

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): May 4, 2010

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 2.02 Results of Operations and Financial Condition

On May 4, 2010, Two Harbors Investment Corp. (“Two Harbors”) issued a press release announcing its financial results for the fiscal quarter ended March 31, 2010. 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.

In addition to disclosing financial results calculated in accordance with United States generally accepted accounting principles (GAAP), the earnings release contains non-GAAP financial measures that exclude net gains on sales of securities of approximately \$1.2 million, unrealized losses on interest rate swaps of approximately \$0.7 million, net of tax, and gains on other derivative instruments of approximately \$0.9 million, to arrive at “Core Earnings.”

Management uses Core Earnings to evaluate results of the business. We believe that analyzing the trends of the underlying business is aided by use of Core Earnings due to the significant impact this measure has on comparability from period to period. The non-GAAP financial measures disclosed by the company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations from these results should be carefully evaluated.

The information in this report, including the exhibit hereto, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information in this report, including the exhibit hereto, shall not be incorporated by reference into any filing of the registrant with the Securities and Exchange Commission, whether made before or after the date hereof, regardless of any general incorporation language in such filings (unless the registrant specifically states that the information or exhibit in this particular report is incorporated by reference).

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, May 4, 2010, issued by Two Harbors Investment Corp.
99.2	2010 First Quarter Earnings Call Presentation

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

Date: May 4, 2010



Two Harbors Investment Corp. Reports First Quarter 2010 Financial Results

NEW YORK, May 4, 2010 – Two Harbors Investment Corp. (“Two Harbors” or the “Company”) (NYSE Amex: TWO; TWO.WS), a real estate investment trust that focuses on investing in residential mortgage-backed securities, today announced its financial results for the quarter ended March 31, 2010.

First Quarter 2010 Highlights:

- Quarterly GAAP earnings were \$0.40 per diluted common share
- Increased book value per share to \$9.38 at March 31, 2010, from \$9.08 as of December 31, 2009
- Achieved a 17.1% annualized return on average equity on a GAAP basis
- Declared a dividend of \$0.36 per common share

The Company reported Core Earnings for the quarter ended March 31, 2010, of \$3.9 million or \$0.29 per diluted common share outstanding. “Core Earnings” represents a non-GAAP measure and is defined as net income (loss) excluding impairment losses, gains or losses on sales of securities, unrealized gains or losses on interest rate swaps, gains or losses on other derivative instruments, and certain non-recurring expenses. On a GAAP basis, the Company reported net income for the quarter of \$5.3 million or \$0.40 per diluted share outstanding.

During the quarter, the Company sold securities for \$10.4 million with an amortized cost of \$9.2 million for a net realized gain of \$1.2 million. In addition, the Company recognized in earnings an unrealized loss, net of tax, of \$0.7 million associated with its interest rate swaps, and realized gains on the sale of to-be-announced securities of approximately \$0.8 million.

Two Harbors declared a quarterly dividend of \$0.36 per common share in March 2010. The annualized dividend yield on the Company’s common stock for the quarter ended March 31, 2010, based on the March 31, 2010 closing price of \$9.14 was 15.8%. On a GAAP Earnings basis, the Company provided an annualized return on average equity of 17.1% for the quarter ended March 31, 2010.

The Company’s book value per diluted share as of March 31, 2010 was \$9.38 compared to \$9.08 as of December 31, 2009.

“We are delighted with our financial results for the quarter,” said Thomas Siering, Two Harbors’ President and Chief Executive Officer. “Our investment team was able to meaningfully grow book value and deliver a strong dividend and EPS metric. We were quite pleased to do so in Two Harbors’ first full quarter of operating results; one that was unobscured by our path to market in October 2009.”

Portfolio Summary

For the quarter ended March 31, 2010, the annualized yield on average available-for-sale securities was 4.9% and the annualized cost of funds on the average borrowings was 0.5%, which resulted in a net interest rate spread of 4.4%. The Company reported debt-to-equity of 3.6:1.0 at March 31, 2010.

In the first quarter, the Company completed deployment of its capital available for investment which resulted in a portfolio as of March 31, 2010 with a total value of \$520.2 million, comprised of \$412.5 million Agency RMBS and \$107.7 million non-Agency RMBS. As of March 31, 2010, fixed-rate securities comprised 32% of the Company's portfolio and adjustable-rate securities comprised 68% of the Company's portfolio. Two Harbors was a party to interest rate swaps as of March 31, 2010 with an aggregate notional amount of \$150 million, or 33% of the Company's outstanding borrowings. Interest rate swaps are used to hedge against increases in interest rates on a portion of the Company's LIBOR-based repurchase agreements.

"Our performance can be primarily attributed to two factors; Agency securities performed in line with expectations by avoiding any adverse impacts from the GSE buyouts and non-Agency securities recorded solid returns," said William Roth, Two Harbors' Co-Chief Investment Officer.

"Also noteworthy," continued Roth "is comprehensive income of \$8.8 million for the quarter. Comprehensive income reflects our GAAP earnings for the quarter plus the appreciation in the fair value of our securities."

The following table summarizes portfolio information for the Company:

Two Harbors Portfolio

(dollars in thousands, except per share data)

Portfolio Composition	As of March 31, 2010	
Agency Bonds		
Fixed Rate Bonds	\$ 122,017	23.4%
Hybrid ARMS	290,521	55.9%
Total Agency	412,538	79.3%
Non-Agency Bonds		
Senior Bonds	88,345	17.0%
Mezzanine Bonds	19,286	3.7%
Total Non-Agency	107,631	20.7%
Aggregate Portfolio	\$ 520,169	
Fixed-rate investment securities as a percentage of portfolio		32.3%
Adjustable-rate investment securities as a percentage of portfolio		67.7%
		For the Quarter Ended March 31, 2010
Portfolio Metrics		
Annualized yield on average available-for-sale securities during the quarter		
Agency securities		3.6%
Non-Agency securities		10.6%
Aggregate Portfolio		4.9%
Annualized cost of funds on average repurchase balance during the quarter		0.5%
Annualized interest rate spread during the quarter		4.4%
Weighted average cost basis of principal and interest securities		
Agency	\$ 105.0	
Non-Agency	\$ 56.8	
Weighted average three month CPR for our portfolio		
Agency		16.2%
Non-Agency		11.6%
Debt-to-equity ratio at period-end		3.6 to 1.0

Agency securities owned by Two Harbors at March 31, 2010 experienced a three-month average Constant Prepayment Rate during the first quarter of 2010 of 16.2%. The weighted average cost basis of the Agency portfolio was 105.0% of par, and the net premium amortization was \$2.5 million for the three months ended March 31, 2010.

Non-Agency securities owned by Two Harbors at March 31, 2010 experienced a three-month average Constant Prepayment Rate during the first quarter of 2010 of 11.6%. The weighted average cost basis of the non-Agency portfolio was 56.8% of par, and the discount accretion was \$1.1 million for the three months ended March 31, 2010. The total net discount remaining was \$118.8 million as of March 31, 2010.

Conference Call

Two Harbors Investment Corp. will host a conference call on May 5, 2010, to discuss first quarter 2010 financial results and related information at 9:00 a.m. EST. To participate in the teleconference, please call toll-free 877-868-1835 (or 914-495-8581 for international callers) approximately 10 minutes prior to the above start time. You may also listen to the teleconference live via the Internet at www.twoharborsinvestment.com under the Webcast link. For those unable to attend, the Company's website will host an archive of the call.

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. Additional information is available at www.twoharborsinvestment.com.

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 could cause actual results to differ include higher than expected operation costs, changes in prepayment speeds, failure to recover certain losses that are expected to be temporary, changes in interest rates or the regulatory environment, and unanticipated changes in overall market and economic conditions.

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.

Additional Information

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

Contact

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

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TWO HARBORS INVESTMENT CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(dollars in the usands, except per share data)

	<u>Three Months Ended March 31,</u>	
	<u>2010</u>	<u>2009</u>
Interest income:		
Available-for-sale securities	\$ 6,153	\$ -
Cash and cash equivalents	6	48
Total interest income	6,159	48
Interest expense	518	-
Net interest income	<u>5,641</u>	<u>48</u>
Other income:		
Gain on sale of investment securities, net	1,197	-
Loss on interest rate swap agreements	(1,547)	-
Gain on other derivative instruments	946	-
Total other income	<u>596</u>	<u>-</u>
Expenses:		
Management fees	457	-
Operating expenses	987	320
Total expenses	<u>1,444</u>	<u>320</u>
Net income (loss) before income taxes	4,793	(272)
Benefit from income taxes	534	92
Net income (loss)	<u>5,327</u>	<u>(180)</u>
Accretion of Trust Account income relating to common stock subject to possible conversion	-	(31)
Net income (loss) attributable to common stockholders	<u>\$ 5,327</u>	<u>\$ (211)</u>
Net income (loss) available per share to common stockholders, basic and diluted:	<u>\$ 0.40</u>	<u>\$ (0.01)</u>
Weighted average shares outstanding:		
Basic	<u>13,379,209</u>	<u>24,936,558</u>
Diluted	<u>13,401,368</u>	<u>24,936,558</u>
Comprehensive income (loss) :		
Net income (loss)	\$ 5,327	\$ (180)
Other comprehensive income		
Net unrealized gain on available-for-sale securities	3,500	-
Other comprehensive income	3,500	-
Comprehensive income (loss)	<u>\$ 8,827</u>	<u>\$ (180)</u>
Reconciliation of net income (loss) attributable to common stockholders to core earnings:		
Net income (loss) attributable to common stockholders	\$ 5,327	\$ (211)
Adjustments for non-core earnings:		
Gain on sales of securities, net	(1,197)	-
Unrealized loss on interest rate swap agreements, net of tax	745	-
Gain on other derivative instruments	(946)	-
Core earnings	<u>\$ 3,929</u>	<u>\$ (211)</u>
Weighted average shares outstanding - diluted	<u>13,401,368</u>	
Core earnings per weighted average share outstanding - diluted	<u>\$ 0.29</u>	NM

NM = not meaningful

TWO HARBORS INVESTMENT CORP.
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

ASSETS	March 31, 2010 <u>(unaudited)</u>	December 31, 2009 <u></u>
Available-for-sale securities, at fair value	\$ 520,169	\$ 494,465
Cash and cash equivalents	25,443	26,105
Total earning assets	<u>545,612</u>	<u>520,570</u>
Restricted cash	22,593	8,913
Accrued interest receivable	2,500	2,580
Due from counterparties	23,340	4,877
Derivative assets, at fair value	3,469	364
Prepaid expenses	602	572
Deferred tax assets	402	-
Prepaid tax assets	499	490
Total Assets	<u>\$ 599,017</u>	<u>\$ 538,366</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Repurchase agreements	\$ 449,961	\$ 411,893
Derivative liabilities, at fair value	16,716	-
Accrued interest payable	383	114
Deferred tax liabilities	-	124
Accrued expenses and other liabilities	1,376	1,030
Dividends payable	4,825	3,484
Total liabilities	<u>473,261</u>	<u>416,645</u>
Common stock, subject to possible conversion	-	-
Stockholders' Equity		
Preferred stock, par value \$0.01 per share; 50,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value \$0.01 per share; 450,000,000 shares authorized and 13,379,209 shares issued and outstanding	134	134
Additional paid-in capital	131,789	131,756
Accumulated other comprehensive income (loss)	2,550	(950)
Cumulative (losses) earnings	(408)	(5,735)
Cumulative distributions to stockholders	(8,309)	(3,484)
Total stockholders' equity	<u>125,756</u>	<u>121,721</u>
Total liabilities and stockholders' equity	<u>\$ 599,017</u>	<u>\$ 538,366</u>



Two Harbors
Investment Corp.

May 5, 2010

2010 First Quarter
Earnings Call

Safe Harbor Statement

Forward-Looking Statements

This presentation may include “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, investors should not rely on these forward-looking statements as predictions of future events. Words such as “expect,” “assume,” “target,” “range,” “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 could cause actual results to differ include higher than expected operating costs, changes in prepayment speeds, inability to acquire target assets at attractive prices, changes in interest rates or the regulatory environment, and unanticipated changes in overall market and economic conditions.

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.

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 and to the risk factors set forth in our public filings on Form 10-Q and Form 10-K.



Key Highlights

- Completed deployment of initial capital in January 2010.
- Earned \$0.40 per diluted common share on a GAAP basis.
- Declared quarterly dividend of \$0.36 per share¹ in March 2010.
- Increased book value per share to \$9.38 at March 31, 2010, from \$9.08 as of December 31, 2009, after adjusting for \$0.36 dividend declared in March.
- Completed stock offering in April, issuing 11.5 million common shares for net proceeds of approximately \$97 million.



(1) First quarter 2010 dividend may not be indicative of future dividend distributions. The Company ultimately distributes dividends based on its taxable income per common share, not GAAP earnings.

Operating Performance

Income Statement Data	
Operating Performance (\$000s except for EPS)	Q1-2010
Interest income	\$ 6,159
Interest expense	518
Net interest income	5,641
Gain on sale of investment securities, net	1,197
Loss on interest rate swap agreements	(1,547)
Gain on other derivative instruments	946
Total other income	596
Management fees	457
Other G&A expenses	987
Total expenses	1,444
Benefit from income taxes	534
Net income	\$ 5,327
Basic and diluted earnings per common share	\$ 0.40

Operating Performance
<ul style="list-style-type: none"> • \$2.5 net premium amortization associated with Agency RMBS portfolio; \$1.1 million of accreted discount amortization associated with Non-Agency portfolio • Sold securities for \$10.4 million with an amortized cost of \$9.2 million for a net realized gain of \$1.2 million • \$0.8 million in realized gains on settlement of TBAs • Recognized unrealized loss \$0.7 million, net of tax, associated with interest rate swaps.

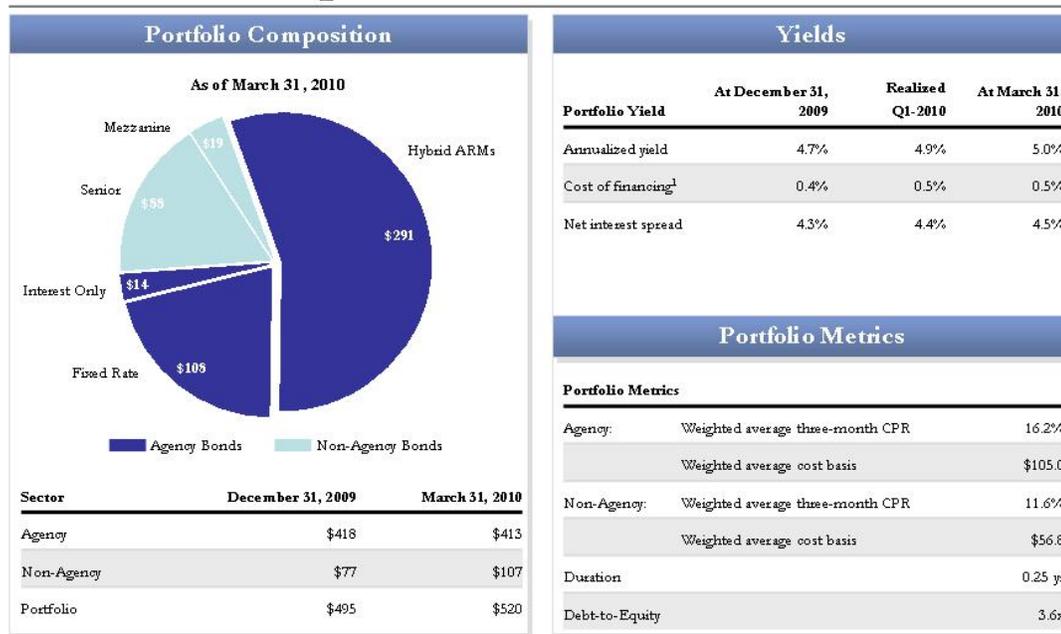


Change in Stockholders' Equity

Change in Stockholders' Equity (\$000, except for per share amounts)	Book Value per Share	
	Book Value	(diluted basis)
Stockholders' equity at December 31, 2009	\$ 121,721	\$ 9.08
GAAP net income, net of tax	5,327	0.40
Other comprehensive income	3,500	0.26
Dividend declaration	(4,824)	(0.36)
Other	32	-
Stockholders' equity at March 31, 2010	\$ 125,756	\$ 9.38



Portfolio Composition



(1) Cost of financing is not inclusive of interest swap hedges. At March 31, 2010, our interest rate swaps had an aggregate notional amount of \$150 million, which included \$100 million with a maturity date of December 2011 at a rate of 1.168% and \$50 million with a maturity date of January 2013 at a rate of 1.963%.

Contact Information

For further information, please contact

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Investor Relations

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