

CHIMERA INVESTMENT CORP  
Form 424B3  
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**Registration No. 333-159468**

This prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted

SUBJECT TO COMPLETION, DATED MARCH 31, 2010  
PRELIMINARY PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED MAY 26, 2009

**85,000,000 Shares**

### **Common Stock**

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We are offering 85,000,000 shares of our common stock to be sold in this offering. We have granted the underwriter an option to purchase up to 12,750,000 additional shares of our common stock to cover over-allotments.

We are externally managed and advised by Fixed Income Discount Advisory Company, which we refer to as FIDAC or our Manager, an investment adviser registered with the Securities and Exchange Commission. FIDAC is a wholly-owned subsidiary of Annaly Capital Management, Inc., which we refer to as Annaly, a New York Stock Exchange-listed real estate investment trust.

Our common stock is subject to certain restrictions on ownership designed to preserve our qualification as a real estate investment trust for federal income tax purposes. See **Description of Capital Stock** on page 6 of the accompanying prospectus.

Our common stock is listed on the New York Stock Exchange under the symbol **CIM**. The last reported sales price of our common stock on March 31, 2010 was \$3.89 per share.

**Investing in our common stock involves risks that are described under the caption **Risk Factors** beginning on page S-9 of this prospectus supplement, in the accompanying prospectus, and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which is incorporated by reference.**

We are selling to the underwriter the shares of common stock at a price of \$ per share, resulting in aggregate proceeds to us of \$ before expenses.

The underwriter proposes to offer the shares of common stock from time to time for sale in negotiated transactions or otherwise, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The shares of common stock will not be sold on or through the facilities of a national securities exchange or to or through a market maker otherwise than on an exchange.

Delivery of the shares in book-entry form only, will be made on or about , 2010.

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

**Credit Suisse**

The date of this prospectus supplement is , 2010.

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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.**

**A WARNING ABOUT FORWARD-LOOKING STATEMENTS**

We make forward-looking statements in this prospectus supplement that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When we use the words believe, expect, anticipate, estimate, plan, continue, intend, should, may, would, will, or similar expressions, we intend to identify forward-looking statements. Statements regarding the following subjects, among others, are forward-looking by their nature:

our business and investment strategy;

our projected financial and operating results;

our ability to maintain existing financing arrangements, obtain future financing arrangements and the terms of such arrangements;

general volatility of the securities markets in which we invest;

the implementation, timing and impact of, and changes to, various government programs, including the U.S. Treasury's plan to buy U.S. government agency residential mortgage-backed securities, the Term Asset-Backed Securities Loan Facility, and the Public-Private Investment Program;

our expected investments;

changes in the value of our investments;

interest rate mismatches between our investments and our borrowings used to fund such purchases;

changes in interest rates and mortgage prepayment rates;

effects of interest rate caps on our adjustable-rate investments;

rates of default or decreased recovery rates on our investments;

prepayments of the mortgage and other loans underlying our mortgage-backed or other asset-backed securities;

the degree to which our hedging strategies may or may not protect us from interest rate volatility;

impact of and changes in governmental regulations, tax law and rates, accounting guidance, and similar matters;

availability of investment opportunities in real estate-related and other securities;

availability of qualified personnel;

estimates relating to our ability to make distributions to our stockholders in the future;

our understanding of our competition;

market trends in our industry, interest rates, the debt securities markets or the general economy; and

use of proceeds of this offering.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. You should not place undue reliance on these forward-looking statements. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. Some of these factors are described under the captions Prospectus Supplement Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Business in this prospectus supplement, the accompanying prospectus, and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which is incorporated by reference in the accompanying prospectus. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights some of the information in this prospectus supplement. It is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read carefully the more detailed information set forth under Risk Factors and the other information included in this prospectus supplement, in the accompanying prospectus, and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which is incorporated by reference in the accompanying prospectus. Except where the context suggests otherwise, the terms Chimera, company, we, us and our refer to Chimera Investment Corporation; our Manager and FIDAC refer to Fixed Income Discount Advisory Company, our external manager; and Annaly refers to Annaly Capital Management, Inc., the parent company of FIDAC. Unless indicated otherwise, the information in this prospectus supplement assumes no exercise by the underwriter of its overallotment option to purchase or place up to an additional 12,750,000 shares of our common stock.*

### The Company

We are a specialty finance company that acquires, either directly or indirectly through our subsidiaries, residential mortgage-backed securities, or RMBS, residential mortgage loans, real estate-related securities and various other asset classes. We elected to be taxed as a real estate investment trust, or REIT, for federal income tax purposes commencing with our taxable year ending on December 31, 2007. Therefore, we generally will not be subject to federal income tax on our taxable income that is distributed to our stockholders. We were incorporated in Maryland in June 2007 and commenced operations in November 2007. We listed our common stock on the NYSE in November 2007 and trade under the symbol CIM .

We are externally managed by Fixed Income Discount Advisory Company, which we refer to as our Manager or FIDAC. Our Manager is an investment advisor registered with the Securities and Exchange Commission, or SEC. Additionally, our Manager is a wholly-owned subsidiary of Annaly Capital Management, Inc., or Annaly, a NYSE-listed REIT, which has a long track record of managing investments in U.S. government agency mortgage-backed securities.

Our objective is to provide attractive risk-adjusted returns to our investors over the long-term, primarily through dividends and secondarily through capital appreciation. We intend to achieve this objective by acquiring a broad class of financial assets to construct an investment portfolio that is designed to achieve attractive risk-adjusted returns and that is structured to comply with the various federal income tax requirements for REIT status and to maintain our exclusion from regulation under the Investment Company Act of 1940, or 1940 Act.

### Our Manager

We are externally managed and advised by FIDAC, a fixed-income management company, pursuant to a management agreement. All of our officers are employees of our Manager or one of its affiliates. We believe our relationship with our Manager enables us to leverage our Manager's well-respected and established portfolio management resources for each of our targeted asset classes and its sophisticated infrastructure supporting those resources, including investment professionals focusing on residential mortgage loans, U.S. government agency residential mortgage-backed securities, or Agency RMBS, which are mortgage pass-through certificates, collateralized mortgage obligations, or CMOs, and other mortgage-backed securities representing interests in or obligations backed by pools of mortgage loans issued or guaranteed by the Federal National Mortgage Association, or Fannie Mae, the Federal Home Loan Mortgage Corporation, or Freddie Mac, and the Government National Mortgage Association, or Ginnie Mae, non-Agency RMBS and other asset-backed securities, or ABS. Additionally, we have benefited and expect to continue to benefit from our Manager's finance and administration functions, which address legal, compliance, investor relations and operational matters, including portfolio management, trade allocation and execution, securities valuation, risk management and information technologies in connection with the performance of its duties. Our Manager commenced active investment management operations in 1994. At December 31, 2009, our Manager was the adviser or sub-adviser for investment vehicles, including us, with approximately \$6.0 billion in net assets and \$13.6 billion in gross assets.

Our Manager is responsible for administering our business activities and day-to-day operations. Pursuant to the terms of the management agreement, our Manager provides us with our management team, including our officers, along with appropriate support personnel. Our Manager is at all times subject to the supervision and oversight of our board of directors and has only such functions and authority as we delegate to it.

### **Our Investment Strategy**

Our objective is to provide attractive risk-adjusted returns to our investors over the long-term, primarily through dividends and secondarily through capital appreciation. We intend to achieve this objective by investing in a diversified investment portfolio of RMBS, residential mortgage loans, real estate-related securities and various other asset classes, subject to maintaining our REIT status and exemption from registration under the 1940 Act. The RMBS, ABS, commercial mortgage-backed securities, or CMBS, and collateralized debt obligations, or CDOs, we purchase may include investment-grade and non-investment grade classes, including the BB-rated, B-rated and non-rated classes.

We rely on our Manager's expertise in identifying assets within our target asset classes. Our Manager makes investment decisions based on various factors, including expected cash yield, relative value, risk-adjusted returns, current and projected credit fundamentals, current and projected macroeconomic considerations, current and projected supply and demand, credit and market risk concentration limits, liquidity, cost of financing and financing availability, as well as maintaining our REIT qualification and our exemption from registration under the 1940 Act.

Over time, we will modify our investment allocation strategy as market conditions change to seek to maximize the returns from our investment portfolio. We believe this strategy, combined with our Manager's experience, will enable us to pay dividends and achieve capital appreciation throughout changing interest rate and credit cycles and provide attractive long-term returns to investors.

Our targeted asset classes and the principal investments we expect to make are as follows.

<b>Asset Class</b>	<b>Principal Investments</b>
Residential Mortgage-Backed Securities, or RMBS	<p>Non-Agency RMBS, including investment-grade and non-investment grade classes, including the BB-rated, B-rated and non-rated classes.</p> <p>Agency RMBS.</p>
Residential Mortgage Loans	<p>Prime mortgage loans, which are mortgage loans that conform to the underwriting guidelines of Fannie Mae and Freddie Mac, which we refer to as Agency Guidelines; and jumbo prime mortgage loans, which are mortgage loans that conform to the Agency Guidelines except as to loan size.</p> <p>Alt-A mortgage loans, which are mortgage loans that may have been originated using documentation standards that are less stringent than the documentation standards applied by certain other first lien mortgage loan purchase programs, such as the Agency Guidelines, but have one or more compensating factors such as a borrower with strong credit or mortgage history or significant assets.</p>

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Other Asset-Backed Securities, or ABS

CMBS.

Debt and equity tranches of CDOs.

Consumer and non-consumer ABS, including investment-grade and non-investment grade classes, including the BB-rated, B-rated and non-rated classes.

Since we commenced operations in November 2007, we have focused our investment activities on acquiring non-Agency RMBS and on purchasing residential mortgage loans that have been originated by select high-quality originators, including the retail lending operations of leading commercial banks. Our investment portfolio at December 31, 2009 was weighted toward non-Agency RMBS. At December 31, 2009, approximately 67.7% of our investment portfolio was non-Agency RMBS, 25.0% of our investment portfolio was Agency RMBS, and 7.3% of our investment portfolio was securitized residential mortgage loans. After the consummation of this offering, we expect that over the near term our investment portfolio will continue to be weighted toward RMBS, subject to maintaining our REIT qualification and our 1940 Act exemption.

In addition, we have engaged in and anticipate continuing to engage in transactions with residential mortgage lending operations of leading commercial banks and other high-quality originators in which we identify and re-underwrite residential mortgage loans owned by such entities, and rather than purchasing and securitizing such residential mortgage loans ourselves, we and the originator would structure the securitization and we would purchase the resulting mezzanine and subordinate non-Agency RMBS. We may also engage in similar transactions with non-Agency RMBS in which we acquire non-Agency RMBS that were formerly AAA-rated and immediately re-securitize those securities. We may sell the resulting AAA-rated super senior RMBS and retain some AAA-rated senior RMBS and the mezzanine RMBS which are either rated below AAA or are non-rated. Our investment decisions, however, will depend on prevailing market conditions and will change over time. As a result, we cannot predict the percentage of our assets that will be invested in each asset class or whether we will invest in other classes of investments. We may change our investment strategy and policies without a vote of our stockholders.

We have elected to be taxed as a REIT commencing with our taxable year ended December 31, 2007 and operate our business to be exempt from registration under the 1940 Act, and therefore we are required to invest a substantial majority of our assets in loans secured by mortgages on real estate and real estate-related assets. Subject to maintaining our REIT qualification and our 1940 Act exemption, we do not have any limitations on the amounts we may invest in any of our targeted asset classes.

### **Our Financing Strategy**

We use leverage to increase potential returns to our stockholders. We are not required to maintain any specific debt-to-equity ratio as we believe the appropriate leverage for the particular assets we are financing depends on the credit quality and risk of those assets. At December 31, 2009, our ratio of debt-to-equity was 1.1:1. For purposes of calculating this ratio, our equity is equal to the total stockholders' equity on our consolidated statements of financial condition. Our debt consists of repurchase agreements and securitized debt. Subject to maintaining our REIT qualification, we may use a number of sources to finance our investments, including repurchase agreements, warehouse facilities, securitizations, asset-backed commercial paper, and term financing structures.

Our ability to fund our investments on a leveraged basis depends to a large extent upon our ability to secure warehouse, repurchase, credit, and/or commercial paper financing on acceptable terms. The current dislocation in the non-Agency mortgage sector has made it difficult for us to obtain short-term financing on favorable terms. As a result, we have completed loan securitizations in order to obtain long-term financing and terminated our un-utilized whole loan repurchase agreements in order to avoid paying non-usage fees under those agreements.

We have entered into a RMBS repurchase agreement with Annaly. This agreement contains customary representations, warranties and covenants contained in such agreements. At December 31, 2009, we had outstanding under this agreement \$259.0 million which consisted of approximately 10.95% of our total financing at the time. We currently have no borrowings under this repurchase agreement. We cannot assure you that Annaly will provide us with financing in the future.

We have entered into a RMBS repurchase agreement with RCap Securities, Inc., or RCap, a wholly-owned subsidiary of Annaly. This agreement contains customary representations, warranties and covenants contained in such agreements. As of March 29, 2010, we were borrowing \$147.4 million under this repurchase agreement at an interest rate of 1.22%. Our RMBS repurchase agreement with RCap has a three-month term and is secured by the RMBS pledged under the agreement. This agreement is callable by RCap each week. We cannot assure you that RCap will continue to provide us with such financing. If RCap does not provide us with financing, we cannot assure you that we will be able to replace such financing. If we are not able to replace this financing, we could be forced to sell our assets at an inopportune time when prices are depressed.

### **Our Interest Rate Hedging and Risk Management Strategy**

We may, from time to time, utilize derivative financial instruments to hedge all or a portion of the interest rate risk associated with our borrowings.

We engage in a variety of interest rate management techniques that seek to mitigate changes in interest rates or other potential influences on the values of our assets. The federal income tax rules applicable to REITs may require us to implement certain of these techniques through a taxable REIT subsidiary that is fully subject to corporate income taxation. Our interest rate management techniques may include:

- puts and calls on securities or indices of securities;
- Eurodollar futures contracts and options on such contracts;
- interest rate caps, swaps and swaptions;
- U.S. treasury securities and options on U.S. treasury securities; and
- other similar transactions.

We attempt to reduce interest rate risks and to minimize exposure to interest rate fluctuations through the use of match funded financing structures, when appropriate, whereby we seek (i) to match the maturities of our debt obligations with the maturities of our assets and (ii) to match the interest rates on our investments with like-kind debt (i.e., floating rate assets are financed with floating rate debt and fixed-rate assets are financed with fixed-rate debt), directly or through the use of interest rate swaps, caps or other financial instruments, or through a combination of these strategies. This will allow us to minimize the risk that we have to refinance our liabilities before the maturities of our assets and to reduce the impact of changing interest rates on our earnings.

### **Our Competitive Advantages**

We believe that our competitive advantages include the following:

#### **Investment Strategy Designed to Perform in a Variety of Interest Rate and Credit Environments**

We seek to manage our investment strategy to balance both interest rate risk and credit risk. We believe this strategy is designed to generate attractive, risk-adjusted returns in a variety of market conditions because operating conditions in which either of these risks are increased, or decreased, may occur at different points in the economic cycle. For example, there may be periods when interest-rate sensitive strategies outperform credit-sensitive strategies whereby we would receive increased income over our cost of financing, in which case our portfolio's increased exposure to this risk would be beneficial. There may be other periods when credit-sensitive strategies



outperform interest-rate sensitive strategies. Although we face interest rate risk and credit risk, we believe that with appropriate hedging strategies, as well as our ability to evaluate the quality of targeted asset investment opportunities, we can reduce these risks and provide attractive risk-adjusted returns.

#### **Credit-Oriented Investment Approach**

We seek to minimize principal loss while maximizing risk-adjusted returns through our Manager's credit-based investment approach, which is based on rigorous quantitative and qualitative analyses.

#### **Experienced Investment Advisor**

Our Manager has a long history of strong performance across a broad range of fixed-income assets. Our Manager's most senior investment professionals have a long history of investing in a variety of mortgage and real estate-related securities and structuring and marketing CDOs. Our Manager is also acting as liquidating agent for a number of CDOs, and has competitive advantages as a result of its knowledge regarding the pipeline, values, supply and market participants for liquidations of CDOs because of its involvement in these liquidations. Investments will be overseen by an Investment Committee of our Manager's professionals, consisting of Michael A.J. Farrell, Wellington J. Denahan-Norris, James P. Fortescue, Kristopher Konrad, Rose-Marie Lyght, Ronald Kazel, Jeremy Diamond, Eric Szabo and Matthew Lambiase.

#### **Access to Annaly's and Our Manager's Relationships**

Annaly and our Manager have developed long-term relationships with a number of commercial banks and other financial intermediaries. We believe these relationships provide us with a range of high-quality investment opportunities.

#### **Access to Our Manager's Systems and Infrastructure**

Our Manager has created a proprietary portfolio management system, which we believe provides us with a competitive advantage. Our Manager's personnel have created a comprehensive finance and administrative infrastructure, an important component of a complex investment vehicle such as a REIT. In addition, most of our Manager's personnel are also Annaly's personnel; therefore, they have had extensive experience managing Annaly, which is a REIT.

#### **Alignment of Interests between Annaly, Our Manager and Our Investors**

Annaly owned approximately 45.0 million shares of our common stock at March 29, 2010. We believe that Annaly's investment aligns our Manager's interests with our interests.

#### **Compliance with REIT and Investment Company Requirements**

We monitor our investment securities and the income from these securities and, to the extent we enter into hedging transactions, we monitor income from our hedging transactions as well, so as to ensure at all times that we maintain our qualification as a REIT and our exempt status under the 1940 Act, which may include qualifying for an exemption from registration under the 1940 Act pursuant to Section 3(a)(1) or Section 3(a)(6) of the 1940 Act in addition to Section 3(c)(5)(C) of the 1940 Act.

### **Recent Developments**

#### **Dividend**

On March 18, 2010, we announced that our board of directors declared a first quarter cash distribution of \$0.17 per share of our common stock. This dividend will be paid on April 30, 2010 to common stockholders of record on March 29, 2010. Common stock sold in this offering will not participate in this quarterly distribution. We have not yet completed our 2010 first quarter or our consolidated financial statements for the first quarter. Our Core Earnings per share for the first quarter could be different from our dividends per share. Core Earnings is a non-GAAP measure and is defined as GAAP net income (loss) excluding non-cash equity compensation expense, excluding any unrealized gains, losses or other items that do not affect realized net income (regardless of whether such items are included in other comprehensive income or loss, or in net income (loss)). GAAP is defined as accounting principles generally accepted in the United States.

### **Corporate Information**

Our principal executive offices are located at 1211 Avenue of Americas, Suite 2902, New York, New York 10036. Our telephone number is 1-866-315-9930. Our website is <http://www.chimerareit.com>. The contents of our website are not a part of this prospectus supplement or the accompanying prospectus. We have included our website address only as an inactive textual reference and do not intend it to be an active link to our website.

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**Summary Financial Information**

The following table presents summary financial data as of and for the periods indicated. We derived the summary financial data from our audited consolidated financial statements for the period from November 21, 2007 (commencement of operations) through December 31, 2007 and for the fiscal years ended December 31, 2008 and 2009. The following summary financial information should be read in conjunction with our more detailed information contained in the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which is incorporated by reference into the accompanying prospectus and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which is incorporated by