CHIMERA INVESTMENT CORP
Form S-11
June 04, 2008

As filed with the Securities and Exchange Commission on June 4, 2008

Registration Statement No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-11

FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933
OF CERTAIN REAL ESTATE COMPANIES

CHIMERA INVESTMENT CORPORATION

(Exact Name of Registrant as Specified in its Governing Instruments)

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(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant s Principal Executive Offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer x	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	**Proposed Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee(2)**
Common Stock	$ 345,000,000	$ 13,558.50

(1) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, as amended.

(2) Calculated in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. 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 3, 2008

Shares

Common Stock

Chimera Investment Corporation is a Maryland corporation that invests in residential mortgage loans, residential mortgage-backed securities, real estate-related securities and various other asset classes. 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.

Our common stock is listed on the New York Stock Exchange under the symbol CIM . The closing price on the New York Stock Exchange on June , 2008 was $ per share.

The underwriters have an option to purchase a maximum of additional shares to cover overallotments of shares

Concurrent with this offering, we will sell to Annaly shares of our common stock in a private offering at the same price per share as the price per share of this public offering. Upon completion of this offering, Annaly will own approximately % of our outstanding common stock (which percentage excludes shares to be sold pursuant to the exercise of the underwriters overallotment option and shares of our restricted common stock granted to our executive officers and employees of our Manager or its affiliates).

We intend to elect and qualify 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. To assist us in qualifying as a REIT, ownership of our common stock by any person is generally limited to 9.8% in value or in number of shares, whichever is more restrictive, of any class or series of the outstanding shares of our capital stock. In addition, our charter contains various other restrictions on the ownership and transfer of our common stock, see Description of Capital Stock Restrictions on Ownership and Transfer.

Investing in our common stock involves risks. See Risk Factors beginning on page 18.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Issuer
Per Share	$	$	$
Total	$	$	$

Delivery of shares will be made on or about , 2008.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse **Merrill Lynch & Co.**

Deutsche Bank Securities

JPMorgan

Citi

UBS Investment Bank

The date of this prospectus is , 2008.

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You should rely only on information contained in this prospectus, any free writing prospectus prepared by us or information to which we have referred you. We have not, and the underwriters have not, authorized anyone to provide you with different information. This prospectus may only be used where it is legal to sell these securities, and this prospectus is not an offer to sell or a solicitation of an offer to buy shares in any state or jurisdiction where an offer or sale of shares would be unlawful. The information in this prospectus and any free writing prospectus prepared by us may be accurate only as of their respective dates.

PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. 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. Except where the context suggests otherwise, the terms Chimera, company, we, us and our refer to Chimera Investment Corporation; our Manager and FIDAC refer to Fixed Income Discount Advisory Company, our external manager; and Annaly refers to Annaly Capital Management, Inc., the parent company of FIDAC. Unless indicated otherwise, the information in this prospectus assumes (i) the common stock to be sold in this offering is to be sold at $ per share, (ii) the concurrent offering to Annaly of shares of our common stock, and (iii) no exercise by the underwriters of their overallotment option to purchase or place up to an additional shares of our common stock.

Our Company

We are a specialty finance company that invests in residential mortgage loans, residential mortgage-backed securities, or RMBS, real estate-related securities and various other asset classes. We intend to elect and qualify 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. If we qualify for taxation as a REIT, we generally will not be subject to federal income tax on our taxable income that is distributed to our stockholders. We commenced operations in November 2007.

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, a New York Stock Exchange-listed REIT, which has a long track record of managing investments in U.S. government agency mortgage-backed securities. Concurrent with this offering, we will sell to Annaly shares of common stock in a private offering at the same price per share as the price per share of this public offering. Concurrent with our initial public offering, in a private offering we sold to Annaly approximately 3.6 million shares of our common stock at the same price per share as the price per share of our initial public offering for aggregate proceeds of approximately $54.3 million. Upon completion of this offering, Annaly will own approximately % of our outstanding common stock (which percentage excludes shares to be sold pursuant to the exercise of the underwriters overallotment option and shares of our restricted common stock granted to our executive officers and employees of our Manager or its affiliates).

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 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 exemption from registration under the Investment Company Act of 1940, or 1940 Act.

We recognize that investing in our targeted asset classes is highly competitive, and that our Manager competes with many other investment managers for profitable investment opportunities in these areas. Annaly and our Manager have close relationships with a diverse group of financial intermediaries, ranging from primary dealers, major investment banks and brokerage firms to leading mortgage originators, specialty investment dealers and financial sponsors. In addition, we have benefited and expect to continue to benefit from our Manager s analytical and portfolio management expertise and technology. We believe that the combined and complementary strengths of Annaly and our Manager give us a competitive advantage over REITs with a similar focus to ours.

Our Manager

We are externally managed and advised by FIDAC pursuant to a management agreement. All of our officers are employees of our Manager or its affiliates. Our Manager is a fixed-income investment management company specializing in managing investments in 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. Our Manager also has experience in managing investments in non-Agency RMBS and collateralized debt obligations, or CDOs; real estate-related securities; and managing interest rate-sensitive investment strategies. Our Manager commenced

active investment management operations in 1994. At March 31, 2008, our Manager was the adviser or sub-adviser for funds with approximately $3.2 billion in net assets and $12.7 billion in gross assets, and which consisted predominantly of Agency RMBS.

Our Manager is responsible for administering our business activities and day-to-day operations. We have no employees other than our officers. 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 Manager has well-respected and established portfolio management resources for each of our targeted asset classes and a sophisticated infrastructure supporting those resources, including investment professionals focusing on residential mortgage loans, Agency and non-Agency RMBS and other asset-backed securities. 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.

We do not pay any of our officers any cash compensation. Rather, we pay our Manager a base management fee and incentive compensation based on performance pursuant to the terms of the management agreement.

Annaly Capital Management, Inc.

Annaly, which at March 31, 2008 owned and managed a portfolio of approximately $56.9 billion, primarily in Agency RMBS, commenced its operations on February 18, 1997, and went public on October 20, 1997. Annaly trades on the New York Stock Exchange under the symbol NLY . Annaly manages assets on behalf of institutional and individual investors worldwide directly through Annaly and through the funds managed by FIDAC.

Annaly is primarily engaged in the business of investing, on a leveraged basis, in Agency RMBS. Annaly also invests in Federal Home Loan Bank, Freddie Mac and Fannie Mae debentures. Annaly s principal business objective is to generate net income for distribution to investors from the spread between the interest income on its securities and the cost of borrowing to finance their acquisition and from dividends it receives from FIDAC.

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 residential mortgage loans, RMBS, real estate-related securities and real estate loans, as well as 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 CDOs we purchase may include investment-grade and non-investment grade classes, including the BB-rated, B-rated and non-rated classes.

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 in each are as follows:

Asset Class	Principal Investments
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 a strong credit or mortgage history or significant assets.
Residential Mortgage-Backed Securities, or RMBS	Non-Agency RMBS, including investment-grade and non-investment grade classes, including the BB-rated, B-rated and non-rated classes. Agency RMBS.
Other Asset-Backed Securities, or ABS	Debt and equity tranches of collateralized debt obligations, or CDOs. Commercial mortgage-backed securities, or CMBS. Consumer and non-consumer ABS, including investment-grade and non-investment grade classes, including the BB-rated, B-rated and non-rated classes.

Since we commenced operations in November 2007, we have focused our investment activities on purchasing residential mortgage loans that have been originated by select high-quality originators, including the retail lending operations of leading commercial banks, and non-Agency RMBS. This is in contrast to Annaly s strategy which concentrates on Agency RMBS. As the diligence and acquisition lead times for residential mortgage loans are longer than for non-Agency RMBS purchases, our investment portfolio at March 31, 2008 was weighted toward non-Agency RMBS. After the consummation of this offering, we expect that over the near term our investment portfolio will continue to be weighted toward non-Agency RMBS, subject to maintaining our REIT qualification and our 1940 Act exemption, which may, depending on the composition of our investment portfolio, require us to purchase Agency RMBS or other qualifying assets. In addition, we 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 will structure the securitization and we will purchase the resulting mezzanine and subordinate non-Agency RMBS. We may also engage in similar transactions with non-Agency RMBS in which we would acquire AAA-rated non-Agency RMBS and immediately re-securitize those securities. We would sell the resulting AAA-rated super senior RMBS and retain the AAA-rated mezzanine RMBS. Over time we expect that our investment portfolio will become more weighted toward residential mortgage loans. Our investment decisions, however, will 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 intend to elect and qualify to be taxed as a REIT commencing with our taxable year ending December 31, 2007 and to operate our business so as to be exempt from registration under the 1940 Act, and therefore we will be 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 Investment Portfolio

As of March 31, 2008, our investment portfolio consisted of the following (dollars in thousands):

	Amortized Cost	Estimated Fair Value	Percent of Total Portfolio(1)	Weighted Average Coupon(1)
Residential Mortgage Loans(2)	$ 362,853	$ 361,594	22.7%	6.13%
RMBS	$ 1,275,065	$ 1,229,780	77.3%	6.27%
Total	$ 1,637,918	$ 1,591,374	100%	

(1) Based on estimated fair value.

(2) On April 24, 2008, we sponsored a $619.7 million securitization, which was structured as a long-term financing transaction. See Recent Developments. Since the securitization was structured as a financing, the outstanding principal balance of the mortgage loans we securitized will remain on our books as an asset and the outstanding principal balance of the notes issued by the trust will be recorded on our books as a liability.

Financing and Hedging Strategy

We use leverage to increase potential returns to our stockholders. We generate income principally from the spread between yields on our investments and our cost of borrowing and hedging activities. Subject to our maintaining our qualification as a REIT, we expect to use a number of sources to finance our investments, including repurchase agreements, warehouse facilities, securitizations, commercial paper and term financing CDOs. 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. As of March 31, 2008 our leverage was 3.4:1. We expect our leverage ratio to fluctuate from time to time based upon, among other things, our assets, market conditions and conditions and availability of financings.

Subject to maintaining our qualification as a REIT, we may from time to time utilize derivative financial instruments, including, among others, interest rate swaps, interest rate caps, and interest rate floors to hedge all or a portion of the interest rate risk associated with the financing of our portfolio. Specifically, we will seek to hedge our exposure to potential interest rate mismatches between the interest we earn on our investments and our borrowing costs caused by fluctuations in short-term interest rates. In utilizing leverage and interest rate hedges, our objectives are to improve risk-adjusted returns and, where possible, to lock in, on a long-term basis, a spread between the yield on our assets and the cost of our financing.

The table below summarizes our financings as of March 31, 2008 (dollars in thousands):

	Outstanding Borrowing	Weighted Average Borrowing Rate	Weighted Average Remaining Maturity	Estimated Fair Value of Collateral
Repurchase Agreements: RMBS	$ 1,000,000	4.78%	54 days	$ 1,100,000(1)
Repurchase Agreements: Mortgage Loans	$ 487,000(2)	4.41%	399 days	$ 433,300(3)
Securitizations(4)				

(1) Based on an estimate of fair value.
(2) Includes $55.2 million of loans for RMBS purchases.

(3) Based on carrying value.

(4) On April 24, 2008, we sponsored a $619.7 million securitization, which was structured as a long-term financing transaction. See Recent Developments. Since the securitization was structured as a financing, the outstanding principal balance of the mortgage loans we securitized will remain on our books as an asset and the outstanding principal balance of the notes issued by the trust will be recorded on our books as a liability.

The table below summarizes our interest rate swaps outstanding at March 31, 2008 (dollars in thousands):

Notional Amount	Weighted Average Pay Rate	Weighted Average Receive Rate	Net Estimated Fair Value/Carrying Value
$1,626,377	3.78%	2.66%	($35,649)

All of our repurchase agreements and interest rate swap agreements are subject to bilateral margin calls in the event that the collateral securing our obligations under those facilities exceeds or does not meet our collateralization requirements. We analyze the sufficiency of our collateralization daily, and as of March 31, 2008, on a net basis, the fair value of the collateral, including restricted cash, securing our obligations under repurchase agreements exceeded the amount of such obligations by approximately $202.5 million. During the quarter ended March 31, 2008, due to the deterioration in the market value of our assets, we received margin calls under our repurchase agreements, which resulted in our having to amend our liquidity covenants in one facility, obtain additional funding from third parties, including from Annaly (See Certain Relationships and Related Transactions), and take other steps to increase our liquidity. Additionally, the disruptions during this quarter resulted in us not being in compliance with the net income covenant in our other facility. We currently have no borrowings under that facility and are negotiating an amendment of the net income covenant. Should we receive additional margin calls, we may not be able to amend the liquidity covenants or obtain other funding. If we were unable to post additional collateral, we would have to sell the assets at a time when we might not otherwise choose to do so and such sales may be at a loss. A reduction in credit available may reduce our earnings and, in turn, cash available for distribution to stockholders.

Our Competitive Advantages

We believe that our competitive advantages include the following:

Investment Strategy Designed to Perform in a Variety of Interest Rate and Credit Environments

We seek to manage our investment strategy to balance both interest rate risk and credit risk. We believe this strategy is designed to generate attractive, risk-adjusted returns in a variety of market conditions because operating conditions in which either of these risks are increased, or decreased, may occur at different points in the economic cycle. For example, there may be periods when interest-rate sensitive strategies outperform credit-sensitive strategies whereby we would receive increased income over our cost of financing, in which case our portfolio s increased exposure to this risk would be beneficial. There may be other periods when credit-sensitive strategies outperform interest-rate sensitive strategies. Although we will face interest rate risk and credit risk, we believe that with appropriate hedging strategies, as well as our ability to evaluate the quality of targeted asset investment opportunities, we can reduce these risks and provide attractive risk-adjusted returns.

Credit-Oriented Investment Approach

We seek to minimize principal loss while maximizing risk-adjusted returns through our Manager s credit-based investment approach, which is based on rigorous quantitative and qualitative analysis.

Experienced Investment Advisor

Our Manager has a long history of strong performance across a broad range of fixed-income assets. Our Manager s most senior investment professionals have a long history of investing in a variety of mortgage and real estate-related securities and structuring and marketing CDOs. Investments are overseen by an Investment Committee of our Manager s professionals, consisting of Michael A.J. Farrell, Wellington J. Denahan-Norris, James P. Fortescue, Kristopher Konrad, Rose-Marie Lyght, Ronald Kazel, Jeremy Diamond, Eric Szabo and Matthew Lambiase.

Access to Annaly s and Our Manager s Relationships

Annaly and our Manager have developed long-term relationships with a number of commercial and investment banks and other financial intermediaries. We believe these relationships provide us with a range of high-quality investment opportunities.

Access to Our Manager s Systems and Infrastructure

Our Manager has created a proprietary portfolio management system, which we believe provides us with a competitive advantage. Our Manager s personnel have created a comprehensive finance and administrative infrastructure, an important component of a complex investment vehicle such as a REIT. In addition, most of our Manager s personnel are also Annaly s personnel; therefore, they have had extensive experience managing Annaly, which is a REIT.

Alignment of Interests between Annaly, Our Manager and Our Investors

Concurrent with this offering, we will sell to Annaly shares of our common stock in a private offering at the same price per share as the price per share of this public offering. Concurrent with our initial public offering, in a private offering we sold to Annaly approximately 3.6 million shares of our common stock at the same price per share as the price per share of our initial public offering for aggregate proceeds of approximately $54.3 million. Upon completion of this offering, Annaly will own approximately % of our outstanding common stock (which percentage excludes shares to be sold pursuant to the exercise of the underwriters overallotment option and shares of our restricted common stock granted to our executive officers and employees of our Manager or its affiliates).

Moreover, a portion of the fees that may be earned by our Manager consists of incentive compensation that is based on the amount that a measure of our earnings exceeds a specified threshold. We believe that Annaly s investment and our Manager s ability to earn performance fees align our Manager s interests with our interests.

Summary Risk Factors

An investment in shares of our common stock involves various risks. You should consider carefully the risks discussed below and under Risk Factors before purchasing our common stock.

Continued weakness in the mortgage market may cause market losses related to our holdings.

We are dependent on our Manager and its key personnel for our success and such personnel may leave the employment of our Manager or otherwise become no longer available to us.

There are various conflicts of interest in our relationship with our Manager and Annaly, which could result in decisions that are not in your best interests, including those created by our financing arrangements with Annaly and by our Manager s compensation whereby it is entitled to receive a base management fee, which is not tied to the performance of our portfolio, and incentive compensation based on our portfolio s performance, which may lead it to place emphasis on the short-term maximization of net income, and that several of our officers and directors are also employees of Annaly which may result in conflicts between their duties to us and to Annaly.

The management agreement with our Manager was not negotiated on an arm s-length basis and may not be as favorable to us as if it had been negotiated with an unaffiliated third party and may be difficult and costly to terminate.

Our board of directors has approved very broad investment guidelines for our Manager and will not approve each investment decision made by our Manager. We may change our investment strategy, asset allocation or financing plans without stockholder consent, which may result in riskier investments.

Failure to obtain adequate capital and funding on favorable terms, or at all, would adversely affect our results and may, in turn, negatively affect the market price of shares of our common stock and our ability to distribute dividends to our stockholders.

We have limited operating history and may not operate successfully. We operate in a highly competitive market for investment opportunities. Our financial condition and results of operation will depend on our ability to manage future growth effectively.

Loss of our 1940 Act exemption would adversely affect us and negatively affect our stock price and our ability to distribute dividends to our stockholders and could result in the termination of the management agreement with our Manager. In addition, the assets we may acquire are limited by the provisions of the 1940 Act and the rules and regulations promulgated thereunder which may, in some cases, preclude us from pursuing the most economically beneficial investment alternatives.

We use leverage to fund the acquisition of our assets, which may adversely affect our return on our investments and may reduce cash available for distribution to our stockholders.

An increase in our borrowing costs relative to the interest we receive on our assets may adversely affect our profitability, and thus our cash available for distribution to our stockholders.

Increases in interest rates could negatively affect the value of our investments, which could result in reduced earnings or losses and negatively affect the cash available for distribution to our stockholders.

Our hedging transactions may not completely insulate us from interest rate risk. Hedging against interest rate exposure may adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

Prepayment rates could negatively affect the value of our residential mortgage loans and our RMBS, which could result in reduced earnings or losses and negatively affect the cash available for distribution to our stockholders.

Our investments in subordinated RMBS are generally in the first loss position and our investments in the mezzanine RMBS are generally in the second loss position and therefore subject to losses.

The mortgage loans we invest in and the mortgage loans underlying the mortgage and asset-backed securities we invest in are subject to delinquency, foreclosure and loss, which could result in losses to us. We may be required to repurchase mortgage loans or indemnify investors if we breach representations and warranties, which could harm our earnings.

Failure to qualify as a REIT would subject us to federal income tax, which would reduce the cash available for distribution to our stockholders.

The REIT qualification rules impose limitations on the types of investments and hedging, financing, and other activities which we may undertake, and these limitations may, in some cases, preclude us from pursuing the most economically beneficial investment, hedging, financing and other alternatives.

Continued adverse developments in the residential mortgage market could make it difficult for us to borrow money to acquire investments on a leveraged basis, which could adversely affect our profitability.

Interest rate mismatches between our investments and our borrowings used to fund our purchases of these assets may reduce our income during periods of changing interest rates.

Our Structure

We were formed by Annaly as a Maryland corporation on June 1, 2007. The following chart shows our structure after giving effect to this offering (excluding shares sold pursuant to the exercise of the underwriters overallotment option):

(1) Includes shares of restricted common stock approved as grants under our equity incentive plan to our executive officers and other employees of our Manager or its affiliates, which vest quarterly over a 10-year period beginning January 1, 2008 and to our independent directors, which fully vested on January 2, 2008.

Our Relationship with Our Manager

We are externally managed and advised by our Manager. We benefit from the personnel, infrastructure, relationships, and experience of our Manager to enhance the growth of our business. Each of our officers is also an employee of our Manager or its affiliates. We have no employees other than our officers. Our Manager is not obligated to dedicate certain of its employees exclusively to us, nor is it or its employees obligated to dedicate any specific portion of its time to our business. We expect, however, that Christian J. Woschenko, our Head of Investments and our Manager s Executive Vice President, and William B. Dyer, our Head of Underwriting and our Manager s Executive Vice President, will continue to devote a substantial portion of their time to our business.

We have entered into a management agreement with our Manager with an initial term ending on December 31, 2010, with automatic, one-year renewals at the end of each calendar year following the initial term, subject to termination by us, in connection with the annual reviews of our Manager s performance and management fees by the vote of two-thirds of the independent directors or a majority of our stockholders. Under the management agreement, our Manager implements our business strategy and performs certain services for us, subject to oversight by our board of directors. Our Manager is responsible for, among other things, performing all of our day-to-day functions; determining investment criteria in conjunction with our board of directors; sourcing, analyzing and executing investments; asset sales and financings; and performing asset management duties.

Our independent directors will review our Manager s performance annually, and following the initial term, the management agreement may be terminated annually by us without cause upon the affirmative vote of at least two-thirds of our independent directors, or by a vote of the holders of at least a majority of the outstanding shares of our common stock (other than shares held by Annaly or its affiliates), based upon: (i) our Manager s unsatisfactory performance that is materially detrimental to us, or (ii) our determination that the management fees payable to our Manager are not fair, subject to our Manager s right to prevent termination based on unfair fees by accepting a reduction of management fees agreed to by at least two-thirds of our independent directors. We will provide our Manager with 180-days prior notice of such termination. Upon termination without cause, we will pay our Manager a substantial termination fee. We may also terminate the management agreement with 30 days prior notice from our board of directors, without payment of a termination fee, for cause or upon a change of control of Annaly or our Manager, each as defined in the management agreement. Our Manager may terminate the management agreement if we become required to register as an investment company under the 1940 Act, with such

termination deemed to occur immediately before such event, in which case we would not be required to pay a termination fee. Our Manager may also decline to renew the management agreement by providing us with 180-days written notice, in which case we would not be required to pay a termination fee.

The following table summarizes the fees and expense reimbursements and other amounts that we will pay to our Manager:

Type	Description	Payment
Base management fee:	1.75% per annum, calculated quarterly, of our stockholders equity. For purposes of calculating the base management fee, our stockholders equity means the sum of the net proceeds from any issuances of our equity securities since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), plus our retained earnings at the end of such quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less any amount that we pay for repurchases of our common stock, and less 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). This amount will be adjusted to exclude one-time events pursuant to changes in accounting principles generally accepted in the United States, or GAAP, and certain non-cash charges after discussions between our Manager and our independent directors and approved by a majority of our independent directors. The base management fee will be reduced, but not below zero, by our proportionate share of any CDO base management fees FIDAC receives in connection with the CDOs in which we invest, based on the percentage of equity we hold in such CDOs.	Quarterly in cash.
Incentive management fee:	Quarterly fee equal to 20% of the dollar amount by which Core Earnings, on a rolling four-quarter basis and before the incentive management fee, exceeds the product of (1) the weighted average of the issue price per share of all of our public offerings multiplied by the weighted average number of shares of common stock outstanding in such quarter and (2) 0.50% plus one-fourth of the average of the one month LIBOR rate for such quarter and the previous three quarters. For the initial four quarters following this offering, Core Earnings and the LIBOR rate will be calculated on the basis of each of the previously completed quarters on an annualized basis. Core Earnings and the LIBOR rate for the initial quarter will each be calculated from the settlement date of this offering on an annualized basis. 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	Quarterly in cash, subject to certain limitations.

	included in other comprehensive income or loss, or in net income). The amount will be adjusted to exclude one-time events pursuant to changes in GAAP and certain non-cash charges after discussions between our Manager and our independent directors and approved by a majority of our independent directors. The incentive management fee will be reduced, but not below zero, by our proportionate share of any CDO incentive management fees FIDAC receives in connection with the CDOs in which we invest, based on the percentage of equity we hold in such CDOs.	
Expense reimbursement:	Reimbursement of expenses related to Chimera incurred by our Manager, including legal, accounting, due diligence and other services, but excluding the salaries and other compensation of our Manager s employees.	Quarterly in cash.
Termination fee:	Termination fee equal to three times the sum of (a) the average annual base management fee and (b) the average annual incentive compensation earned by our Manager during the prior 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter.	Upon termination of the management agreement by us without cause or by our Manager if we materially breach the management agreement.

From November 21, 2007, the date we commenced operations, through December 31, 2007, our Manager earned base management fees of approximately $1.2 million, no incentive compensation fees, and expense reimbursements of approximately $719 thousand. For the three months ended March 31, 2008, our Manager earned base management fees of approximately $2.2 million and no incentive compensation fees. Currently, our Manager has waived its right to require us to pay our pro rata portion of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of our Manager and its affiliates required for our operations.

Conflicts of Interest

We are dependent on our Manager for our day-to-day management and do not have any independent officers or employees. Our officers, and our non-independent directors, also serve as employees of our Manager and its affiliates. Our management agreement with our Manager was negotiated between related parties and its terms, including fees payable, may not be as favorable to us as if it had been negotiated at arm s length with an unaffiliated third party. In addition, the ability of our Manager and its officers and employees to engage in other business activities may reduce the time our Manager and its officers and employees spend managing us.

Our Manager has discretionary investment authority over a number of different funds and accounts. Although currently none of these funds or accounts have investment objectives that materially overlap with ours, it is possible in the future that our Manager may manage funds and accounts that may compete with us for investment opportunities. Also, to the extent our Manager manages investment vehicles (other than CDOs) that meet our investment objectives, our Manager will have an incentive to invest our funds in such investment vehicles because of the possibility of generating an additional, incremental management fee. Our Manager may also invest in CDOs managed by it that could result in conflicts with us, particularly if we invest in a portion of the equity securities and there is a deterioration of value of such CDO before closing we could suffer an immediate loss equal to the decrease in the market value of the underlying investment. In addition, to the extent we seek to invest in Agency RMBS, we may compete for investment opportunities with Annaly. Our Manager has an investment allocation policy in place so that we may share equitably with other client accounts of our Manager and Annaly in all investment opportunities, particularly those involving an asset with limited supply, that may be suitable for our account and

such other accounts. Our Manager s policy also includes other controls designed to monitor and prevent any particular account or Annaly from receiving favorable treatment over any other fund or account. This investment policy may be amended by our Manager at any time without our consent. To the extent FIDAC s, Annaly s, or our business evolves in such a way to give rise to conflicts not currently addressed by our Manager s investment allocation policy, our Manager may need to refine its policy to handle any such situations. To avoid any actual or perceived conflicts of interest with our Manager, an investment in any security structured or managed by our Manager will be approved by a majority of our independent directors.

It is difficult and costly to terminate the management agreement without cause. We may only terminate the management agreement without cause after the initial term in connection with the annual review of our Manager s performance and the management fees and only with the approval of two-thirds of our independent directors or a majority of our stockholders (other than those shares held by Annaly or its affiliates), and upon the payment of a substantial termination fee. These conditions may adversely affect our ability to terminate our Manager without cause. For more information please see Business Conflicts of Interest and Our Manager and the Management Agreement Management Agreement. In addition, we have entered into a repurchase agreement with Annaly, our Manager s parent, to finance our RMBS. This financing arrangement may make us less likely to terminate our Manager. It could also give rise to further conflicts because Annaly may be a creditor of ours. As one of our creditors, Annaly s interests may diverge from the interests of our stockholders.

We have agreed to pay our Manager a base management fee that is not tied to our performance and incentive compensation that is based entirely on our performance. This compensation arrangement may cause our Manager to make high risk investments. Investments with higher yield potential are generally riskier or more speculative. The base management fee component may not sufficiently incentivize our Manager to generate attractive risk-adjusted returns for us. The incentive compensation component may cause our Manager to place undue emphasis on the maximization of net income at the expense of other criteria, such as preservation of capital, to achieve higher incentive compensation. This could result in increased risk to the value of our investment portfolio.

Distribution Policy

To satisfy the requirements to qualify as a REIT and generally not be subject to federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our REIT taxable income to holders of our common stock out of assets legally available therefor. On December 20, 2007, our board of directors declared a quarterly distribution of $0.9 million, or $0.025 per share of our common stock. This dividend was paid on January 25, 2008 to stockholders of record on December 31, 2007. On March 19, 2008, our board of directors declared a quarterly distribution of $9.8 million, or $0.26 per share of our common stock. This dividend was paid on April 30, 2008 to stockholders of record on March 31, 2008. Our GAAP net loss for the quarter ended March 31, 2008 was $54.9 million and our Core Earnings was $10.1 million. On June 2, 2008, our board of directors declared a quarterly distribution of $6.0 million, or $0.16 per share of our common stock. This dividend will be paid on July 31, 2008 to stockholders of record on June 12, 2008. Purchasers in this offering will not participate in this quarterly distribution.

Federal income tax law requires that a REIT distribute with respect to each year at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain. If our cash available for distribution is less than 90% of our REIT taxable income, we could be required to sell assets or borrow funds to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. To the extent we distribute less than 90% of our REIT taxable income in 2007, we will rectify this shortfall through throwback dividends. We anticipate that our distributions generally will be taxable as ordinary income to you, although a portion of the distributions may be designated by us as qualified dividend income or capital gain or may constitute a return of capital.

Operating and Regulatory Structure

REIT Qualification

We intend to elect and qualify to be treated as a REIT under Sections 856 through 859 of the Internal Revenue Code commencing with our taxable year ending on December 31, 2007. Our qualification as a REIT depends upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our

shares. We believe that we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code, and that our manner of operation enables us to meet the requirements for qualification and taxation as a REIT.

As a REIT, we generally will not be subject to federal income tax on our REIT taxable income we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Even if we qualify for taxation as a REIT, we may be subject to some federal, state and local taxes on our income or property.

1940 Act Exemption

We operate our business so that we are exempt from registration under the 1940 Act, as administered by the Securities and Exchange Commission and its Division of Investment Management. We intend to rely on the exemption from registration provided by Section 3(c)(5)(C) of the 1940 Act, a provision designed for companies that do not issue redeemable securities and are primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.

To qualify for the exemption, we make investments so that at least 55% of the assets we own consist of qualifying mortgages and other liens on and interests in real estate, which are collectively referred to as qualifying real estate assets, and so that at least 80% of the assets we own consist of real estate-related assets (including our qualifying real estate assets). We do not intend to issue redeemable securities.

Based on no−action letters issued by the Staff of the Securities and Exchange Commission, we classify our investment in residential mortgage loans as qualifying real estate assets, as long as the loans are fully secured by an interest in real estate. That is, if the loan−to−value ratio of the loan is equal to or less than 100%, then we consider the mortgage loan a qualifying real estate asset. We do not consider loans with loan−to−value ratios in excess of 100% to be qualifying real estate assets for the 55% test, but only real estate-related assets for the 80% test.

We also consider RMBS such as certificates issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae that represent the entire beneficial interest in the underlying pool of mortgage loans, or Agency Whole Pool Certificates, to be qualifying real estate assets. By contrast, an agency certificate that represents less than the entire beneficial interest in the underlying mortgage loans is not considered to be a qualifying real estate asset for purposes of the 55% test, but constitutes a real estate-related asset for purposes of the 80% test.

We treat our ownership interest in pools of whole loan RMBS, in cases in which we acquire the entire beneficial interest in a particular pool, as qualifying real estate assets based on no−action positions of the Staff of the Securities and Exchange Commission. We generally do not expect our investments in CMBS and other RMBS investments to constitute qualifying real estate assets for the 55% test, unless such treatment is consistent with guidance of the Staff of the Securities and Exchange Commission. Instead, these investments generally will be classified as real estate-related assets for purposes of the 80% test. We do not expect that our investments in CDOs or other ABS will constitute qualifying real estate assets. We may, however, treat our equity interests in a CDO issuer that we determine is a majority owned subsidiary and that is exempt from 1940 Act registration under Section 3(c)(5)(C) of the 1940 Act as qualifying real estate assets, real estate-related assets, and miscellaneous assets in the same proportion as the assets in such CDO are qualifying real estate assets, real estate-related assets and miscellaneous assets. We may in the future, however, modify our treatment of such CDO equity to conform to guidelines provided by the Staff of the Securities and Exchange Commission. See Business Operating and Regulatory Structure 1940 Act for further information concerning our reliance on the Section 3(c)(5)(C) exemption from 1940 Act registration.

Restrictions on Ownership of Our Common Stock

To assist us in complying with the limitations on the concentration of ownership of REIT shares imposed by the Internal Revenue Code, our charter generally prohibits any stockholder from beneficially or constructively owning, applying certain attribution rules under the Internal Revenue Code, more than 9.8% in value or in number of shares, whichever is more restrictive, of any class or series of our capital stock. Our board of directors may, in its sole discretion, waive the 9.8% ownership limit with respect to a particular stockholder if it is presented with evidence satisfactory to it that such ownership will not then or in the future jeopardize our qualification as a REIT.

We have granted such a waiver to Legg Mason Opportunity Trust. The ownership limit for Legg Mason Opportunity Trust has been set at 15% of our outstanding capital stock in the aggregate. Our charter also prohibits any person from, among other things:

- beneficially or constructively owning shares of our capital stock that would result in our being closely held under Section 856(h) of the Internal Revenue Code or otherwise cause us to fail to qualify as a REIT; and
- transferring shares of our capital stock if such transfer would result in our capital stock being owned by fewer than 100 persons.

Our charter provides that any ownership or purported transfer of our capital stock in violation of the foregoing restrictions will result in the shares owned or transferred in such violation being automatically transferred to a charitable trust for the benefit of a charitable beneficiary, and the purported owner or transferee acquiring no rights in such shares. If a transfer to a charitable trust would be ineffective for any reason to prevent a violation of the restriction, the transfer that would have resulted in such violation will be void *ab initio*.

Recent Developments

On April 24, 2008 we sponsored a $619.7 million securitization, a long-term financing transaction whereby we securitized our then-current inventory of mortgage loans. In this transaction, we sold approximately $536.9 million of AAA-rated fixed and floating rate bonds to third party investors, and retained approximately $46.3 million of AAA-rated mezzanine bonds and $36.5 million in subordinated bonds. This transaction will be accounted for as a financing pursuant to SFAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*.

On June 2, 2008, our board of directors declared a quarterly distribution of $6.0 million, or $0.16 per share of our common stock. This dividend will be paid on July 31, 2008 to stockholders of record on June 12, 2008. Purchasers in this offering will not participate in this quarterly distribution.

SELECTED FINANCIAL DATA

The following table presents selected financial data as of and for the period indicated. We derived the selected financial data for the period from November 21, 2007 (commencement of operations) through December 31, 2007 from our audited financial statement included elsewhere in this prospectus. We derived the data for the three months ended March 31, 2008 from our unaudited financial statements included elsewhere in this prospectus. The selected financial data should be read in conjunction with the more detailed information contained in the Financial Statements and Notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

	As of March 31, 2008	As of December 31, 2007
	(dollars in thousands, except per share data)	
Statement of Financial Condition Highlights		
Mortgage-backed securities	$ 1,229,780	22

CAUTIONARY STATEMENTS

Certain statements in this prospectus and the documents that are incorporated by reference herein contain forward-looking statements. When used in this prospectus, the words "anticipate," "believe," "estimate," "expect" and similar expressions are generally intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others:

- changes in prepayment rates on the mortgage loans securing MBS;
- changes in our industry, interest rates or general economic and business conditions;
- industry and market trends;
- availability of investment assets;
- our ability to use borrowings to finance our assets;
- the degree and nature of competition;
- changes in business strategy or development plans;
- our ability to maintain our qualification as a REIT for U.S. federal income tax purposes;
- availability, terms and deployment of capital;
- availability of qualified personnel;
- changes in, or the failure or inability to comply with, government laws and regulations;
- the impact of technology on our operations and business; and

performance of our employees.

These forward-looking statements are based on our current beliefs, assumptions and expectations, taking into account information that we reasonably believe to be reliable. We expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectation with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

USE OF PROCEEDS

We will not receive any of the proceeds from sales of our Class A Common Stock by selling stockholders. All costs and expenses incurred in connection with the registration under the Securities Act of 1933, as amended, or the Securities Act, of any offering will be paid by us, other than any brokerage fees and commissions, fees and disbursements of legal counsel for the selling stockholders and share transfer and other taxes attributable to the sale of the shares, which will be paid by the selling stockholders.

SELLING STOCKHOLDERS

The stockholders named below or their pledgees, donees, transferees or other successors in interest who we collectively refer to in this prospectus as selling stockholders, may from time to time offer and sell any and all shares of their Class A Common Stock offered under this prospectus. Of the shares offered under this prospectus, such shares include 1,800,000 shares of Class A Common Stock issuable upon conversion of 1,800,000 shares of Class A Redeemable Preferred Stock.

The following table names each stockholder who may sell shares pursuant to this prospectus and presents information with respect to each such stockholder's beneficial ownership of our shares. We do not know which (if any) of the stockholders named below actually will offer to sell shares pursuant to this prospectus, or the number of shares that each of them will offer. The number of shares, if any, to be offered by each named stockholder and the amount and percentage of Class A Common Stock to be owned by each selling stockholder following any offering made pursuant to this prospectus will be disclosed in the prospectus supplement issued in respect of that offering.

For the purpose of the presentation below, beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Class A Common Stock that could be issued upon the exercise of outstanding options and warrants held by that person that are currently exercisable or exercisable within 60 days of December 27, 2005 are treated as outstanding. These shares, however, are not treated as outstanding when computing the percentage ownership of any other person. The percentage of shares beneficially owned has been calculated on the basis of the 23,806,942 shares of our Class A Common Stock that were outstanding as of December 27, 2005.

Shares Beneficially Owned as of December 27, 2005

Name of Selling Stockholders	Number of Shares Beneficially Owned Prior to the Offering	Percent	Shares Being Registered Hereby	Percentage Beneficial Ownership After the Offering(1)
Akin, Thomas	100,000	*	100,000	
Akin, Thomas B. IRA	60,000	*	60,000	
Alpha US Sub Fund I, LLC(2)	60,622	*	60,622	
Alyssa Blake Norden Trust of 1993(3)	248,883	1.0%	248,883	

Name of Selling Stockholders	Number of Shares Beneficially Owned Prior to the Offering	Percent	Shares Being Registered Hereby	Percentage Beneficial Ownership After the Offering(1)
American Physicians Assurance Corp.	10,000	*	10,000	
Amoroso, Joseph(4)	13,793	*	13,793	
Amy Suzanne Norden Trust of 1933(5)	174,218	*	174,218	
Andrews, Daniel and Barbara	3,400	*	3,400	
Axia Offshore Partners, Ltd.(6)	47,101	*	47,101	
Axia Partners, LP(7)	78,592	*	78,592	
Axia Partners Qualified, LP(8)	147,018	*	147,018	
Becker, Deborah S.	3,000	*	3,000	
Becker, Jack	2,000	*	2,000	
Behrens, Diane	3,350	*	3,350	
Benchmark Partners LP(9)	70,000	*	70,000	
Ben-David, Aliza and Roni	20,000	*	20,000	
Bespolka, Kevin L.(10)	53,207	*	53,207	
Bespolka, Kevin L. IRA(10)	8,000	*	8,000	
Bespolka, Lars C.	6,667	*	6,667	
Blumstein, Ronald S.(11)	49,776	*	49,776	
Bonanno, Francis A.	1,930	*	1,930	
Boston Partners	315,000	1.3%	315,000	
Brady, Eubel	341,660	1.4%	341,660	
Calev, Beatrice	3,000	*	3,000	
Callender, Robert E.	4,000	*	4,000	

Name of Selling Stockholders	Number of Shares Beneficially Owned Prior to the Offering	Percent	Shares Being Registered Hereby	Percentage Beneficial Ownership After the Offering(1)
Cauley, Robert E.(12)	139,453	*	139,453	

Cauley, Robert E. IRA	2,500	*	2,500
Chase, Saul and Ingrid (JtWros)	15,000	*	15,000
Cohen, Renee D.	1,000	*	1,000
Coventry Mfg. Co. Inc. Retirement Trust & Profit Sharing Plan DTD 7/5/02	3,500	*	3,500
Currid, Grace(13)	22,069	*	22,069
Czernik, Edward J	3,350	*	3,350
Davis, George A.	3,000	*	3,000
Davis, Malcolm	1,700	*	1,700
Davis, Sarah R. UGMA/CT(14)	3,000	*	3,000
Dinkin, Larry and Jane (JtWros)	8,000	*	8,000
DiPaolo, Lorraine and Gordon	20,000	*	20,000
Dolphin Offshore Partners L.P.(15)	66,666	*	66,666
Dvorak, James	3,500	*	3,500
Dynex Capital, Inc.	200,000	*	200,000
EBS Asset Management(60)	405,070	1.7%	405,070
Eidelman, David R. and Rachel R.	4,000	*	4,000
Fagan Gotham Asset Management LP	800,000	3.4%	800,000
Fagan, Laura IRA	100,000	*	100,000
Fagan, William IRA	100,000	*	100,000
FCA	30,000	*	30,000
Ferrari, Frank M. IRA	3,000	*	3,000
Filiberto, Bob(16)	16,552	*	16,552
First Commonwealth Mortgage Trust(17)	10,000	*	10,000
Five Corners Partners, L.P.(18)	15,000	*	15,000
Five Point Investors	10,000	*	10,000
Flagstone Securities, LLC(19)	469,388	2.0%	469,388(6)
Floyd, Rick(20)	261,986	1.1%	261,986
Frager, Norman Revocable Trust U/A 1/9/97	5,000	*	5,000
Fraser, John B. STD IRA	20,000	*	20,000
Gallo, Ray E.	720	*	720
Garfinkel, Barry	7,000	*	7,000
Global REIT LP(21)	10,000	*	10,000
Golding, Jay H.	3,333	*	3,333
Griffin, Charles W.	3,000	*	3,000
Haveson, Stephen PC Retirement Plan 11/1/79	7,000	*	7,000
Hendricks, Alexandra M. UGIF	5,860	*	5,860
Hendricks, Jennifer M.	5,860	*	5,860
Hendricks, John K. Revocable Trust	8,367	*	8,367
Hendricks, Maureen A.(22)	12,815	*	12,815

Hendricks, Maureen A. Revocable Trust(22)	8,367	*	8,367
Hendricks, Katherine E. UGIF	5,860	*	5,860
Hershaft, Judith	3,700	*	3,700
Hilbrink Family Revocable Trust U/A 5/2/04	740	*	740
Holender, Zeev	10,000	*	10,000
HG Holdings, LTD.(23)	397,046	1.7%	397,046
Hunter Global Investors Fund I LP(23)	266,142	1.1%	266,142
HG Holdings II Ltd.(23)	67,812	*	67,812
Kaplan-Schafer, Amy(24)	448,000	1.9%	448,000
Kaplan, Helen(25)	373,330	1.6%	373,330
Kaplan, Jason(26)	449,220	1.9%	449,220
Kaplan, Lisa(27)	448,000	1.9%	448,000
Kaplan, Morris(28)	124,287	*	124,287
Kaplan, Morris, as Custodian for Nathan Kaplan(29)	373,484	1.6%	373,484

Kaplan, Philip G. and Judith A.	3,000	*	3,000	
Karam, Edmund and Barbara	3,000	*	3,000	
Karam, Lawrence and Karen	1,700	*	1,700	
Karson, Amy S.(30)	74,665	*	74,665	
Kensington Investment Group(31)	655,000	2.8%	655,000	
Kerr, Douglas and Walter, Joan	3,000	*	3,000	
Klebanoff, Howard M. Sep IRA	5,000	*	5,000	
Klebanoff, Sandra IRA/RO	5,000	*	5,000	
Kogan, Stanley J. PC Profit Sharing Plan	4,000	*	4,000	
Kornfeld, William F. Jr.	10,000	*	10,000	
Koutouzis, Alex(32)	61,241	*	61,241	
Kranzberg, Kenneth IRA	3,500	*	3,500	
Kranzberg, Kenneth Trust U/A 2/10/1989	3,500	*	3,500	
Krivitsky, David	5,000	*	5,000	
L&R Sales Assoc. Pension Plan(33)	2,000	*	2,000	
L&R Sales Assoc. Inc. Profit Sharing Plan(34)	2,000	*	2,000	
L&S Partners I, LLC(35)	66,667	*	66,667	
Levine, Martin J.(36)	468,000	2.0%	448,000	*
Long, George A.	10,000	*	10,000	
Mallery, Stephany S. IRA	2,000	*	2,000	
Mallery, William H. IRA	3,000	*	3,000	
Marciano Financial Holdings II, LLC(37)	67,000	*	67,000	
McDonnell, Jeffrey Revocable Trust	6,666	*	6,666	
Michael Jared Norden Trust of 1993(38)	248,883	1.0%	248,883	
Mittler, Elliot H.	7,000	*	7,000	
Mittler, Rosalind	3,000	*	3,000	
Montgomery, Cary and Karen	15,000	*	15,000	
Mortenson, W. Christopher(39)	9,266	*	9,266	
Mutual Financial Services Fund	599,667	2.5%	599,667	
Mykytyn, Eve Z. IRA	10,000	*	10,000	
Mykytyn, Dennis J.	10,000	*	10,000	
Nachman, Wendy	3,000	*	3,000	
Norden, Peter R.(40)	1,518,213	6.3%	1,518,213	
North American Communities Foundation Inc.	10,000	*	10,000	
O'Neill, Timothy P.(41)	16,552	*	16,552	
Ortale, Buford H.(42)	132,207	*	132,207	

The Ortale Family Foundation(42)	10,000	*	10,000
Pall, Olivia M.	4,000	*	4,000
Pall, Olivia M. IRA	3,000	*	3,000
Palmiotto, John(43)	5,517	*	5,517
Pancer, Jeff(44)	22,069	*	22,069
Pedowitz, Mark	1,600	*	1,600
Perno, Frank(45)	5,717	*	5,717
Plenskofski, Frank(46)	22,069	*	22,069
Pluard, Anna	3,334	*	3,334
Powers, Christopher L.	3,000	*	3,000
Present, Daniel H. and Chapman, Mark L. Target Benefit Plan Dtd 1/1/98	7,000	*	7,000
Present, Daniel H. and Chapman, Mark L. PC P/SIP & Trust Dtd 1/1/98	10,000	*	10,000
Putnam, Sarah R.	17,000	*	17,000
Rapp, Fred P. Trust A U/A Dated 12/21/77	7,000	*	7,000
Rapp, Fred P. Trust B U/A Dated 12/21/77	21,000	*	21,000
RDV Capital Management LP	158,343	*	158,343
Redmond, Sandford	10,000	*	10,000
Refowitz, Ellen MacDonald	2,000	*	2,000

Refowitz, Robert M.	5,000	*	5,000
Refowitz, Robert M. IRA	5,000	*	5,000
Resnikoff, Sheila	7,000	*	7,000
Rubin, Leonard and Rommie	2,000	*	2,000
Rubin, Peter H.	6,000	*	6,000
Schnipper, Jeffrey	14,000	*	14,000
Schwartz Family Trust(47)	2,000	*	2,000
Scroope, John and Elizabeth JtWros	2,000	*	2,000
Scroope, John F. P/S/P Dtd 9/18/91	5,000	*	5,000
Seidman, Maynard J.	1,667	*	1,667
Schannault, Mary(48)	22,069	*	22,069
Sexton, Kevin, W.	10,000	*	10,000
Shumate, Greg(49)	70,069	*	70,069
Siderow, Neil H.	2,000	*	2,000
Silver Capital Management, LLC(50)	25,000	*	25,000
Simcha, Laden	3,000	*	3,000
Simon, Moshe J. Hasida	1,700	*	1,700
Simon, Sigalit and Nevat	1,700	*	1,700
Sloman, Jr., James	10,000	*	10,000
Smith, William G.	1,700	*	1,700
Smith II, Robert B.	6,666	*	6,666
Stone, Robert S.	4,000	*	4,000
Sunderland, Ronald IRA	7,000	*	7,000
Swartz Family Holdings(51)	2,000	*	2,000
Talkot Crossover Fund, L.P.(52)	330,000	1.4%	330,000
TIAA/CREF	270,000	1.1%	270,000
Wasatch Advisors, Inc.(53)	754,375	3.2%	754,375
Weingart Family Trust(53) 10,000	10,000	*	10,000
Weingarten, Morris 3,200	3,200	*	3,200
Weisler, Nathaniel & Janice JtWros	8,000	*	8,000
Weitz Funds-Value Fund(54)	250,000	1.1%	250,000
Weitz Funds-Hickory Fund(55)	400,000	1.7%	400,000
Wellington Management Company, LLP(56)	965,000	4.1%	965,000
Willis, Jack	3,300	*	3,300
Zimmer, Carolyn M. U.G.M.A.-Acc't(57)	3,100	*	3,100
Zimmer, Isabella L. U.G.M.A.-Acc't(57)	3,100	*	3,100
Zimmer, Jeffrey J.(58)	295,216	1.2%	295,216
Zimmer, Jeffrey J. IRA	1,623	*	1,623
Zimmer, Suzan	440	*	440

Zorn Foundation(59)	7,000	*	7,000	
Richard L. Zorn IRA	7,000	*	7,000	
Zukowski, Gerald S	6,667	*	6,667	
Totals	15,502,862	52.0%	15,482,862	*

* Less than 1%.

(1) Assumes that all shares of Class A Common Stock being registered hereby are sold, although the selling stockholders are not obligated to sell any such shares of Class A Common Stock.

(2) Raymond Garea, as the Chief Executive Officer of Axia Capital Management LLC, controls the shares held by Alpha US Sub Fund I, LLC.

(3) The amount being registered hereby includes 81,198 shares of Class A Common Stock receivable upon conversion of 81,198 shares of Class A Redeemable Preferred Stock.

(4) Mr. Amoroso is the Senior Vice President of Opteum. The amount being registered hereby includes 4,500 shares of Class A Common Stock receivable upon conversion of 4,500 shares of Class A Redeemable Preferred Stock.

(5) The amount being registered hereby includes 56,839 shares of Class A Common Stock receivable upon conversion of 56,839 shares of Class A Redeemable Preferred Stock.

(6) Raymond Garea, as the Chief Executive Officer of Axia Capital Management LLC, controls the shares held by Axia Offshore Partners Ltd.

(7) Raymond Garea, as the Chief Executive Officer of Axia Capital Management LLC, controls the shares held by Axia Partners, LP.

(8) Raymond Garea, as the Chief Executive Officer of Axia Capital Management LLC, controls the shares held by Axia Partners Qualified LP.

(9) Lorraine DiPaolo and Richard Whitman control the shares held by Benchmark Partners, L.P.

(10) Mr. Bespolka is a member of our board of directors.

(11) The amount being registered hereby includes 16,239 shares of Class A Common Stock issusable upon conversion of 16,239 shares of Class A Redeemable Preferred Stock.

(12) Mr. Cauley is our Chief Financial Officer and a member of our board of directors. The amount being registered hereby includes 111,786 shares of Class A Common Stock receivable upon conversion of 111,786 shares of Class B Common Stock.

(13) Ms. Currid is currently the Chief Credit Officer and Senior Vice President of Opteum. The amount being registered hereby includes 7,200 shares of Class A Common Stock receivable upon conversion of 7,200 shares of Class A Redeemable Preferred Stock.

(14) George A. Davis controls the shares held by the Sarah R. Davis UGMA/CT.

(15) Dolphin Offshore Partners, L.P. is an unregistered private investment Delaware investment partnership, the sole managing partner of which is Dolphin Management, Inc. Peter E. Salas, as the President and controlling partner of Dolphin Management, Inc., controls the shares held by Dolphin Offshore Partners, L.P.

(16)

Mr. Filiberto is currently the Senior Vice President of Opteum. The amount being registered hereby includes 5,400 shares of Class A Common Stock receivable upon conversion of 5,400 shares of Class A Redeemable Preferred Stock.

(17)

Ken McGraw, as Chairman and President, and Robert Messer, as Executive Vice President of First Commonwealth Mortgage Trust, control the shares held by First Commonwealth Mortgage Trust.

(18)

Five Corners Partners is a subsidiary of Hoefer and Arnett Capital Management. Kevin Daly, as the manager of Five Corner Partners, controls the shares held by Five Corners Partners.

(19)

This selling stockholder had a material relationship with us within the past three years; it was the placement agent in our private placements and was the managing underwriter of our initial public offering. Flagstone Securities, LLC is registered under the Securities Exchange Act of 1934 as a broker-dealer. Flagstone Securities, LLC is a wholly-owned subsidiary of Flagstone Capital, LLC. John Webb, as managing member of Flagstone Capital, LLC, controls the shares held by Flagstone Securities, LLC. The amount includes 319,388 shares of Class A Common Stock receivable upon conversion of Class C Common Stock.

(20)

Mr. Floyd is currently the Executive Vice President of Opteum. The amount being registered hereby includes 85,473 shares of Class A Common Stock receivable upon conversion of 85,473 shares of Class A Redeemable Preferred Stock.

(21)

Rob Scharar, as the President of Global REIT L.P., controls the shares held by Global REIT L.P.

(22)

Ms. Hendricks is a member of our board of directors.

(23)

Duke Buchan III, the President and Chief Investment Officer of Hunter Global Investors, has voting and investment power over the shares beneficially owned by HG Holdings, Ltd., Hunter Global Investors Fund I LP and HG Holdings II Ltd. The foregoing should not be construed in and of itself as an admission by Mr. Buchan of beneficial ownership of the shares.

(24)

The amount being registered hereby includes 146,160 shares of Class A Common Stock receivable upon conversion of 146,160 shares of Class A Redeemable Preferred Stock.

(25)

The amount being registered hereby includes 121,799 shares of Class A Common Stock receivable upon conversion of 121,799 shares of Class A Redeemable Preferred Stock.

(26) Mr. Kaplan is a member of our board of directors. The amount being registered hereby includes 146,160 shares of Class A Common Stock receivable upon conversion of 146,160 shares of Class A Redeemable Preferred Stock.

(27) The amount being registered hereby includes 146,160 shares of Class A Common Stock receivable upon conversion of 146,160 shares of Class A Redeemable Preferred Stock.

(28) The amount being registered hereby includes 40,549 shares of Class A Common Stock receivable upon conversion of 40,549 shares of Class A Redeemable Preferred Stock.

(29) The amount being registered hereby includes 121,849 shares of Class A Common Stock receivable upon conversion of 121,849 shares of Class A Redeemable Preferred Stock.

(30) The amount being registered hereby includes 24,359 shares of Class A Common Stock receivable upon conversion of 24,359 shares of Class A Redeemable Preferred Stock.

(31) The amount being registered hereby represents 4,000 shares held by Archon Partners LP; 7,000 shares held by Condor Partners LP; 9,000 shares held by Kensington Realty Income Fund LP and 55,000 shares held by Kensington Investment Group. Kensington Investment Group acts as the advisor and Paul Gray is the portfolio manager of Archon Partners LP, Condor Partners LP and Kensington Realty Income Fund LP. The amount also represents 580,000 shares held by Kensington Strategic Realty Fund which has represented to us that it is a public reporting entity.

(32) Mr. Koutouzis is currently the Senior Vice President of Opteum. The amount being registered hereby includes 19,980 shares of Class A Common Stock receivable upon conversion of 19,980 shares of Class A Redeemable Preferred Stock.

(33) Leonard Rubin, as trustee, controls the shares held by the L&R Sales Assoc. Pension Plan.

(34) Leonard Rubin, as trustee, controls the shares held by the L&R Sales Assoc. Inc. Profit Sharing Plan.

(35) A. Michael Lipper and Zuheir Sofia control the shares held in L&S Partners I, LLC.

(36) Mr. Levine is currently Chief Operations Officer and Executive Vice President of Opteum. The amount being registered hereby includes 146,160 shares of Class A Common Stock receivable upon conversion of 146,160 shares of Class A Redeemable Preferred Stock. The number of shares that Mr. Levine beneficially owns includes 20,000 shares of Class A Common Stock purchased in the open market from November 4, 2005 through November 16, 2005.

(37) Both Maurice Marciano and Paul Marciano control the shares held by Marciano Financial Holdings II, LLC.

(38) The amount being registered hereby includes 81,198 shares of Class A Common Stock receivable upon conversion of 81,198 shares of Class A Redeemable Preferred Stock.

(39) Mr. Mortenson is a member of our board of directors.

(40) Mr. Norden is a member of our board of directors and our Senior Executive Vice President. Mr. Norden is also President and Chief Executive Officer of Opteum. The amount being registered hereby includes 495,317 shares of Class A Common Stock receivable upon conversion of 495,317 shares of Class A Redeemable Preferred Stock.

(41) Mr. O'Neill is currently Chief Accounting Officer and Senior Vice President of Opteum. The amount being registered hereby includes 5,400 shares of Class A Common Stock receivable upon conversion of 5,400 shares of Class A Redeemable Preferred Stock.

(42) Mr. Ortale is a member of our board of directors and controls the shares held by the Ortale Family Foundation.

(43) Mr. Palmiotto is currently Senior Vice President of Opteum. The amount being registered hereby includes 1,800 shares of Class A Common Stock receivable upon conversion of 1,800 shares of Class A Redeemable Preferred Stock.

(44) Mr. Pancer is currently Senior Vice President of Opteum. The amount being registered hereby includes 7,200 shares of Class A Common Stock receivable upon conversion of 7,200 shares of Class A Redeemable Preferred Stock.

(45)

Mr. Perno is currently Senior Vice President of Opteum. The amount being registered hereby includes 1,800 shares of Class A Common Stock receivable upon conversion of 1,800 shares of Class A Redeemable Preferred Stock.

(46) Mr. Plenskofski is currently Chief Financial Officer, Treasurer and Senior Vice President of Opteum. The amount being registered hereby includes 7,200 shares of Class A Common Stock receivable upon conversion of 7,200 shares of Class A Redeemable Preferred Stock.

(47) Martin Schwartz controls the shares held by the Schwartz Family Trust.

(48) Ms. Schannault is currently Senior Vice President of Opteum. The amount being registered hereby includes 7,200 shares of Class A Common Stock receivable upon conversion of 7,200 shares of Class A Redeemable Preferred Stock.

(49) Mr. Shumate is currently Senior Vice President of Opteum. The amount being registered hereby includes 22,860 shares of Class A Common Stock receivable upon conversion of 22,860 shares of Class A Redeemable Preferred Stock.

(50) Silver Capital Management LLC is an investment company registered under the Investment Company Act of 1940.

(51) Inez Swartz controls the shares held by Swartz Family Holdings.

(52) Talkot Crossover Fund, L.P., is an investment partnership managed by Talkot Capital, LLC. Thomas B. Akin as the Managing General Partner of the Talkot Crossover Fund, L.P. and Managing Director of Talkot Capital, LLC, controls the shares held by Talkot Crossover Fund, L.P.

(53) The amount represents 657,675 shares held by Wasatch Core Growth Fund, 88,950 registered shares held by Wasatch Micro Cap Fund, 1,300 registered shares held by O'Malley Seidler Partners Small Cap Growth Fund L.P. and 6,450 registered shares held by various separate accounts.

(54) John B. and Ellen L. Weingart control the shares held by the Weingart Family Trust.

(55) The Weitz Funds are investment companies registered under the Investment Company Act of 1940.

(56) Wellington Management Company, LLP is an investment adviser registered under the Investment Advisers Act of 1940, as amended.

(57) Jeffrey J. Zimmer controls the shares held by the Carolyn M. Zimmer U.G.M.A.-Account and the Isabella L. Zimmer U.G.M.A.-Account. Mr. Zimmer is our President, Chief Executive Officer and Chairman of our board of directors.

(58) Mr. Zimmer is our President, Chief Executive Officer and Chairman of our board of directors. The amount being registered hereby includes 207,602 shares of Class A Common Stock receivable upon conversion of 207,602 shares of Class B Common Stock.

(59) Richard L. Zorn controls the shares held by the Zorn Foundation.

(60) The amount represents shares held through various accounts.

DESCRIPTION OF CAPITAL STOCK

The following summary description of our capital stock contains the material terms of our capital stock and is subject to and qualified in its entirety by reference to our charter and our bylaws and any amendments thereto, copies of which are attached as exhibits to the registration statement of which this prospectus forms a part.

Common Stock

General

Our charter provides that we may issue up to 100,000,000 shares of our common stock, $0.001 par value per share, and up to 10,000,000 shares of preferred stock, $0.001 par value per share. Under Maryland law, stockholders generally are not liable for the corporation's debts or obligations.

Of the 100,000,000 shares of common stock we may issue under our charter, 98,000,000 shares have been designated as Class A Common Stock, 1,000,000 shares have been designated as Class B Common Stock and 1,000,000 shares have been designated as Class C Common Stock. All shares of our Class A Common Stock registered hereby will be duly authorized and, upon our receipt of the full consideration therefor, will be fully paid and non-assessable. Holders of our shares of common stock have no sinking fund or redemption rights and have no preemptive rights to subscribe for any of our securities. On December 27, 2005, we had 23,806,942 shares of Class A Common Stock, 319,388 shares of Class B Common Stock and 319,388 shares of Class C Common Stock outstanding.

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter, unless a lesser percentage (but not fewer than a majority of all of the votes entitled to be cast by the stockholders on the matter) is set forth in the corporation's charter. Our charter provides that any such action shall be effective and valid if taken or authorized by our stockholders by the affirmative vote of a majority of all the votes entitled to be cast on the matter, except that amendments to the provisions of our charter relating to the removal of directors must be approved by our stockholders by the affirmative vote of at least two-thirds of the votes entitled to be cast on the matter.

Class A Common Stock

Each outstanding share of Class A Common Stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors. Holders of shares of our Class A Common Stock are not entitled to cumulate their votes in the election of directors.

Subject to the preferential rights of any other class or series of stock and to the provisions of our charter regarding ownership

limitations, holders of shares of our Class A Common Stock are entitled to receive dividends on such stock if, as and when authorized and declared by our board of directors out of assets legally available therefor.

Class B Common Stock

Of the 1,000,000 shares of our Class B Common Stock authorized for issuance under our charter, 319,388 shares were purchased by our founders, Messrs. Zimmer and Cauley, in October 2003.

Each outstanding share of Class B Common Stock entitles the holder to one vote on all matters submitted to a vote of common stockholders, including the election of directors. Holders of our shares of Class B Common Stock are not entitled to cumulate their votes in the election of directors. Holders of our shares of Class A Common Stock and Class B Common Stock vote together as one class in all

matters, except that any matters which would adversely affect the rights and preferences of Class B Common Stock as a separate class require a separate approval by holders of a majority of the outstanding shares of our Class B Common Stock.

Holders of our shares of Class B Common Stock are entitled to receive dividends on each share of Class B Common Stock in an amount equal to the dividends declared on each share of Class A Common Stock if, as and when authorized and declared by our board of directors out of assets legally available therefor.

Class C Common Stock

Of the 1,000,000 shares of our Class C Common Stock authorized for issuance under our charter, 319,388 were purchased by Flagstone Securities, LLC in October 2003.

No dividends will be paid on the Class C Common Stock. Holders of shares of our Class C Common Stock are not entitled to vote on any matter submitted to a vote of stockholders, including the election of directors, except that any matters that would adversely affect the rights and privileges of the Class C Common Stock as a separate class require the approval of a majority of the Class C Common Stock.

Liquidation Rights

As used herein, "Class A Common Stock Per Share Preference Amount" means $15.00, adjusted equitably for any stock splits, stock combinations, stock dividends or the like.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of our company, after payment or adequate provision for all known debts, liabilities and preference amounts payable on any preferred stock outstanding, including the 1,800,000 shares of Class A Redeemable Preferred Stock, liquidation proceeds shall be allocated as follows:

(i) first, to each share of Class A Common Stock outstanding, the Class A Common Stock Per Share Preference Amount;

(ii) second, (x) to each share of Class B Common Stock outstanding, its pro rata share of $1.9 million, less the aggregate Class A Common Stock Per Share Preference Amount with respect to shares of Class A Common Stock issued on conversion of Class B Common Stock (such amount being the "Class B Common Stock Per Share Preference Amount") and (y) to each share of Class C Common Stock outstanding, its pro rata share of $1.9 million, less the aggregate Class A Common Stock Per Share Preference Amount with respect to shares of Class A Common Stock issued on conversion of Class C

Common Stock (such amount being the "Class C Common Stock Per Share Preference Amount"); and

(iii) finally, any excess pro rata on a share for share basis to holders of our common stock outstanding.

Whenever funds are insufficient to pay in full the applicable Class A Common Stock Per Share Preference Amount, the available funds shall be allocated ratably among the shares of Class A Common Stock. Whenever funds are insufficient to pay in full the applicable Class B Common Stock Per Share Preference Amount and the Class C Common Stock Per Share Preference Amount, the available funds shall be allocated ratably in accordance with the amount owing to the shares of Class B Common Stock and Class C Common Stock under (ii) above.

Conversion of the Class B Common Stock and Class C Common Stock

Each share of Class B Common Stock shall automatically be converted into one share of Class A Common Stock on the first day of the fiscal quarter following the fiscal quarter during which our board

of directors shall have been notified that, as of the end of such fiscal quarter, the stockholders' equity attributable to the Class A Common Stock, calculated on a pro forma basis as if conversion of the Class B Common Stock (or portion thereof to be converted) had occurred, and otherwise determined in accordance with GAAP, equals no less than $15.00 per share (adjusted equitably for any stock splits, stock combinations, stock dividends or the like); provided, that the number of shares of Class B Common Stock to be converted into Class A Common Stock in any quarter shall not exceed an amount that will cause the stockholders' equity attributable to the Class A Common Stock calculated as set forth above to be less than $15.00 per share; provided further, that such conversions shall continue to occur until all shares of Class B Common Stock have been converted into shares of Class A Common Stock.

Each share of Class C Common Stock shall automatically be converted into one share of Class A Common Stock on the first day of the fiscal quarter following the fiscal quarter during which our board of directors shall have been notified that, as of the end of such fiscal quarter, the stockholders' equity attributable to the Class A Common Stock, calculated on a pro forma basis as if conversion of the Class C Common Stock had occurred and giving effect to the conversion of all of the shares of Class B Common Stock as of such date, and otherwise determined in accordance with GAAP, equals no less than $15.00 per share (adjusted equitably for any stock splits, stock combinations, stock dividends or the like); provided, that the number of shares of Class C Common Stock to be converted into Class A Common Stock shall not exceed an amount that will cause the stockholders' equity attributable to the Class A Common Stock calculated as set forth above to be less than $15.00 per share; and provided further, that such conversions shall continue to occur until all shares of Class C Common Stock have been converted into shares of Class A Common Stock.

Following such conversions, all authorized shares of Class B Common Stock and Class C Common Stock so converted shall be cancelled and become authorized but unissued shares of Class A Common Stock.

Stockholder Liability

Maryland law provides that no stockholder shall be personally liable for our acts and obligations and that our funds and property shall be the only recourse for these acts or obligations.

Preferred Stock

General

Our charter authorizes our board of directors to classify any unissued shares of preferred stock and to reclassify any previously classified but unissued shares of any series of preferred stock previously authorized by our board of directors. Prior to issuance of shares of each class or series of preferred stock, our board is required by the MGCL and our charter to fix the terms,

preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such class or series. Thus, our board could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for holders of our common stock or otherwise be in their best interest. Pursuant to our articles supplementary, effective November 3, 2005, and by resolutions adopted on September 29, 2005, our board of directors classified and designated 1,800,000 shares of the authorized but unissued preferred stock, $0.001 par value, as Class A Redeemable Preferred Stock and 2,000,000 shares of the authorized but unissued preferred stock as Class B Redeemable Preferred Stock. As of the date of this prospectus, we issued 1,800,000 shares of Class A Redeemable Preferred Stock. We have no present plans to issue any additional preferred stock other than an amount not to exceed the $17.5 million worth of redeemable preferred stock that stockholders of Opteum may be eligible to receive over the next five

years, pursuant to the merger agreement with Opteum. Our Class A Redeemable Preferred Stock and Class B Redeemable Preferred Stock rank equal to each other and shall have the same preferences, rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms; provided, however that the redemption provisions of the Class A Redeemable Preferred Stock and the Class B Redeemable Preferred Stock differ.

Class A Redeemable Preferred Stock and Class B Redeemable Preferred Stock

Each outstanding share of Class A Redeemable Preferred Stock and Class B Redeemable Preferred Stock shall have one-fifth of a vote on all matters submitted to a vote of stockholders (or such lesser fraction of a vote as would be required to comply with the rules and regulations of the NYSE relating to our right to issue securities without obtaining a stockholder vote). Holders of shares of preferred stock shall vote together with holders of shares of common stock as one class in all matters that would be subject to a vote of stockholders.

If the Class A Redeemable Preferred Stock has not been converted into Class A Common Stock on or before December 31, 2009, then a holder of Class A Redeemable Preferred Stock shall have the right to have his or her shares of Class A Redeemable Preferred stock redeemed in whole or in part at any time and from time to time, at a redemption price per share equal to $24.00 plus all dividends declared and unpaid on such shares to the date of such redemption, subject to certain limitations found in our articles supplementary.

Except in connection with a merger transaction, as defined in our amended charter, shares of the Class B Redeemable Preferred Stock are not redeemable prior to the date that is five years from the date of the issuance of such shares. On or after the date that is five year from the date of issuance, a holder of Class B Redeemable Preferred Stock can redeem his or her shares of Class B Redeemable Preferred Stock in whole or in part at any time and from time to time at a redemption price per share equal to the average daily closing price for the Series A Common Stock on the NYSE for the ten trading day period ending on the trading day immediately preceding the date of issuance of such Class B Redeemable Preferred Stock, plus all dividends declared and unpaid on such Class B Preferred Stock from the date of the original issuance of such stock to the date of such redemption.

Holders of shares of our preferred stock cannot receive or accrue dividend payments prior to January 1, 2006. After January 1, 2006 and prior to March 31, 2006, holders are entitled to receive dividends according to the formula described in our articles supplementary. On or after March 31, 2006, holders of shares of our preferred stock are entitled to receive dividends in the same amount and at the same times as dividends are paid on each share of Class A Common Stock if, as and when authorized and declared by our board of directors out of assets legally available therefor.

Liquidation Rights

As used herein, the term "Class A Redeemable Preferred Stock Per Share Preference Amount" shall mean $24.00, adjusted equitably for any stock splits, stock combinations, stock dividends or the like.

In the event of any involuntary liquidation, dissolution or winding up of our company, after payment or adequate provision for all known debts and liabilities, and subject to the preferential rights of the holders of any stock senior to Class A Redeemable Preferred Stock, liquidation proceeds shall be allocated to the holders of Class A Redeemable Preferred Stock or to holders of stock on parity with Class A Redeemable Preferred Stock.

Whenever funds are insufficient to pay in full the applicable Class A Redeemable Preferred Stock Per Share Preference Amount, the available funds shall be allocated ratably among the holders of Class A Redeemable Preferred Stock and to holders of stock on parity with such stock.

Conversion of Class A Redeemable Preferred Stock and Class B Redeemable Preferred Stock

Pursuant to our articles supplementary, the shares of our Class A Redeemable Preferred Stock will convert into shares of shares of our Class A Common Stock at such time as such conversion is approved by the requisite number of stockholders. In addition, our Class B Redeemable Preferred Stock will convert into shares of our Class A Common Stock at such time as such conversion is approved by the requisite number of stockholders.

If there is a merger transaction with out first converting the Class A Redeemable Preferred Stock into Class A Common Stock in accordance with the provisions of our articles supplementary, the Class A Redeemable Preferred Stock shall automatically be redeemed by the Corporation and the merger transaction shall not be effected unless on or before the closing of such merger transaction all of the shares of Class A Redeemable Preferred Stock are redeemed at a redemption price per share in cash equal to $31.50 plus all declared and unpaid dividends.

Power to Issue Additional Shares of Common Stock and Preferred Stock

We believe that the power of our board of directors to issue additional authorized but unissued shares of our common stock or preferred stock will provide us with increased flexibility in making investment acquisitions and in meeting other needs which might arise. The additional shares of our common stock and preferred stock are available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded.

Ownership Limitations

Our charter, subject to certain exceptions, contains certain restrictions on the number of shares of our stock that a person may own. Our charter contains a stock ownership limit that prohibits any person from acquiring or holding, directly or indirectly, applying attribution rules under the Internal Revenue Code, shares of stock in excess of 9.8% of the total number or value of the outstanding shares of our common stock, whichever is more restrictive, or our stock in the aggregate. Our charter further prohibits (i) any person from beneficially or constructively owning shares of our stock that would result in us being "closely held" under Section 856(h) of the Internal Revenue Code or otherwise cause us to fail to qualify as a REIT, and (ii) any person from transferring shares of our stock if such transfer would result in shares of our stock being owned by fewer than 100 persons. Our board of directors, in its sole discretion, may exempt a person from the stock ownership limit. However, our board of directors may not grant such an exemption to any person whose ownership, direct or indirect, of an excess of 9.8% of the number or value of the outstanding shares of our stock (whichever is more restrictive) would result in us being "closely held" within the meaning of Section 856(h) of the Internal Revenue Code or otherwise would result in us failing to qualify as a REIT. The person seeking an

exemption must represent to the satisfaction of our board of directors that it will not violate the aforementioned restriction. The person also must agree that any violation or attempted violation of any of the foregoing restrictions will result in the automatic transfer of the shares of stock causing such violation to the trust (as defined below). Our board of directors may require a ruling from the IRS or an opinion of counsel, in either case in form and substance satisfactory to our board of directors in its sole discretion, to determine or ensure our qualification as a REIT.

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of our stock that will or may violate any of the foregoing restrictions on transferability and ownership, or any person who would have owned shares of our stock that resulted in a transfer of shares to the trust in the manner described below, will be required to give notice immediately to us and provide us with such other information as we may request in order to determine the effect of such transfer on us.

If any transfer of shares of our stock occurs which, if effective, would result in any person beneficially or constructively owning shares of our stock in excess or in violation of the above transfer or ownership limitations, then that number of shares of our stock the beneficial or constructive ownership of which otherwise would cause such person to violate such limitations (rounded to the nearest whole share) shall be automatically transferred to a trust for the exclusive benefit of one or more charitable beneficiaries, and the prohibited owner shall not acquire any rights in such shares. Such automatic transfer shall be deemed to be effective as of the close of business on the business day prior to the date of such violative transfer. Shares of stock held in the trust shall be issued and outstanding shares of our stock. The prohibited owner shall not benefit economically from ownership of any shares of stock held in the trust, shall have no rights to dividends and shall not possess any rights to vote or other rights attributable to the shares of stock held in the trust. The trustee of the trust shall have all voting rights and rights to dividends or other distributions with respect to shares of stock held in the trust, which rights shall be exercised for the exclusive benefit of the charitable beneficiary. Any dividend or other distribution paid prior to the discovery by us that shares of stock have been transferred to the trustee shall be paid by the recipient of such dividend or distribution to the trustee upon demand, and any dividend or other distribution authorized but unpaid shall be paid when due to the trustee. Any dividend or distribution so paid to the trustee shall be held in trust for the charitable beneficiary. The prohibited owner shall have no voting rights with respect to shares of stock held in the trust and, subject to Maryland law, effective as of the date that such shares of stock have been transferred to the trust, the trustee shall have the authority (at the trustee's sole discretion) (i) to rescind as void any vote cast by a prohibited owner prior to the discovery by us that such shares have been transferred to the trust, and (ii) to recast such vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary. However, if we have already taken irreversible corporate action, then the trustee shall not have the authority to rescind and recast such vote.

Within 20 days after receiving notice from us that shares of our stock have been transferred to the trust, the trustee shall sell the shares of stock held in the trust to a person, whose ownership of the shares will not violate any of the ownership limitations set forth in our charter. Upon such sale, the interest of the charitable beneficiary in the shares sold shall terminate and the trustee shall distribute the net proceeds of the sale to the prohibited owner and to the charitable beneficiary as follows. The prohibited owner shall receive the lesser of (i) the price paid by the prohibited owner for the shares or, if the prohibited owner did not give value for the shares in connection with the event causing the shares to be held in the trust (e.g., a gift, devise or other such transaction), the market price, as defined in our charter, of such shares on the day of the event causing the shares to be held in the trust and (ii) the price per share received by the trustee from the sale or other disposition of the shares held in the trust, in each case reduced by the costs incurred to enforce the ownership limits as to the shares in question. Any net sale proceeds in excess of the amount payable to the prohibited owner shall be paid immediately to the charitable beneficiary. If, prior to the discovery by us that shares of our stock

have been transferred to the trust, such shares are sold by a prohibited owner, then (i) such shares shall be deemed to have been sold on behalf of the trust and (ii) to the extent that the prohibited owner received an amount for such shares that exceeds the amount that such prohibited owner was entitled to receive pursuant to the aforementioned requirement, such excess shall be paid to the trustee upon demand.

In addition, shares of our stock held in the trust shall be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the trust (or, in the case of a devise or gift, the market price at the time of such devise or gift) and (ii) the market price on the date we, or our designee, accept such offer. We shall have the right to accept such offer until the trustee has sold the shares of stock held in the trust. Upon such a sale to us, the interest of the charitable beneficiary in the shares sold shall terminate and the trustee shall distribute the net proceeds of the sale to the prohibited owner.

All certificates representing shares of our common stock and preferred stock, if issued, will bear a legend referring to the restrictions described above.

Every record holder of 0.5% or more (or such other percentage as required by the Internal Revenue Code and the related Treasury regulations) of all classes or series of our stock, including shares of our common stock on any dividend record date during each taxable year, within 30 days after the end of the taxable year, shall be required to give written notice to us stating the name and address of such record holder, the number of shares of each class and series of our stock which the record holder beneficially owns and a description of the manner in which such shares are held. Each such record holder shall provide to us such additional information as we may request in order to determine the effect, if any, of such beneficial ownership on our qualification as a REIT and to ensure compliance with the stock ownership limits. In addition, each record holder shall upon demand be required to provide to us such information as we may reasonably request in order to determine our qualification as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance. We may request such information after every sale, disposition or transfer of our common stock prior to the date a registration statement for such stock becomes effective.

These ownership limits could delay, defer or prevent a change in control or other transaction of us that might involve a premium price for the Class A Common Stock or otherwise be in the best interest of the stockholders.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Continental Stock Transfer & Trust Company. Their mailing address is 17 Battery Place, New York, New York, 10004. Their telephone number is (212) 845-3200.

CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

The following summary of certain provisions of Maryland law and our charter and bylaws contains the material terms of our charter and our bylaws and is subject to, and qualified in its entirety by, reference to Maryland law and to our charter and bylaws.

Classification of Board of Directors

Our bylaws provide that the number of directors may be established, increased or decreased by our board of directors but may not be fewer than the minimum number required by the MGCL (which currently is one) nor more than fifteen. Any vacancy on our board may be filled by a majority of the remaining directors, even if such a majority constitutes less than a quorum, except that a vacancy resulting from an increase in the number of directors must be filled by a majority of the entire board of directors. Our stockholders may elect a successor to fill a vacancy on our board, which results from the removal of a director. Our bylaws provide that a majority of our board of directors must be independent directors.

Pursuant to our charter, our board of directors is divided into three classes of directors. Beginning in 2004, directors of each class will be chosen for three-year terms upon the expiration of their current terms and every other year one class of our directors will be elected by our stockholders. We believe that classification of our board of directors will help to assure the continuity and stability of our business strategies and policies as determined by our board of directors. Holders of shares of our common stock will not have the right to cumulative voting in the election of directors. Consequently, at the applicable annual meeting of stockholders, the holders of a majority of the shares of our common stock entitled to vote will be able to elect all of the successors of the class of directors whose terms expire at that meeting.

The classified board provision could have the effect of making the replacement of incumbent directors more time consuming and difficult. Two separate meetings of stockholders, instead of one, will generally be required to effect a change in a majority of our board of directors. Thus, the classified board provision could increase the likelihood that incumbent directors will retain their positions. The staggered terms of directors may delay, defer or prevent a tender offer or an attempt to change control of us, even though a tender offer or change in control might be in the best interest of our stockholders.

Removal of Directors

Our charter provides that a director may be removed only for cause (as defined in our charter) and only by the affirmative vote of at least two-thirds of the votes entitled to be cast by our stockholders generally in the election of our directors. This provision, when coupled with the provision in our bylaws authorizing our board of directors to fill vacant directorships, will preclude stockholders from removing incumbent directors and filling the vacancies created by such removal with their own

nominees except upon the existence of cause for removal and a substantial affirmative vote.

Limitation of Liability and Indemnification

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (i) actual receipt of an improper benefit or profit in money, property or services, or (ii) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision which eliminates such liability to the maximum extent permitted by the MGCL.

Our charter obligates us, to the maximum extent permitted by Maryland law, to indemnify any person who is or was a party to, or is threatened to be made a party to, any threatened or pending proceeding by reason of the fact that such person is or was a director or officer of our company, or while a director or officer of our company is or was serving, at our request, as a director, officer, agent, partner or trustee of another corporation, partnership, joint venture, limited liability company, trust, real estate investment trust, employee benefit plan or other enterprise. To the maximum extent permitted by Maryland law, the indemnification provided for in our charter shall include expenses (including attorney's fees), judgments, fines and amounts paid in settlement and any such expenses may be paid or reimbursed by us in advance of the final disposition of any such proceeding. Our bylaws also permit us to indemnify and advance expenses to any person who served any of our predecessors in any of the capacities described above and to any employee or agent of us or a predecessor of us.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he is made a party by reason of his service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (i) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, (ii) the director or officer actually received an improper personal benefit in money, property or services, or (iii) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (1) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the corporation, and (2) a written undertaking by or on his behalf to repay the amount paid or reimbursed by the corporation if it shall ultimately be determined that the standard of conduct was not met.

Maryland Business Combination Act

The MGCL establishes special requirements for "business combinations" between a Maryland corporation and "interested stockholders" unless exemptions are applicable. An interested stockholder is any person who beneficially owns, directly or indirectly, 10% or more of the voting power of our then-outstanding voting stock or any affiliate or associate who beneficially owned, directly or indirectly, 10% or more of the

voting power of our then-outstanding voting stock within the two year period prior to the date in question. Among other things, the law prohibits for a period of five years a merger and other similar transactions between us and an interested stockholder unless our board of directors approved the transaction prior to the party becoming an interested stockholder. The five-year period runs from the most recent date on which the interested stockholder became an interested stockholder. The law also requires a supermajority stockholder vote for these transactions after the end of the five-year period. This means that the transaction must be approved by at least:

- 80% of the votes entitled to be cast by holders of outstanding voting shares; and
- 66 2/3% of the votes entitled to be cast by holders of outstanding voting shares other than shares held by the interested stockholder or an affiliate of the interested stockholder with whom the business combination is to be effected.

Our charter contains a provision exempting us from the provisions of the MGCL relating to business combinations with interested stockholders or affiliates of interested stockholders. However, such resolution can be altered or repealed, in whole or in part, by an amendment to our charter. If such provision is repealed, the business combination statute could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating these offers, even if our acquisition would be in our stockholders' best interests.

Maryland Control Share Acquisitions Act

The MGCL provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock owned by the acquiror, by officers or by directors who are employees of the corporation. "Control shares" are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-tenth or more, but less than one-third; (ii) one-third or more, but less than a majority; or (iii) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel our board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, we may present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the Maryland Control Share Acquisition Act, then, subject to certain conditions and limitations, we may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders' meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. This means that you would be able to force us to redeem your stock for fair value. Under Maryland law, the fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition. Furthermore, certain limitations otherwise applicable to the exercise of appraisal rights would not apply in the context of a control share acquisition.

The control share acquisition statute does not apply (i) to shares acquired in a merger, consolidation or share exchange if we are a party to the transaction, or (ii) to acquisitions approved or exempted by our charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our shares of stock. We cannot assure you that such provision will not be amended or eliminated at any time in the future. If such provision is eliminated, the control share acquisition statute could have the effect of discouraging offers to acquire us and increasing the difficulty of consummating any such offers, even if our acquisition would be in our stockholders' best interests.

Amendment to the Charter

Except as provided below, our charter, including its provisions on classification of our board of directors, may be amended only if approved by our stockholders by the affirmative vote of not less than a majority of all of the votes entitled to be cast on the matter. Amendments to the provisions of our charter relating to the removal of directors will be required to be approved by our stockholders by the affirmative vote of at least two-thirds of all votes entitled to be cast on the matter.

Dissolution

Our dissolution must be approved by our stockholders by the affirmative vote of not less than a majority of all of the votes entitled to be cast on the matter.

Advance Notice of Director Nominations and New Business

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to our board of directors and the proposal of business to be considered by stockholders may be made only (i) pursuant to our notice of the meeting, (ii) at the direction of our board of directors, or (iii) by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in our bylaws.

CLASS A COMMON STOCK AVAILABLE FOR FUTURE SALE

As of December 27, 2005, we had outstanding 23,806,942 shares of our Class A Common Stock. We also have reserved an additional 3,462,689 shares of our Class A Common Stock for issuance under our 2003 Long Term Incentive Compensation Plan, 506,175 shares for issuance upon exchange of phantom shares that we have issued under our 2003 Long Term Incentive Compensation Plan and 638,776 shares for issuance upon conversion of Class B and Class C Common Stock. We have an effective registration statement covering all shares of our Class A Common Stock issued, reserved for issuance or subject to outstanding options under our 2003 Long Term Incentive Compensation Plan. All 23,806,942 outstanding shares of our Class A Common Stock are or will be available for sale in the public market.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes the material U.S. federal income tax considerations regarding our qualification and taxation as a REIT and the material U.S. federal income tax consequences resulting from the acquisition, ownership and disposition of our common stock. The following discussion is not exhaustive of all possible tax considerations. This summary neither gives a detailed discussion of any state, local or foreign tax considerations nor discusses all of the aspects of U.S. federal income taxation that may be relevant to a holder of our common stock in light of the stockholder's particular circumstances or, except to the extent discussed under the headings " Taxation of Tax-Exempt Stockholders," and " Taxation of Non-United States Stockholders" below, to particular types of stockholders which are subject to special tax rules, including, among others, expatriates, partnerships, grantor trusts, insurance companies, tax-exempt entities, financial institutions or broker-dealers, persons who are not citizens or residents of the United States, stockholders that hold our stock as a hedge, part of a straddle, conversion transaction or other arrangement involving more than one position, or stockholders whose functional currency is not the U.S. dollar. This discussion assumes that an investor will hold our common stock as a "capital asset," which generally means property held for investment under the Internal Revenue Code.

The information in this summary is based on the Internal Revenue Code, current, temporary and proposed Treasury regulations promulgated under the Internal Revenue Code, the legislative history of the Internal Revenue Code, current administrative interpretations and practices of the IRS and court decisions, all as of the date of this prospectus. The administrative interpretations and practices of the IRS upon which this summary is based include its practices and policies as expressed in private letter rulings which are not binding on the IRS, except with respect to the taxpayers who requested and received such rulings. No assurance can be given that future legislation, Treasury regulations, administrative interpretations and practices and court decisions will not significantly change current law, or adversely affect existing interpretations of existing law, on which the information in this summary is based. Even if there is no change in applicable law, no assurance can be provided that the statements made in the following summary will not be challenged by the IRS or will be sustained by a court if so challenged, and we will not seek a ruling with respect to any part of the information discussed in this summary. This summary is qualified in its entirety by the applicable Internal Revenue Code provisions, Treasury regulations, and administrative and judicial interpretations of the Code.

INVESTORS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES TO THEM OF ACQUIRING, HOLDING AND DISPOSING OF OUR CLASS A COMMON STOCK AND THE POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

General

We are taxed as a REIT under the Internal Revenue Code. We believe that we have been organized and have operated, and intend to continue to be organized and operate, in a manner so as to qualify as a REIT. However, no assurance can be given that we in fact qualify or will remain qualified as a REIT under the Internal Revenue Code. In connection with this prospectus, we expect to receive the opinion of our legal counsel, Clifford Chance US LLP, that commencing with our taxable year ended December 31, 2003, we have been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code, and our current and proposed method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT under the Internal Revenue Code. It must be emphasized that this opinion will not be binding on the IRS or any court. In addition, the opinion of our counsel will be based on various assumptions and will be conditioned upon certain representations made by us as to factual matters, including factual representations concerning our business and assets as set forth in this prospectus, and will assume that the actions described in this prospectus are completed in a timely

fashion. Our qualification and taxation as a REIT depend on our ability to meet, through actual annual operating results, distribution levels, diversity of stock ownership, and the various other qualification tests imposed under the Internal Revenue Code discussed below, the results of which will not be reviewed by Clifford Chance US LLP. No assurance can be given that our actual results for any particular taxable year will satisfy these requirements. See " Failure to Qualify as a REIT." In addition, qualification as a REIT depends on future transactions and events that cannot be known at this time.

So long as we qualify for taxation as a REIT, we generally will be permitted a deduction for dividends we currently distribute to our stockholders. As a result, we generally will not be required to pay U.S. federal income taxes on our net income that is currently distributed to our stockholders. This treatment substantially eliminates the "double taxation" that ordinarily results from investment in a corporation. Double taxation means taxation once at the corporate level when income is earned and once again at the stockholder level when this income is distributed. Even as a REIT, however, we will be required to pay U.S. federal tax, as follows.

We will be required to pay tax at regular corporate rates on any undistributed net taxable income, including undistributed net capital gain.

We may be subject to the "alternative minimum tax" on our items of tax preference, if any.

We will be required to pay a 100% tax on any net income from "prohibited transactions." Prohibited transactions are, in general, sales or other taxable dispositions of property (as described below), other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business depends on all the facts and circumstances surrounding the particular transaction.

If we elect to treat property that we acquire in connection with a foreclosure of a mortgage loan or leasehold as "foreclosure property," we may thereby avoid (1) the 100% tax on gain from a resale of that property (if the sale would otherwise constitute a prohibited transaction), and (2) the inclusion of any income from such property not qualifying for purposes of the REIT gross income tests discussed below, but the income from the sale

or operation of the property would be subject to U.S. federal corporate income tax at the highest applicable rate (currently 35%).

If we fail to satisfy the 75% gross income test or the 95% gross income test discussed below, but nonetheless maintain our qualification as a REIT because certain other requirements are met, we will be subject to a tax equal to the greater of (i) the amount by which 75% of our gross income exceeds the amount qualifying under the 75% gross income test described below, and (ii) the amount by which 95% (90% for taxable years commencing with our taxable years beginning before January 1, 2005) of our gross income exceeds the amount qualifying under the 95% gross income test described below, multiplied by a fraction intended to reflect our profitability.

Pursuant to the American Jobs Creation Act of 2004 (the "Act") commencing with our taxable year beginning on January 1, 2005, if we fail to satisfy any of the REIT asset tests, as described below, by more than a *de minimis* amount, but failure is due to reasonable cause and not willful neglect and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets during the period in which we failed to satisfy the asset tests.

Pursuant to the Act, commencing with our taxable year beginning on January 1, 2005, if we fail to satisfy any provision of the Internal Revenue Code that would result in our failure to qualify

as a REIT (other than a violation of the REIT gross income or asset tests) and the violation is due to reasonable cause, we may retain our REIT qualification but we will be required to pay a penalty of $50,000 for each such failure.

We will be required to pay a 4% excise tax on the excess of the required distribution over the amounts actually distributed if we fail to distribute during each calendar year at least the sum of (i) 85% of our REIT ordinary income for the year; (ii) 95% of our REIT capital gain net income for the year; and (iii) any undistributed taxable income from prior periods. This distribution requirement is in addition to, and different from, the distribution requirements discussed below in the section entitled " Annual Distribution Requirements."

If we acquire any asset from a corporation which is or has been taxed as a C corporation under the Internal Revenue Code in a transaction in which the basis of the asset in our hands is determined by reference to the basis of the asset in the hands of the C corporation, and we subsequently recognize gain on the disposition of the asset during the 10-year period beginning on the date on which we acquired the asset, then we will be required to pay tax at the highest regular corporate tax rate on this gain to the extent of the excess of (i) the fair market value of the asset, over (ii) our adjusted basis in the asset, in each case determined as of the date on which we acquired the asset, or built-in gain. The results described in this paragraph with respect to the recognition of gain will apply unless an election under Treasury regulation Section 1.337(d)-7(c) is made to cause the C corporation to recognize all of the gain inherent in the property at the time of acquisition of the asset.

We will generally be subject to tax on the portion of any excess inclusion income derived from an investment in residual interests in REMICs to the extent our stock is held by specified tax-exempt organizations not subject to tax on unrelated business taxable income.

We could be subject to a 100% excise tax to the extent our dealings with any taxable REIT subsidiaries we own are not at arm's length.

In addition, our Opteum subsidiary is treated as a taxable REIT subsidiary. A taxable REIT subsidiary is subject to regular

federal, state and local taxation.

Requirements for Qualification as a REIT

The Internal Revenue Code defines a REIT as a corporation, trust or association:

(i) that is managed by one or more trustees or directors;

(ii) that issues transferable shares or transferable certificates to evidence beneficial ownership;

(iii) that would be taxable as a domestic corporation but for the special Internal Revenue Code provisions applicable to REITs;

(iv) that is not a financial institution or an insurance company within the meaning of the Internal Revenue Code;

(v) that is beneficially owned by 100 or more persons;

(vi) not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals, including specified entities, during the last half of each taxable year; and

(vii) that meets other tests, described below, regarding the nature of its income and assets and the amount of its distributions.

The Internal Revenue Code provides that the first four conditions stated above must be met during the entire taxable year and that the fifth condition must be met during at least 335 days of a

taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. The fifth and sixth conditions do not apply until after the first taxable year for which an election is made to be taxed as a REIT.

Our stock must be beneficially held by at least 100 persons, the "100 stockholder rule," and no more than 50% of the value of our stock may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of the taxable year, the "5/50 rule." In determining whether five or fewer individuals hold our shares, certain attribution rules of the Internal Revenue Code apply. For purposes of the 5/50 rule, pension trusts and other specific tax-exempt entities generally are treated as individuals, except that certain tax-qualified pension funds are not considered individuals and beneficiaries of such trusts are treated as holding shares of a REIT in proportion to their actuarial interests in the trust for purposes of the 5/50 rule. Our charter provides for restrictions regarding ownership and transfer of our stock. These restrictions are intended to assist us in satisfying the 100 stockholder rule and the 5/50 rule. These restrictions, however, may not ensure that we will, in all cases, be able to satisfy the stock ownership rules. If we fail to satisfy any of these stock ownership rules, our qualification as a REIT may terminate. If, however, we complied with the rules contained in the applicable Treasury regulations that require a REIT to determine the actual ownership of its stock, as discussed below, and we do not know, or would not have known through the exercise of reasonable diligence, that we failed to meet the requirement of the 5/50 rule, we would not be disqualified as a REIT.

To monitor our compliance with the stock ownership tests, we are required to maintain records regarding the actual ownership of our shares of stock. To do so, we are required to demand written statements each year from the record holders of certain percentages of our shares of stock in which the record holders are to disclose the actual owners of the shares (i.e., the persons required to include our dividends in gross income). A list of those persons failing or refusing to comply with this demand must be maintained as part of our records. A record holder who fails or refuses to comply with the demand must submit a statement with his tax return disclosing the actual ownership of the shares of stock and certain other information.

In addition, a corporation generally may not elect to become a REIT unless its taxable year is the calendar year. Our taxable year is the calendar year.

Effect of Subsidiary Entities

We may own interests in entities treated as corporations for U.S. federal income tax purposes, provided that such ownership is consistent with our qualification as a REIT. If we own all of the outstanding stock of a corporation, such corporation will be treated as a "qualified REIT subsidiary" and will not be treated as a separate corporation from us. Additionally, all of such corporation's assets and liabilities as well as items of income, gain, loss, deduction and credit will be treated as our assets, liabilities and items of income, gain, loss, deduction and credit for U.S. federal income tax purposes and for the REIT gross income and

asset tests.

We may make an election, together with a corporation we own stock in, to treat such corporation as our "taxable REIT subsidiary." A taxable REIT subsidiary may earn income that would be nonqualifying income if earned directly by a REIT and is generally subject to full corporate level tax. A REIT may own up to 100% of all outstanding stock of a taxable REIT subsidiary. However, no more than 20% of a REIT's assets may consist of the securities of taxable REIT subsidiaries. Any dividends that a REIT receives from a taxable REIT subsidiary will generally be eligible to be taxed at the preferential rates applicable to qualified dividend income and, for purposes of REIT gross income tests, will be qualifying income for purposes of the 95% gross income test but not the 75% gross income test. Certain restrictions imposed on taxable REIT subsidiaries are intended to ensure that such entities will be subject to appropriate levels of U.S. federal income taxation. First, a taxable REIT subsidiary may

not deduct interest payments made in any year to an affiliated REIT to the extent that such payments exceed, generally, 50% of the taxable REIT subsidiary's adjusted taxable income for that year (although the taxable REIT subsidiary may carry forward to, and deduct in, a succeeding year the disallowed interest amount if the 50% test is satisfied in that year). Additionally, if a taxable REIT subsidiary pays interest, rent or another amount to a REIT that exceeds the amount that would be paid to an unrelated party in an arm's length transaction, an excise tax equal to 100% of such excess will be imposed. Together with Opteum, we have elected to treat Opteum as a taxable REIT subsidiary.

An unincorporated domestic entity, such as a partnership or limited liability company, that has a single owner, generally is not treated as an entity separate from its parent for U.S. federal income tax purposes. If we own 100% of the interests of such an entity, we will be treated as owning its assets and receiving its income directly. An unincorporated domestic entity with two or more owners generally is treated as a partnership for U.S. federal income tax purposes. In the case of a REIT that is a partner in a partnership that has other partners, the REIT is treated as owning its proportionate share of the assets of the partnership and as earning its proportionate share of the gross income of the partnership, based on percentage capital interests, for the purposes of the applicable REIT qualification tests. Pursuant to the Act, commencing with our taxable year beginning on January 1, 2005, for purposes of the 10% value test only, the determination of a REIT's interest in partnership assets will be based on the REIT's proportionate interest in any securities issued by the partnership, excluding for these purposes, certain excluded securities as described in the Internal Revenue Code. Thus, our proportionate share of the assets, liabilities and items of income of any partnership, joint venture or limited liability company that is treated as a partnership for U.S. federal income tax purposes in which we acquire an interest directly or indirectly will be treated as our assets and gross income for purposes of applying the various REIT qualification requirements.

Income Tests

We must satisfy two gross income requirements annually to maintain our qualification as a REIT:

- under the "75% gross income test," we must derive at least 75% of our gross income, excluding gross income from prohibited transactions, from specified real estate sources, including rental income, interest on obligations secured by mortgages on real property or on interests in real property, dividends or other distributions on, and gain from the sale of, stock in other REITs, gain from the disposition of "qualified real estate assets," i.e., interests in real property, mortgages secured by real property or interests in real property, and some other assets, and income from certain types of temporary investments; and

under the "95% gross income test," we must derive at least 95% of our gross income, excluding gross income from prohibited transactions, from (i) the sources of income that satisfy the 75% gross income test, and (ii) dividends, interest and gain from the sale or disposition of stock or securities, including, through our taxable year ending December 31, 2004, some interest rate swap and cap agreements, options, futures and forward contracts entered into to hedge debt incurred to acquire qualified real estate assets.

For purposes of the 75% and 95% gross income tests, a REIT is deemed to have earned a proportionate share of the income earned by any partnership, or any limited liability company treated as a partnership for U.S. federal income tax purposes, in which it owns an interest, which share is determined by reference to its capital interest in such entity, and is deemed to have earned the income earned by any qualified REIT subsidiary.

Any amount includible in our gross income with respect to a regular or residual interest in a REMIC generally is treated as interest on an obligation secured by a mortgage on real property. If, however, less than 95% of the assets of a REMIC consists of real estate assets (determined as if we held such assets), we will be treated as receiving directly our proportionate share of the income of the

REMIC. In addition, if we receive interest income with respect to a mortgage loan that is secured by both real property and other property and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property on the date we became committed to make or purchase the mortgage loan, a portion of the interest income, equal to (i) such highest principal amount minus such value, divided by (ii) such highest principal amount, generally will not be qualifying income for purposes of the 75% gross income test. Interest income received with respect to non-REMIC pay-through bonds and pass-through debt instruments, such as collateralized mortgage obligations or CMOs, however, generally will not be qualifying income for purposes of the 75% gross income test.

Generally, interest earned by a REIT does not qualify as income meeting the 75% or 95% gross income tests if the determination of all or some of the amount of interest depends in any way on the income or profits of any person. Interest will generally not be disqualified from meeting such tests, however, solely by reason of being based on a fixed percentage or percentages of receipts or sales.

We believe that the interest, original issue discount, and market discount income that we receive from our mortgage-related securities generally is and will be qualifying income for purposes of both gross income tests. However, to the extent that we own non-REMIC CMOs or other debt instruments secured by mortgage loans (rather than by real property), the interest income received with respect to such securities generally will be qualifying income for purposes of the 95% gross income test, but not the 75% gross income test. In addition, the loan amount of a mortgage loan that we own may exceed the value of the real property securing the loan. In that case, the portion of the interest income from the loan attributable to the amount of the loan that exceeds the value of the real property securing the loan will be qualifying income for purposes of the 95% gross income test, but not the 75% gross income test.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for such taxable year if we are entitled to relief under applicable provisions of the Internal Revenue Code. Generally, we may avail ourselves of these relief provisions if:

- our failure to meet these tests was due to reasonable cause and not due to willful neglect;
- we attach a schedule of the sources of our income to our U.S. federal income tax return; and
- any incorrect information on the schedule was not due to fraud with intent to evade tax.

Pursuant to the Act, commencing with our taxable year beginning on January 1, 2005, these relief provisions will be modified. Under the Act, in order to maintain our qualification as a REIT if we fail to satisfy the 75% or 95% gross income test, such failure must be due to reasonable cause and not due to willful neglect, and, following our identification of such failure for any taxable year, we must set forth a description of each item of our gross income that satisfies the REIT gross income tests in a schedule for the taxable year filed in accordance with regulations prescribed by the Treasury.

If we are entitled to avail ourselves of the relief provisions, we will maintain our qualification as a REIT but will be subject to certain penalty taxes as described above. We may not, however, be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions do not apply to a particular set of circumstances, we will not qualify as a REIT.

Foreclosure Property

Net income realized by us from foreclosure property would generally be subject to tax at the maximum U.S. federal corporate tax rate (currently at 35%). Foreclosure property means real property and related personal property that is acquired through foreclosure following a default on a lease of such property or indebtedness secured by such property and for which an election is made to treat the property as foreclosure property.

Prohibited Transaction Income

Any income realized by us on the sale of any asset, other than foreclosure property, held as inventory or otherwise held primarily for sale to customers in the ordinary course of a trade or business, will be prohibited transaction income and subject to a 100% excise tax. Prohibited transaction income may also adversely affect our ability to satisfy the gross income test for qualification as a REIT. Whether an asset is held as inventory or primarily for sale to customers in the ordinary course of a trade or business depends on all facts and circumstances surrounding the particular transaction. While the Internal Revenue Code provides a safe harbor which, if met, avoids treating a sale of an asset as a prohibited transaction, we may not be able to meet the requirements of this safe harbor in all circumstances. Any sales of assets made by a taxable REIT subsidiary will not be subject to the prohibited transaction tax.

Asset Tests

At the close of each quarter of our taxable year, we must satisfy four tests relating to the nature and diversification of our assets:

- at least 75% of the value of our total assets must be represented by qualified real estate assets, cash, cash items and government securities;

- not more than 25% of our total assets may be represented by securities, other than those securities included in the 75% asset test;

- of the investments included in the 25% asset class, the value of any one issuer's securities may not exceed 5% of the value of our total assets, and we generally may not own more than 10% by vote or value of any one issuer's outstanding securities, in each case except with respect to securities of qualified REIT subsidiaries or taxable REIT subsidiaries and in the case of the 10% value test except with respect to "straight debt" having specified characteristics and other excluded securities, as described in the Internal Revenue Code, including, but not limited to, any loan to an individual or an estate, any obligation to pay rents from real property and any security issued by a REIT. In addition, (i) our interest as a partner in a partnership is not considered a security for purposes of applying the 10% value test; (ii) any debt instrument issued by a partnership (other than straight debt or other excluded security) will not be considered a security issued by the partnership if at least 75% of the partnership's gross income is derived from sources that would qualify for the 75% REIT gross income test, and (iii) any debt instrument issued by a partnership (other

than straight debt or other excluded security) will not be considered a security issued by the partnership to the extent of our interest as a partner in the partnership; and

the value of the securities we own in any taxable REIT subsidiaries, in the aggregate, may not exceed 20% of the value of our total assets.

Qualified real estate assets include interests in mortgages on real property to the extent the principal balance of a mortgage does not exceed the fair market value of the associated real property, regular or residual interests in a REMIC (except that, if less than 95% of the assets of a REMIC consists of "real estate assets" (determined as if we held such assets), we will be treated as holding directly our proportionate share of the assets of such REMIC), and shares of other REITs. Non-REMIC CMOs, however, generally do not qualify as qualified real estate assets for this purpose.

For purposes of the 10% value test, "straight debt" means a written unconditional promise to pay on demand on a specified date a sum certain in money if (i) the debt is not convertible, directly or indirectly, into stock, (ii) the interest rate and interest payment dates are not contingent on profits, the

borrower's discretion, or similar factors other than certain contingencies relating to the timing and amount of principal and interest payments, as described in the Internal Revenue Code and (iii) in the case of an issuer which is a corporation or a partnership, securities that otherwise would be considered straight debt will not be so considered if we, and any of our "controlled TRSs" as defined in the Internal Revenue Code, hold any securities of the corporate or partnership issuer which: (a) are not straight debt or other excluded securities (prior to the application of this rule), and (b) have an aggregate value greater than 1% of the issuer's outstanding securities (including, for the purposes of a partnership issuer, our interest as a partner in the partnership).

We believe that all or substantially all of the mortgage-related securities that we own are and will be qualifying assets for purposes of the 75% asset test. However, to the extent that we own non-REMIC CMOs or other debt instruments secured by mortgage loans (rather than by real property) or debt securities issued by C corporations that are not secured by mortgages on real property, those securities may not be qualifying assets for purposes of the 75% asset test. We will monitor the status of our assets for purposes of the various asset tests and will seek to manage our portfolio to comply at all times with such tests.

After initially meeting the asset tests at the close of any quarter, we will not lose our qualification as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If we fail to satisfy the asset tests because we acquire securities during a quarter, we can cure this failure by disposing of sufficient non-qualifying assets within 30 days after the close of that quarter. Pursuant to the Act, commencing with our taxable year beginning on January 1, 2005, if we fail to meet any of the 5% or 10% asset tests, we may dispose of sufficient assets (generally within six months after the last day of the quarter in which our identification of the failure to satisfy these asset tests occurred) to cure such a violation that does not exceed the lesser of 1% of our assets at the end of the relevant quarter or $10,000,000. For violations of any of the REIT asset tests due to reasonable cause and not willful neglect that are larger than this amount, the Act permits us to avoid disqualification as a REIT, after the 30 day cure period, by taking steps including the disposition of sufficient assets to meet the asset test (generally within six months after the last day of the quarter in which our identification of the failure to satisfy the REIT asset test occurred) and paying a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets during the period in which we failed to satisfy the asset tests; provided that we file a schedule describing each asset that causes us to fail to satisfy the asset test in accordance with Treasury regulations that have yet to be issued.

Annual Distribution Requirements

To maintain our qualification as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to the sum of:

90% of our "REIT taxable income," and

90% of our after-tax net income, if any, from foreclosure property, less

the excess of the sum of specified items of our non-cash income that exceeds a percentage of our income.

For purposes of these distribution requirements, our "REIT taxable income" is computed without regard to the dividends paid deduction and net capital gain. In addition, for purposes of this test, the specified items of non-cash income include income attributable to leveled stepped rents, certain original issue discount, certain like-kind exchanges that are later determined to be taxable and income from cancellation of indebtedness.

Only distributions that qualify for the "dividends paid deduction" available to REITs under the Internal Revenue Code are counted in determining whether the distribution requirements are satisfied. We must make these distributions in the taxable year to which they relate, or in the following taxable year if they are declared before we timely file our tax return for that year, paid on or before the first regular dividend payment following the declaration and we elect on our tax return to have a specified dollar amount of such distributions treated as if paid in the prior year. These distributions are taxable to our stockholders in the year in which paid, even though the distributions relate to our prior year for purposes of the 90% distribution requirement. Dividends declared by us in October, November or December of one taxable year and payable to a stockholder of record on a specific date in any such month shall be treated as both paid by us and received by the stockholder during such taxable year, provided that the dividend is actually paid by us by January 31 of the following taxable year.

In addition, dividends distributed by us must not be preferential. If a dividend is preferential, it will not qualify for the dividends paid deduction. To avoid being preferential, every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated other than according to its dividend rights as a class.

To the extent that we do not distribute all of our net capital gain, or we distribute at least 90%, but less than 100%, of our net taxable income, we will be required to pay U.S. federal income tax on this undistributed income at regular corporate tax rates. Furthermore, if we fail to distribute during each calendar year (or, in the case of distributions with declaration and record dates falling in the last three months of the calendar year, by the end of the January immediately following such year) at least the sum of (i) 85% of our REIT ordinary income for such year, (ii) 95% of our REIT capital gain income for such year, and (iii) any undistributed taxable income from prior periods, we will be subject to a 4% nondeductible excise tax on the excess of such required distribution over the amounts actually distributed. We intend to make timely distributions sufficient to satisfy the annual distribution requirements.

Because we may deduct capital losses only to the extent of our capital gains, we may have taxable income that exceeds our economic income. In addition, we will recognize taxable income in advance of the related cash flow if any of our securities are deemed to have original issue discount. We generally must accrue original issue discount based on a constant yield method that takes into account projected prepayments. As a result of the foregoing, we may have less cash than is necessary to distribute all of our taxable income and thereby avoid corporate income and excise tax. In such a situation, we may need to borrow funds or issue additional common or preferred stock.

Under certain circumstances, we may be able to rectify a failure to meet the distribution requirements for a year by paying "deficiency dividends" to our stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. Although we may be able to avoid being taxed on amounts distributed as deficiency dividends, we will be required to pay

interest based upon the amount of any deduction taken for deficiency dividends.

Excess Inclusion Income

If we acquire a residual interest in a REMIC, we may realize excess inclusion income. If we are deemed to have issued debt obligations having two or more maturities, the payments on which correspond to payments on mortgage loans owned by us, such arrangement will be treated as a taxable mortgage pool for U.S. federal income tax purposes. If all or a portion of our company is treated as a taxable mortgage pool, our qualification as a REIT generally should not be impaired. However, a portion of our REIT taxable income may be characterized as excess inclusion income and allocated to our stockholders, generally in a manner set forth under the applicable Treasury regulations. The Treasury Department has not yet issued regulations governing the tax treatment of stockholders of a REIT that owns an interest in a taxable mortgage pool. Excess inclusion income is an amount, with

respect to any calendar quarter, equal to the excess, if any, of (i) income tax allocable to the holder of a residual interest in a REMIC during such calendar quarter over (ii) the sum of amounts allocated to each day in the calendar quarter equal to its ratable portion of the product of (a) the adjusted issue price of the interest at the beginning of the quarter multiplied by (b) 120% of the long term federal rate (determined on the basis of compounding at the close of each calendar quarter and properly adjusted for the length of such quarter). Our excess inclusion income would be allocated among our stockholders. A stockholder's share of any excess inclusion income:

- could not be offset by net operating losses of a stockholder;
- would be subject to tax as unrelated business taxable income to a tax-exempt holder;
- would be subject to the application of the U.S. federal income tax withholding (without reduction pursuant to any otherwise applicable income tax treaty) with respect to amounts allocable to non-U.S. stockholders; and
- would be taxable (at the highest corporate tax rates) to us, rather than our stockholders, to the extent allocable to our stock held by disqualified organizations (generally, tax-exempt entities not subject to unrelated business income tax, including governmental organizations).

Hedging Transactions

From time to time we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging transactions could take a variety of forms, including interest rate cap agreements, options, futures contracts, forward rate agreements, or similar financial instruments. Although it is not our current policy, we may in the future enter into other hedging transactions, including rate locks and guaranteed financial contracts. To the extent that we enter into an interest rate swap or cap contract, option, futures contract, forward rate agreement, or any similar financial instrument to reduce our interest rate risk on indebtedness incurred to acquire or carry real estate assets for taxable years beginning before January 1, 2005, any payment under or gain from the disposition of hedging transactions should be qualifying income for purposes of the 95% gross income test, but not the 75% gross income test. To the extent we hedge with other types of financial instruments or for other purposes, any payment under or gain from such transactions would not be qualifying income for purposes of the 95% or 75% gross income tests. Commencing with our taxable year beginning on January 1, 2005, except to the extent provided by Treasury regulations, any income from a hedging transaction to manage risk of interest rate

or price changes or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, by us, which is clearly identified as such before the close of the day on which it was acquired, originated, or entered into, including gain from the sale or disposition of such a transaction, will not constitute gross income for purposes of the 95% gross income test, to the extent that the transaction hedges any indebtedness incurred or to be incurred by us to acquire or carry real estate assets. We will monitor the income generated by any such transactions in order to ensure that such gross income, together with any other nonqualifying income received by us, will not cause us to fail to satisfy the 95% or 75% gross income tests.

Failure to Qualify as a REIT

If we fail to qualify for taxation as a REIT in any taxable year, and the relief provisions of the Internal Revenue Code do not apply, we will be required to pay taxes, including any applicable alternative minimum tax, on our taxable income in that taxable year and all subsequent taxable years at regular corporate rates. Distributions to our stockholders in any year in which we fail to qualify as a REIT will not be deductible by us and we will not be required to distribute any amounts to our stockholders. As a result, we anticipate that our failure to qualify as a REIT would reduce the cash available for distribution to our stockholders. In addition, if we fail to qualify as a REIT, all

distributions to our stockholders will be taxable as dividends from a C corporation to the extent of our current and accumulated earnings and profits, and United States stockholders (as defined below) may be taxable at preferential rates on such dividends, and corporate distributees may be eligible for the dividends-received deduction. Unless entitled to relief under specific statutory provisions, we will also be disqualified from taxation as a REIT for the four taxable years following the year in which we lose our qualification. Commencing with our taxable year beginning on January 1, 2005, specified cure provisions may be available to us in the event we violate a provision of the Internal Revenue Code that would result in our failure to qualify as a REIT. We may also be provided relief in the event that we violate a provision of the Internal Revenue Code that would result in our failure to qualify as a REIT (other than violations of the REIT gross income or asset tests, as described above, for which other specified cure provisions are available) if (i) the violation is due to reasonable cause and not willful neglect, and (ii) we pay a penalty of $50,000 for each failure to satisfy the provision.

Taxation of Taxable United States Stockholders

For purposes of the discussion in this prospectus, the term "United States stockholder" means a beneficial holder of our stock that is, for U.S. federal income tax purposes:

- a citizen or resident of the United States (as determined for U.S. federal income tax purposes);
- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States or of any state thereof or in the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust.

Distributions Generally

Distributions out of our current or accumulated earnings and profits, other than capital gain dividends, will be taxable to United States stockholders as ordinary income. Such REIT dividends generally are ineligible for the reduced tax rate (with a maximum U.S. federal income tax rate of 15%) for corporate dividends received by U.S. individuals through 2008. However, such rate will apply to the extent that we make distributions attributable to

amounts, if any, we receive as dividends from non-REIT corporations or to the extent that we make distributions attributable to the sum of (i) the excess of our REIT taxable income (excluding net capital gains) for the preceding year over the tax paid on such income, and (ii) the excess of our income subject to the built-in gain tax over the tax payable by us on such income. Provided that we qualify as a REIT, dividends paid by us will not be eligible for the dividends received deduction generally available to United States stockholders that are corporations. To the extent that we make distributions in excess of our current and accumulated earnings and profits, the distributions will be treated as a tax-free return of capital to each United States stockholder, and will reduce the adjusted tax basis that each United States stockholder has in our stock by the amount of the distribution, but not below zero. Distributions in excess of a United States stockholder's adjusted tax basis in its stock will be taxable as capital gain, and will be taxable as long-term capital gain if the stock has been held for more than one year. The calculation of the amount of distributions that are applied against or exceed adjusted tax basis are made on a share-by-share basis. To the extent that we make distributions, if any, that are attributable to excess inclusion income, such amounts may not be offset by net operating losses of a United States stockholder. If we declare a dividend in October, November, or December of any calendar year which is payable to stockholders of record on a specified date in such a month and actually pay the dividend during January of the following calendar year, the dividend is deemed to be paid by us and received by the stockholder on December 31st of the year preceding the year of payment. In addition, at our

election a distribution for a taxable year may be declared before we timely file our tax return for the year provided we pay such distribution with or before our first regular dividend payment after such declaration, and such payment is made during the 12-month period following the close of such taxable year. These distributions are taxable to our stockholders in the year in which paid, even though the distributions relate to our prior taxable year for purposes of our 90% distribution requirement. Stockholders may not include in their own income tax returns any of our net operating losses or capital losses.

Capital Gain Distributions

Distributions designated by us as capital gain dividends will be taxable to United States stockholders as capital gain income. We can designate distributions as capital gain dividends to the extent of our net capital gain for the taxable year of the distribution. For tax years prior to 2009, this capital gain income will generally be taxable to non-corporate United States stockholders at a maximum of a 15% or 25% rate based on the characteristics of the asset we sold that produced the gain. United States stockholders that are corporations may be required to treat up to 20% of certain capital gain dividends as ordinary income.

Retention of Net Capital Gains

We may elect to retain, rather than distribute as a capital gain dividend, our net capital gains. If we were to make this election, we would pay tax on such retained capital gains. In such a case, our stockholders would generally:

include their proportionate share of our undistributed net capital gains in their taxable income;

receive a credit for their proportionate share of the tax paid by us in respect of such net capital gain; and

increase the adjusted basis of their stock by the difference between the amount of their share of our undistributed net capital gain and their share of the tax paid by us.

Passive Activity Losses, Investment Interest Limitations and Other Considerations of Holding Our Stock

Distributions we make, undistributed net capital gain includible in income and gains arising from the sale or exchange of our stock by a United States stockholder will not be treated as "passive activity" income. As a result, United States stockholders will not be able to apply any "passive losses" against income or gains relating to our stock. Distributions by us, to the extent they do not constitute a return of capital, and undistributed net capital gain includible in our stockholders' income, generally will be

treated as investment income for purposes of computing the investment interest limitation under the Internal Revenue Code.

If we, or a portion of our assets, were to be treated as a taxable mortgage pool, or if we were to acquire REMIC residual interests, our stockholders (other than certain thrift institutions) may not be permitted to offset certain portions of the dividend income they derive from our shares with their current deductions or net operating loss carryovers or carrybacks. The portion of a stockholder's dividends that will be subject to this limitation will equal the allocable share of our "excess inclusion income."

Dispositions of Stock

A United States stockholder that sells or disposes of our stock will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash or the fair market value of any property the stockholder receives on the sale or other disposition and the stockholder's adjusted tax basis in the stock. This gain or loss generally will be capital gain or loss and

will be long-term capital gain or loss if the stockholder has held the stock for more than one year. However, any loss recognized by a United States stockholder upon the sale or other disposition of our stock that the stockholder has held for six months or less will be treated as long-term capital loss to the extent the stockholder received distributions from us which were required to be treated as long-term capital gains. For tax years prior to 2009, capital gain of an individual United States stockholder is generally taxed at a maximum rate of 15% where the property is held for more than one year. The deductibility of capital losses is limited.

Information Reporting and Backup Withholding

We report to our United States stockholders and the IRS the amount of dividends paid during each calendar year, along with the amount of any tax withheld. Under the backup withholding rules, a stockholder may be subject to backup withholding with respect to dividends paid and redemption proceeds unless the holder is a corporation or comes within other exempt categories and, when required, demonstrates this fact, or provides a taxpayer identification number or social security number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A United States stockholder that does not provide us with its correct taxpayer identification number or social security number may also be subject to penalties imposed by the IRS. A United States stockholder can meet this requirement by providing us with a correct, properly completed and executed copy of IRS Form W-9 or a substantially similar form. Backup withholding is not an additional tax. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability, if any, and otherwise be refundable, provided the proper forms are filed on a timely basis. In addition, we may be required to withhold a portion of capital gain distributions made to any stockholders who fail to certify their non-foreign status.

Taxation of Tax-Exempt Stockholders

The IRS has ruled that amounts distributed as a dividend by a REIT will be treated as a dividend by the recipient and excluded from the calculation of unrelated business taxable income when received by a tax-exempt entity. Based on that ruling, provided that a tax-exempt stockholder has not held our stock as "debt financed property" within the meaning of the Internal Revenue Code, which is, property the acquisition or holding of which is or is treated as financed through a borrowing by the tax-exempt United States stockholder, the stock is not otherwise used in an unrelated trade or business, and we do not hold an asset that gives rise to "excess inclusion" income, as defined in Section 860E of the Internal Revenue Code, dividend income on our stock and income from the sale of our stock should not be unrelated business taxable income to a tax-exempt stockholder. However, if we were to hold residual interests in a REMIC, or if we or a pool of our assets were treated as a taxable mortgage pool, a portion of the dividends paid to a tax-exempt stockholder that is attributable to excess inclusion income may be subject to tax as unrelated business taxable income. Although we do not believe that we, or any portion of our assets, will be treated as a taxable mortgage pool, we cannot assure that the IRS might not successfully

maintain that such a taxable mortgage pool exists.

For tax-exempt stockholders that are social clubs, voluntary employees' beneficiary associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from U.S. federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Internal Revenue Code, respectively, income from an investment in our stock will constitute unrelated business taxable income unless the organization is able to properly claim a deduction for amounts set aside or placed in reserve for certain purposes so as to offset the income generated by its investment in our stock. You should consult your tax advisors concerning these "set aside" and reserve requirements.

Notwithstanding the above, however, a substantial portion of the dividends received with respect to our stock may constitute unrelated business taxable income, or UBTI, if we are treated as a "pension-held REIT" and an investor is a pension trust which:

is described in Section 401(a) of the Internal Revenue Code; and

holds more than 10%, by value, of our equity interests.

Tax-exempt pension funds that are described in Section 401(a) of the Internal Revenue Code and exempt from tax under Section 501 (a) of the Internal Revenue Code are referred to below as "qualified trusts."

A REIT is a "pension-held REIT" if:

it would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Internal Revenue Code provides that stock owned by a qualified trust shall be treated, for purposes of the 5/50 rule, described above, as owned by the beneficiaries of the trust, rather than by the trust itself; and

either at least one qualified trust holds more than 25%, by value, of the interests in the REIT, or one or more qualified trusts, each of which owns more than 10%, by value, of the interests in the REIT, holds in the aggregate more than 50%, by value, of the interests in the REIT.

The percentage of any REIT dividends treated as unrelated business taxable income under these rules is equal to the ratio of:

the unrelated business taxable income earned by the REIT, less directly related expenses, treating the REIT as if it were a qualified trust and therefore subject to tax on unrelated business taxable income, to

the total gross income, less directly related expenses, of the REIT.

A *de minimis* exception applies where this percentage is less than 5% for any year. As a result of the limitations on the transfer and ownership of stock contained in our charter, we do not expect to be classified as a pension-held REIT.

TAX EXEMPT UNITED STATES STOCKHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF OWNING OUR SHARES.

Taxation of Non-United States Stockholders

The rules governing U.S. federal income taxation of non-United States stockholders are complex and no attempt will be made herein to provide more than a summary of these rules. "Non-United States stockholders" means beneficial owners of

shares of our stock that are not United States stockholders (as such term is defined in the discussion above under the heading entitled " Taxation of Taxable United States Stockholders").

PROSPECTIVE NON-UNITED STATES STOCKHOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF ACQUIRING, HOLDING AND DISPOSING OF OUR STOCK AND OF OUR ELECTION TO BE TAXED AS A REAL ESTATE INVESTMENT TRUST, INCLUDING ANY REPORTING REQUIREMENTS.

Distributions to non-United States stockholders that are not attributable to gain from our sale or exchange of U.S. real property interests and that are not designated by us as capital gain dividends or retained capital gains will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. These distributions will generally be subject to a withholding tax equal to 30% of the distribution unless an applicable tax treaty reduces or eliminates that tax and all certification requirements are met. However, if income from an investment in our stock is treated as effectively connected with the non-United States stockholder's conduct of a U.S. trade or business, the non-United States stockholder generally will be subject to U.S. federal income tax at graduated rates in the same manner as United States stockholders are taxed with respect to those distributions, and also may be subject to the 30% branch profits tax in the case of a non-United States

stockholder that is a corporation, unless a treaty reduces or eliminates this tax. We expect to withhold tax at the rate of 30% on the gross amount of any distributions made to a non-United States stockholder unless:

- a lower treaty rate applies and any required form, for example IRS Form W-8BEN, evidencing eligibility for that reduced rate is filed by the non-United States stockholder with us; or
- the non-United States stockholder files an IRS Form W-8ECI with us claiming that the distribution is effectively connected income.

Any portion of the dividends paid to non-United States stockholders that are treated as excess inclusion income will not be eligible for exemption from the 30% withholding tax or a reduced treaty rate.

Distributions in excess of our current and accumulated earnings and profits that are not treated as attributable to the gain from our disposition of a U.S. real property interest will not be taxable to non-United States stockholders to the extent that these distributions do not exceed the adjusted basis of the stockholder's stock, but rather will reduce the adjusted basis of that stock. To the extent that distributions in excess of current and accumulated earnings and profits exceed the adjusted basis of a non-United States stockholder's stock, these distributions will give rise to tax liability if the non-United States stockholder would otherwise be subject to tax on any gain from the sale or disposition of its stock, as described below. Because it generally cannot be determined at the time a distribution is made whether or not such distribution may be in excess of current and accumulated earnings and profits, the entire amount of any distribution normally will be subject to withholding at the same rate as a dividend. However, amounts so withheld are creditable against U.S. tax liability, if any, or refundable by the IRS to the extent the distribution is subsequently determined to be in excess of our current and accumulated earnings and profits and the proper forms are filed with the IRS by the non-United States stockholder on a timely basis. We are also required to withhold 10% of any distribution in excess of our current and accumulated earnings and profits if our stock is a U.S. real property interest. Consequently, although we intend to withhold at a rate of 30% on the entire amount of any distribution, to the extent that we do not do so, any portion of a distribution not subject to withholding at a rate of 30% may be subject to withholding at a rate of 10% if our stock was considered to be a U.S. real property interest. We do not expect that our stock will be considered a U.S. real property interest.

Distributions attributable to our capital gains which are not attributable to gain from the sale or exchange of a U.S. real property interest generally will not be subject to income taxation, unless (1) the non-United States stockholder's investment in our stock is effectively connected with the non-United States stockholder's U.S. trade or business, in which case the non-United

States stockholder will be subject to the same treatment as United States stockholders with respect to such gain (and a corporate non-United States stockholder may also be subject to the 30% branch profits tax), or (2) the non-United States stockholder is a non-resident alien individual who is present in the U.S. for 183 days or more during the taxable year and certain other conditions are satisfied, in which case the non-resident alien individual will be subject to a 30% withholding tax on the individual's capital gains.

Subject to the exception described below for non-United States stockholders holding not more than 5% of our Class A Common Stock, for any year in which we qualify as a REIT, distributions that are attributable to gain from the sale or exchange of a U.S. real property interest, which includes some interests in real property, but generally does not include an interest solely as a creditor in mortgage loans or mortgage-related securities, will be taxed to a non-United States stockholder under the provisions of the Foreign Investment in Real Property Tax Act, or FIRPTA. Under FIRPTA, distributions attributable to gain from sales of U.S. real property interests are taxed to a non-United States stockholder as if that gain were effectively connected with the stockholder's conduct of a U.S. trade or business. Non-United States stockholders thus would be taxed at the normal capital gain rates applicable to United States stockholders, subject to applicable alternative minimum tax and a special

alternative minimum tax in the case of nonresident alien individuals. Distributions subject to FIRPTA also may be subject to the 30% branch profits tax in the hands of a non-United States stockholder.

If we distribute any amount attributable to the disposition of a United States real property interest, we will be required to withhold and to remit to the IRS 35% of any distribution to non-United States stockholders that is designated as a capital gain dividend or, if greater, 35% of a distribution to non-United States stockholders that could have been designated as a capital gain dividend. The amount withheld is creditable against the non-United States stockholder's U.S. federal income tax liability, and to the extent that it exceeds such non-United States stockholder's U.S. federal income tax liability, will be refundable provided that the proper forms are filed on a timely basis. Commencing with our taxable year beginning on January 1, 2005, any capital gain dividend attributable to our disposition of a U.S. real property interest with respect to any class of stock which is regularly traded on an established securities market located in the United States is not subject to FIRPTA, and therefore, not subject to the 35% U.S. withholding tax, if the non-United States stockholder did not own more than 5% of such class of stock at any time during the taxable year. Instead such capital gain dividend will be treated as an ordinary dividend distribution and will generally be subject to withholding at a rate of 30% (unless otherwise reduced or eliminated by an applicable income tax treaty).

Gains recognized by a non-United States stockholder upon a sale of our stock generally will not be taxed under FIRPTA if we are a domestically controlled REIT, which is a REIT in which at all times during a specified testing period less than 50% in value of the stock was held directly or indirectly by non-United States stockholders. Because our stock is widely held, we cannot assure our investors that we are or will remain a domestically controlled REIT. Even if we do not qualify as a domestically controlled REIT, an alternative exemption to tax under FIRPTA might be available (i) if we are not (and have not been for the five year period prior to the sale) a U.S. real property holding corporation (as defined in the Internal Revenue Code and applicable Treasury regulations to generally include a corporation, 50% or more of the assets of which consist of U.S. real property interests) or (ii) the selling non-United States stockholder owns, actually or constructively, 5% or less of our Class A Common Stock during a five year period preceding the sale of its stock and our Class A Common Stock stock is regularly traded on an established securities market. We do not expect that our assets will cause us to be considered a U.S. real property holding corporation.

If gain from the sale of our Class A Common Stock were subject to taxation under FIRPTA, the non-United States stockholder would be subject to the same treatment as United States stockholders with respect to that gain, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals. In addition, the purchaser of the stock could be required to withhold 10% of the purchase price and remit such amount to the IRS.

Gains not subject to FIRPTA will be taxable to a non-United States stockholder if the non-United States stockholder's investment in the stock is effectively connected with a trade or business in the U.S., in which case the non-United States stockholder will be subject to the same treatment as United States stockholders with respect to that gain; or the non-United States stockholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and other conditions are met, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains.

Information Reporting and Backup Withholding for Non-United States Stockholders

If the proceeds of a disposition of our stock are paid by or through a U.S. office of a broker-dealer, the payment is generally subject to information reporting and to backup withholding unless the disposing non-United States stockholder certifies as to his name, address and non-U.S. status or otherwise establishes an exemption. Generally, U.S. information reporting and backup withholding will not apply to a payment of disposition proceeds if the payment is made outside the U.S. through a foreign office of a foreign broker-dealer. If the proceeds from a disposition of our stock are paid to or through a foreign office of a U.S. broker-dealer or a non-U.S. office of a foreign broker-dealer that is

(i) a "controlled foreign corporation" for U.S. federal income tax purposes, (ii) a foreign person 50% or more of whose gross income from all sources for a three-year period was effectively connected with a U.S. trade or business, (iii) a foreign partnership with one or more partners who are U.S. persons and who in the aggregate hold more than 50% of the income or capital interest in the partnership, or (iv) a foreign partnership engaged in the conduct of a trade or business in the U.S., then (i) backup withholding will not apply unless the broker-dealer has actual knowledge that the owner is not a non-United States stockholder, and (ii) information reporting will not apply if the non-United States stockholder satisfies certification requirements regarding its status as a foreign stockholder. Other information reporting rules apply to non-United States stockholders, and prospective non-United States stockholders should consult their own tax advisors regarding these requirements.

Possible Legislative or Other Action Affecting Tax Consequences

All investors should recognize that the present U.S. federal income tax treatment of an investment in us may be modified by legislative, judicial or administrative action at any time and that any such action may affect investments and commitments previously made. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. Revisions in U.S. federal tax laws and interpretations thereof could affect the tax consequences of an investment in us.

State, Local and Foreign Taxation

We may be required to pay state, local and foreign taxes in various state, local and foreign jurisdictions, including those in which we transact business or make investments, and our stockholders may be required to pay state, local and foreign taxes in various state, local and foreign jurisdictions, including those in which they reside. Our state, local and foreign tax treatment may not conform to the U.S. federal income tax consequences summarized above. In addition, a stockholder's state, local and foreign tax treatment may not conform to the U.S. federal income tax consequences summarized above. Consequently, you should consult your tax advisors regarding the effect of state, local and foreign tax laws on an investment in our stock.

PLAN OF DISTRIBUTION

This prospectus relates to the possible offer and sale from time to time of any shares of Class A Common Stock by the selling stockholders. We have registered the shares for resale to provide the selling stockholders with freely tradeable securities. However, registration of the shares of Class A Common Stock does not necessarily mean that the selling stockholders will offer or sell any of the shares. We will not receive any proceeds from the offering or sale of shares by the selling stockholders.

Any selling stockholders may from time to time, in one or more transactions, sell all or a portion of the shares registered hereby on the NYSE, in the over-the-counter market, on any other national securities exchange on which the Class A Common Stock is listed or traded, in negotiated transactions, in underwritten transactions or otherwise, at prices then prevailing or related to the then current market price or at negotiated prices. The offering price of the shares registered hereby from time to time will be determined by the selling stockholders and, at the time of determination, may be higher or lower than the market price of the shares of Class A Common Stock on the NYSE. In connection with an underwritten offering, underwriters or agents may receive compensation in the form of discounts, concessions or commissions from a selling stockholder or from purchasers of shares registered hereby for whom they may act as agents, and underwriters may sell shares registered hereby to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. Under agreements that may be entered into by us, underwriters, dealers and agents who participate in the distribution of shares registered hereby may be entitled to indemnification by us against specific liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. The shares registered hereby may be sold directly or through broker-dealers acting as principal or agent, or pursuant to a distribution by one or more underwriters on a firm commitment or best-efforts basis. The methods by which the shares registered hereby may be sold include: (a) a block trade in which the broker-dealer so engaged will attempt to sell the shares registered hereby as agent but may position and resell a portion of the block as principal to facilitate the transaction; (b) purchases by a broker-dealer as principal and resale by such broker-dealer for its account pursuant to this prospectus; (c) ordinary brokerage transactions and transactions in which the broker solicits purchasers; (d) an exchange distribution in accordance with the rules of the NYSE; (e) privately negotiated transactions; and (f) underwritten transactions. The selling stockholders and any underwriters, dealers or agents participating in the distribution of the shares registered hereby may be deemed to be "underwriters" within the meaning of the Securities Act, and any profit on the sale of the offered shares by the selling stockholders and any commissions received by an such broker-dealers may be deemed to be underwriting commissions under the Securities Act.

When a selling stockholder elects to make a particular offer of shares registered hereby, a prospectus supplement, if required, will be distributed which will identify any underwriters, dealers or

agents and any discounts, commissions and other terms constituting compensation from such selling stockholder and any other required information.

In order to comply with state securities laws, if applicable, the shares registered hereby may be sold only through registered or licensed brokers or dealers. In addition, in specific states, the shares registered hereby may not be sold unless they have been registered or qualified for sale in such state or an exemption from such registration or qualification requirement is available and is complied with.

We have agreed to pay all costs and expenses incurred in connection with the registration under the Securities Act of the shares being registered hereby, including, without limitation, all registration and filing fees, printing expenses and fees and disbursements of our counsel and our accountants. The selling stockholders will pay any brokerage fees and commissions, fees and disbursements of legal counsel for the selling stockholders and stock transfer and other taxes attributable to the sale of the shares registered hereby.

LEGAL MATTERS

Certain legal matters will be passed upon for us by our counsel, Clifford Chance US LLP, New York, New York.

EXPERTS

The financial statements of Bimini Mortgage Management, Inc. appearing in our Annual Report (Form 10-K) for the year ended December 31, 2004 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION ABOUT BIMINI MORTGAGE MANAGEMENT

We have filed with the SEC a registration statement on Form S-11, including exhibits and schedules filed with the registration statement of which this prospectus is a part, under the Securities Act with respect to the securities. This prospectus does not contain all of the information set forth in the registration statement and exhibits and schedules to the registration statement. For further information with respect to our company and the securities, reference is made to the registration statement, including the exhibits and schedules to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to in this prospectus are not necessarily complete and, where that contract is an exhibit to the registration statement, each statement is qualified in all respects by reference to the exhibit to which the reference relates. Copies of the registration statement, including the exhibits and schedules to the registration statement, may be examined without charge at the public reference room of the SEC, 450 Fifth Street, N.W. Room 1024, Washington, DC 20549. Information about the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0300. Copies of all or a portion of the registration statement can be obtained from the public reference room of the SEC upon payment of prescribed fees. Our SEC filings, including our registration statement, are also available to you for free on the SEC's website at www.sec.gov.

We are subject to the information and reporting requirements of the Securities Exchange Act of 1934, and will file periodic reports, and proxy statements. We will also make available to you annual reports containing audited financial information for each year and quarterly reports for the first three quarters of each fiscal year containing unaudited interim financial information.

The SEC allows us to "incorporate by reference" information into this prospectus, which means that we can disclose important

information by referring to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information in this prospectus. This prospectus incorporates by reference the documents set forth below that we have previously filed with the SEC. These documents contain important information about us, our business and our finances.

Document	Period
Annual Report on Form 10-K	Year ended December 31, 2004
Quarterly Report on Form 10-Q	Quarter ended March 31, 2005
Quarterly Report on Form 10-Q	Quarter ended June 30, 2005
Quarterly Report on Form 10-Q	Quarter ended September 30, 2005

Document	Filed
Current Reports on Form 8-K	May 18, 2005
Current Reports on Form 8-K	September 30, 2005
Current Reports on Form 8-K	October 13, 2005
Current Reports on Form 8-K	October 19, 2005
Current Reports on Form 8-K	November 8, 2005
Current Reports on Form 8-K	November 21, 2005
Current Reports on Form 8-K	November 29, 2005

Document	Filed
Definitive Proxy Statement on Schedule 14A	February 11, 2005

Document	Filed
Description of our common stock in Registration Statement on Form 8-A	May 7, 2004

All documents that we file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this prospectus but before the end of any offering of securities made under this prospectus will also be considered to be incorporated by reference.

If a request is made, either orally or in writing, we will provide a copy of any or all documents that are incorporated by reference. Such documents will be provided free of charge, but will not contain any exhibits, unless those exhibits are incorporated by reference into the document. Requests should be addressed to Robert Cauley at 3305 Flamingo Drive, Vero Beach, Florida 32963, telephone number (772) 231-1400.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses expected to be incurred in connection with the sale and distribution of the securities being registered other than underwriting discounts and commissions, all of which are being borne by the registrant.

Securities and Exchange Commission registration fee	$ 5,269
Printing and engraving expenses*	10,000
Legal fees and expenses*	50,000
Accounting fees and expenses*	7,500
Miscellaneous	2,000
Total	74,769

* Does not include expenses of preparing prospectus supplements and other expenses relating to offerings of particular securities.

Item 15. Indemnification of Directors and Officers.

Our charter contains a provision that, to the maximum extent permitted under the Maryland General Corporation Law, requires us to indemnify our directors and officers and pay or reimburse reasonable expenses in advance of final disposition of a proceeding if such director or officer is made a party to the proceeding by reason of his or her service in that capacity. These rights are contract rights fully enforceable by each beneficiary of those rights and are in addition to, and not exclusive of, any other right to indemnification.

Item 16. Exhibits.

Exhibit No.	
1.1	Form of Underwriting Agreement by and among Bimini Mortgage Management, Inc., the selling stockholders and the underwriters named therein*
2.1	Agreement and Plan of Merger and Reogranization among Bimini Mortgage Management, Inc., Bimini Acquisition LLC, Opteum Financial Services, LLC and the members named therein***
4.1	Form of Certificate for Class A Common Stock of Bimini Mortgage Management, Inc.*
5.1	Opinion of Clifford Chance US LLP with respect to the legality of the Class A Common Stock being registered*
8.1	Opinion of Clifford Chance US LLP with respect to tax matters*

Exhibit No.	
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm**
23.2	Consent of Clifford Chance US LLP (included in Exhibit 5.1)*
24.1	Power of Attorney (included on the Signature Page)**

* To be filed by amendment or incorporated by reference in connection with the offering of securities.

** Filed herewith.

*** Previously filed.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to the registration statement;

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in

the registration statement or any material change to the information in the registration statement;

Provided, however, that paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement; and

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendments shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the annual report of the registrant pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being

registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act, and will be governed by the final adjudication of such issue.

(d) The undersigned Registrant hereby further undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance under Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act, shall be deemed to part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Vero Beach, in the state of Florida, on December 30, 2005.

BIMINI MORTGAGE MANAGEMENT, INC.

By: /s/ ROBERT E. CAULEY

Name: Robert E. Cauley
Title: Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors of Bimini Mortgage Management, Inc., hereby severally constitute Jeffrey J. Zimmer and Robert E. Cauley, and each of them singly, our due and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the registration statement filed herewith and any and all amendments to said registration statement, and generally to do all similar things in our names and in our capacities as officers and directors to enable Bimini Mortgage Management, Inc. to comply with the provisions of the Securities Act of 1933, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said registration statement and any and all amendments thereto.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Name	Title	Date
/s/ JEFFREY J. ZIMMER Jeffrey J. Zimmer	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	December 30, 2005
/s/ ROBERT E. CAULEY Robert E. Cauley	Chief Investment Officer, Secretary, Director and Chief Financial Officer (Principal Financial Officer)	December 30, 2005
/s/ AMBER K.	Senior Vice President	December 30,

Name	Title	Date
LUEDKE	and Treasurer	2005
Amber K. Luedke		
/s/ PETER R. NORDEN	Senior Executive Vice President and Director	December 30, 2005
Peter R. Norden		
/s/ KEVIN L. BESPOLKA	Director	December 30, 2005
Kevin L. Bespolka		
/s/ MAUREEN A. HENDRICKS	Director	December 30, 2005
Maureen A. Hendricks		

/s/ W. CHRISTOPHER MORTENSON W. Christopher Mortenson	Director	December 30, 2005
/s/ BUFORD H. ORTALE Buford H. Ortale	Director	December 30, 2005
/s/ JASON KAPLAN Jason Kaplan	Director	December 30, 2005

INDEX TO EXHIBITS

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