

TWO HARBORS INVESTMENT CORP.
Form DEF 14A
April 02, 2019
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

Two Harbors Investment Corp.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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- (1) Amount Previously Paid:
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 - (3) Filing Party:
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NOTICE OF 2019 ANNUAL MEETING

AND PROXY STATEMENT

April 2, 2019 | NYSE: TWO

April 2, 2019

Dear Fellow Stockholders:

On behalf of the Board of Directors of Two Harbors Investment Corp., it is my pleasure to invite you to the 2019 Annual Meeting of Stockholders, which will be conducted virtually via live webcast, on Thursday, May 16, 2019, at 10:00 a.m. Eastern Daylight Time. We believe that hosting a virtual meeting makes our Annual Meeting more accessible by enabling stockholders to participate fully, and equally, from any location at no cost.

2018 was a transformative year for Two Harbors. We completed the acquisition of CYS Investments, Inc., generated strong Core Earnings, declared dividends above our cohort average, drove our expenses lower and continued to grow and achieve operating efficiencies in our mortgage servicing rights platform. Going forward, we aim to continue generating strong earnings while maintaining an emphasis on risk management.

It is important that your shares of common stock be represented at our Annual Meeting, regardless of the number of shares you hold and whether or not you plan to attend the virtual meeting. Accordingly, we encourage you to authorize your vote as soon as possible by following the instructions contained in the Notice of Internet Availability of Proxy Materials that you receive for our Annual Meeting.

The accompanying Notice of Annual Meeting of Stockholders and Proxy Statement describe the business to be conducted at the Annual Meeting and details regarding access to the Annual Meeting webcast. Consistent with prior years, we will be using the Notice and Access method of furnishing proxy materials to you over the Internet. This process provides you with a convenient and quick way to access our proxy materials and vote your shares, while allowing us to reduce the environmental impact of our Annual

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Meeting and the costs of printing and distributing the proxy materials. On or about April 2, 2019, we will commence mailing a Notice of Internet Availability of Proxy Materials, which contains information regarding how to access our proxy materials and vote.

We hope you are able to attend our virtual Annual Meeting in May. As always, please let us know if you have any questions. We appreciate your support and the confidence demonstrated by your investment in Two Harbors.

Sincerely,

Thomas E. Siering

President and Chief Executive Officer

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

- Date:** Thursday, May 16, 2019
- Time:** 10:00 a.m. Eastern Daylight Time
- Website:** www.virtualshareholdermeeting.com/TWO2019
- Agenda:**
- (1) To elect as directors the nine nominees named in the accompanying Proxy Statement, each to serve until our next annual meeting of stockholders and until his or her successor is elected and qualified;
 - (2) To hold an advisory vote relating to the compensation of our executive officers;
 - (3) To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2019; and
 - (4) To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.
- Record Date:** You may vote at the Annual Meeting if you were a holder of record of our common stock as of the close of business on March 22, 2019.
- Proxy Materials:** On or about April 2, 2019, we expect to begin mailing a Notice of Internet Availability of Proxy Materials, which contains information regarding how to access our proxy materials and vote. Our Proxy Statement and 2018 Annual Report are available at www.proxyvote.com.
- Admission:** You may participate in the Annual Meeting by visiting www.virtualshareholdermeeting.com/TWO2019. You will need the 16-digit control number included on your Notice of Internet Availability of Proxy Materials, on your proxy card or on the instructions that accompanied your proxy materials.
- Questions:** You may submit a question prior to the Annual Meeting online at www.proxyvote.com or during the Annual Meeting at www.virtualshareholdermeeting.com/TWO2019.

BY ORDER OF THE BOARD OF DIRECTORS,

Rebecca B. Sandberg

Vice President, General Counsel and Secretary

April 2, 2019

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR
THE 2019 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 16, 2019:**

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Our Proxy Statement and 2018 Annual Report, which includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, are available at www.proxyvote.com.

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This executive summary highlights certain information contained elsewhere in this proxy statement. This summary does not contain all of the information you should consider. You are encouraged to read the entire proxy statement carefully before voting. Page references are provided to help you find further information in this proxy statement.

2019 ANNUAL MEETING OF STOCKHOLDERS

Date and Time:	Thursday, May 16, 2019 10:00 a.m. Eastern Daylight Time
Website:	www.virtualshareholdermeeting.com/TWO2019
Voting Eligibility:	Common stockholders as of the record date of March 22, 2019

VOTING MATTERS

	Proposal (Page Number)	Board Recommendation	
	1. Election of nine directors (p. 11)	FOR all nominees	
	2. Advisory vote relating to executive compensation (p. 44)	FOR	
	3. Ratification of Ernst & Young LLP as our independent registered public accounting firm (p. 45)	FOR	

CASTING YOUR VOTE PRIOR TO THE ANNUAL MEETING

Each share of common stock outstanding on the record date is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on at our Annual Meeting. You may cast your vote by:

Internet www.proxyvote.com

Telephone

Mail

The deadline for voting in advance of the Annual Meeting is 11:59 p.m. Eastern Daylight Time on May 15, 2019. For details on how to cast your vote, see *General Information about the Annual Meeting*.

CASTING YOUR VOTE DURING THE ANNUAL MEETING

You may vote during the Annual Meeting by logging in to www.virtualshareholdermeeting.com/TWO2019 and following the instructions provided. You will need the 16-digit control number included in your proxy card, voting instruction form or Notice of Internet Availability of Proxy Materials.

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2018 PERFORMANCE HIGHLIGHTS

TRANSFORMATIVE YEAR FOR THE COMPANY

Completed the acquisition of CYS Investments, Inc. (CYS), growing the company s market capitalization and equity base, increasing the liquidity of the company s stock and driving expenses lower.

Generated strong Core Earnings⁽¹⁾ and competitive average dividend yield of 12.8% in 2018.

Achieved substantial scale and operating efficiencies in our mortgage servicing rights (MSR) platform, growing MSR portfolio by approximately 60% year-over-year.

DELIVERING TOTAL STOCKHOLDER RETURN

Since inception, we have generated a total stockholder return of 176%, outperforming the Bloomberg REIT Mortgage Index by over 50%.

(1) Core Earnings is a non-U.S. GAAP measure that we define as comprehensive (loss) income attributable to common stockholders, excluding realized and unrealized gains and losses (impairment losses, realized and unrealized gains and losses on the aggregate portfolio, reserve expense for representation and warranty obligations on MSR, non-cash compensation expense related to restricted common stock and restructuring charges) and transaction costs associated with the acquisition of CYS. As defined, Core Earnings includes interest income or expense and premium income or loss on derivative instruments and servicing income, net of estimated amortization on MSR. Dollar roll income is the economic equivalent to holding and financing Agency RMBS using short-term repurchase agreements. We believe the presentation of Core Earnings, including dollar roll income, provides investors greater transparency into our period-over-period financial performance and facilitates comparisons to peer REIT.

(2) Two Harbors total stockholder return is calculated for the period October 29, 2009 through December 31, 2018. Total stockholder return is defined as stock price appreciation including dividends. Source: Bloomberg.

(3) Bloomberg REIT Mortgage Index total stockholder return for the period October 29, 2009 through December 31, 2018. The Bloomberg REIT Mortgage Index tracks publicly traded REITs whose principal business consists of originating, servicing or investing in residential mortgage interests. The index uses a modified market capitalization weighted methodology, and components are reviewed quarterly for eligibility. Source: Bloomberg.

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GENERAL INFORMATION ABOUT THE 2019 ANNUAL MEETING AND VOTING

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be held on May 16, 2019

This Proxy Statement and our 2018 Annual Report, which includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, are available at www.proxyvote.com.

Pursuant to rules adopted by the U.S. Securities and Exchange Commission (SEC), we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the Notice of Availability) to the holders of our common stock as of the close of business on March 22, 2019. All common stockholders will be able to access our proxy materials on the website referred to in the Notice of Availability (www.proxyvote.com) or request to receive a printed set of our proxy materials. Instructions on how to access our proxy materials over the Internet or request a printed copy of our proxy materials may be found in the Notice of Availability.

We anticipate that the Notice of Availability will be mailed to common stockholders beginning on or about April 2, 2019.

What is the purpose of the Annual Meeting?

The purpose of the Annual Meeting is to vote on the following matters:

- (1) To elect as directors the nine individuals named in this proxy statement, each to serve until our next annual meeting of stockholders and until his or her successor is elected and qualified;