CHIMERA INVESTMENT CORP
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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 JUNE 22, 2010
PRELIMINARY PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED MAY 26, 2009

100,000,000 Shares

Common Stock

We are offering 100,000,000 shares of our common stock to be sold in this offering. We have granted the underwriters an option to purchase up to 15,000,000 additional shares of our common stock to cover overallotments.

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. RCap Securities, Inc., an underwriter in this offering, is a wholly-owned subsidiary of Annaly.

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 June 21, 2010 was $3.87 per share.

Investing in our common stock involves risks that are described under the caption Risk Factors beginning on page S-8 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 herein.

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

The underwriters propose 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 **BofA Merrill Lynch** **RCap Securities**

The date of this prospectus supplement is , 2010.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

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, wil 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 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, our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and subsequent Quarterly Reports on Form 10-Q, which are 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, our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and subsequent Quarterly Reports on Form 10-Q, which are 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 together with its consolidated subsidiaries; our Manager and FIDAC refer to Fixed Income Discount Advisory Company, our external manager; RCap refers to RCap Securities, Inc., an underwriter in this offering; and Annaly refers to Annaly Capital Management, Inc., the parent company of FIDAC and RCap. Unless indicated otherwise, the information in this prospectus supplement assumes no exercise by the underwriters of their overallotment option to purchase or place up to an additional 15,000,000 shares of our common stock.

The Company

We are a specialty finance company that acquires, through our subsidiaries, residential mortgage-backed securities, or RMBS, residential mortgage loans, commercial 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 investment 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 March 31, 2010, our Manager was the adviser or sub-adviser for investment vehicles, including us, with approximately $6.0 billion in net assets and $14.7 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, commercial 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, asset backed securities, or 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, below B-rated and non-rated classes. We may also acquire non-performing mortgage loans, which are mortgage loans for which the borrower is two or more payments past due, and such loans may underlie the RMBS, CMBS and other real estate-related securities in which we may invest.

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.

Asset Class	**Principal Investments**
Residential Mortgage-Backed Securities, or RMBS	Non-Agency RMBS, including investment-grade and non-investment grade classes, including the BB-rated, B-rated, below B-rated and non-rated classes.
	Agency RMBS.
Residential Mortgage Loans	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.
	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.

Commercial Mortgage Loans	First or second lien loans secured by multifamily properties, which are residential rental properties consisting of five or more dwelling units; and mixed residential or other commercial properties; retail properties; office properties; or industrial properties, which may or may not conform to the Agency Guidelines.
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, below 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 March 31, 2010 was weighted toward non-Agency RMBS. At March 31, 2010, approximately 76% of our investment portfolio was non-Agency RMBS, 15% of our investment portfolio was Agency RMBS, and 9% of our investment portfolio was securitized residential mortgage loans. At March 31, 2010, substantially all of our non-Agency RMBS was rated below B or non-rated. 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 non-Agency RMBS in which we acquire non-Agency RMBS that were predominantly formerly AAA-rated but are now rated below investment grade and re-securitize those securities. We may sell the resulting AAA-rated super senior RMBS and retain some AAA-rated senior RMBS. However, we retain all of the mezzanine and subordinate RMBS, which are predominantly rated below B or are non-rated. Accordingly, we expect the percentage of RMBS rated below B or non-rated in our portfolio to increase. We also anticipate engaging 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 engage in similar transactions using other classes of assets, including commercial mortgage loans. Our investment decisions 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 March 31, 2010, our ratio of debt-to-equity was 1.6:1. 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.

We have entered into a RMBS repurchase agreement with Annaly. This agreement contains customary representations, warranties and covenants contained in such agreements. At March 31, 2010, we had no borrowings outstanding under this agreement, and we currently have no borrowings outstanding 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 and an underwriter in this offering. This agreement contains customary representations, warranties and covenants contained in such agreements. As of March 31, 2010, we were borrowing $147.4 million under this repurchase agreement at an interest rate of 1.22%. We currently have no borrowings outstanding under this repurchase agreement. 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 financing in the future. If RCap does not provide us with financing if we need it, we cannot assure you that we will be able to obtain other financing.

Our Interest Rate Hedging and Risk Management Strategy

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

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 June 10, 2010, we announced that our board of directors declared a second quarter cash distribution of $0.17 per share of our common stock. This dividend will be paid on July 29, 2010 to common stockholders of record on June 21, 2010. Common stock sold in this offering will not participate in this quarterly distribution. We have not yet completed our 2010 second quarter or our consolidated financial statements for the second quarter. Our Core Earnings per share for the second 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.

Recent Offering

On March 31, 2010, we announced the sale of 85,000,000 shares of our common stock at $3.61 per share for proceeds, less the underwriter s discount and offering expenses, of $306.7 million. In addition, on April 1, 2010, the underwriter exercised its option to purchase an additional 12,750,000 shares of our common stock to cover overallotments for proceeds, less the underwriter s discount, of approximately $46.0 million. These sales were completed on April 7, 2010. We raised total net proceeds of approximately $352.7 million in these offerings. We have deployed all of the net proceeds of these offerings. We used most of the net proceeds to purchase unlevered non-Agency RMBS and the remainder of the net proceeds to purchase Agency RMBS using what we believe to be a modest amount of leverage.

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.

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 and our unaudited consolidated financial statements for the three months ended March 31, 2010 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 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2010, which are 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 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2010, which are incorporated by reference into the accompanying prospectus.

	As of March 31,		As of December 31,		
	2010	**2009**	**2009**	**2008**	**2007**
	(dollars in thousands, except share and per share data)				
Statement of Financial Condition Highlights					
Mortgage-backed securities	$ 5,582,375	$ 1,085,792	$ 4,088,894	$ 855,467	$ 1,124,290
Loans held for investment					$ 162,371
Securitized loans	$ 441,347	$ 565,895	$ 470,533	$ 583,346	
Total assets	$ 6,156,195	$ 1,676,048	$ 4,618,328	$ 1,477,501	$ 1,565,636
Repurchase agreements	$ 1,686,237	$ 559,926	$ 1,975,402	$ 562,119	$ 270,584
Securitized debt	$ 2,001,102	$ 473,168	$ 390,350	$ 488,743	
Total liabilities	$ 3,861,248	$ 1,243,222	$ 2,491,766	$ 1,063,046	$ 1,026,747
Stockholders equity	$ 2,294,947	$ 432,826	$ 2,126,562	$ 414,455	$ 538,889
Book value per share	$ 3.42	$ 2.44	$ 3.17	$ 2.34	$ 14.29
Number of shares outstanding	670,371,002	177,196,945	670,371,587	177,198,212	37,705,563

	For the three months ended March 31, 2010	**For the three months ended March 31, 2009**	**For the year ended December 31, 2009**	**For the year ended December 31, 2008**	**For the period from November 21, 2007 through December 31, 2007**
	(dollars in thousands, except share and per share data)				
Statement of Operations Highlights					
Net interest income	$ 138,641	$ 18,965	$ 263,456	$ 44,715	$ 3,077
Net income (loss)	$ 125,610	$ 18,869	$ 323,983	($ 119,809)	($ 2,906)
Earnings per share (loss), or EPS (basic)	$ 0.19	$ 0.11	$ 0.64	($ 1.90)	($ 0.08)
EPS (loss)(diluted)	$ 0.19	$ 0.11	$ 0.64	($ 1.90)	($ 0.08)
Weighted average shares basic	670,371,022	177,196,959	507,042,421	63,155,878	37,401,737
Weighted average shares diluted	670,371,022	177,196,959	507,042,421	63,155,878	37,401,737
Dividend declared per share (1)	$ 0.17	$ 0.06	$ 0.43	$ 0.62	$ 0.025
Other Data(2)					
Yield on average interest earning assets	10.04%	6.44%	6.90%	5.96%	7.02%
Cost of funds on average interest bearing liabilities	4.50%	3.48%	2.03%	4.64%	5.08%
Interest rate spread	5.54%	2.96%	4.87%	1.32%	1.94%
G&A and management fee expense as percentage of average total assets	0.73%	0.94%	0.99%	0.85%	1.55%
G&A and management fee expense as percentage of average equity	1.79%	3.51%	2.25%	3.50%	3.05%

(1) For the applicable period.
(2) Data for the period from November 21, 2007 through December 31, 2007 is provided on an annualized basis.

The Offering

Issuer	Chimera Investment Corporation
Common stock offered by us	100,000,000 shares (plus up to an additional 15,000,000 shares of our common stock that we may issue and sell upon the exercise of the underwriters overallotment option).
Common stock to be outstanding after this offering	868,140,721 shares, based upon 768,140,721 shares of common stock outstanding as of June 10, 2010. Does not include up to an additional 15,000,000 shares of our common stock that we may issue and sell upon the exercise of the underwriters overallotment option. Includes 998,975 shares of our restricted common stock granted pursuant to our equity incentive plan that were unvested as of March 31, 2010.
NYSE symbol	CIM
Use of proceeds	We intend to acquire non-Agency RMBS, Agency RMBS, prime and Alt-A residential mortgage loans, commercial mortgage loans, CMBS, CDOs, and other consumer or non-consumer ABS. Our portfolio at March 31, 2010 was weighted toward RMBS. After the consummation of this offering, we expect that over the near term our portfolio will continue to be weighted toward RMBS, subject to maintaining our REIT qualification and our 1940 Act exemption. Until appropriate assets can be identified, our Manager may acquire interest-bearing short-term investments, including money market accounts, which are consistent with our treatment as a REIT, or may use them to reduce short-term indebtedness. These assets are expected to provide a lower net return than we hope to achieve from deploying the proceeds of this offering in our targeted assets. See Use of Proceeds.
Risk factors	Investing in our common stock involves a high degree of risk. You should carefully read and consider the information set forth under Risk Factors and all other information in this prospectus supplement, in the accompanying prospectus, our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference in the accompanying prospectus, before investing in our common stock.

RISK FACTORS

In evaluating an investment in our common stock, you should carefully consider the risks set forth under the caption Risk Factors 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 and subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference in the accompanying prospectus.

We may allocate the net proceeds from this offering to investments with which you may not agree.

We will have significant flexibility in investing the net proceeds of this offering. You will be unable to evaluate the manner in which the net proceeds of this offering will be invested or the economic merit of our expected investments and, as a result, we may use the net proceeds from this offering to invest in investments with which you may not agree. The failure of our management to apply these proceeds effectively or find assets that meet our investment criteria in sufficient time or on acceptable terms could result in unfavorable returns, could cause a material adverse effect on you, and could cause the value of our common stock to decline.

The recent actions of the U.S. government, the Federal Reserve, the U.S. Treasury, and the Securities and Exchange Commission for the purpose of stabilizing the financial markets may adversely affect our business.

The U.S. government, the Federal Reserve, the U.S. Treasury, the SEC, and other governmental and regulatory bodies have taken or are considering taking various actions to address the financial crisis. For example, on May 20, 2010, the U.S. Senate passed the Restoring American Financial Stability Act which is similar to the version passed by the U.S. House of Representatives with respect to its potential impact on the securitization market in that it requires, among other things, that a securitizer generally retain not less than 5% of the credit risk for any securitized asset that is transferred, sold, or conveyed through issuance of an ABS. Also, the SEC has proposed significant changes to Regulation AB, which, if adopted in their present form, could have sweeping changes to commercial and residential mortgage loan securitization markets as well as to the market for the resecuritization of mortgage-backed securities. There can be no assurances that such actions will have a beneficial impact on the financial markets. In addition to the foregoing, the U.S. Congress and/or various states and local legislatures may enact additional legislation or regulatory action designed to address the current economic crisis or for other purposes that could have a material adverse effect on our ability to execute our business strategies. To the extent the market does not respond favorably to these initiatives or they do not function as intended, they may not have a positive impact on our business.

The increasing number of proposed U.S. federal, state and local laws may affect certain mortgage-related assets in which we intend to invest and could increase our cost of doing business.

Legislation has been proposed which, among other provisions, could hinder the ability of a servicer to foreclose promptly on defaulted mortgage loans or would permit limited assignee liability for certain violations in the mortgage loan origination process. For example, the House of Representatives and the Senate have made public a base text to use for negotiating the differences between their respective financial reform bills. This base text contains the House provision which would permit limited assignee liability for certain violations in the mortgage loan origination process which could result in us being held responsible for violations in the mortgage loan origination process. We cannot predict whether or in what form the U.S. Congress or the various state and local legislatures may enact legislation affecting our business. We will evaluate the potential impact of any initiatives which, if enacted, could affect our practices and results of operations. We are unable to predict whether U.S. federal, state or local authorities will enact laws, rules or regulations that will require changes in our practices in the future, and any such changes could adversely affect our cost of doing business and profitability.

The commercial mortgage loans that we may acquire and the mortgage loans underlying CMBS investments are subject to the ability of the property owner to generate net income from operating the property as well as the risks of delinquency and foreclosure.

The ability of a commercial mortgage borrower to repay a loan secured by an income-producing property, such as a multi-family or commercial property, typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower s ability to repay the loan may be impaired. Net operating income of an income producing property can be affected by, among other things, tenant mix, success of tenant businesses, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances.

Most commercial mortgage loans underlying CMBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower s assets other than the underlying collateral. In the event of any default under a mortgage loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral (or our ability to realize such value through foreclosure) and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on our results of operations and cash flow from operations and limit amounts available for distribution to our stockholders. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process, which could have a substantial negative effect on our anticipated return on the foreclosed mortgage loan.

CMBS assets are subject to losses.

In general, losses on a mortgaged property securing a mortgage loan included in a securitization will be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit, if any, then by the holder of a mezzanine loan or B Note, if any, then by the first loss subordinated security holder generally, the B-Piece buyer, and then by the holder of a higher-rated security. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit, mezzanine loans or B Notes, and any classes of securities junior to those which we acquire, we will not be able to recover all of our capital in the securities we purchase. The pool of loans backing CMBS we may purchase may contain one or more large loans and the default of any such loan may have a material adverse effect on the performance of that CMBS. In addition, if the underlying mortgage portfolio has been overvalued by the originator, or if the values subsequently decline and, as a result, less collateral is available to satisfy interest and principal payments due on the related mortgage-backed securities. The prices of lower credit quality CMBS are generally less sensitive to interest rate changes than more highly rated CMBS, but more sensitive to adverse economic downturns or individual issuer developments. The projection of an economic downturn, for example, could cause a decline in the price of lower credit quality CMBS because the ability of obligors of mortgages underlying CMBS to make principal and interest payments may be impaired. In such event, existing credit support in the securitization structure may be insufficient to protect us against loss of our principal on these securities.

We may not control the special servicing of the mortgage loans included in the CMBS in which we may invest and, in such cases, the special servicer may take actions that could adversely affect our interests.

With respect to the CMBS in which we may invest, overall control over the special servicing of the related underlying mortgage loans will be held by a directing certificateholder or a controlling class representative, which is appointed by the holders of the most subordinate class of CMBS in such series. To the extent that we focus on acquiring classes of existing series of CMBS originally rated AAA, we will not have the right to appoint the directing certificateholder. In connection with the servicing of the specially serviced mortgage loans, the related special servicer may, at the direction of the directing certificateholder, take actions with respect to the specially serviced mortgage loans that could adversely affect our interests.

USE OF PROCEEDS

We estimate that our net proceeds from this public offering of our shares of common stock, after deducting our estimated offering expenses, will be approximately $ million (or approximately $ million if the underwriters exercise their overallotment option in full).

We intend to use the net proceeds of this offering to finance the acquisition of non-Agency RMBS, Agency RMBS, prime and Alt-A residential mortgage loans, commercial mortgage loans, CMBS, CDOs and other consumer or non-consumer ABS. Our portfolio at March 31, 2010 was weighted toward RMBS. After the consummation of this offering, we expect that over the near term our portfolio will continue to be weighted toward RMBS, subject to maintaining our REIT qualification and our 1940 Act exemption. See Prospectus Supplement Summary Our Investment Strategy.

We may also use the proceeds for other general corporate purposes such as repayment of outstanding indebtedness, working capital, and for liquidity needs. Pending any such uses, we may acquire interest-bearing short-term investments, including money market accounts that are consistent with our treatment as a REIT, or may use them to reduce short term indebtedness. These assets are expected to provide a lower net return than we hope to achieve from deploying the proceeds of this offering in our targeted assets.

DISTRIBUTIONS

To maintain our qualification as a REIT, we must distribute substantially all of our taxable income to our stockholders for each year. We have done this in the past and intend to continue to do so in the future. We also have declared and paid regular quarterly cash dividends in the past and intend to do so in the future.

The following table sets forth the cash distributions declared per common share during each fiscal quarter of our current fiscal year and our last two fiscal years.

	Cash Distributions Declared Per Common Share
2010	
Second quarter	$.17
First quarter	$.17
2009	
Fourth quarter	$.17
Third quarter	$.12
Second quarter	$.08
First quarter	$.06
2008	
Fourth quarter	$.04
Third quarter	$.16
Second quarter	$.16
First quarter	$.26

We have not established a minimum distribution payment level on our common stock and our ability to pay distributions on our common stock may be adversely affected as a result of the risks set forth under the caption Risk Factors in this prospectus supplement, in the accompanying prospectus, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and subsequent Quarterly Reports on Form 10-Q, which are incorporated by reference in the accompanying prospectus. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our REIT status and such other factors as our board of directors may deem relevant from time to time.

ADDITIONAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion supplements the discussion under the heading Material Federal Income Tax Considerations in the prospectus. Terms used in this section but not defined in this section have the meanings ascribed to them elsewhere in this prospectus supplement or in Material Federal Income Tax Considerations in the prospectus. You should refer to the discussion in the prospectus under Material Federal Income Tax Considerations for a discussion of the tax consequences of our election to be taxed as a REIT and the tax consequences to Owners of shares of our common stock. The following is a summary of certain material U.S. federal income tax considerations relates to the acquisition, ownership and disposition of shares of our common stock.

Taxation of Foreign Owners

The following discussion should be read in connection with your review of the discussion under the heading Material Federal Income Tax Considerations Taxation of Foreign Owners in the prospectus.

Information Reporting and Backup Withholding

Under current Treasury Regulations, information reporting and backup withholding will not apply to payments on the common stock made by us or our paying agent (in its capacity as such) to you if you have provided the required certification that you are a Foreign Owner provided that neither we nor our paying agent has actual knowledge or reason to know that you are a Domestic Owner. However, we or our paying agent may be required to report to the IRS and you payments of dividends on our common stock and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such payments and any withholding may also be made available to the tax authorities in the country in which you reside under the provisions of a treaty or agreement. The gross proceeds from the disposition of your common stock may be subject to information reporting and backup withholding tax (currently at a maximum rate of 28%). If you sell your common stock outside the United States through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to you outside the United States, then the U.S. information reporting and backup withholding requirements generally will not apply to that payment. However, U.S. information reporting, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the United States, if you sell your debt securities or common stock through a non-U.S. office of a broker that:

- is a U.S. person;
- derives 50% or more of its gross income in specific periods from the conduct of a trade or business in the United States;
- is a controlled foreign corporation for U.S. federal income tax purposes; or
- is a foreign partnership, if at any time during its tax year:
  - o one or more of its partners are U.S. persons who in the aggregate hold more than 50% of the income or capital interests in the partnership; or
  - o the foreign partnership is engaged in a U.S. trade or business,

unless the broker has documentary evidence in its files that you are a Foreign Owner and certain other conditions are met or you otherwise establish an exemption.

If you receive payment of the proceeds of a sale of your common stock to or through a U.S. office of a broker, the payment is subject to both U.S. backup withholding and information reporting unless you provide an IRS Form W-8BEN certifying that you are a Foreign Owner or you otherwise establish an exemption, provided that the broker does not have actual knowledge or reason to k