

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 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): April 13, 2020

Two Harbors Investment Corp.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or
organization)

001-34506
(Commission File Number)

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

575 Lexington Avenue, Suite 2930
(Address of Principal Executive Offices)

New York, NY

10022
(Zip Code)

(612) 629-2500

Registrant's telephone number, including area code

(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))

Securities Registered Pursuant to Section 12(b) of the Act:

<u>Title of Each Class:</u>	<u>Trading Symbol(s)</u>	<u>Name of Exchange on Which Registered:</u>
Common Stock, par value \$0.01 per share	TWO	New York Stock Exchange
8.125% Series A Cumulative Redeemable Preferred Stock	TWO PRA	New York Stock Exchange
7.625% Series B Cumulative Redeemable Preferred Stock	TWO PRB	New York Stock Exchange
7.25% Series C Cumulative Redeemable Preferred Stock	TWO PRC	New York Stock Exchange
7.75% Series D Cumulative Redeemable Preferred Stock	TWO PRD	New York Stock Exchange
7.50% Series E Cumulative Redeemable Preferred Stock	TWO PRE	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.02 Termination of a Material Definitive Agreement.

On April 13, 2020, Two Harbors Investment Corp. (the “Company”) announced that it has elected not to renew the management agreement, dated as of October 28, 2009 (as amended, the “Management Agreement”), by and among the Company, Two Harbors Operating Company LLC, and PRCM Advisers LLC (the “Manager”), pursuant to which the Manager administers the Company’s business activities and day-to-day operations. The Company advised the Manager that the Company has elected not to renew the Management Agreement on the basis of unfair compensation payable to the Manager in accordance with Section 13(a)(ii) thereof.

The Management Agreement provides a contractual mechanism for the Manager to renegotiate its compensation under the Management Agreement pursuant to Section 13(a)(ii) of the Management Agreement. Based on communications with the Manager, the Company has determined that the Management Agreement will terminate on September 19, 2020 (the “Termination Date”).

In connection with the termination of the Management Agreement pursuant to Section 13(a)(ii) thereof, the Manager will be entitled to receive on the Termination Date a one-time cash termination fee (the “Termination Fee”), equal to three times the sum of the average annual Base Management Fee (as defined in the Management Agreement) earned by the Manager during the 24-month period immediately preceding the Termination Date, calculated as of the end of the most recently completed fiscal quarter prior to the Termination Date. The Company estimates that the Termination Fee will be approximately \$144 million.

Upon the termination of the Management Agreement, the Company will cease to be externally managed.

An independent committee comprised of all of the independent members of the Company’s Board of Directors (the “Independent Committee”) has been reviewing and evaluating the performance of, and the fees and expenses payable to, the Manager, as well as certain potential transactions that the Independent Committee may deem to be in the best interests of the Company and its stockholders. In addition, a special committee (the “Special Committee”), comprised entirely of independent and disinterested directors, was formed to review and make recommendations regarding certain aspects of the Company’s relationship with the Manager. During the course of this review, the Special Committee analyzed the compensation payable to the Manager under the Management Agreement and, based upon the unanimous recommendation of the Special Committee, the Independent Directors unanimously determined that the compensation payable to the Manager is unfair and approved the non-renewal of the Management Agreement pursuant to Section 13(a)(ii) thereof. As part of its process, the Special Committee was advised by Lazard, as its financial advisor, including with respect to the financial fairness to the Company of the Termination Fee to be paid by the Company to the Manager in connection with the non-renewal of the Management Agreement. The Special Committee was also advised by an independent legal advisor.

Copies of the Management Agreement, as amended by the Amendment, the Second Amendment, the Third Amendment and the Fourth Amendment, are filed with the Securities and Exchange Commission (the “SEC”) as Exhibit 10.1 to the Company’s [Annual Report on Form 10-K on March 4, 2010](#), the [Current Report on Form 8-K on December 19, 2012](#), the [Current Report on Form 8-K on November 7, 2014](#), the [Current Report on Form 8-K on June 28, 2017](#) and the [Current Report on Form 8-K on April 26, 2018](#), respectively, and are incorporated by reference herein.

Item 7.01 Regulation FD Disclosure.

On April 13, 2020, the Company issued a press release announcing that it will not renew the Management Agreement as disclosed in Item 1.02 above. A copy of the press release is attached hereto as Exhibit 99.1.

The press release is furnished pursuant to Item 7.01 of Form 8-K and shall not be deemed to be “filed” for any other purpose, including for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section. The information in Item 7.01 of this Current Report, including Exhibit 99.1, shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filings, except as shall be expressly set forth by specific reference in such filing.

Forward Looking Statements

Certain items in this Current Report on Form 8-K, including the press release furnished herewith as Exhibit 99.1, may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. 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,” “believe,” “predicts,” “potential,” “continue,” and similar expressions are intended to identify such forward-looking statements. These statements include, but are not limited to, those pertaining to the Company’s expectations that the Company will be able to retain its senior executives and other personnel and to ensure a smooth transition of the business following the termination of the Management Agreement and that the non-renewal of the Management Agreement and the transition to a self-managed structure will be accretive to earnings, will reduce the Company’s costs and expenses, will create the potential for enhanced returns with respect to future equity capital growth, will further strengthen the alignment of interests of the management team and those of the Company and its stockholders, and may make an investment in the Company more appealing to certain investors. Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Additional information concerning these and other risk factors is contained in the Company’s most recent filings with the SEC. All subsequent written and oral forward looking statements concerning the Company or matters attributable to the Company or any person acting on its behalf are qualified in their entirety by the cautionary statements above. The Company 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.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Title</u>
<u>10.1</u>	<u>Management Agreement, dated as of October 28, 2009, by and among Two Harbors Investment Corp., Two Harbors Operating Company LLC and PRCM Advisers LLC (incorporated by reference to Exhibit 10.1 to the Company’s Form 10-K for the year ended December 31, 2009, filed with the SEC on March 4, 2010).</u>
<u>10.2</u>	<u>Amendment to Management Agreement, dated as of December 19, 2012, by and among Two Harbors Investment Corp., Two Harbors Operating Company LLC and PRCM Advisers LLC (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on December 19, 2012).</u>
<u>10.3</u>	<u>Second Amendment to Management Agreement, dated as of November 3, 2014, by and among Two Harbors Investment Corp., Two Harbors Operating Company LLC and PRCM Advisers LLC (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on November 7, 2014).</u>
<u>10.4</u>	<u>Third Amendment to Management Agreement, dated as of June 28, 2017, by and among Two Harbors Investment Corp., Two Harbors Operating Company LLC and PRCM Advisers LLC (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on June 28, 2017).</u>
<u>10.5</u>	<u>Fourth Amendment to Management Agreement, dated as of April 25, 2018, by and among Two Harbors Investment Corp., Two Harbors Operating Company LLC and PRCM Advisers LLC (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on April 26, 2018).</u>
<u>99.1</u>	<u>Press Release of Two Harbors Investment Corp., dated April 13, 2020.</u>
104	Cover Page Interactive Data File, formatted in Inline XBRL.

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/ Rebecca B. Sandberg
Rebecca B. Sandberg
General Counsel and Secretary

Date: April 13, 2020



Two Harbors Announces Non-Renewal of Management Agreement
Undertakes Process to Become Self-Managed upon Termination of Management Agreement

NEW YORK — April 13, 2020 — Two Harbors Investment Corp. (“Two Harbors” or the “Company”) (NYSE: TWO) announced today that it has elected not to renew its Management Agreement with PRCM Advisers LLC (the “Manager”), a subsidiary of Pine River Capital Management L.P. Notice of non-renewal was provided under Section 13(a)(ii) of the Management Agreement on the basis of unfair compensation to the Manager. As a result, the Management Agreement will terminate on September 19, 2020.

Following the termination of the Management Agreement, Two Harbors will become a self-managed company. We expect to continue to be managed by our strong and experienced senior management team along with the other personnel currently providing services to Two Harbors, to whom our Board of Directors intends to extend offers of employment. The Board anticipates a smooth and timely transition of all functions necessary to operate the Company’s business without interruption.

We believe that the non-renewal of the Management Agreement and the transition to self-management will result in material benefits to our stockholders, including:

- **Substantial Anticipated Cost Savings.** The elimination of the unfair compensation to the Manager and the transition to a self-managed structure are expected to be accretive to earnings and significantly reduce the Company’s general and administrative expenses. Excluding the one-time costs associated with the termination fee payable to the Manager on the termination date, we currently expect to generate annual cost savings of approximately \$42 million or \$0.15 per share of common stock.
- **Potential for Enhanced Returns on Future Capital Growth.** The elimination of the management fee, which is calculated on the Company’s stockholders’ equity, will create the potential for enhanced incremental returns with respect to future equity capital growth.
- **Further Aligns Management with Stockholders and Reduces Conflicts of Interest.** The self-managed structure will further strengthen the alignment of interests of the management team and those of the Company and its stockholders.
- **Potential for Attracting New Institutional Investors.** The transition to a self-managed structure may make an investment in Two Harbors more appealing to a subset of investors who disfavor external management structures.

“The transition to a self-managed structure is the right move for the Company at this time given the maturity of our business and our well-established infrastructure. As the Chairman of the Board, I want to assure our stockholders that the Board of Directors and senior management team remain deeply committed to our goal of generating long-term stockholder value,” said Stephen G. Kasnet, Chairman of Two Harbors’ Board of Directors. “The decision to not renew the Management Agreement was the result of a diligent, thorough and extensive months-long process led by the independent directors of Two Harbors, during which we undertook a detailed review of the Manager’s compensation under the terms of the Management Agreement and determined that it was no longer fair. We believe our stockholders will benefit from the significant cost savings resulting from eliminating that unfair compensation, and believe that the self-managed structure best positions Two Harbors with an optimized platform from which to execute its business and financial objectives.”

Under the terms of the Management Agreement, Two Harbors will pay a one-time cash termination fee to the Manager on September 19, 2020, calculated in accordance with the Management Agreement, equal to three times the sum of the average annual management fee earned by the Manager during the twenty-four month period ending June 30, 2020 (the most recent completed fiscal quarter prior to the termination date). The amount of the cash termination fee is estimated to be approximately \$144 million.

An independent committee comprised entirely of Independent Directors (the “Independent Committee”) has been reviewing and evaluating the performance of, and the fees and expenses payable to, the Manager, as well as certain potential transactions that the Independent Committee may deem to be in the best interests of the Company and its stockholders. In addition, a special committee (the “Special Committee”), comprised entirely of independent and disinterested directors, was formed to address and make recommendations regarding certain aspects of the Company’s relationship with the Manager. During the course of this review, the Special Committee analyzed the compensation payable to the Manager under the Management Agreement and, based upon the unanimous recommendation of the Special Committee, the Independent Directors unanimously determined that the compensation payable to the Manager is unfair and approved the non-renewal of the Management Agreement.

As part of this process, the Special Committee was advised by Lazard, as its financial advisor, and Goodwin Procter, as its legal counsel.

Forward Looking Statements

This press release includes “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. 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,” “believe,” “predicts,” “potential,” “continue,” and similar expressions are intended to identify such forward-looking statements. These statements include, but are not limited to, those pertaining to the Company’s expectations that the Company will be able to retain its senior executives and other personnel and to ensure a smooth transition of the business following the termination of the Management Agreement and that the non-renewal of the Management Agreement and the transition to a self-managed structure will be accretive to earnings, will reduce the Company’s costs and expenses, will create the potential for enhanced returns with respect to future equity capital growth, will further strengthen the alignment of interests of the management team and those of the Company and its stockholders, and may make an investment in Two Harbors more appealing to certain investors. These forward looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results.

Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Additional information concerning these and other risk factors is contained in Two Harbors’ most recent filings with the 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 qualified in their entirety by the cautionary statements above. 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.

Two Harbors Investment Corp.

Two Harbors Investment Corp., a Maryland corporation, is a real estate investment trust that invests in residential mortgage-backed securities, mortgage servicing rights and other financial assets. Two Harbors is headquartered in New York, New York, and is externally managed and advised by PRCM Advisers LLC, a wholly owned subsidiary of Pine River Capital Management L.P. Additional information is available at www.twoharborsinvestment.com.

Additional Information

Stockholders of Two Harbors and other interested persons may find additional information regarding the Company at the SEC’s website at www.sec.gov or by directing requests to: Two Harbors Investment Corp., 575 Lexington Avenue, Suite 2930, New York, NY 10022, telephone 612-629-2500.

Contact

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