CHIMERA INVESTMENT CORP
Form DEF 14A
April 19, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ]	Preliminary Proxy Statement
[ ]	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
[X]	Definitive Proxy Statement
[ ]	Definitive Additional Materials
[ ]	Soliciting Material Pursuant to §240.14a-12

Chimera Investment Corporation
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

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1) Amount Previously Paid:

2)	Form, Schedule or Registration Statement No.:
3)	Filing Party:
4)	Date Filed:

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ANNUAL MEETING AND PROXY STATEMENT

Annual Meeting To Be Held May 31, 2018

To the Stockholders of Chimera Investment Corporation:

It is my pleasure to invite you to attend the 2018 Annual Meeting of Stockholders (the "Annual Meeting") of Chimera Investment Corporation, a Maryland corporation ("Chimera" or "the Company"), that will be held on May 31, 2018, at 10:00 a.m. Eastern Time.

This year's Annual Meeting will once again be a virtual meeting to be held over the Internet. We believe that the use of the Internet to host the Annual Meeting enables expanded stockholder participation. You will be able to attend the Annual Meeting, vote your shares electronically and submit your questions during the live webcast of the meeting by visiting www.virtualshareholdermeeting.com/CIM2018 and entering your 16 digit control number.

The accompanying notice of the Annual Meeting and Proxy Statement tell you more about the agenda and procedures for the meeting. They also describe how the Company's Board of Directors operates and provide information about our director candidates, executive officer and director compensation and corporate governance matters. I look forward to sharing more information with you about Chimera at the Annual Meeting.

Your vote is very important. Whether or not you plan to virtually attend the Annual Meeting, I urge you to authorize your proxy as soon as possible. You may authorize your proxy on the Internet, by telephone, or by mail. Your vote will ensure your representation at the Annual Meeting regardless of whether you attend via webcast on May 31, 2018.

As a final note, on behalf of the Board, I would like to thank Paul Keenan, who is not standing for re-election for another term as a Class II Director, for his outstanding contributions to the Board and to the Company for more than 10 years.

Sincerely,

Matthew Lambiase
Chief Executive Officer and President
April 19, 2018

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF CHIMERA INVESTMENT CORPORATION

Time:	10:00 a.m. Eastern Time
Date:	Thursday, May 31, 2018
Place:	Virtual meeting via webcast at www.virtualshareholdermeeting.com/CIM2018
Purpose:	This year's Annual Meeting will be held for the following purposes: To elect three Class II Directors each to serve until our annual meeting of stockholders in 2021 and until his or her successor is duly elected and qualified; To consider and vote upon a non-binding advisory resolution on our executive compensation; To consider and vote upon the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2018; and To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.
Other Important Information:	We utilize the "notice and access" model rather than mailing full sets of proxy materials to stockholders, as we think, among other things, the Company benefits from the reduced costs associated with this method of delivery. Thus, on or about April 19, 2018, we expect to commence mailing of a Notice of Internet Availability of Proxy Materials, which contains information regarding access to our proxy materials and voting information. However, we will mail hard copies of the proxy materials to any stockholder who requests them. Our Proxy Statement and 2017 Annual Report are available at www.proxyvote.com. Registered holders of our common stock at the close of business on April 6, 2018 may attend and vote at the Annual Meeting and any adjournments or postponements thereof. Your shares cannot be voted unless they are represented by proxy or in person by the record holder attending the Annual Meeting via webcast. Whether or not you plan to attend the Annual Meeting via webcast, please vote your shares by proxy to ensure they are represented at the Annual Meeting. If you wish to watch the webcast at a location provided by the Company, the Company's Maryland counsel, Venable LLP, will air the webcast at its offices located at 750 E. Pratt Street, Suite 900, Baltimore, MD 21202. Please note that no members of management or the Board will be in attendance at this location. If you wish to view the Annual Meeting via webcast at Venable LLP's office, please follow the directions for doing so set forth in the "Annual Meeting Admission" section in this Proxy Statement.

By order of the Board of Directors,

Phillip J. Kardis II
Chief Legal Officer and Corporate Secretary

Important Notice Regarding the Availability of Proxy Materials
for the Stockholder Meeting To Be Held May 31, 2018.
Our Proxy Statement and 2017 Annual Report to Stockholders are available at www.proxyvote.com.

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520 MADISON AVE, 32ND FLOOR
NEW YORK, NEW YORK 10022

2018 ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

INFORMATION ABOUT THE MEETING

General Information

These materials are intended to solicit proxies on behalf of the Board of Directors of Chimera Investment Corporation, a Maryland corporation (which we refer to as "Chimera," the "Company," "we," or "us"), for the 2018 Annual Meeting of Stockholders ("Annual Meeting"), including any adjournment or postponement thereof. This year, the Annual Meeting will once again be a virtual meeting of stockholders. This means you will be able to attend the Annual Meeting, vote and submit questions during the Annual Meeting via a live webcast by visiting www.virtualshareholdermeeting.com/CIM2018. The meeting will convene at 10:00 a.m. Eastern Time on May 31, 2018.

Items to be Voted on at the Annual Meeting

(1) Election of three Class II Directors, Dennis Mahoney,Teresa Bryce Bazemore and Debra W. Still, each to serve until our annual meeting of stockholders in 2021 and until his or her successor is duly elected and qualified;

(2) Consider and vote upon a non-binding advisory resolution on our executive compensation; and

(3) Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2018.

Other than these three items, we know of no other business to be considered at the Annual Meeting. If any other business is properly presented at the Annual Meeting, your signed proxy card authorizes your proxy to vote on those matters in his or her discretion.

Board of Directors Recommendation

Our Board of Directors recommends that you vote:

(1) "FOR" the election of each of the nominees as Directors;

(2) "FOR" the approval of the non-binding advisory resolution on executive compensation; and

(3) "FOR" the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2018.

Stockholders Entitled to Vote at the Meeting

If you were a stockholder of record at the close of business on the record date for the meeting, April 6, 2018 (the "Record Date"), you are entitled to vote at the meeting. There were 187,852,410 shares of common stock outstanding on the Record Date. You will have one vote on each matter properly brought before the meeting for each share of common stock you own.

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How to Vote Your Shares

Your vote is important. Your shares can be voted at the Annual Meeting only if (i) you are present in person by attending the virtual Annual Meeting via webcast, as described in this Proxy Statement, or (ii) you are represented by proxy. Even if you plan to attend the Annual Meeting via webcast, we urge you to authorize your proxy in advance (i) electronically by going to the www.proxyvote.com website and following the instructions described on the notice of access card previously mailed to you or on your proxy card, (ii) by calling the toll-free number (for residents of the United States and Canada) listed on your notice of access card or your proxy card or (iii) by mail. Please have your proxy card in hand when going online or calling. ***If you authorize your proxy electronically through the website or by telephone, you do not need to return your proxy card.*** If you choose to authorize your proxy by mail, simply mark your proxy card, and then date, sign and return it in the postage-paid envelope provided so it is received no later than May 30, 2018.

If you hold your shares beneficially in street name, *i.e.*, through a nominee (such as a bank or broker), you may be able to authorize your proxy by telephone or the Internet as well as by mail. You should follow the instructions you receive from your broker or other nominee to vote these shares.

How to Revoke Your Proxy

You may revoke your proxy at any time before it is voted at the meeting by:

- authorizing your proxy again on the Internet or by telephone (only the latest Internet or telephone proxy will be counted), as described above;
- properly executing and delivering a later-dated proxy card by mail;
- voting electronically at the Annual Meeting via webcast; or
- sending a written notice of revocation to the inspector of election in care of the Corporate Secretary of the Company at 520 Madison Avenue, 32nd Floor, New York, NY 10022 so it is received no later than May 30, 2018.

Voting at the Annual Meeting

The method by which you vote and authorize your proxy will in no way limit your right to vote at the Annual Meeting if you later decide to vote electronically during the Annual Meeting via webcast. If you hold your shares in street name, you must obtain a proxy executed in your favor from your nominee (such as your bank or broker) to be able to vote at the Annual Meeting.

Quorum for the Annual Meeting

A quorum will be present at the Annual Meeting if a majority of the votes entitled to be cast are present, in person by attending the Annual Meeting via webcast or by proxy. Because there were 187,852,410 outstanding shares of common stock as of the Record Date, each share entitled to one vote per share, stockholders representing at least 93,926,206 votes need to be present in person or by proxy at the Annual Meeting for a quorum to exist. If a quorum is not present at the Annual Meeting, we expect that the Annual Meeting will be postponed or adjourned to solicit additional proxies.

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Votes Required to Approve Each Item

The voting requirements are as follows:

	Proposal	Vote Required	Discretionary Voting Allowed?
(1)	Election of directors	Majority of votes cast for or against such nominee	No
(2)	Approval of the advisory vote on our executive compensation	Majority of votes cast	No
(3)	Ratification of the appointment of Ernst & Young LLP	Majority of votes cast	Yes

"Majority of votes cast" means a majority of the votes cast at the Annual Meeting on the proposal.

Effect of Abstentions and Broker "Non-Votes"

An abstention is the voluntary act of not voting by a stockholder who is present at a meeting and entitled to vote, including by directing a proxy to abstain. Abstentions will be treated as shares that are present for purposes of determining the presence of a quorum.

Discretionary voting occurs when a bank, broker, or other holder of record does not receive voting instructions from the beneficial owner and votes those shares in its discretion on any proposal as to which the rules of the New York Stock Exchange ("NYSE") permit such bank, broker, or other holder of record to vote. When banks, brokers, and other holders of record are not permitted under the NYSE rules to vote the beneficial owner's shares on a proposal, and there is at least one other proposal on which discretionary voting is allowed, the affected shares are referred to as broker "non-votes." Broker "non-votes" will be treated as present for purposes of determining the presence of a quorum at the Annual Meeting.

Abstentions and broker non-votes, if any, will have no effect on the election of the directors (Proposal No. 1), the advisory vote on our executive compensation (Proposal No. 2), or the ratification of the appointment of Ernst & Young LLP (Proposal No. 3).

Annual Meeting Admission

You may attend the virtual Annual Meeting if you are a stockholder of record, a proxy of a stockholder of record, or a beneficial owner of our common stock with evidence of ownership. If you wish to watch the webcast at a location provided by the Company, the Company's Maryland counsel, Venable LLP, will air the webcast at its offices located at 750 E. Pratt Street, Suite 900, Baltimore, MD 21202. Please note that no members of management or the Board will be in attendance at this location. If you wish to view the Annual Meeting via webcast at Venable LLP's office, please complete the Reservation Request Form found at the end of this Proxy Statement.

Internet Availability of Proxy Materials

We utilize a "notice and access" model rather than mailing full sets of proxy materials to stockholders, as we think among other things the Company benefits from the reduced costs associated with this method of delivery. Thus, pursuant to rules of the Securities and Exchange Commission ("SEC"), we are making our proxy materials available to our stockholders electronically over the Internet rather than mailing the proxy materials. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials to our stockholders. All stockholders will have the ability to access the proxy materials, including this Proxy Statement and our 2017 Annual Report to Stockholders, on the website referred to in the notice or to request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found on the notice (as well as the proxy card). In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

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Solicitation of Proxies for the Annual Meeting

We are soliciting the proxy accompanying this Proxy Statement. We are bearing all costs associated with the solicitation of proxies for the virtual Annual Meeting. This solicitation is being made primarily through the Internet and by mail, but may also be made by our directors, executive officers, employees and representatives by telephone, facsimile transmission, electronic transmission or in person. No compensation will be given to our directors, executive officers or employees for this solicitation. Arrangements also will be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of shares held of record by these persons, and we will reimburse them for their reasonable out-of-pocket expenses. We will bear the total cost of soliciting proxies.

We have retained Innisfree M&A Incorporated (“Innisfree”), a proxy solicitation firm, to assist us in the solicitation of proxies for the Annual Meeting. We will pay Innisfree a fee of $12,500 for its services. In addition, we may pay Innisfree additional fees depending on the extent of additional services requested by us and will reimburse Innisfree for expenses Innisfree incurs in connection with its engagement by us.

Stockholders have the option to authorize their proxy over the Internet or by telephone. Please be aware that if you authorize your proxy over the Internet or by telephone, you may incur costs such as telephone and access charges for which you will be responsible.

Householding

We have adopted a procedure approved by the SEC called householding. Under this procedure, registered stockholders who have the same address and last name and who receive either (i) Notice of Internet Availability or (ii) paper copies through the mail of the proxy materials will receive only one copy of our proxy materials, or a single envelope containing the notices for all shareholders at that address. Shareholders who participate in householding will continue to receive separate proxy cards or notices that will include each shareholder’s unique control number to vote the shares held in each account. If a stockholder of record residing at such an address wishes to receive separate proxy materials, he or she may request it orally or in writing by contacting us at Chimera Investment Corporation, 520 Madison Avenue, 32nd Floor, New York, New York 10022, Attention: Investor Relations, by emailing us at investor@chimerareit.com, or by calling us at (866) 315-9930, and we will promptly deliver to the stockholder the requested proxy materials. If a stockholder of record residing at such an address wishes to receive a separate annual report or proxy statement in the future, he or she may contact us in the same manner. If you are an eligible stockholder of record receiving multiple copies of our proxy materials, you can request householding by contacting us in the same manner. If you own your shares through a bank, broker or other nominee, you can contact the nominee.

Postponement or Adjournment of the Annual Meeting

We may postpone the Annual Meeting by making a public announcement of such postponement prior to the Annual Meeting. Our bylaws permit the chairman of the meeting to recess or adjourn the meeting, without notice other than an announcement at the Annual Meeting.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that we file with the SEC at the SEC's public reference room at Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549.

Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. These SEC filings are also available to the public from commercial document retrieval services and at the Internet site maintained by the SEC at http://www.sec.gov. Reports, proxy statements and other information concerning us may also be inspected at the offices of the NYSE, which is located at 20 Broad Street, New York, New York 10005.

Our website is www.chimerareit.com. We make available on this website under "Investors – Filings & Reports – SEC Filings," free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the SEC.

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PROPOSAL 1
ELECTION OF DIRECTORS

We have three classes of Directors. Our Class I Directors elected at the Annual Meeting will serve until our annual meeting of stockholders in 2020. Our Class II Directors serve until our annual meeting of stockholders in 2021. Our Class III Directors serve until our annual meeting of stockholders in 2019.

Set forth below are the names and certain biographical information on each of our nominees for our Class I Directors, as well as each of our Class II Directors and Class III Directors.

Name	Class	Age*	Independent	Director Since
Paul Donlin	I	56	Yes	November 2007
Mark Abrams	I	69	Yes	November 2007
Gerard Creagh	I	60	Yes	April 2010
Teresa B. Bazemore	II	58	Yes	November 2017
Dennis M. Mahoney	II	76	Yes	April 2010
Debra W. Still	II	65	Yes	March 2018
Paul Keenan**	II	51	Yes	November 2007
John P. Reilly	III	69	Yes	April 2010
Matthew Lambiase	III	52	No	August 2007

* as of May 31, 2018.

** Paul Keenan, whose term expires at the Annual Meeting, has informed us that that he will not stand for re-election as a director at the Annual Meeting. As a result, effective as of the date of the Annual Meeting, the Board will reduce the number of directors serving on the Board from nine to eight and, in connection, therewith, will reduce the number of Class II directors from four to three.

At the Annual Meeting, the stockholders will vote to elect three Class II Directors, whose terms will expire at our annual meeting of stockholders in 2021, subject to the election and qualification of their successors or to their earlier death, resignation or removal.

Nominees for Re-election as Class II Directors

The following information is furnished regarding the nominees for re-election as Class II directors by the holders of Common Stock.

Teresa Bryce Bazemore was appointed as one of our Class II Directors on November 1, 2017. Ms. Bazemore served as the President of Radian Guaranty from July 2008 to her retirement in April 2017 where she oversaw the strategic planning, business development and operations of the mortgage insurance business line. Prior to her position as the President, from October 2006 to July 2008, she served as Executive Vice President, General Counsel and Corporate Secretary and added the role of Chief Risk Officer of Radian Group in February 2007. Prior to joining the Radian Group, from June 2000 to May 2006, she was the Vice President, General Counsel, and Secretary for Nexstar Financial Corporation. Prior to Nexstar, from March 1997 to May 2000, she was the General Counsel of the mortgage banking line of business at Bank of America. Ms. Bazemore earned a BA from the University of Virginia and a JD from Columbia University.

The Board believes that Ms. Bazemore’s qualifications include, among other things, her extensive experience as a senior executive in the mortgage banking field as well as well as her experience serving as a director of a U.S. government-sponsored bank.

Dennis M. Mahoney was appointed as one of our Class II Directors effective as of April 1, 2010. Before retiring in 2007, Mr. Mahoney was Senior Vice President of Columbia Bank and was responsible for the development and expansion of alternative investment products. Prior to joining Columbia Bank in 1994, Mr. Mahoney was Executive Vice President and Chief Operating Officer of First Atlantic Savings. Mr. Mahoney joined First Atlantic Savings in 1988 from Carteret Savings Bank where he was Executive Vice President, Treasurer. Mr. Mahoney has not been employed by a parent, subsidiary or other affiliate of us during the past five years. Mr. Mahoney received a Bachelor’s Degree in Economics and Business Administration from Roanoke College.

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The Board believes that Mr. Mahoney's qualifications include, among other things, his significant knowledge of the banking and investment industry and his experience as an executive in the financial services industry.

Debra W. Still was appointed as one of our Class II Directors on March 6, 2018. Ms. Still has served as President and Chief Executive Officer of Pulte Financial Services since 2010, which includes the mortgage lending, title and insurance operations of PulteGroup, Inc. (NYSE: PHM), one of the nation's largest homebuilders. In addition to Pulte Financial Services, Ms. Still is also President of Pulte Mortgage, LLC, a nationwide lender headquartered in Englewood, Colorado. Ms. Still began her career with Pulte Mortgage, LLC in 1983 where she served in various executive capacities, including Chief Operating Officer, prior to being named President in 2004. Ms. Still is a graduate of Ithaca College, Ithaca, N.Y., with a Bachelor of Science degree and has completed graduate work in Finance at George Washington University, Washington, D.C.

The Board believes that Ms. Still's qualifications include, among other things, her significant experience as a senior executive in real estate finance overseeing mortgage lending operations.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR DENNIS M. MAHONEY, TERESA BRYCE BAZEMORE, AND DEBRA W. STILL AS DIRECTORS EACH TO HOLD OFFICE UNTIL OUR ANNUAL MEETING OF STOCKHOLDERS IN 2021 AND UNTIL THEIR RESPECTIVE SUCCESSORS ARE DULY ELECTED AND QUALIFIED.

Continuing Class I Directors

The following information is furnished regarding our Class I directors who will continue to serve on the Board until our 2020 Annual Meeting and until their respective successor are duly elected and qualify.

Paul Donlin was appointed as one of our Class I Directors and our Nonexecutive Chairman of the Board of Directors on November 15, 2007. Mr. Donlin left Citigroup in 2007, after a career that spanned 21 years. For the previous 10 years at Citigroup, Mr. Donlin was in the securitization business, with his most recent position being the Head of Global Securitization in the Global Securitized Markets Business within Fixed Income. Earlier in his career at Citigroup, Mr. Donlin managed the Structured Finance and Advisory Unit of Citigroup's Private Bank. None of the corporations or organizations that have employed Mr. Donlin during the past five years is a parent, subsidiary or other affiliate of us. Mr. Donlin has an M.B.A. from Harvard University and a Bachelor's Degree from Georgetown University.

The Board believes that Mr. Donlin's qualifications include, among other things, his significant experience in the residential mortgage-backed securities market from his years of management and oversight of securitization activities and his expertise in financial matters.

Mark Abrams was appointed as one of our Class I Directors on November 15, 2007. Mr. Abrams served as Chief Investment Officer of the Presidential Life Insurance Company from November 2003 until January 2013 and as Executive Vice President from 2005 until January 2013. He was Senior Vice President of the Presidential Life Insurance Company from 2001 to 2003, and before that, Mr. Abrams served as Vice President of the Presidential Life Insurance Company since October 1994. None of the corporations or organizations that have employed Mr. Abrams during the past five years is a parent, subsidiary or other affiliate of us. Mr. Abrams has a Bachelor's Degree from Hobart College.

The Board believes that Mr. Abrams's qualifications include, among other things, his experience as a chief investment officer and his prior executive management experience with other companies.

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Gerard Creagh was appointed as one of our Class I Directors effective as of April 1, 2010. Since May 2011, Mr. Creagh has served as a Managing Partner at CVC Advisers LLC, a financial consulting firm. From September 2005 through April 2010, Mr. Creagh served as the President and a member of the Board of Directors of Duff & Phelps Corporation. From September 2005 to September 2007, Mr. Creagh served as President of Duff & Phelps Acquisitions, LLC. Prior to its merger with Duff & Phelps in September 2005, Mr. Creagh served as executive managing director of Standard & Poor's Corporate Value Consulting practice. Mr. Creagh joined Standard & Poor's from PricewaterhouseCoopers, where he held the position of North American Valuation Services practice leader. Mr. Creagh previously served as the U.S. leader for the Valuation Practice of Coopers & Lybrand. None of the corporations or organizations that have employed Mr. Creagh during the past five years is a parent, subsidiary or other affiliate of us. Mr. Creagh has a Bachelor's Degree and Master's Degree in mechanical engineering from Manhattan College and has an M.B.A. in finance from New York University's Leonard N. Stern School of Business.

The Board believes that Mr. Creagh's qualifications include, among other things, his experience in the oversight of risk management policies and procedures, his significant background as a lead corporate executive and his prior board experience with other companies.

Continuing Class III Directors

The following information is furnished regarding our Class III directors who will continue to serve on the Board until our 2019 Annual Meeting and until their respective successor are duly elected and qualify.

Matthew Lambiase has served as our President and Chief Executive Officer, and one of our directors since August 2007. Prior to becoming our Chief Executive Officer and President, Mr. Lambiase was a Managing Director and Head of Business Development for Annaly Capital Management, Inc. ("Annaly"). Before that, Mr. Lambiase was a Director in Fixed Income Sales at Nomura Securities International, Inc. Over his 11 year employment at Nomura, Mr. Lambiase was responsible for the distribution of commercial and residential mortgage-backed securities to a wide variety of institutional investors. Mr. Lambiase also held positions at Bear, Stearns & Company as Vice President in Institutional Fixed Income Sales and as a mortgage analyst in the Financial Analytics and Structured Transaction Group. Mr. Lambiase has a Bachelor's Degree in Economics from the University of Dayton.

The Board believes that Mr. Lambiase's qualifications include, among other things, his significant industry knowledge and experience and his current position as our Chief Executive Officer and President provides him with knowledge of our long-term strategy and operations.

John P. Reilly was appointed as one of our Class III Directors effective as of April 1, 2010. Mr. Reilly co-founded and, until June 2014, was President and Chief Executive Officer of Keltic Financial Services, LLC ("Keltic"), a finance company providing asset based loans to medium size companies. Upon the acquisition of Keltic by Ares Management, L.P. ("Ares") in June 2014, Mr. Reilly became a Partner in the Direct Lending Group of Ares until July 2016 when he retired from Ares. Prior to founding Keltic Financial Services, LLC in 1999, Mr. Reilly spent 22 years at Citicorp in various senior executive positions in the Leverage Lending, Capital Markets, Corporate Finance and Private Banking Businesses. Since 2001, Mr. Reilly has served as a director of Scan Source, Inc. None of the corporations or organizations that have employed Mr. Reilly during the past five years is a parent, subsidiary or other affiliate of us. Mr. Reilly has an M.B.A. from Fairleigh Dickinson University, Teaneck, New Jersey, and a Bachelor's Degree from King's College, Wilkes-Barre, Pennsylvania.

The Board believes that Mr. Reilly's qualifications include, among other things, his knowledge of the finance industry and prior experience as a director of another company.

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CORPORATE GOVERNANCE, DIRECTOR INDEPENDENCE, BOARD MEETINGS AND COMMITTEES

Corporate Governance

We believe that we have implemented appropriate corporate governance policies and observe good corporate governance procedures and practices. We have adopted a number of written policies, including Corporate Governance Guidelines, a Code of Business Conduct and Ethics, and charters for our audit committee, risk committee, compensation committee and nominating and corporate governance committee.

Board Oversight of Risk

The Board of Directors is responsible for overseeing our risk management practices, and committees of the Board of Directors assist it in fulfilling this responsibility. The Board of Directors established a risk committee, which is comprised solely of independent directors, to assist the Board of Directors in the oversight of our risk governance structure; our risk management and risk assessment guidelines and policies regarding market, credit and liquidity and funding, operational, regulatory, tax and legal risk; and our risk tolerance, including risk tolerance levels and capital targets and limits.

As required by its charter, the audit committee routinely discusses with management our significant risk exposures and the actions management has taken to limit, monitor or control such exposures, including guidelines and policies with respect to our assessment of risk and risk management. At least annually, the audit committee reviews with management our risk management program, which identifies and quantifies a broad spectrum of enterprise-wide risks, and related action plans. In 2017, our full Board of Directors participated in this review and discussion, and it expects to continue this practice as part of its role in the oversight of our risk management practices. At their discretion, members of the Board of Directors may also directly contact management to review and discuss any risk-related or other concerns that may arise between regular meetings.

We have entered into employment agreements with each of our named executive officers, pursuant to which we pay compensation to each of the named executive officers in the form of both cash and stock based compensation. Pursuant to our existing equity incentive plan, we grant equity awards to the named executive officers and, in addition, as determined by the Board of Directors we may grant equity awards to our non-executive employees. Our Board of Directors, including our compensation committee, considers that such grants align the interests of the officers and employees with our interests and do not create risks that are reasonably likely to have a material adverse effect on us. As part of its risk assessment and management activities going forward, our compensation committee undertakes an annual review of our compensation policies and practices as they relate to risk, the results of which will be shared with our full Board of Directors. For a discussion of the governance of our executive compensation following the internalization, see “Executive Compensation – Compensation Discussion and Analysis.”

Board Leadership Structure

We have separated the roles of principal executive officer and chairman of the board. Our principal executive officer is Matthew Lambiase, who is our Chief Executive Officer, President and a director. Our chairman of the Board of Directors is Paul Donlin, who is an independent director. The Board of Directors believes this allocation of responsibilities between these two positions provides for dynamic board leadership while maintaining strong independence and is therefore an effective and appropriate leadership structure.

Independence of Our Directors

NYSE rules require that at least a majority of our directors be independent of our company and management. The rules also require that our Board of Directors affirmatively determine that there are no material relationships between a director and us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us) before such director can be deemed independent. We have adopted independence standards consistent with NYSE rules. Our Board of Directors has reviewed both direct and indirect transactions and relationships that each of our directors had or maintained with us and our management. Our Board of Directors, based upon the fact that none of our independent directors have any material relationships with us other than as directors and holders of our common stock, affirmatively determined that eight of our directors are independent directors under NYSE rules. Our independent directors are Mark Abrams, Gerard Creagh, Paul Donlin, Paul A. Keenan, Dennis M. Mahoney, Debra W. Still, Teresa Bryce Bazemore and John P. Reilly. Matthew Lambiase is not considered independent because he is an employee of the Company.

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Additional Governance Features

Stock Ownership Guidelines

We believe that each director should have a substantial personal investment in our company. We have adopted stock ownership requirements whereby all non-employee directors are required to own, hold and maintain shares of our common stock worth five times the cash portion of their annual cash retainer. This requirement must be met within five years of becoming a director or five years of the adoption of the policy, whichever is later.

In addition, each of our named executive officers is subject to a stock ownership and retention requirement. Shares of our stock received from equity awards, after taxes, must be held by the executive until a stated level of ownership is achieved, measured as a multiple of salary—5x for the CEO and 3x for the other named executive officers. Once this required minimum ownership level has been achieved, the named executive officer must continue to maintain that minimum ownership level until six months after termination of employment.

Our Board of Directors believes that these stock ownership and retention requirements will further align the interests of our named executive officers with the long-term interests of our stockholders by requiring a meaningful portion of the executive's accrued and earned compensation to be held as shares of our stock, not only during employment but for a period after termination of employment.

Anti-Hedging Policy

We have a policy prohibiting all directors, employees and officers from engaging in any hedging transactions with respect to shares of our common stock, including, without limitation, options, short sales, puts, calls, derivative actions such as forwards, futures or swaps.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics, which sets forth the basic principles and guidelines for resolving various legal and ethical questions that may arise in the workplace and in the conduct of our business. This code is applicable to all our employees, named executive officers and directors.

This Code of Business Conduct and Ethics was adopted within the meaning of Item 406(b) of Regulation S-K, and applies to our principal executive officer, principal financial and accounting officer and controller or persons performing similar functions. This Code of Business Conduct and Ethics is publicly available on our website at www.chimerareit.com. If we make any substantive amendments to this Code of Business Conduct and Ethics or grant any waiver, including any implicit waiver, we intend to disclose these events on our website.

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines, which, in conjunction with the charters and key practices of our board committees, provide the framework for the governance of the Company.

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Where You Can Find These Documents

Our Code of Business Conduct and Ethics, Corporate Governance Guidelines, Compensation Committee Charter, Audit Committee Charter, Risk Committee Charter and Nominating and Corporate Governance Committee Charter are available on our website (www.chimerareit.com). We will provide copies of these documents free of charge to any stockholder who sends a written request to Investor Relations, Chimera Investment Corporation, 520 Madison Avenue, 32nd Floor, New York, New York 10022.

Board Meetings and Committees

Our Board of Directors meets regularly throughout the year. During 2017, there were eight meetings of the Board of Directors. Our corporate governance guidelines require that the board have at least two regularly scheduled meetings each year for our independent directors. These meetings, which are designed to promote unfettered discussions among our independent directors, are presided over by Paul Donlin or Mark Abrams. During 2017, our independent directors had two meetings. In 2017, all directors attended at least 75% of the aggregate meetings of the Board of Directors and the committees of which they were members.

The Board of Directors has the following four standing committees: a compensation committee, an audit committee, a nominating and corporate governance committee and a risk committee. The table below provides current membership and meeting information for 2017 for each of these committees.

Name	Compensation Committee	Audit Committee	Nominating and Corporate Governance Committee	Risk Committee
Mark Abrams		X		X*
Teresa B. Bazemore**	X	X		
Gerard Creagh	X	X		
Paul Donlin			X*	X
Paul A. Keenan	X*		X	
Dennis M. Mahoney		X*		X
John P. Reilly	X		X	
Debra W. Still***				
Total Meetings in 2017	5	4	2	5

* Committee Chair

** Ms. Bazemore was elected to the Board on November 1, 2017. She was not a member of any committee during 2017. She was appointed to the Compensation and Audit Committees in January 2018

*** Ms. Still was elected to the Board on March 6, 2018. Currently, she is not a member of any committee.

The functions performed by these standing committees are summarized below, and are set forth in more detail in their charters. The complete text of the charters for each standing committee can be found on our website at www.chimerareit.com under "Investors – Corporate Governance – Charter Documents."

Compensation Committee

Our Board of Directors has established a compensation committee, which is composed of four of our independent directors, Messrs. Creagh, Keenan, Reilly and Ms. Bazemore. Mr. Keenan chairs the compensation committee, whose principal functions are to:

- evaluate the performance of and determine the compensation for our executive officers;

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- oversee the type, design, implementation, administration, interpretation and amendment of our compensation plans, policies and programs;
- recommend to the Board of Directors the compensation for our independent directors;
- administer the issuance of any securities under our equity incentive plan to our executives; and
- produce annual reports on compensation for inclusion in our proxy statement and prepare any report relating to compensation required by the SEC.

For a discussion of the governance of our executive compensation, see "Compensation Discussion and Analysis – Governance of Our Executive Compensation Program."

Our Board of Directors has determined that all of the directors serving on the compensation committee are independent members of the compensation committee under the current NYSE independence requirements and SEC rules.

For additional information on the compensation committee, please see "Compensation Committee Report" below.

Audit Committee

Our Board of Directors has established an audit committee, which is composed of four of our independent directors, Messrs. Abrams, Creagh, Mahoney and Ms. Bazemore. Mr. Mahoney chairs the audit committee as our Board of Directors has determined that Mr. Mahoney is an audit committee financial expert, as that term is defined by the SEC. Each of the members of the audit committee is "financially literate" under the rules of the NYSE. The committee assists the board in overseeing:

- the integrity of our financial statements;
- our compliance with legal and regulatory requirements;
- the independent registered public accounting firm's qualifications and independence;
- the performance of our system of disclosure controls and procedure, internal audit function and independent registered public accounting firm; and
- our overall risk profile and risk management policies.

The audit committee is also responsible for engaging our independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public accounting firm, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls.

Our Board of Directors has determined that all of the directors serving on the audit committee are independent members of the audit committee under the current NYSE independence requirements and SEC rules. The activities of the audit committee are described in greater detail below under the caption "Report of the Audit Committee."

Nominating and Corporate Governance Committee

Our Board of Directors has established a nominating and corporate governance committee, which is composed of three of our independent directors, Messrs. Donlin, Keenan and Reilly. Mr. Donlin chairs the nominating and corporate governance committee, which is responsible for seeking, considering and recommending to the full Board of Directors qualified candidates for election as directors and recommending a slate of nominees for election as directors at the annual meeting of stockholders. It also periodically prepares and submits to the board for adoption the nominating and corporate governance committee's selection criteria for director nominees. It reviews and makes recommendations on matters involving general operation of the board and our corporate governance, and it annually recommends to the full Board of Directors nominees for each committee of the Board of Directors. In addition, the nominating and corporate governance committee annually facilitates the assessment of the Board of Directors' performance as a whole and of the individual directors and reports thereon to the board.

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Our Board of Directors has determined that all of the directors serving on the nominating and corporate governance committee are independent members of the nominating and corporate governance committee under the current NYSE independence requirements and SEC rules.

Our nominating and corporate governance committee currently considers the following factors in making its nominee recommendations to the Board of Directors: background, skills, expertise, diversity, accessibility and availability to serve effectively on the Board of Directors. In addition, the Company endeavors to have a diverse Board of Directors representing a range of experiences in areas that are relevant to the Company's business and the needs of the Board of Directors from time-to-time, and, as part of the search process, our nominating and corporate governance committee will consider highly qualified candidates, including women and minorities. Our nominating and corporate governance committee also conducts inquiries into the background and qualifications of potential candidates. The nominating and corporate governance committee will consider nominees recommended by our stockholders. These recommendations should be submitted in writing to our Secretary in accordance with the procedures described herein under "—Communications with the Board of Directors" and "Additional Matters—Stockholder Proposals."

Our nominating and corporate governance committee uses a variety of methods for identifying and evaluating nominees for director. Our nominating and corporate governance committee regularly assesses the appropriate size of the Board of Directors, and whether any vacancies on the Board of Directors are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, our nominating and corporate governance committee considers various potential candidates for director. Candidates may come to the attention of our nominating and corporate governance committee through current members of our Board of Directors, professional search firms, stockholders or other persons. These candidates are evaluated at regular or special meetings of our nominating and corporate governance committee and may be considered at any point during the year. As described above, our nominating and corporate governance committee considers properly submitted stockholder recommendations for candidates for the Board of Directors. Following verification of the stockholder status of persons recommending candidates, recommendations are aggregated and considered by our nominating and corporate governance committee at a regularly scheduled or special meeting. If any materials are provided by a stockholder in connection with the recommendation of a director candidate, such materials are forwarded to our nominating and corporate governance committee. Our nominating and corporate governance committee also reviews materials provided by professional search firms or other parties in connection with a nominee who is not recommended by a stockholder. In evaluating such nominations, our nominating and corporate governance committee seeks to achieve a balance of knowledge, experience and capability on the Board of Directors.

Risk Committee

Our Board of Directors has established a risk committee, which is composed of three of our independent directors, Messrs. Abrams, Donlin and Mahoney. Mr. Abrams chairs the risk committee. The risk committee assists the Board in the oversight of our risk governance structure; our risk management and risk assessment guidelines and policies regarding market, credit and liquidity and funding risk; our risk tolerance, including risk tolerance levels and capital targets and limits; and our capital, liquidity and funding, operational, regulatory, tax and legal risk.

Communications with the Board of Directors

Interested persons may communicate their complaints or concerns by sending written communications to the Board of Directors, committees of the Board of Directors, the non-management directors and individual directors by mailing those communications to:

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Chimera Investment Corporation
Applicable Addressee*
520 Madison Avenue, 32nd Floor
New York, NY 10022
Phone: (866) 315-9930
Email: investor@chimerareit.com
Attention: Investor Relations

* Audit Committee of the Board of Directors

* Compensation Committee of the Board of Directors

* Nominating and Corporate Governance Committee of the Board of Directors

* Risk Committee of the Board of Directors

* Non-Management Directors

* Name of Individual Director

These communications are sent by us directly to the specified addressee.

We require each member of the Board of Directors to attend our annual meeting of stockholders except for absences due to causes beyond the reasonable control of the director. All directors then serving on our Board of Directors attended our 2017 Annual Meeting.

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MANAGEMENT

The following sets forth certain information with respect to our executive officers:

Name	Age*	Title
Matthew Lambiase	52	Chief Executive Officer, President and Director
Robert Colligan	47	Chief Financial Officer
Choudhary Yarlagadda	56	Chief Operating Officer
Mohit Marria	40	Chief Investment Officer
Phillip J. Kardis II	56	Chief Legal Officer and Secretary

* as of May 31, 2018

Biographical information on Mr. Lambiase is provided above under "Proposal 1—Election of Directors." Certain biographical information for Mr. Colligan, Mr. Yarlagadda, Mr. Marria and Mr. Kardis is set forth below.

Robert Colligan is our Chief Financial Officer. Prior to becoming our Chief Financial Officer and a Managing Director of Annaly in May 2013, Mr. Colligan was the Controller at Starwood Capital Group for the previous five years. Prior to Starwood Capital Group, from 2002 to 2008, Mr. Colligan was a Managing Director at Bear Stearns and, from 1999 to 2002, a Vice President at Merrill Lynch in financial reporting, strategy and investor relations roles. Mr. Colligan began his career at PricewaterhouseCoopers where, from 1993 to 1999, he had roles in both audit and national tax. He has a Bachelor's Degree in Accounting from Villanova University, a Master's Degree in Taxation from George Washington University and is a Certified Public Accountant.

Choudhary Yarlagadda is our Chief Operating Officer. Prior to becoming Chief Operating Officer in August 2015, Mr. Yarlagadda was a Managing Director and Head of Structured Products for Annaly since January 2008. Prior to joining Annaly, Mr. Yarlagadda was a Director in Structured Credit Products at Credit Suisse and also a Vice President in the Fixed Income Mortgage Group at Nomura Securities International, Inc. Mr. Yarlagadda has an MS from the Florida Institute of Technology and BS from the National Institute of Technology.

Mohit Marria is our Chief Investment Officer. Prior to becoming Chief Investment Officer in December 2013, Mr. Marria was an Executive Vice President of Annaly. While at Annaly, Mr. Marria had responsibility for the development and implementation of Chimera's trading strategies in residential mortgage-backed securities, residential mortgage loans and its derivatives portfolio. He has been a member of the investment team since Chimera's inception. Mr. Marria joined Annaly from American International Group (AIG). Prior to working at AIG, Mr. Marria worked at Metropolitan Life Insurance Company. Mr. Marria earned a Bachelor's Degree in Finance and an M.B.A., each from the Rutgers University.

Phillip J. Kardis II is our Chief Legal Officer and Secretary. Prior to becoming Chief Legal Officer in September 2015, Mr. Kardis was a partner with the law firm of K&L Gates LLP where he represented mortgage REITs and other companies and funds that acquire, originate, service and finance residential mortgage loans, mortgage servicing rights and mortgage backed securities, including the Company. Prior to joining K&L Gates LLP in 2004, Mr. Kardis practiced corporate and securities law at several law firms. In addition, Mr. Kardis has held positions at the U.S. Department of Commerce, Rockwell International, the U.S. Senate Committee on the Budget and Analytic Services, Inc. Mr. Kardis has a BA from George Washington University, an MA from George Washington University, an MA from George Mason University, and a JD from the Georgetown University Law Center.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF CHIMERA

The following table sets forth certain information relating to the beneficial ownership of our common stock by (i) each of our named executive officers and directors, (ii) all of our executive officers and directors as a group, and (iii) all persons that we know beneficially own more than 5% of our outstanding common stock. Knowledge of the beneficial ownership of our common stock is drawn from statements filed with the SEC pursuant to Section 13(d) or 13(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Except as otherwise indicated, the information is as of March 30, 2018 and, to our knowledge, each stockholder listed below has sole voting and investment power with respect to the shares beneficially owned by the stockholder. Unless otherwise indicated, all shares are owned directly and the indicated person has sole voting and investment power. Except as otherwise indicated, the business address of the stockholders listed below is the address of our principal executive office, 520 Madison Avenue, 32nd Floor, New York, New York 10022.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership[1]	Percent of Class
Matthew Lambiase	211,537	*
Robert Colligan	52,650	*
Choudhary Yarlagadda[2]	348,491	*
Mohit Marria	92,891	*
Phillip J. Kardis II	32,927	*
Mark Abrams	48,980	*
Teresa B. Bazemore	897	*
Gerard Creagh	78,843	*
Paul Donlin[3]	288,149	*
Paul A. Keenan	62,651	*
Dennis M. Mahoney	34,013	*
John P. Reilly	43,001	*
Debra W. Still	-	*
All Directors and Officers As a Group (13 persons)	1,294,940	*
Vanguard Group Inc.[6]	14,625,943	7.8%
BlackRock, Inc.[7]	11,742,928	6.3%

* Less than 1 percent.

(1) For officers and directors, does not included deferred stock units (DSUs) credited to their accounts pursuant to deferrals made under the terms of our Stock Award Deferral Program. These DSUs do not have voting rights and are not considered beneficially owned under SEC rules. As of March 30, 2018, the following officers and directors have the following aggregate amounts of DSUs credited to their respective accounts:

Name	DSUs
Matthew Lambiase	66,017
Choudhary Yarlagadda	42,018
Mohit Marria	29,007
Robert Colligan	10,982
Gerard Creagh	11,131
Paul Donlin	20,032
Paul Keenan	26,948
Dennis M. Mahoney	11,131
John P. Reilly	16,664

(2) Includes 285,519 shares of common stock held by members of Mr. Yarlagadda's immediate family.

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(3) Includes 4,000 shares of common stock held by Mr. Donlin in a Family Trust and 135,000 shares of common stock held by Donlin Financial LLC.

(4) The address for the stockholder is 100 Vanguard Blvd., Malvern, PA 19355. The shares shown as beneficially owned by The Vanguard Group, Inc. reflect shares owned on its own behalf and on behalf of the following entities: Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd. The Vanguard Group, Inc. reported having sole voting power over 96,769 shares, shared voting power over 16,635 shares, sole dispositive power over 14,525,601 shares and shared dispositive power over 100,342 shares. Based solely on information contained in a Schedule 13G/A filed by The Vanguard Group Inc. on February 9, 2018.

(5) The address for this stockholder is 55 East 52nd Street, New York, NY 10022. The shares shown as beneficially owned by BlackRock, Inc. reflect shares owned on its own behalf and on behalf of the following subsidiaries: BlackRock Life Limited; BlackRock Advisors, LLC; BlackRock (Netherlands) B.V.; BlackRock Institutional Trust Company, National Association; BlackRock Asset Management Ireland Limited; BlackRock Financial Management, Inc.; BlackRock Asset Management Schweiz AG; BlackRock Investment Management, LLC; BlackRock Investment Management (UK) Limited; BlackRock Asset Management Canada Limited; BlackRock (Luxembourg) S.A.; BlackRock Investment Management (Australia) Limited; BlackRock Advisors (UK) Limited; BlackRock Fund Advisors; BlackRock Fund Managers Ltd. BlackRock, Inc. reported beneficially owning 11,742,928 shares of common stock with sole voting power over 11,018,578 shares, shared voting power over zero shares, sole dispositive power over 11,742,928 shares and shared dispositive power over zero shares. Based solely on information contained in a Schedule 13G/A filed by BlackRock Inc. on January 29, 2018.

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EXECUTIVE COMPENSATION – COMPENSATION DISCUSSION AND ANALYSIS

Compensation Discussion and Analysis

Our Compensation Discussion and Analysis describes the key features of our executive compensation program and the compensation committee's approach in deciding 2017 compensation for our named executive officers.

Our named executive officers for 2017 are the following:

Name		Title (as of last day of 2017)
Matthew Lambiase	52	Chief Executive Officer, President and Director
Robert Colligan	47	Chief Financial Officer
Choudhary Yarlagadda	56	Chief Operating Officer
Mohit Marria	40	Chief Investment Officer
Phillip J. Kardis II	56	Chief Legal Officer and Secretary

We have divided this discussion into four parts:

1. Overview
2. Key Design Features and 2017 Actions
3. Governance
4. Other Features and Policies

Overview

Employment Agreements

We internalized our management on August 5, 2015 (the "Internalization"). In connection with the Internalization, we entered into employment agreements with each of our named executive officers with initial terms running through December 31, 2018. These employment agreements document the key elements of our executive compensation program and reflect our pay-for-performance compensation philosophy. We believe that use of employment agreements is critical to ensuring a stable, appropriately incentivized management team as we transition from an externally to internally managed company.

The employment agreements specify the mix of salary and incentive compensation opportunities (what we refer to as our "total direct compensation"). The mix includes a significant focus on variable incentive compensation opportunities intended to directly link the amount of total direct compensation received to Company performance over one- and three-year periods. The employment agreements (other than for Mr. Kardis, whose arrangement is separately discussed below) provide that the incentive compensation opportunity:

is variable, potentially ranging from 0% to 150% or 175% of the target depending on the performance goal and actual performance result,

is determined based on a balanced combination of (i) our return on average equity ("ROAE") measured against annually-established goals, (ii) our total stockholder return performance as compared against an index of comparator companies over a three-year performance period ("relative TSR"), and (iii) a discretionary review of individual performance, and

to the extent earned, is delivered in a balanced mix of cash and equity awards that include additional vesting requirements, to further encourage executive retention and alignment of interests with the long-term interests of our stockholders.

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2017 Performance Highlights

We view 2017 as a successful year for the Company. We have continued our focus on residential mortgage credit, including acquiring and securitizing seasoned residential mortgage loans. Consequently, we were able to deliver solid results in a challenging economic environment.

- GAAP net income for 2017 was $491 million.
- Distributed quarterly common stock dividend of $0.50 per share per quarter in 2017.
- Stock price to GAAP book value per share ratio as of December 31, 2017 was 1.1 to 1.
- Successfully issued $325 million of our Series B Preferred stock.
- Securitized $6.9 billion of residential mortgage loans.
- Return on Average Equity for 2017 was 19.2%.
- Total Shareholder Return during 2017 was 20.3%.

2017 Compensation Highlights

Compensation decisions by the compensation committee for 2017 demonstrate the direct link between the compensation opportunities for our named executive officers and performance for our stockholders, consistent with the design contemplated by the employment agreements:

- Our ROAE for 2017 was 19.2%, which was above our target ROAE of 11% for 2017, resulting in the ROAE cash bonus being awarded at 175% of the target bonus.
- The compensation committee reviewed the performance of each named executive officer. The performance assessment considered, among other factors, the successful securitization and preferred stock offering transactions during 2017 noted above, dividends declared, stock price to book value per share, and the Company's leverage ratios. Based on this assessment, the named executive officers, other than Mr. Kardis, received discretionary bonuses at 150% of target, payable as a grant of restricted stock units (RSUs) vesting over three years. Mr. Kardis received as discretionary bonus at 100% target (the maximum under his employment agreement) payable in RSUs vesting over three years.
- The named executive officers (other than Mr. Kardis) received a grant of performance share units (PSUs) in early 2017 that become earned based on our relative TSR performance for 2017-2019.

Compensation Policies

The compensation committee has established the following compensation policies that we believe are in the best, long-term interests of our stockholders:

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What We Do and How We Do It

Provide a majority of compensation in performance-based compensation	For CEO, 84% of target total direct compensation is performance-based
Pay for performance based on measurable goals for both annual and long-term awards	Use multiple, balanced measures, focused on ROAE and TSR
Balanced mix of cash and stock-based awards tied to annual and long-term performance	50% of incentive opportunity tied to annual ROAE, 25% tied to annual individual performance and 25% tied to 3-year TSR; mix of cash (ROAE portion) and stock (TSR and individual performance portion)
Stock ownership and retention policy	5x salary for CEO and 3x salary for all other named executive officers; 100% of shares must be retained until minimum ownership level is met; applies until 6 months after termination of employment
Receive advice from independent compensation consultant	Compensation consultant (Frederic W. Cook & Co.) provides no other services to the Company

What We Don’t Do and The Reasons Why

×No supplemental executive retirement plans for named executive officers	Consistent with focus on performance-oriented environment
×No change in control excise tax gross-ups	Consistent with focus on performance-oriented environment and commitment to best practices aligned to long-term stockholder interests
×No excessive perquisites or severance benefits	Consistent with focus on performance-oriented environment and commitment to best practices aligned to long-term stockholder interests
×No single-trigger vesting of equity compensation upon a change in control	Per employment agreements, vesting following a change in control requires involuntary termination of employment (double-trigger)
×No hedging transactions permitted	Policy prohibits hedging transactions, including the purchase of financial instruments designed to hedge/offset any decrease in the market value of our stock

Key Design Features and 2017 Actions

Overview of Elements of Compensation

Messrs. Lambiase, Colligan, Marria and Yarlagadda, pursuant to their employment agreements, receive compensation primarily in the form of salary plus an incentive award opportunity determined each year that can range from 0% to 150% or 175% of the target amount depending on the performance goal. Mr. Kardis’s incentive compensation opportunity under his employment agreement follows a different format related to his recruitment to the Company in 2015, and is therefore discussed separately below.

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Each executive's base salary is fixed for the term of the employment agreement and represents a smaller portion of the total annual compensation allowing us to effectively manage our fixed expenses. The compensation committee periodically reviews base salary levels in light of market practices and changes in responsibilities. For 2017, the base salary amounts were as follows:

2017 Base Salary

Name	Amount
Matthew Lambiase	$750,000
Robert Colligan	$400,000
Choudhary Yarlagadda	$750,000
Mohit Marria	$500,000
Phillip J. Kardis II	$750,000

The incentive award opportunity under these employment agreements, other than Mr. Kardis, is divided into two components: (i) a portion payable in cash and (ii) a portion payable in stock-based awards under our equity compensation plan, including RSUs and PSUs. The following table provides an overview of the compensation program under these employment agreements:

Overview of Compensation Elements

Compensation Element	Description	Objectives
Base Salary	Fixed cash compensation for the term of each executive's employment agreement.	Per employment agreement Provides fixed level of cash compensation
Annual Incentive	50% of the total incentive compensation opportunity for the year, payable in cash -Ranges from 0% to 175% of target, based on ROAE performance	Reward executives for efficiently generating earnings Creates a direct connection between business success and financial reward
Long-Term Incentives	25% of total incentive compensation opportunity in the form of a discretionary RSU award -Ranges from 0% to 150% of target, based on annual achievement of individual and company goals -Delivered as RSUs vesting over 3 years 25% of total incentive opportunity in the form of a PSU award -Ranges from 0% to 150% of target, based on relative TSR performance	RSUs reward achievement of individual annual goals PSUs provide multi-year focus on driving stockholder returns Both awards align named executive officers with stockholder interests and encourage retention
Post-Employment Benefits	Employment agreements include severance payments and benefits in case of involuntary termination (without cause or with good reason) Severance amounts are not excessive (generally, 1x salary and incentive, even in connection with a termination following a change in control) No single-trigger vesting of equity awards upon a change in control No 280G or other tax gross-ups	Per negotiated employment agreements Market-competitive practice to limit executive risk of involuntary termination without cause, and encourages stable management team Change in control provisions ensure that management will be able to fairly assess potential transactions
Other Benefits	401(k), health care and life insurance programs, same as other non-executive employees No executive perquisites	Competitive with peer companies Assists with recruitment and retention

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2017 Incentive Compensation Decisions

General. The compensation design reflected in the employment agreements for 2017, other than for Mr. Kardis, weights the compensation opportunities heavily towards variable, performance-based awards in a mix of cash and stock, and balanced by annual and multi-year performance goals. The compensation committee believes that the incentive compensation design reflected in the employment agreements is appropriately tied to our business strategy and will encourage our management team to pursue strategies intended to deliver efficient earnings against our capital base and strong stockholder returns. See below for a discussion about the compensation arrangements for Mr. Kardis under his employment agreement.

The 2017 design for Messrs. Lambiase, Colligan, Marria and Yarlagadda includes an incentive award opportunity broken into three key components:

- an ROAE bonus payable in cash ranging from 0% to 175% of target,
- a discretionary bonus payable in RSUs vesting ratably over three years and ranging from 0% to 150% of target, and
- a TSR bonus payable as a PSU award that becomes earned based on TSR results over a 3-year performance period (2017-2019) and ranging from 0% to 150% of target.

ROAE and TSR are key financial measures for us because, as a mortgage REIT, we are focused on generating earnings efficiently against our capital base and returning those earnings to our stockholders, primarily in the form of dividends. The compensation committee believes that the discretionary bonus allows the compensation committee to take into account performance goals that may not be easily quantifiable and that can be adjusted from year-to-year, thereby preserving an element of flexibility. Providing RSUs and PSUs as part of the mix should encourage retention and align the interests of the named executive officers with the longer-term interests of our stockholders.

The employment agreements provide a total target incentive award amount and the weighting among the three components. The compensation committee believes the allocation of incentive compensation opportunities reflected in the employment agreements represents an appropriately balanced approach to providing incentive compensation opportunities. The following chart summarizes the 2017 target incentive award and the three components for Messrs. Lambiase, Colligan, Marria and Yarlagadda:

2017 Incentive Compensation Targets per Employment Agreements

Name	ROAE Bonus (cash) (50%)	Discretionary Bonus (RSU award) (25%)	TSR Bonus (PSU award) (25%)	Total target incentive award*
Matthew Lambiase	$2,000,000	$1,000,000	$1,000,000	$4,000,000
Robert Colligan	$750,000	$375,000	$375,000	$1,500,000
Choudhary Yarlagadda	$1,350,000	$675,000	$675,000	$2,700,000
Mohit Marria	$800,000	$400,000	$400,000	$1,600,000

* The total target incentive award is subject to review and potential adjustment by the compensation committee.

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ROAE Bonus. The amount of the ROAE bonus for 2017 was determined based on 2017 ROAE results against formulaic targets set by the compensation committee during the first quarter of the year. The ROAE bonus earned for a year is payable in cash by no later than March 15 of the following year. Under the employment agreements, ROAE means the Company’s net income for the year divided by its average equity for the year.[1]

The following chart summarizes the ROAE performance goals and results for 2017:

ROAE Achieved	Percentage of ROAE Target Payable	
<5%	0%	
5%	25%	
7%	50%	
9%	75%	**2017 ROAE Result**
11%	100%	19.2%
13%	125%	
15%	150%	
17%	175%	

Based on this performance, the 2017 ROAE bonus earned, which is included in the Summary Compensation Table as 2017 compensation under the “Non-Equity Incentive Plan” column, was as follows:

2017 ROAE Bonus Amounts

Name	ROAE Bonus Target	ROAE Bonus Actual (175% of Target)
Matthew Lambiase	$2,000,000	$3,500,000
Robert Colligan	$750,000	$1,312,500
Choudhary Yarlagadda	$1,350,000	$2,362,500
Mohit Marria	$800,000	$1,400,000

[1] For this purpose, the Company’s net income is determined in accordance with GAAP, but excluding non-cash, non-operating expense items such as depreciation expense, amortization of goodwill and other non-cash, non-operating expense items as determined by the compensation committee in its sole discretion for the applicable performance period. If, for any portion of any performance period, (i) the Company does not use hedge accounting or (ii) its derivative hedging instruments or any portion thereof are otherwise deemed ineffective, which in either case, results in changes in the value of such hedging instruments being recorded in the Company’s GAAP income statement, then any gains or losses from such hedging instruments will also be excluded. The Company’s average equity under the employment agreements means the stockholders’ equity of the Company as determined in accordance with GAAP, but excluding accumulated other comprehensive income or loss (which, among other things, reflects unrealized gains or losses in the Company’s residential mortgage-backed securities portfolio), stockholders’ equity attributable to preferred stock and other items as determined by the compensation committee in its sole discretion for the applicable performance period. For purposes of calculating ROAE, Company Average Equity will be determined based on the average of the Company’s stockholders’ equity calculated as described in the preceding sentence as of the last day of each quarter during the applicable performance period. Notwithstanding the foregoing, stockholders’ equity attributable to an issuance of common stock of the Company during the performance period shall be excluded from the calculation of “Company Average Equity” for a period of six months from such issuance.

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Discretionary Bonus. The amount of the discretionary bonus each year will be based on the compensation committee's discretionary assessment of the named executive officer's performance during the year, based on factors established by the compensation committee during the first 90 days of the year and communicated to the executive. After the end of the year, based on the performance assessment, the compensation committee may make an award ranging from 0% to 150% of the target. Generally, this bonus amount will be delivered as an RSU award granted by March 15 of the following year, vesting ratably over three years subject to the executive's continued employment. The number of RSUs granted is based on the dollar value of the award divided by the closing price of our common stock on the grant date.

The following chart summarizes the discretionary bonus awards for 2017:

2017 Discretionary Bonus Awards

Name	Discretionary Bonus (Target)	Discretionary Bonus (Actual) (150% of target)
Matthew Lambiase	$1,000,000	$1,500,000
Robert Colligan	$375,000	$562,500
Choudhary Yarlagadda	$675,000	$1,012,500
Mohit Marria	$400,000	$600,000

The key performance factors considered by the compensation committee in determining the amount of the discretionary bonus awards for 2017 included:

- GAAP net income for 2017 was $491 million.
- Distributed quarterly common stock dividend of $0.50 per share per quarter in 2017.
- Stock price to GAAP book value per share ratio as of December 31, 2017 was 1.1 to 1.
- Successfully issued $325 million of our Series B Preferred stock.
- Securitized $6.9 billion of residential mortgage loans.
- Return on Average Equity for 2017 was 19.2%.
- Total Shareholder Return during 2017 was 20.3%.

TSR Bonus. The TSR bonus for 2017 was provided as an award of PSUs under our equity compensation plan granted early in 2017, with TSR (including dividends) measured over a three-year performance period (2017-2019). The target number of PSUs granted was based on the target value of the award and our stock price on the first business day of the performance period. On this basis, the target number of PSUs granted for the PSU bonus for 2017 was as follows:

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TSR Bonus Target PSUs
2017-2019 Award

Name	**Target PSUs (#)**
Matthew Lambiase	54,113
Robert Colligan	20,293
Choudhary Yarlagadda	36,526
Mohit Marria	21,646

The grant date fair value of this award for accounting purposes (which is different than the target dollar amount used to determine the target number of PSUs shown above) is included in the Summary Compensation Table as 2017 compensation under the “Stock Awards” column.

The actual number of PSUs earned is based on our TSR performance for the performance period, 2017-2019, relative to the TSR performance of the companies included in the NAREIT FTSE Mortgage Home Financing index, as follows:

Relative TSR Performance Goals

Relative TSR Performance	**% of Target Earned**
Below Threshold: Below 25th percentile	0%
Threshold: 25th percentile	50%
Target: 50th percentile	100%
Max: 75th percentile or above	150%

Performance between threshold and target or target and maximum will result in a percentage earned that is interpolated on a straight-line basis.

PSUs, to the extent earned, are payable by delivery of one share of our common stock for each PSU earned, payable by March 15 following the end of the performance period. The named executive officer generally must remain employed with us for the full performance period to earn the PSU, also encouraging retention.

During the first year of performance (2017), relative TSR performed at the top quartile, but actual results cannot be determined until the end of 2019.

Dividend Equivalents on RSUs and PSUs. Awards