

Two Harbors Investment Corp.  
Form POS AM  
November 01, 2010

As filed with the Securities and Exchange Commission on November 1, 2010

**Registration Statement No. 333-163034**

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

**Post-Effective Amendment No. 1  
to  
FORM S-11  
on FORM S-3**

**REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933**

**Two Harbors Investment Corp.**

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

Maryland  
(State or other jurisdiction of incorporation or organization)

27-0312904  
(IRS Employer Identification Number)

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**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.  
David C. Jenson, Esq.  
Leonard, Street and Deinard, P.A.  
150 South Fifth Street, Suite 2300  
Minneapolis, MN 55402  
Tel: (612) 335-1500  
Fax: (612) 335-1657**

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

Stephen M. Quinlivan, Esq. David C. Jenson, Esq. Leonard, Street and Deinard, P.A. 150 South Fifth Street, Suite 2300

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If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

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 of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, 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 registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, 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

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## **Explanatory Note**

This Post-Effective Amendment No. 1 to Form S-11 on Form S-3 contains an updated prospectus relating to the resale of certain warrants by the selling securityholders named herein or common stock acquired upon exercise of the warrants by the selling securityholders. The sale of the warrants by the selling securityholders and sale of common stock acquired upon exercise of the warrants were initially registered by the registrant on the registration statement on Form S-11 (No. 333-163034) declared effective on May 4, 2010. This Post-Effective Amendment No. 1 is being filed in compliance with Section 10(a)(3) of the Securities Act of 1933, as amended. The prospectus included in this Post-Effective Amendment No. 1 supersedes and replaces in its entirety the prospectus dated April 30, 2010 that was filed with the registration statement on Form S-11. All filing fees payable in connection with the registration of the foregoing securities were previously paid in connection with the filing of the registration statement on Form S-11.

**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.**

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The information in this prospectus is not complete and may be changed. The selling securityholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is declared effective. This prospectus is a post-effective amendment to a prospectus dated March 31, 2010, and it 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 NOVEMBER 1,  
2010**

**9,906,918 Warrants  
and  
9,906,918 Shares of Common Stock that May be Issued  
Upon Exercise of the Warrants  
of  
Two Harbors Investment Corp.**

Two Harbors Investment Corp. is a Maryland corporation that invests primarily in residential mortgage-backed securities. Two Harbors is externally managed and advised by PRCM Advisers LLC, a subsidiary of Pine River Capital Management L.P., a global multistrategy asset management firm.

The selling securityholders named in this prospectus or a supplement hereto may offer up to 9,906,918 warrants and/or shares of common stock. Two Harbors will not receive any proceeds from sales of the warrants or common stock by the selling securityholders, but Two Harbors will incur expenses in connection with the registration of these securities.

Our common stock and warrants are listed on the NYSE Amex under the symbols TWO and TWO.WS, respectively. On October 27, 2010, the closing sale prices of our common stock and warrants on the NYSE Amex were \$9.23 per share and \$0.13 per warrant.

We have elected to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2009. As long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax to the extent we distribute our taxable income to our stockholders on an annual basis. To assist us in qualifying as a REIT, among other purposes, 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 the outstanding shares of our common stock and 9.8% by value or by number of shares, whichever is more restrictive, of our outstanding capital stock. In addition, our charter contains various other restrictions on the ownership and transfer of our common stock.

**Investing in Two Harbors warrants and common stock involves a high degree of risk. See *Risk Factors* beginning on page 4 of this prospectus for a discussion of information that should be considered before investing in our warrants and common stock.**

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The selling securityholders are offering these warrants and/or shares of common stock. The selling securityholders may sell all or a portion of these warrants and/or shares of common stock from time to time in market transactions through any stock exchange or market on which the warrants or shares are listed, in negotiated transactions or otherwise, and at prices and on terms that will be determined by the then prevailing market price or at negotiated prices directly or through a broker or brokers, who may act as agent or as principal or by a combination of such methods of sale. The selling securityholders will receive all proceeds from the sale of the warrants and/or common stock. For additional information on the methods of sale, you should refer to the section entitled Plan of Distribution on page 44.

**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.**

The date of this prospectus is      , 2010

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**TWO HARBORS INVESTMENT CORP.**

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

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## 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 warrants or 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.*

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

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

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

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

Non-Agency RMBS, meaning RMBS that are not issued or guaranteed by Ginnie Mae, Fannie Mae or Freddie Mac, 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 have elected 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 are required to meet certain investment and operating tests and annual distribution requirements. We generally will not be subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our net taxable income to stockholders and maintain our qualification as a REIT. However, certain activities that we may perform may cause us to earn income which will not be qualifying income for REIT purposes. Since our merger with Capitol Acquisition Corp., or Capitol, on October 28,



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2009, we have preserved Capitol as a taxable REIT subsidiary, or TRS, as defined in the Code, to engage in such 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.

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## **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](http://www.twoharborsinvestment.com); however, the information found on this website is not a part of this prospectus.

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## THE OFFERING

This prospectus covers the resale of up to 9,906,918 warrants and/or 9,906,918 shares of common stock that may be issued upon exercise of the warrants by the selling securityholders.

Securities offered by selling securityholders

9,906,918 warrants and/or 9,906,918 shares of common stock that may be issued upon exercise of the warrants.

Use of proceeds:

We will not receive any proceeds from the sale of the warrants or shares of common stock by the selling securityholders.

Listing:

Our common stock and warrants are listed on the NYSE Amex under the symbols TWO and TWO.WS, respectively.

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 warrants and common stock involves a high degree of risk. See *Risk Factors* beginning on page 4 of this prospectus for a discussion of some of the risks relating to investment in our warrants and common stock.

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## **RISK FACTORS**

Investing in our securities involves risks. In addition to the risk factors identified below, you should carefully consider the risks described under **Risk Factors** in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q (which descriptions are incorporated by reference herein), as well as the other information contained or incorporated by reference in this prospectus or in any prospectus supplement hereto before making a decision to invest in our securities. See *Where You Can Find More Information*, below.

### **Risks Related to the Securities of Two Harbors**

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

Our charter provides that we may issue up to 450,000,000 shares of common stock. As of October 27, 2010, 26,067,590 shares of common stock were issued and outstanding and 33,249,000 warrants to purchase up to 33,249,000 shares of common stock were issued and outstanding. Our 2009 equity incentive plan provides for grants of restricted common stock and other equity-based awards, subject to a ceiling of 200,000 shares available for issuance under the plan. In connection with the closing of the merger with Capitol, we granted an aggregate of 22,159 shares of restricted common stock to our independent directors under our 2009 equity incentive plan. On June 14, 2010, we granted an aggregate of 36,463 shares of restricted common stock to our independent directors under our 2009 equity incentive plan.

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

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

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

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

***Your ability to exercise your warrants may be limited by the ownership limits contained in our charter.***

The ability of warrant holders to exercise their warrants may be limited by the ownership limits contained in our charter. In particular, to assist us in qualifying as a REIT, among other purposes, ownership of shares of our common stock by any person is limited under the charter, 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. Moreover, the terms of the warrants limit a holder's ability to exercise warrants to ensure that such holder's Beneficial Ownership or Constructive Ownership as defined in our charter does not exceed the restrictions contained in the charter limiting the ownership of shares of our common stock. In addition, our charter contains various other restrictions limiting the ownership and transfer of our common stock. As a result, warrant holders may not be able to exercise their warrants if such exercise would cause them to own shares of our common stock in excess of these ownership limits.

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***An investor will only be able to exercise a warrant if the issuance of shares of our common stock upon such exercise has been registered or qualified or is deemed exempt under the securities laws of the state of residence of the holder of the warrant.***

No warrants will be exercisable by a warrant holder and we will not be obligated to issue shares of common stock unless the shares of common stock issuable upon such exercise have been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the warrants. We are currently listed on the NYSE Amex, which provides an exemption from registration in every state. Accordingly, we believe holders in every state will be able to exercise their warrants as long as our prospectus relating to the shares of common stock issuable upon exercise of the warrants is current. However, there can be no assurance of this fact. If a warrant holder is unable to exercise his warrants in a particular state, he may be forced to sell his warrant and therefore lose the benefit of purchasing our stock. Furthermore, the price he receives for his warrant may not equal the difference between the exercise price and the stock price.

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

Outstanding redeemable warrants to purchase an aggregate of 26,249,000 shares of our common stock (issued in connection with the conversion, pursuant to the merger, of the Capitol warrants issued in Capitol's initial public offering) and warrants to purchase an aggregate of 7,000,000 shares of common stock (issued in connection with the conversion, pursuant to the merger, of the warrants sold to Capitol's officers, directors and stockholders prior to Capitol's initial public offering simultaneously with the consummation of such initial public offering) are currently exercisable at an exercise price of \$11.00 per share. The warrant exercise price may be lowered under certain circumstances, including, among others, in our sole discretion at any time prior to the expiration date of the warrants for a period of not less than ten business days; provided, however, that any such reduction shall be identical in percentage terms among all of the warrants. These warrants likely will be exercised if the market price of the shares of our common stock equals or exceeds the warrant exercise price. Therefore, as long as warrants remain outstanding, there will be a drag on any increase in the price of our common stock in excess of the warrant exercise price. To the extent such warrants are exercised, additional shares of our common stock will be issued, which would dilute the ownership of existing stockholders. Further, if these warrants are exercised at any time in the future at a price lower than the book value per share of our common stock, existing stockholders could suffer substantial dilution of their investment, which dilution could increase in the event the warrant exercise price is lowered. Additionally, if we were to lower the exercise price in the near future, the likelihood of this dilution could be accelerated.

***Our stock or warrant price could fluctuate and could cause you to lose a significant part of your investment.***

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

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

general economic conditions;  
changes in market valuations of similar companies;  
regulatory developments in the United States; and  
additions or departures of key personnel at Pine River.

Resulting fluctuations in our stock or warrant price could cause you to lose a significant part of your investment.



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## **FORWARD-LOOKING STATEMENTS**

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

discuss future expectations;  
contain projections of future results of operations or financial condition; or  
state other forward-looking information.

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

changes in interest rates and the market value of our target assets;  
changes in prepayment rates of mortgages underlying our target assets;  
the timing of credit losses within our portfolio;  
our exposure to adjustable-rate and negative amortization mortgage loans in our target assets;  
the state of the credit markets and other general economic conditions, particularly as they affect the price of earning assets and the credit status of borrowers;  
the concentration of the credit risks we are exposed to;  
legislative and regulatory actions affecting the mortgage and derivatives industries or our business;  
the availability of target assets for purchase at attractive prices;  
the availability of financing for our portfolio, including the availability of repurchase agreement financing;  
declines in home prices;  
increases in payment delinquencies and defaults on the mortgages underlying our non-Agency RMBS;  
changes in liquidity in the market for real estate securities, the re-pricing of credit risk in the capital markets, inaccurate ratings of securities by rating agencies, rating agency downgrades of securities, and increases in the supply of real estate securities available-for-sale;  
changes in the values of securities we own and the impact of adjustments reflecting those changes on our income statement and balance sheet, including our stockholders' equity;  
our ability to generate the amount of cash flow we expect from our investment portfolio;  
changes in our investment, financing, and hedging strategies and the new risks that those changes may expose us to;  
changes in the competitive landscape within our industry, including changes that may affect our ability to retain or attract personnel;  
our ability to manage various operational risks associated with our business;  
our ability to maintain appropriate internal controls over financial reporting;  
our ability to establish, adjust and maintain appropriate hedges for the risks in our portfolio;  
our ability to maintain our REIT qualification for U.S. federal income tax purposes; and



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

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus.

All forward-looking statements included herein attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, we undertake no obligations to update these forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

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

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## **USE OF PROCEEDS**

We will not receive any proceeds from the sale of the common stock and warrants by the selling securityholders from time to time pursuant to this prospectus. We have agreed, however, to pay expenses relating to the registration of the common stock and warrants under applicable securities laws.

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WARRANTS**

Our common stock and warrants are listed on the NYSE Amex under the symbols TWO and TWO.WS, respectively.

Trading in our warrants has limited volume on the NYSE Amex. Prior to the consummation of the merger with Capitol on October 28, 2009, there had been no public trading market for our common stock. As of October 27, 2010, 26,067,590 shares of our common stock were issued and outstanding, and 33,249,000 warrants were issued and outstanding. On September 24, 2010, we had one registered holder and approximately 3,860 beneficial owners of our common stock, and we had 14 registered holders and 331 beneficial owners of our warrants. On October 27, 2010, the closing price of our common stock and our warrants, as reported on the NYSE Amex, was \$9.23 and \$0.13, respectively. The following table sets forth the high and low sales prices for our common stock and the high and low closing prices for our warrants on the NYSE Amex for the periods indicated:

Period	Common Stock		Warrants	
	High	Low	High	Low
October 29, 2009 to December 31, 2009	\$ 10.10	\$ 8.70	\$ 0.70	\$ 0.43
January 1, 2010 to March 31, 2010	\$ 10.23	\$ 8.71	\$ 0.50	\$ 0.25
April 1, 2010 to June 30, 2010	\$ 9.27	\$ 8.00	\$ 0.29	\$ 0.20
July 1, 2010 to September 30, 2010	\$ 9.41	\$ 8.13	\$ 0.34	\$ 0.15
October 1, 2010 to October 27, 2010	\$ 9.33	\$ 8.85	\$ 0.19	