
FOR REGISTRATION
UNDER THE SECURITIES ACT OF 1933
OF SECURITIES OF CERTAIN REAL ESTATE
COMPANIES**

Two Harbors Investment Corp.

(Exact Name of Registrant As Specified in Its Governing Instruments)

**601 Carlson Parkway, Suite 330
Minnetonka, Minnesota 55305
(612) 238-3300**

(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive Offices)

Timothy O Brien, Esq.
General Counsel
c/o Two Harbors Investment Corp.
601 Carlson Parkway, Suite 330
Minnetonka, Minnesota 55305
(612) 238-3300

(Name, Address, Including Zip Code, and Telephone Number,
Including Area Code, of Agent for Service)

Copies to:

Stephen M. Quinlivan, Esq.
Jill R. Radloff, Esq.
Leonard, Street and Deinard, PA
150 South Fifth Street Suite 2300
Minneapolis, MN 55402
Tel: (612) 335-1500
Fax: (612) 335-1657

David J. Goldschmidt, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036-6522
Tel: (212) 735-3574
Fax: (917) 777-3574

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b 2 of the Exchange Act. (Check One):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller Reporting Company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Security Being Registered	Proposed Maximum Aggregate Offering Price ⁽¹⁾	Amount of Registration Fee ⁽²⁾
Common Stock, par value \$.01 per share	\$150,000,000.00	\$ 10,695

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.

(2) Calculated in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

TABLE OF CONTENTS

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 18, 2010

Shares

Two Harbors Investment Corp.

Common Stock

We are selling _____ shares of common stock.

Our common stock is listed on the NYSE Amex under the symbol TWO . The closing price on the NYSE Amex on March 17, 2010, was \$9.57 per share.

The underwriters have an option to purchase a maximum of _____ additional shares to cover over-allotments of shares.

We intend to elect and qualify to be taxed as a real estate investment trust for U.S. federal income tax purposes, commencing with our taxable year ending December 31, 2009. To assist us in qualifying as a real estate investment trust, among other purposes, stockholders are generally restricted from owning more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock. In addition, our charter contains various other restrictions on the ownership and transfer of our common stock. See Description of Capital Stock Restrictions on Ownership and Transfer.

Investing in our common stock involves risks. See Risk Factors on page 16.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us
Per Share	\$	\$	\$
Total	\$	\$	\$

Delivery of the shares of common stock will be made on or about _____, 2010.

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

Credit Suisse

The date of this prospectus is , 2010.

TABLE OF CONTENTS

**TWO HARBORS INVESTMENT CORP.
TABLE OF CONTENTS**

	Page
<u>Summary</u>	<u>1</u>
<u>Summary Selected Financial and Other Data</u>	<u>13</u>
<u>The Offering</u>	<u>15</u>
<u>Risk Factors</u>	<u>16</u>
<u>Forward-Looking Statements</u>	<u>38</u>
<u>Use of Proceeds</u>	<u>40</u>
<u>Public Market for Our Common Stock</u>	<u>41</u>
<u>Dividend Policy</u>	<u>42</u>
<u>Capitalization</u>	<u>43</u>
<u>Selected Financial Data</u>	<u>44</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>46</u>
<u>Business</u>	<u>68</u>
<u>Management</u>	<u>78</u>
<u>Our Manager and the Management Agreement</u>	<u>88</u>
<u>Beneficial Ownership of Securities</u>	<u>99</u>
<u>Certain Relationships and Related Transactions</u>	<u>102</u>
<u>Description of Capital Stock</u>	<u>104</u>
<u>Certain Provisions of The Maryland General Corporation Law and Our Charter and Bylaws</u>	<u>111</u>
<u>U.S. Federal Income Tax Considerations</u>	<u>116</u>
<u>Underwriting</u>	<u>135</u>
<u>Notice to Canadian Residents</u>	<u>138</u>
<u>Legal Matters</u>	<u>139</u>
<u>Experts</u>	<u>139</u>
<u>Change in Accountants</u>	<u>139</u>
<u>Where You Can Find More Information</u>	<u>140</u>
<u>Index to Financial Statements</u>	<u>F-1</u>

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.

TABLE OF CONTENTS

SUMMARY

This summary highlights some of the information in this prospectus. It does not contain all of the information that you should consider before investing in our common stock. You should read carefully the more detailed information set forth under Risk Factors and the other information included in this prospectus. Except where the context suggests otherwise, the terms Two Harbors, we, our, and us refer to Two Harbors Investment Corp., a Maryland corporation together with its consolidated subsidiaries.

Our Company

We are 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 intend to qualify 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 by PRCM Advisers LLC. PRCM Advisers LLC is a wholly-owned subsidiary of our sponsor, Pine River Capital Management L.P., which we refer to as Pine River, a global multi-strategy asset management firm with an established track record of investing in our target assets and fixed income securities.

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, and

Financial assets other than RMBS, 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 may also finance portions of our portfolio through non-recourse term borrowing facilities and equity financing provided by government programs, if such financing becomes available.

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.

We commenced operations on October 28, 2009, upon completion of a merger with Capitol Acquisition Corp., or Capitol. At the closing of the merger, after deducting transaction costs and expenses and payments to Capitol stockholders, we had approximately \$124 million in cash available to fund investments and operations.

We intend to elect and qualify to be taxed as a REIT for U.S. federal income tax purposes, commencing with our initial taxable period ended December 31, 2009. To qualify as a REIT we will be 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 and maintain our intended 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 preserved Capitol as a taxable REIT subsidiary, or TRS, as defined in the Code, to engage in such

1

TABLE OF CONTENTS

activities, and we may in the future form 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 Manager

We are externally managed and advised by PRCM Advisers LLC, a wholly-owned subsidiary of Pine River. Founded in 2002, with offices in New York, London, Hong Kong, San Francisco 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.

Pine River formed PRCM Advisers LLC for the purpose of providing management services to us. PRCM Advisers LLC is responsible for administering our business activities and day-to-day operations. Pursuant to the terms of a management agreement between us and PRCM Advisers LLC, PRCM Advisers LLC provides us with our management team, including our officers, along with appropriate support personnel. In addition, PRCM Advisers LLC provides us with the expertise of Pine River's fixed income team, proprietary analytical tools and appropriate fund infrastructure. PRCM Advisers LLC is at all times subject to the supervision and oversight of our board of directors. Each of our officers is an employee or partner of Pine River. We do not have any employees. We do not pay any of our officers any cash compensation. Rather, we pay PRCM Advisers LLC a 1.5% annual base management fee pursuant to the terms of the management agreement and the allocable share of the compensation paid by PRCM Advisers LLC to its personnel serving as our principal financial officer and general counsel and other reimbursable costs under the management agreement and shared facilities and services agreement. We do not pay PRCM Advisers LLC any incentive-based fees or other incentive-based compensation.

Through our relationship with PRCM Advisers LLC, we benefit from Pine River's disciplined and highly analytical investment approach, extensive long-term relationships in the financial community, and established infrastructure.

Pine River's disciplined investment approach utilizes a cross-product approach, conducting top-down market assessments with respect to various subsets of the RMBS market in order to identify the most attractive segments and investment opportunities. Our security selection process leverages proprietary and third party analytic tools to conduct a detailed analysis of factors that influence our target assets. We select our RMBS based on factors that include extensive analysis of the underlying loans, including prepayment trends, average remaining life, amortization schedules, fixed versus floating interest rates, geographic concentration, property type, loan-to-value ratios and credit scores.

Pine River's fixed income team has broad experience in managing Agency RMBS, non-Agency RMBS and other mortgage-related assets through a variety of credit and interest rate environments and has demonstrated the ability to generate attractive risk-adjusted returns under different market conditions and cycles, on both a levered and unlevered basis. Pine River maintains extensive long-term relationships with financial intermediaries including prime brokers, investment banks, broker-dealers and asset custodians. These relationships enhance PRCM Advisers LLC's ability to source, finance, protect and hedge our investments and, thus, enable us to succeed in various credit and interest rate environments. We also benefit from Pine River's comprehensive finance, operational and administrative infrastructure, including its risk management and accounting operations, as well as its legal, compliance and software development teams.

As of December 31, 2009, Pine River had net assets under management, including the Two Harbors stockholders equity of approximately \$122 million, of approximately \$1.5 billion, of which approximately \$650 million is dedicated to mortgage strategies. Pine River employed 67 employees globally, including 24 investment professionals,

and has successfully maintained low employee attrition.

Our Investment Strategy

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 intend to achieve this objective by constructing a well-balanced portfolio consisting primarily of RMBS, with a focus on managing various associated risks, including interest rate, prepayment, mortgage spread and financing risk. Consistent with the objective of achieving attractive risk-adjusted returns over various market cycles, PRCM Advisers LLC intends to maintain a balanced approach to these various risks.

TABLE OF CONTENTS

We rely on PRCM Advisers LLC's expertise in identifying assets within our target asset classes. PRCM Advisers LLC makes investment decisions based on a rigorous security selection process that takes into consideration a variety of factors, including expected cash yield, risk-adjusted returns, current and projected credit fundamentals, current and projected macroeconomic considerations, current and projected supply and demand, credit and market risk concentration limits, liquidity, cost of financing and financing availability. In all cases, we select securities in such a way as to maintain our REIT qualification and our exemption from registration under the 1940 Act.

Our Investments

Our Target Assets

Our target asset classes and the principal investments we have made and expect to make are as follows:

Agency RMBS

Agency RMBS collateralized by either fixed rate mortgage loans, adjustable rate mortgage loans or hybrid mortgage loans, or derivatives thereof, including:

mortgage pass-through certificates;

collateralized mortgage obligations;

Freddie Mac certificates;

Fannie Mae certificates;

Ginnie Mae certificates;

to-be-announced forward contracts; and

interest-only and inverse interest-only securities.

Non-Agency RMBS

Non-Agency RMBS collateralized by prime mortgage loans, Alt-A mortgage loans and subprime mortgage loans, which may have fixed rate, adjustable rate or hybrid rate terms.

Non-Agency RMBS includes both senior and mezzanine RMBS.

Senior RMBS refers to non-Agency RMBS that represent the senior-most tranches—that is, the tranches which have the highest priority claim to cash flows from the related collateral pool, within the RMBS structure. Mezzanine RMBS refers to subordinated tranches within the collateral pool. The non-Agency RMBS we

purchase may include investment-grade and non-investment grade classes, including non-rated securities.

Hybrid mortgage loans have terms with interest rates that are fixed for a specified period of time and, thereafter, generally adjust periodically to an increment over a specified interest rate index.

ARMs refer to hybrid and adjustable-rate mortgage loans which typically have interest rates that adjust periodically to an increment over a specified interest rate index.

Assets other than RMBS Non-real estate investments including non-mortgage related securities and certain hedging transactions that may produce non-qualifying income for purposes of the REIT gross income tests.

Our investment portfolio at December 31, 2009 primarily consisted of RMBS. After the consummation of this offering, we expect that our investment portfolio will continue to consist primarily of RMBS, subject to our REIT qualification and our 1940 Act exemption.

TABLE OF CONTENTS**Our Investment Activities**

At December 31, 2009, we had total assets of approximately \$538.4 million, of which \$494.5 million, or 91.8%, represented our RMBS portfolio. At December 31, 2009, \$417.8 million, or 84.5% of our RMBS portfolio was comprised of Agency RMBS, \$54.1 million, or 10.9% of our RMBS portfolio was comprised of senior non-Agency RMBS, and the remaining \$22.6 million, or 4.6% was comprised of other non-Agency RMBS.

Our Investment Portfolio

	As of December 31, 2009		
	Carrying Value	Yield ⁽¹⁾	
Total Agency RMBS	417,820,016	3.2	%
Total Non-Agency RMBS ⁽²⁾	76,644,851	13.1	%
Total	\$ 494,464,867	4.7	%

(1) Actual realized yields will depend on a number of factors that cannot be predicted with certainty, including realized prepayment speeds for Agency RMBS. In addition to prepayment speeds, actual yields will depend on the timing and extent of loan defaults and recoveries for Non-Agency RMBS. Estimated yields do not include any costs of operating or managing Two Harbors and are not an indication of estimated earnings.

(2) As of December 31, 2009, the senior non-agency RMBS totaled \$54 million, which were not at target asset levels of approximately \$75.0 million.

Investment Guidelines

Our board of directors has adopted the following investment guidelines:

no investment shall be made that would cause us to fail to qualify as a REIT for U.S. federal income tax purposes; no investment shall be made that would cause us to be regulated as an investment company under the 1940 Act; we will primarily invest within our target assets, consisting primarily of Agency RMBS and non-Agency RMBS; approximately 5% to 10% of our portfolio may include assets other than RMBS; and until appropriate investments can be identified, we will invest available cash in interest-bearing and short-term investments that are consistent with (i) our intention to qualify as a REIT, and (ii) our exemption from investment company status under the 1940 Act.

These investment guidelines may be changed from time to time by our board of directors without the approval of our stockholders.

Within the constraints of the foregoing investment guidelines, PRCM Advisers LLC has broad authority to select, finance and manage our investment portfolio. As a general matter, our investment strategy is designed to enable us to:

build an investment portfolio consisting of Agency RMBS and non-Agency RMBS that will generate attractive returns while having a moderate risk profile;

manage financing, interest rate, prepayment rate and credit risks;
 capitalize on discrepancies in the relative valuations in the mortgage market; and
 provide regular quarterly distributions to stockholders.

Within the requirements of the investment guidelines, PRCM Advisers LLC makes determinations as to the percentage of our assets that will be invested in each of our target assets. PRCM Advisers LLC's decisions depend on prevailing market conditions and change over time in response to opportunities available in different interest rate,

economic and credit environments. As a result, we cannot predict the percentage of our

4

TABLE OF CONTENTS

assets that will be invested in any of our target asset classes at any given time. We believe that the diversification of our portfolio of assets and the flexibility of our strategy, combined with PRCM Advisers LLC's and its affiliates' expertise, will enable us to achieve attractive risk-adjusted returns under a variety of market conditions and economic cycles.

Our Financing Strategy

We deploy moderate leverage to increase potential returns to our stockholders and to fund the acquisition of our assets. We are not required to maintain any particular leverage ratio. The amount of leverage we deploy for particular investments in our target assets depends upon an assessment of a variety of factors, which may include the anticipated liquidity and price volatility of our assets; the gap between the duration of assets and liabilities, including hedges; the availability and cost of financing the assets; our opinion of the credit worthiness of financing counterparties; the health of the U.S. economy and residential mortgage-related markets; our outlook for the level, slope, and volatility of interest rates; the credit quality of the loans we acquire; the collateral underlying our Agency RMBS and non-Agency RMBS; and our outlook for asset spreads relative to the London Interbank Offered Rate, or LIBOR, curve.

Our primary financing sources are repurchase agreements. We may use repurchase agreements to deploy, on a debt-to-equity basis, up to ten times leverage on our Agency RMBS assets, but we are not required to maintain any particular leverage ratio. We expect under current market conditions to deploy limited leverage on our non-Agency RMBS through the use of repurchase agreements. In the future, we may pursue additional leverage in conjunction with financings that may be available from traditional private sources of lending or under programs established by the U.S. government. In the current economic climate, repurchase lenders generally advance approximately 90% to 95% of the market value of the Agency RMBS financed (meaning a 5% to 10% discount from market value, or haircut) and 50% to 65% of the market value on the non-Agency RMBS financed (meaning a 35% to 50% haircut). A significant decrease in advance rate or an increase in the haircut could result in our having to sell securities in order to meet additional margin requirements by the lender. We expect to mitigate our risk of margin calls by deploying a prudent amount of leverage that is below what could be used under current advance rates.

In order to reduce our exposure to counterparty-related risk, we generally seek to diversify our exposure by entering into repurchase agreements with multiple counterparties. At December 31, 2009, we had \$411.9 million of outstanding balances under repurchase agreements with six counterparties, with a maximum net exposure (the difference between the amount loaned to us, including interest payable, and the value of the securities pledged by us as collateral, including accrued interest receivable on such securities) to any single lender of \$17.3 million.

Interest Rate Hedging and Risk Management Strategy

We enter into derivative financial instruments, or hedging instruments, to hedge all or a portion of the interest rate risk on our LIBOR-based repurchase agreements. At December 31, 2009, our hedging instruments consisted solely of swaps, which are used to lock-in fixed interest rates over the term of the swap, related to a portion of our existing and anticipated future repurchase agreements. At December 31, 2009, we were a party to fixed-rate swaps with an aggregate notional amount of \$100.0 million.

Dividend Policy

We intend to continue to pay regular quarterly dividends to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the

deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. Subject to the requirements of the Maryland General Corporation Law, we intend to pay regular quarterly dividends to our stockholders in an amount equal to our net taxable income, if and to the extent authorized by our board of directors. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service requirements on our repurchase agreements and other debt payable. If our cash available for distribution is less than our net taxable income, we could be required to sell assets or borrow funds to pay cash dividends or we may make a portion of the required dividend in the form of a taxable stock dividend or dividend of debt securities.

TABLE OF CONTENTS

On December 21, 2009, we declared a dividend of \$0.26 per share of common stock to stockholders of record as of December 31, 2009, and paid such dividend on January 26, 2010. On March 12, 2010, we declared a dividend of \$0.36 per share of common stock to stockholders of record as of March 31, 2010 and will pay such dividend on April 23, 2010. Investors in this offering will not be entitled to receive this dividend.

Our Competitive Advantages

Our investment strategy is focused on utilizing our underlying core strengths, described below in further detail, which we believe offer competitive advantages in the marketplace:

Significant Experience of Our Management Team

We believe that the extensive experience of our management team and, through our relationship with PRCM Advisers LLC, the officers and employees of Pine River provides us with significant expertise across our target assets. Pine River's fixed income investment team has managed Agency RMBS, non-Agency RMBS and other mortgage-related assets through a variety of credit and interest rate environments and has demonstrated strong ability to generate attractive risk-adjusted returns under different market conditions, on both a levered and unlevered basis.

The senior members of our research and investment team have an average of 22 years of experience in mortgage-backed securities investing, including experience in performing advisory services for investment banks, funds, other investment vehicles, and other managed and discretionary accounts. Our Co-Chief Investment Officers are Steven Kuhn and William Roth. Mr. Kuhn is a Partner of Pine River, and joined the firm in January 2008. He has 16 years of experience investing in RMBS and other fixed income securities for Goldman Sachs Asset Management, Citadel and Cargill. Mr. Roth joined Pine River in June 2009, and has 28 years of experience working for Salomon Brothers and Citigroup in mortgage-backed and asset-backed securities markets. The fixed income investment team also includes seasoned traders, analysts and risk managers, and is backed by Pine River's extensive infrastructure in the areas of credit analysis, trade execution, risk management, valuation, accounting, operations, corporate governance and law.

Disciplined Relative Value Investment Approach

Disciplined security selection is a key element of our strategy. We are, in essence, a relative value investor in mortgage-backed securities. PRCM Advisers LLC uses a cross-product approach, conducting top-down market assessments with respect to various subsets of the RMBS market in order to identify the most attractive segments and investment opportunities. In employing this detailed analysis, PRCM Advisers LLC seeks to best capture market inefficiencies and identify the most mispriced securities. We select our RMBS based on factors that include extensive analysis of the underlying loans, including prepayment trends, average remaining life, amortization schedules, fixed versus floating interest rates, geographic concentration, property type, loan-to-value ratios and credit scores. Considering the multi-trillion dollar size of the U.S. RMBS market, we can be very selective with our investments and buy only the securities we deem to be the most attractive. We believe this holistic, relative-value approach to the non-Agency and Agency RMBS investments may achieve higher risk-adjusted returns than an approach that focuses on a single sector of the residential mortgage market.

Portfolio Construction

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 intend to achieve this objective by constructing a well-balanced portfolio consisting primarily of RMBS, with a focus on managing various associated risks, including interest rate, prepayment, mortgage spread and financing risk. PRCM Advisers LLC uses its fixed income investment team's expertise across a broad range of asset classes within the RMBS markets to build a portfolio that seeks to balance income, cash, capital appreciation, leverage and the aforementioned risks. Through the careful and disciplined selection of assets, and continual portfolio monitoring, we seek to build and maintain an investment portfolio that provides value to stockholders over time both in absolute terms and relative to other RMBS portfolios.

TABLE OF CONTENTS

Access to PRCM Advisers LLC s Analytical Tools, Infrastructure and Expertise

Our experienced investment team constructs and manages our RMBS investment portfolio through the use of focused qualitative and quantitative analysis, which helps us manage risk on a security-by-security and portfolio basis. We rely on a variety of proprietary and third party analytical tools and models, which we customize to our needs. We focus on in-depth analysis of the numerous factors that influence our target assets, including:

fundamental market and sector review;
cash flow analysis;
disciplined security selection;
controlled risk exposure; and
prudent balance sheet management.

We also use these tools to guide the hedging strategies developed by PRCM Advisers LLC to the extent consistent with the requirements for qualification as a REIT.

In addition, through PRCM Advisers LLC we have access to Pine River s proprietary technology management platform, called Everest, to track investments and to monitor investment risk across asset classes. Everest collects and stores real-time market data, and integrates market performance with portfolio holdings and proprietary risk models to measure the risk positions in our portfolios. This measurement system portrays overall portfolio risk and risk sources.

Our focus on loan level and local market analysis allows us to track and understand borrower performance, which we consider key in our overall investment strategy. Our ability to track real-time variables such as market specific home prices and unemployment rates provides us with valuable insights and helps with specific asset selection decisions. We believe that sophisticated analysis of both macro- and micro-economic factors will enable us to manage cash flow and distributions while preserving our stockholders capital.

Through a shared facilities and services agreement with Pine River, PRCM Advisers LLC has access to analytical and portfolio management capabilities to aid in security selection and risk management. We capitalize on the market knowledge and ready access to data across our target markets that PRCM Advisers LLC and its affiliates obtain through their established platform. We also benefit, through PRCM Advisers LLC, from Pine River s comprehensive finance, operational and administrative infrastructure, including its risk management and financial reporting and accounting operations, as well as its business development, legal and compliance, operations and settlement and software development teams.

Extensive Strategic Relationships and Experience of PRCM Advisers LLC and its Affiliates

PRCM Advisers LLC and its affiliates maintain extensive long-term relationships with financial intermediaries including prime brokers, investment banks, broker-dealers and asset custodians. We believe these relationships enhance our ability to source, finance, protect and hedge our investments and, thus, enable us to succeed in various credit and interest rate environments. Members of the fixed income investment team have many years of experience and well-established contacts within the RMBS industry, and are able to bring their personal relationships to bear for our benefit and the benefit of our stockholders.

Summary Risk Factors

An investment in shares of our common stock involves various risks. You should consider carefully the risks discussed below and under the heading **Risk Factors** beginning on page 16 of this prospectus before purchasing our common stock. If any of the following risks occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you may lose some or all of your investment.

We are dependent on PRCM Advisers LLC for our success. In addition, we rely on our financing opportunities relating to our repurchase agreement financings that have been and will be facilitated and/or provided by PRCM Advisers LLC.

7

TABLE OF CONTENTS

PRCM Advisers LLC has limited experience operating a REIT or managing a portfolio of our target assets on a leveraged basis and we cannot assure you that PRCM Advisers LLC's past experience will be sufficient to successfully manage our business as a REIT with such a portfolio.

We have a limited operating history and may not be able to successfully operate our business or generate sufficient revenue or sustain payment of dividends to our stockholders.

There are conflicts of interest in our relationship with PRCM Advisers LLC, which could result in decisions that are not in the best interests of our stockholders.

Our board of directors approved very broad investment guidelines for PRCM Advisers LLC and does not approve each investment and financing decision made by PRCM Advisers LLC.

We may change any of our strategies, policies or procedures without stockholder consent.

There can be no assurance that the actions of the U.S. government, Federal Reserve, U.S. Treasury and other governmental and regulatory bodies for the purpose of stabilizing the financial markets, including the establishment of the Federal Reserve System's Term Asset-Backed Securities Loan Facility, or TALF, and the U.S. government's Public-Private Investment Program, or PPIP, or market responses to those actions, will achieve the intended effect, and our business may not benefit from these actions and further government actions, or the cessation or curtailment of current U.S. government programs and/or participation in the mortgage and securities markets, or market developments could adversely impact us.

We use leverage in executing our business strategy, which may adversely affect the return on our assets and may reduce cash available for distribution to our stockholders, as well as increase losses when economic or financial conditions are unfavorable.

Our inability to access repurchase agreement or other non-governmental sources of financing would have a material adverse effect on our business.

An increase in our borrowing costs relative to the interest we receive on investments in our target assets may adversely affect our profitability and our cash available for distribution to our stockholders.

Hedging against interest rate exposure may adversely affect our earnings, which could reduce our cash available for paying dividends to our stockholders.

Our investments may be concentrated and will be subject to risk of default. Continued adverse developments in the residential and commercial mortgage markets, including increases in defaults, credit losses and liquidity concerns, could make it difficult for us to borrow money to acquire our target assets on a leveraged basis, on attractive terms or at all, which could adversely affect our profitability.

The mortgage loans underlying the non-Agency RMBS that we acquire are subject to defaults, foreclosure timeline extension, fraud and residential and commercial price depreciation, and unfavorable modification of loan principal amount, interest rate and amortization of principal, which could result in losses to us.

An increase in interest rates may cause a decrease in the volume of certain of our target assets, which could adversely affect our ability to acquire target assets that satisfy our investment objectives and to generate income and pay dividends.

Prepayment rates may adversely affect the value of our investment portfolio.

We operate in a highly competitive market for investment opportunities and competition may limit our ability to acquire desirable investments in our target assets and could also affect the pricing of these target assets.

TABLE OF CONTENTS

Our failure to qualify as a REIT would subject us to U.S. federal income tax and potentially increased state and local taxes, which would reduce the amount of cash available for distribution to our stockholders.

Complying with REIT requirements may cause us to forego otherwise attractive investment opportunities or financing or hedging strategies.

Maintenance of our 1940 Act exemption imposes limits on our operations.

Our Structure

The following chart shows our structure subsequent to the completion of the merger with Capitol. We conduct substantially all of our operations through our wholly-owned subsidiary, Two Harbors Operating Company LLC, or the Subsidiary LLC. The Subsidiary LLC in turn conducts its business through two subsidiaries: Two Harbors Asset I, LLC, which holds most of our RMBS and other assets; and Capitol, which we have elected to treat as a TRS, and which holds certain non-RMBS assets and conducts certain hedging activity.

Management Agreement

We have entered into a management agreement with PRCM Advisers LLC, a wholly-owned subsidiary of Pine River. Pursuant to the management agreement, PRCM Advisers LLC implements our business strategy and performs certain services for us, subject to oversight by our board of directors. PRCM Advisers LLC is responsible for, among other duties, (i) performing all of our day-to-day functions, (ii) determining investment criteria in conjunction with our board of directors, (iii) sourcing, analyzing and executing investments, asset sales and financings, and (iv) performing asset management duties.

The initial term of the management agreement expires on October 28, 2012, with automatic one-year renewals at the end of the initial term and each year thereafter. Our independent directors review PRCM Advisers LLC's performance annually and, following the initial term, the management agreement may be terminated annually by us without cause upon the vote of at least two-thirds of our independent directors or by a vote of the holders of a majority of the outstanding shares of our common stock, based upon: (i) PRCM Advisers LLC's unsatisfactory performance that is materially detrimental to us or (ii) our determination that the management fees payable to PRCM Advisers LLC are not fair, subject to PRCM Advisers LLC's right to prevent termination based on unfair fees by accepting a reduction of management fees agreed to by at least two-thirds of our independent directors. We are required to provide PRCM Advisers LLC with 180 days' prior notice of such termination. Upon termination without cause, we will pay a termination fee to PRCM Advisers LLC. We will also pay a termination fee to PRCM Advisers LLC if PRCM Advisers LLC terminates the management agreement due to our material breach of such agreement. We may terminate the management agreement with 30 days' prior notice from our board of directors, without payment of a termination fee, for cause, as defined in the management agreement. PRCM Advisers LLC may terminate the management agreement if we become required to register as an investment company under the 1940 Act, with such

TABLE OF CONTENTS

termination deemed to occur immediately before such event, and may also decline to renew the management agreement by providing us with 180 days prior notice, in either case of which we would not be required to pay a termination fee.

Base Management Fee

The base management fee paid to PRCM Advisers LLC is 1.5% of our stockholders' equity per annum, calculated and payable quarterly in arrears. There is no incentive-based or performance-based component of PRCM Advisers LLC's compensation.

For purposes of calculating the management fee, our stockholders' equity means the sum of the net proceeds from all issuances of our equity securities since inception (allocated on a *pro rata* daily basis for such issuances during the fiscal quarter of any such issuance), plus our retained earnings at the end of the most recently completed calendar quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less any amount that we have paid for repurchases of our common stock since inception, and excluding any unrealized gains, losses or other items that do not affect realized net income (regardless of whether such items are included in other comprehensive income or loss, or in net income). This amount will be adjusted to exclude one-time events pursuant to changes in accounting principles generally accepted in the United States of America, or GAAP, and certain non-cash items after discussions between PRCM Advisers LLC and our independent directors and approval by a majority of our independent directors. To the extent asset impairments reduce our retained earnings at the end of any completed calendar quarter it will reduce the base management fee for such quarter. Our stockholders' equity for the purposes of calculating the base management fee could be greater than the amount of stockholders' equity shown on the consolidated financial statements.

Expense Reimbursement

We reimburse PRCM Advisers LLC for (i) in the event PRCM Advisers LLC were to hire its own personnel, our allocable share of the compensation paid by PRCM Advisers LLC to its personnel serving as our principal financial officer and general counsel and personnel employed by PRCM Advisers LLC as inhouse legal, tax, accounting, consulting, auditing, administrative, information technology, valuation, computer programming and development and back-office resources to us and (ii) any amounts for personnel of PRCM Advisers LLC's affiliates arising under a shared facilities and services agreement.

Termination Fee

Upon termination of the management agreement by us without cause or by PRCM Advisers LLC due to our material breach of the management agreement, we are required to pay a termination fee equal to three times the sum of the average annual base management fee earned by PRCM Advisers LLC during the 24-month period immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination.

Conflicts of Interest

We are dependent on PRCM Advisers LLC for our day-to-day management and do not have any independent officers or employees. Each of our executive officers, as well as Brian Taylor and Thomas Siering who are non-independent directors, is also an employee or partner of Pine River, which is the parent company of PRCM Advisers LLC. Our

management agreement was negotiated between related parties and its terms, including fees and other amounts payable, may not be as favorable to us as if it had been negotiated at arm's length with an unaffiliated third party. Our executive officers are not required to devote a specific amount of time to our affairs and are permitted to engage in other business activities, including activities for Pine River, which may reduce the time PRCM Advisers LLC and its officers and personnel spend managing us.

We compete for investment opportunities directly with other clients of Pine River and its affiliates. Further, Pine River and its affiliates may in the future form additional funds or sponsor additional investment vehicles and ventures that have objectives overlapping with our objectives and therefore may compete with us for investment opportunities.

In allocating investment opportunities among us and any funds or accounts managed or advised by Pine River, each of which we refer to as a Pine River Fund, Pine River and PRCM Advisers LLC are guided by

TABLE OF CONTENTS

the principles that they will treat all clients fairly and equitably, they will not arbitrarily distinguish among clients, and they will not favor one client over another. In allocating a specific investment opportunity among us and the Pine River Funds, Pine River and PRCM Advisers LLC will make a determination, exercising their judgment in good faith, as to whether the opportunity is appropriate for each client. Factors in making such a determination may include a client's liquidity, the client's overall investment strategy and objectives, the composition of the client's existing portfolio, the size or amount of the available opportunity, the characteristics of the securities involved, the liquidity of the markets in which the securities trade, the risks involved, and other factors relating to the client and the investment opportunity. Pine River and/or PRCM Advisers LLC are not required to provide every opportunity to every client. If Pine River and/or PRCM Advisers LLC determine that an investment opportunity is appropriate for both us and a Pine River Fund, then Pine River and PRCM Advisers LLC will allocate that opportunity in a manner that they determine, exercising their judgment in good faith, to be fair and equitable, taking into consideration all allocations among us and the Pine River Fund taken as a whole.

Operating and Regulatory Structure

REIT Qualification

We intend to elect to qualify as a REIT under the Code, commencing with our taxable period ended on December 31, 2009. Our qualification as a REIT depends upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares. We believe that we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Code, and we intend to conduct our operations in a manner which will enable us to meet the requirements for qualification and taxation as a REIT.

As long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on the REIT taxable income we distribute currently to our stockholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income or property.

1940 Act Exemption

We intend to conduct our operations so that we are not required to register as an investment company under the 1940 Act. The 1940 Act exempts entities that are primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate, or qualifying interests. Under the current interpretation of the staff of the U.S. Securities and Exchange Commission, or SEC, in order to qualify for this exemption, we must maintain (i) at least 55% of our assets in qualifying interests (referred to as the 55% Test) and (ii) at least 80% of our assets in real estate related assets including qualifying interests (referred to as the 80% Test). In meeting the 55% Test, we treat as qualifying interests those RMBS issued with respect to an underlying pool as to which we own all of the issued certificates. RMBS that do not represent all of the certificates issued (i.e., an undivided interest) with respect to the entire pool of mortgages (i.e., a whole pool) underlying such RMBS may be treated as securities separate from such underlying mortgage loans and, thus, may not be considered qualifying interests for purposes of the 55% Test; however, such RMBS would be considered real estate related assets for purposes of the 80% Test. Therefore, for purposes of the 55% Test, our ownership of these types of RMBS is limited by the provisions of the 1940 Act. If the SEC or its staff were to adopt a contrary interpretation, we could be required to sell a substantial amount of our RMBS

under potentially adverse market conditions. Further, in order to ensure that at all times we qualify for this exemption from the 1940 Act, we may be precluded from acquiring RMBS with a yield higher than the yield on RMBS that could be otherwise purchased in a manner consistent with this exemption. Accordingly, we monitor our compliance with both the 55% Test and the 80% Test in order to maintain our exempt status under the 1940 Act.

TABLE OF CONTENTS

Restrictions on Ownership of Our Common Stock

To assist us in complying with the REIT limitations on the concentration of ownership imposed by the Code, among other purposes, our charter prohibits, with certain exceptions, any stockholder from beneficially or constructively owning, applying certain attribution rules under the Code, more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock, or 9.8% by value or number of shares, whichever is more restrictive, of our outstanding capital stock. Our board of directors may, in its sole discretion, waive the 9.8% ownership limit with respect to a particular stockholder if it is presented with certain representations and undertakings required by our charter and other evidence satisfactory to it that such ownership will not then or in the future jeopardize our qualification as a REIT. Our charter also prohibits any person from, among other things: (1) beneficially or constructively owning shares of our capital stock that would result in our being closely held under Section 856(h) of the Code, or otherwise cause us to fail to qualify as a REIT; and (2) transferring shares of our capital stock if such transfer would result in our capital stock being beneficially owned by fewer than 100 persons.

Our Corporate Information

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.

TABLE OF CONTENTS**Summary Selected Financial and Other Data**

	At December 31,		
Balance Sheet Data:	2009 ⁽¹⁾	2008 ⁽¹⁾	
Available-for-sale securities	\$494,464,867		
Total assets	538,365,409	262,095,130	
Repurchase agreements	411,892,510		
Total stockholders' equity	121,720,767	184,161,891	
			At or for the
			Period from
			June 26, 2007
			(inception)
			through
			December 31,
			2007 ⁽¹⁾
Income Statement Data:	2009 ⁽¹⁾	2008 ⁽¹⁾	
Interest income	\$2,866,053	\$4,442,222	\$1,474,220
Interest expense	131,510		
Net interest income	2,734,543	4,442,222	1,474,220
Other income	699,632		
Management fees	325,654		
Operating expenses	12,171,343	1,059,606	140,999
Net (loss) income before income taxes	(9,062,822)	3,382,616	1,333,221
Benefit from (provision for) income taxes	318,291	(1,088,083)	(618,648)
Net (loss) income	\$(8,744,531)	\$2,294,533	\$714,573
Accretion of Trust Account income relating to common stock subject to possible conversion	(92,872)	(235,706)	
Net (loss) income attributable to other common stockholders	\$(8,837,403)	\$2,058,827	\$714,573
Basic and diluted (loss) earnings per share	\$(0.39)	\$0.08	\$0.06
Dividends declared per common share	\$0.26	\$	\$
Basic and diluted weighted average shares outstanding	22,941,728	24,936,558	11,602,789

Capitol, the accounting acquirer in the merger completed on October 28, 2009, was formed on June 26, 2007 as a (1) development stage company. As such, our results of operations are presented for only the periods set forth above. Comparability of the financial data is affected by the merger with Capitol.

TABLE OF CONTENTS

	For the Year Ended December 31, 2009 ⁽²⁾
Core Earnings and Adjusted Core Earnings:	
Reconciliation of net (loss) income attributable to other common stockholders to adjusted core earnings:	
Net (loss) income attributable to other common stockholders	\$(8,837,403)
Adjustments for non-core earnings:	
Gain on sales of securities, net	(335,966)
Unrealized gain on interest rate swap agreements	(363,666)
Eliminate tax charge for unrealized gain on interest rate swap agreements	123,646
Core earnings	\$(9,413,389)
Adjustments for non-recurring expenses:	
Costs associated with business combination	9,572,218
Costs associated with Capitol (pre-merger)	1,346,747
Eliminate tax benefits driven by costs associated with Capitol	(441,937)
Adjusted core earnings	\$1,063,639
Shares outstanding at period end	13,379,209
Adjusted core earnings per share outstanding	NM

NM = not meaningful

Capitol, the accounting acquirer in the merger completed on October 28, 2009 was formed on June 26, 2007 as a development stage company. As such, the results of operations for the year ended December 31, 2009 represent (2)Capitol's results until the consummation of the merger and our results for the remainder of the year. In addition, comparability of our results of operations for the year ended December 31, 2009 to prior is affected by the merger with Capitol.

Core Earnings and Adjusted Core Earnings represent non-GAAP financial measures that are calculated as shown in the table above. Management uses Core Earnings and Adjusted Core Earnings to evaluate results of the business. We believe that analyzing the trends of the underlying business is aided by use of Core Earnings due to the significant impact this measure has on comparability from period to period. We believe that analyzing the trends of the underlying business is aided by use of Adjusted Core Earnings because costs associated with the business combination with the merger with Capitol are not expected to be incurred in the future.

The non-GAAP financial measures disclosed by us should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations from these results should be carefully evaluated.

TABLE OF CONTENTS

THE OFFERING

Common stock offered by us

shares (plus up to an additional shares of our common stock that we may issue and sell upon the exercise of the underwriters' over-allotment option).

Common stock to be outstanding after this offering

shares.

Use of Proceeds

We plan to use all of the net proceeds from this offering as described above to acquire our target assets in accordance with our objectives and strategies described in this prospectus. See *Use of Proceeds*. Our focus will be on purchasing Agency RMBS, non-Agency RMBS, and certain non-real estate investments including certain hedging transactions that may produce non-qualifying income for purposes of the REIT gross income tests. Prior to the time we have fully used the net proceeds of this offering to acquire our target assets, we may fund our quarterly distributions out of such net proceeds.

Dividend Policy

We intend to continue to make regular quarterly distributions to holders of our common stock consistent with maintaining our REIT qualification for U.S. federal income tax law purposes. On December 21, 2009, we declared a dividend of \$0.26 per share of common stock to stockholders of record as of December 31, 2009 and paid such dividend on January 26, 2010. On March 12, 2010, we declared a dividend of \$0.36 per share of common stock to stockholders of record as of March 31, 2010, and we intend to pay such dividend on April 23, 2010. Investors in this offering will not be entitled to receive this dividend. For more information, see *Dividend Policy*.

Listing

Our common stock is listed on the NYSE Amex under the symbol TWO .

Transfer Restrictions

To assist us in qualifying as a REIT, ownership of shares of our common stock by any person is limited, with certain exceptions, to 9.8% by value or by number of shares, whichever is more restrictive, of our outstanding shares of common stock and 9.8% by value or by number of shares, whichever is more restrictive, of our outstanding capital stock.

Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully read and consider the information set forth under the heading *Risk Factors* beginning on page 16 of this prospectus and all other information in this prospectus before investing in our common stock.

15

TABLE OF CONTENTS

RISK FACTORS

The following is a summary of the risk factors that we believe are most relevant to our business. These are factors which, individually or in the aggregate, we think could cause our actual results to differ significantly from anticipated or historical results. In addition to understanding the key risks described below, investors should understand that it is not possible to predict or identify all risk factors, and consequently, the following is not a complete discussion of all potential risks or uncertainties.

Risks Related to Our Business and Operations

The value of your investment is subject to the significant risks affecting REITs, and mortgage REITs in particular, described below. If any of the events described below occur, our business, financial condition, liquidity and/or results of operations could be adversely affected in a material way. This could cause the price of our common stock to decline, perhaps significantly, and you therefore may lose all or part of your investment.

We operate in a highly competitive market and competition may limit our ability to acquire desirable assets.

We operate in a highly competitive market. Our profitability depends, in large part, on our ability to acquire target assets at favorable prices. In acquiring assets, we compete with a variety of institutional investors, including other REITs, specialty finance companies, public and private funds, commercial and investment banks, commercial finance and insurance companies, governmental entities and other financial institutions. Many of our competitors are substantially larger and have greater financial, technical, marketing and other resources than we do. Furthermore, competition for assets may lead to the price of such assets increasing and their availability decreasing, which may limit our ability to generate desired returns.

The RMBS investment strategy that PRCM Advisers LLC's owner, Pine River, employs on behalf of other clients is different from the investment strategy that we employ.

PRCM Advisers LLC draws upon the experience of Pine River's fixed income investment team in implementing our investment and financing strategies. However, the investment strategy that Pine River has employed in connection with other RMBS investments is different from the investment strategy that we employ in several important respects.

In particular, Pine River has typically traded actively in fixed-rate, adjustable and interest-only RMBS, including collateralized mortgage obligations and to-be-announced forward contracts, or TBAs, and equity investments in REITs, and actively hedged its trading positions. By contrast, we seek to invest primarily in Agency and non-Agency RMBS with a buy-and-hold emphasis, and we do not anticipate actively trading our assets. Our investment strategy may further differ from that of Pine River's funds, in that we may use greater leverage with regard to our investments in Agency RMBS. Further, unlike the Pine River funds, we are constrained by limitations on our investment strategy that are necessary in order to qualify as a REIT that is exempt from registration under the 1940 Act. In this regard, we place a greater emphasis than Pine River on owning securities representing 100% of the interests in a p