

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

**FORM 8-K**

**Current Report**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): December 11, 2009

**Two Harbors Investment Corp.**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction  
of incorporation)

**001-34506**  
(Commission  
File Number)

**27-0312904**  
(I.R.S. Employer  
Identification No.)

**601 Carlson Parkway, Suite 330**  
**Minnetonka, MN 55305**  
(Address of principal executive offices)  
(Zip Code)

Registrant's telephone number, including area code: **(612) 238-3300**

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 7.01 Regulation FD**

On December 11, 2009, Two Harbors Investment Corp. (“Two Harbors”) issued a press release announcing that it had completed the purchase of residential mortgage backed securities and related investments with an aggregate initial purchase price value of approximately \$488 million. A copy of the press release, and a presentation providing further information, are attached hereto as Exhibits 99.1 and 99.2, respectively, and are incorporated herein by reference.

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**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
99.1	Press Release, dated December 11, 2009, issued by Two Harbors Investment Corp.
99.2	Interim Investment Update

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TWO HARBORS INVESTMENT CORP.

By: /s/ TIMOTHY W. O'BRIEN

**Timothy O'Brien**  
**Secretary and General Counsel**

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Date: December 11, 2009

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**TWO HARBORS INVESTMENT CORP.**  
**ANNOUNCES INITIAL INVESTMENTS AGGREGATING \$488 MILLION**

**NEW YORK, December 11, 2009 - Two Harbors Investment Corp. (“Two Harbors”)** (NYSE Amex: **TWO; TWO.WS**) announced that as of December 8, 2009, it had completed the purchase of residential mortgage backed securities and related investments with an aggregate initial purchase price value of approximately \$488 million, and upon settlement of the aforementioned purchases its debt to equity ratio is expected to be approximately 3.1 to 1.0. These purchases reflect the deployment of approximately 95% of Two Harbors’ capital available for investment.

“We’re pleased by the progress we’ve made in putting our stockholders’ capital to work since the closing of our merger transaction with Capitol Acquisition Corp. on October 28,” said Tom Siering, Two Harbors’ President and CEO. “We look forward to continuing to add to our portfolio as and when we find attractive opportunities in our target asset classes.”

Two Harbors has furnished further information using Form 8-K, which includes certain additional information regarding Two Harbors’ investments.

**Two Harbors Investment Corp.**

Two Harbors Investment Corp., a Maryland corporation, is a real estate investment trust that focuses on investing in residential mortgage-backed securities. Two Harbors is headquartered in Minnetonka, Minnesota, and is externally managed and advised by PRCM Advisers, LLC, a wholly-owned subsidiary of Pine River Capital Management L.P.

**Forward-Looking Statements**

This press release includes “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ from expectations, estimates and projections and, consequently, readers should not rely on these forward-looking statements as predictions of future events. Words such as “expect,” “target,” “assume,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “intend,” “plan,” “may,” “will,” “could,” “should,” “believes,” “predicts,” “potential,” “continue,” and similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results. Factors that may cause such differences include, among other things, Two Harbors’ ability to acquire target assets and to achieve its plans and expectations regarding its investment program, Two Harbors’ ability to estimate and achieve expected yields from its assets, Two Harbors’ ability to realize attractive overall returns from its investments, and Two Harbors’ ability to manage and mitigate risks associated with its investment portfolio.

Two Harbors cautions readers not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Two Harbors does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based. Additional information concerning these and other risk factors is contained in Two Harbors’ most recent filings with the Securities and Exchange Commission (“SEC”). All subsequent written and oral forward-looking statements concerning Two Harbors or matters attributable to Two Harbors or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above.

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**Additional Information**

Stockholders and warrant holders of Two Harbors, and other interested persons, may find additional information regarding the company at the SEC's Internet site at <http://www.sec.gov> or by directing requests to: Two Harbors Investment Corp., 601 Carlson Parkway, Suite 330, Minnetonka, MN 55305, telephone 612-238-3300.

**Contacts**

Media: Patrick Clifford or Pen Pendleton, The Abernathy MacGregor Group, 212-371-5999.

Investors: Anh Huynh, Investor Relations, Two Harbors Investment Corp., 612-238-3348.

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Two Harbors  
Investment Corp.

December 2009

Interim Investment  
Update

# Safe Harbor Statement

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## Forward-Looking Statements

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Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions. There can be no assurance that actual results will not differ materially from our expectations. Two Harbors cautions investors not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Two Harbors does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based. Additional information is contained in Two Harbors’ filings with the Securities and Exchange Commission (“SEC”). You may obtain these reports from the SEC’s website at [www.sec.gov](http://www.sec.gov).

All subsequent written and oral forward-looking statements concerning Two Harbors or matters attributable to Two Harbors or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above.





# Executive Summary

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- Two Harbors Investment Corp. (NYSE Amex: TWO; TWO.WS) completed its merger transaction with Capitol Acquisition Corp. on October 28, 2009.
  - Two Harbors commenced operations as a REIT investing in residential mortgage-backed securities on October 29, 2009.
  - The transaction generated approximately \$124 million in cash for investments.
- As of December 8, 2009, the Company has deployed approximately 95% of its capital available for investment. The initial portfolio includes approximately \$488 million of Agency and non-Agency bonds.
- Two Harbors' objective is to achieve attractive risk-adjusted returns primarily through dividends and secondarily through capital appreciation.



# Investment Portfolio Summary

December 8, 2009

Aggregate Capital for Investment (\$M) \$124

Asset	Target Allocation (%)	Target Investment <sup>1</sup> (\$M)	Assumed Haircut (%)	Total Target Assets <sup>1</sup> (\$M)	Total Assets Purchased (\$M)	Invested (%)
Agency	30 - 35%	\$40	10%	\$400	\$410	100%
Non-Agency Senior	25 - 30%	\$34	50%	\$68	\$37	54%
Non-Agency Mezzanine	15 - 25%	\$25	100%	\$25	\$25	100%
Interest Only Bonds	10 - 20%	\$19	100%	\$19	\$16	86%
Cash <sup>2</sup>	0 - 10%	\$6	100%	-	-	-
	100%	\$124		\$512	\$488	95%



(1) Portfolio assumes mid-point of the range for each asset class.

(2) Cash target represents current working capital for excess liquidity requirements and Two Harbors operating activities. Current cash allocation depicted is not necessarily reflective of future cash balances to be held by the Company when fully invested. Cash is anticipated to yield approximately 0.00% to 0.25%.

(3) All figures as of December 8, 2009.

# Investment Portfolio Composition

December 8, 2009

## Portfolio

Agency Bonds	Amount (\$M)	Weighted Average Coupon (%)	Weighted Average Price (\$)	Estimated Yield Range <sup>1</sup> (%)
Fixed Rate Bonds	\$99	5.23%	\$104.6	4.00-4.30%
Hybrid ARMs	\$311	4.38%	\$104.9	2.25-2.50%
Total Agency	\$410	-	-	2.60-3.00%

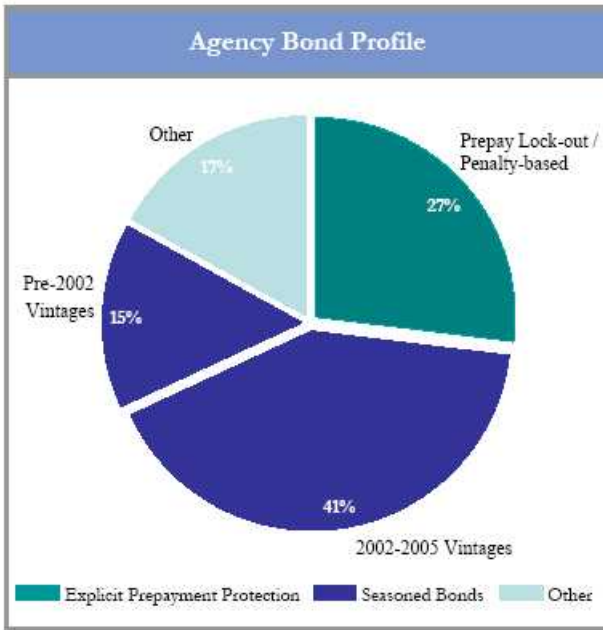
Non-Agency Bonds	Amount (\$M)	Weighted Average Coupon (%)	Weighted Average Price (\$)	Estimated Yield Range <sup>1</sup> (%)
Senior Bonds	\$37	2.86%	\$55.3	8-12%
Mezzanine Bonds	\$25	2.55%	\$38.9	12-20%
Total Non-Agency	\$62	-	-	10-15%

Interest Only Bonds	Amount (\$M)	Weighted Average Coupon (%)	Weighted Average Price (\$)	Estimated Yield Range <sup>1</sup> (%)
Interest Only Bonds	\$16	-	-	10-15%



- (1) Actual realized yields will depend on a number of factors that cannot be predicted with certainty, including realized prepayment speeds for Agency bonds. In addition to prepayment speeds, actual yields will depend on the timing and extent of loan defaults and recoveries for Non-Agency bonds. Estimated yields do not include any costs of operating or managing Two Harbors and are not an indication of estimated earnings.
- (2) All figures as of December 8, 2009.

# Agency Bond Profile



• Bonds with explicit prepayment protection or seasoned bonds represent approximately 83% of portfolio.

• We believe seasoned bonds reflect refinancing burnout and subsequently less prepayment risk.

• Average reset is 21 months for Hybrid ARMs.

• Total IO exposure of ~\$35M<sup>(1)</sup>

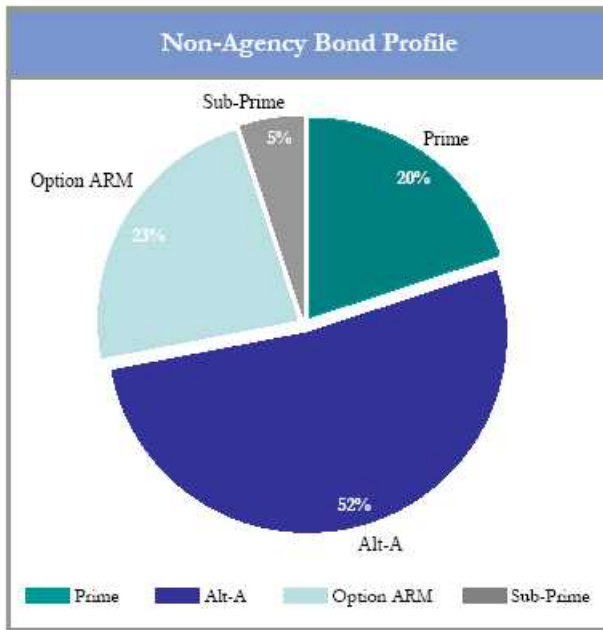
Agency Pools: Premium over Par \$19M

IO Bonds \$16M



(1) Does not include premium over par on bonds with explicit prepayment protection.  
(2) All figures as of December 8, 2009.

# Non-Agency Profile



- 67% of non-Agency bonds have floating rate coupons which should realize benefits in the event of rising interest rates.

- Prepayment Upside - Total Discount to Par: ~\$67M
 

Senior Bonds	\$28M
Mezzanine Bonds	\$39M

- Portfolio by Seasoning

	Senior	Mezz	Total
Pre-2002	2%	0%	2%
2002-2005	17%	30%	47%
Post-2005	43%	8%	51%



(1) All figures as of December 8, 2009.

# Financing, Duration and Leverage Profile

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## Financing

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Repurchase Agreements <sup>1</sup>	Amount (\$M)	Weighted Average Rate (%)
Within 30 days	\$65	0.28%
30 – 90 days	\$113	0.27%
90+ days	\$205	0.40%
Total <sup>3</sup>	\$383	0.34%

## Duration

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Duration Analysis	Target	Current
	+/- 0.50 yr	0.24 yr

## Leverage

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Leverage	Amount (\$M)
Debt <sup>2</sup>	\$383
Equity	\$124
Debt-to-Equity	3.1x



(1) As of December 8, 2009.

(2) Projected debt upon full settlement of open trade positions.

(3) Based on quotes from Two Harbors' repo counterparties as of December 8, 2009, current market repo rates are approximately 0.25% to 0.50% for Agency pools. For non-Agency bonds, current market repo rates are approximately 1.50% to 2.50%.

# Contact Information

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For further information, please contact:

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*Two Harbors Investment Corp.*

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