

# NOTICE OF 2020 ANNUAL MEETING AND PROXY STATEMENT

April 3, 2020 | NYSE: TWO



April 3, 2020

Dear Fellow Stockholders:

As 2019 came to a close, we could not have imagined that we would be facing the global COVID-19 pandemic, and the unprecedented and volatile market conditions that followed. The future holds much uncertainty, and there can be no doubt that our country will have many challenges ahead. With that in mind, I would like to say that on behalf of the entire team at Two Harbors, you have our commitment to remain good stewards of our company, while also being mindful of the health and safety of our people. We will weather this storm and be stronger for having done so together.

On behalf of the Board of Directors of Two Harbors Investment Corp., we would like to invite you to our 2020 Annual Meeting of Stockholders. As in years past, we will be hosting our annual meeting virtually via live webcast on Thursday, May 21, 2020, at 10:00 a.m. Eastern Daylight Time. Particularly in these uncertain times, we believe that hosting a virtual meeting makes our Annual Meeting more accessible by enabling stockholders to participate fully and equally from any location at no cost.

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

The Notice of Annual Meeting of Stockholders and Proxy Statement describe the business to be conducted at the Annual Meeting and the details for accessing the Annual Meeting webcast. Consistent with prior years, we will be using the "Notice and Access" method of furnishing proxy materials to you over the Internet. This process provides you with a convenient and quick way to access our proxy materials and vote your shares, while allowing us to reduce the environmental impact of our Annual Meeting and the costs of printing and distributing the proxy materials. On or about April 3, 2020, we will commence mailing a Notice of Internet Availability of Proxy Materials, which contains information regarding how to access our proxy materials and vote.

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

Sincerely,



Thomas E. Siering  
*President and Chief Executive Officer*



## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

- Date:** Thursday, May 21, 2020
- Time:** 10:00 a.m. Eastern Daylight Time
- Website:** [www.virtualshareholdermeeting.com/TWO2020](http://www.virtualshareholdermeeting.com/TWO2020)
- Agenda:**
- (1) To elect as directors the eight nominees named in the accompanying Proxy Statement, each to serve until our next annual meeting of stockholders and until his or her successor is elected and qualified;
  - (2) To hold an advisory vote relating to the compensation of our executive officers;
  - (3) To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2020; and
  - (4) To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.
- Record Date:** You may vote at the Annual Meeting if you were a holder of record of our common stock as of the close of business on March 27, 2020.
- Proxy Materials:** On or about April 3, 2020, we expect to begin mailing a Notice of Internet Availability of Proxy Materials, which contains information regarding how to access our proxy materials and vote. Our Proxy Statement and 2019 Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).
- Admission:** You may participate in the Annual Meeting by visiting [www.virtualshareholdermeeting.com/TWO2020](http://www.virtualshareholdermeeting.com/TWO2020). You will need the 16-digit control number included on your Notice of Internet Availability of Proxy Materials, on your proxy card or on the instructions that accompanied your proxy materials.
- Questions:** You may submit a question prior to the Annual Meeting online at [www.proxyvote.com](http://www.proxyvote.com) or during the Annual Meeting at [www.virtualshareholdermeeting.com/TWO2020](http://www.virtualshareholdermeeting.com/TWO2020).

BY ORDER OF THE BOARD OF DIRECTORS,



Rebecca B. Sandberg  
Vice President, General Counsel and Secretary  
April 3, 2020

### IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2020 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 21, 2020:

Our Proxy Statement and 2019 Annual Report, which includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, are available at [www.proxyvote.com](http://www.proxyvote.com).



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## PROXY STATEMENT: EXECUTIVE SUMMARY

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

### 2020 ANNUAL MEETING OF STOCKHOLDERS

Date and Time: Thursday, May 21, 2020 | 10:00 a.m. Eastern Daylight Time

Website: [www.virtualshareholdermeeting.com/TWO2020](http://www.virtualshareholdermeeting.com/TWO2020)

Voting Eligibility: Common stockholders as of the record date of March 27, 2020

### VOTING MATTERS

Proposal (Page Number)	Board Recommendation
1. Election of eight directors (p. 12)	<b>FOR</b> all nominees
2. Advisory vote relating to executive compensation (p. 45)	<b>FOR</b>
3. Ratification of Ernst & Young LLP as our independent registered public accounting firm (p. 46)	<b>FOR</b>

### CASTING YOUR VOTE PRIOR TO THE ANNUAL MEETING

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



Internet  
[www.proxyvote.com](http://www.proxyvote.com)



Telephone  
1-800-690-6903



Mail  
*Return your proxy card in the envelope provided*

The deadline for voting in advance of the Annual Meeting is 11:59 p.m. Eastern Daylight Time on May 20, 2020. For details on how to cast your vote, see *"General Information about the Annual Meeting."*

### CASTING YOUR VOTE DURING THE ANNUAL MEETING

You may vote during the Annual Meeting by logging in to [www.virtualshareholdermeeting.com/TWO2020](http://www.virtualshareholdermeeting.com/TWO2020) and following the instructions provided. You will need the 16-digit control number included in your proxy card, voting instruction form or Notice of Internet Availability of Proxy Materials.

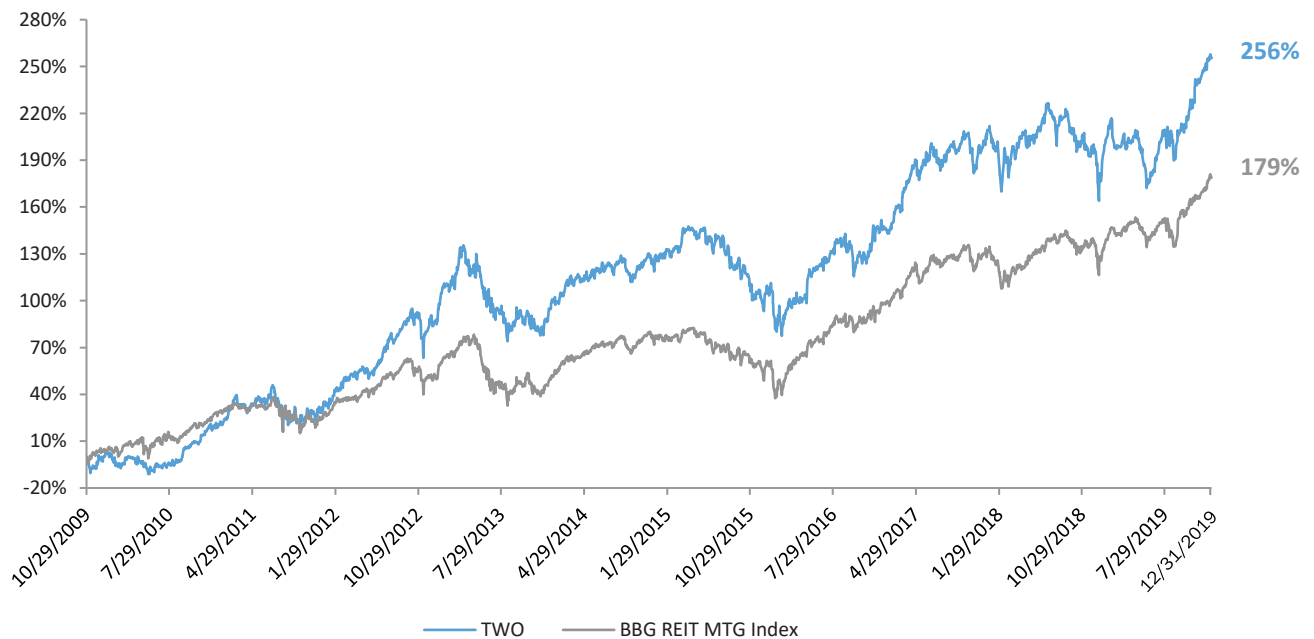
## 2019 PERFORMANCE HIGHLIGHTS

### GENERATED 23.6% ANNUAL RETURN ON BOOK VALUE<sup>(1)</sup>

- ✓ Grew book value to \$14.54 per common share from \$13.11 per common share at December 31, 2018, representing a 23.6% total annual return on book value.<sup>(1)</sup>
- ✓ Generated Comprehensive Income of \$826.7 million, or \$3.09 per weighted average basic common share, representing an annualized return on average common equity of 21.7%.
- ✓ Generated 2019 total stockholder return of 28.7%.<sup>(2)</sup>
- ✓ Enhanced financing for mortgage servicing rights through \$400 million securitization of 5-year term notes.

### DELIVERING TOTAL STOCKHOLDER RETURN<sup>(2)</sup>

Since inception, we have generated a total stockholder return of 256%, outperforming the Bloomberg REIT Mortgage Index by 77%.



- (1) Return on book value is defined as the increase (decrease) in book value per common share from the beginning to the end of the given period, plus dividends declared in the period, divided by the book value as of the beginning of the period.
- (2) Two Harbors' total stockholder return is calculated for the period October 29, 2009 through December 31, 2019. Total stockholder return is defined as stock price appreciation including dividends.
- (3) Bloomberg REIT Mortgage Index total stockholder return is shown for the period October 29, 2009 through December 31, 2019. The Bloomberg REIT Mortgage Index tracks publicly traded REITs whose principal business consists of originating, servicing or investing in residential mortgage interests. The index uses a modified market capitalization weighted methodology, and components are reviewed quarterly for eligibility. Source: Bloomberg.

## CORPORATE RESPONSIBILITY

Our primary business objective is to provide attractive risk-adjusted returns to our stockholders over the long term. However, as a company, we also strive to serve the interests of all our stakeholders – our people, business partners, and communities – because we know they are the keys to our success.

### GOVERNANCE HIGHLIGHTS

Our Board of Directors is committed to maintaining the highest standards of business conduct and corporate governance. We have adopted Corporate Governance Guidelines that, along with our Charter, Bylaws and Board committee charters, provide the framework for our governance practices.

- ✓ **Director Independence.** All of our directors, other than our CEO, are independent. Our Chairperson is also an independent director.
- ✓ **Executive Sessions.** Independent directors meet regularly in executive session without management present.
- ✓ **Declassified Board.** All directors are elected on an annual basis, via a majority standard.
- ✓ **Annual Board Evaluations.** The Board and each committee conduct an annual evaluation of its performance.
- ✓ **Anti-Hedging/Pledging.** Our directors and executives are prohibited from hedging or pledging company stock.
- ✓ **No Poison Pill.** We are not subject to any stockholder rights plan or poison pill.

### FOCUS ON CULTURE AND COMMUNITIES

Our people are the foundation of our company; we are committed to ensuring that they are engaged, both professionally and socially, and are valued for their efforts.

- ✓ **Professional Development.** We encourage the professional development of our people through regular leadership development training and tuition reimbursement programs.
- ✓ **Diversity and Inclusion.** We sponsor diversity and inclusion training in an effort to provide a workplace where all our people can succeed.
- ✓ **Women's Initiative.** We support the engagement and leadership of women, who comprise over one third of our work force and senior leadership team.
- ✓ **Charitable Initiatives.** We are committed to strengthening our local communities through the support of charitable organizations allied with the housing sector.
- ✓ **Volunteer Opportunities.** We provide our people with the chance to give back, through volunteer opportunities with our charitable partners in the housing sector.
- ✓ **Charitable Donations.** We match dollar-for-dollar the cash donations made by our people to approved housing-related charities.

### STOCKHOLDER ENGAGEMENT

We value our stockholders' perspectives and each year interact with stockholders through numerous engagement activities. These engagement activities and the feedback we receive are informative and helpful in our ongoing efforts to ensure that our disclosures are transparent and accessible.

Our Investor Relations department is the contact point for stockholder interaction. Stockholders may contact us via phone at (612) 629-2500 or via email at [investors@twoharborsinvestment.com](mailto:investors@twoharborsinvestment.com). Information is also available on our website at [www.twoharborsinvestment.com](http://www.twoharborsinvestment.com).

## GENERAL INFORMATION ABOUT THE 2020 ANNUAL MEETING AND VOTING

### **Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be held on May 21, 2020**

This Proxy Statement and our 2019 Annual Report, which includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, are available at [www.proxyvote.com](http://www.proxyvote.com).

Pursuant to rules adopted by the U.S. Securities and Exchange Commission ("SEC"), we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the "Notice of Availability") to the holders of our common stock as of the close of business on March 27, 2020. All common stockholders will be able to access our proxy materials on the website referred to in the Notice of Availability ([www.proxyvote.com](http://www.proxyvote.com)) or request to receive a printed set of our proxy materials. Instructions on how to access our proxy materials over the Internet or request a printed copy of our proxy materials may be found in the Notice of Availability.

We anticipate that the Notice of Availability will be mailed to common stockholders beginning on or about April 3, 2020.

### **What is the purpose of the Annual Meeting?**

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

- (1) To elect as directors the eight individuals named in this proxy statement, each to serve until our next annual meeting of stockholders and until his or her successor is elected and qualified;
- (2) To hold an advisory vote relating to the compensation of our executive officers;
- (3) To approve the ratification of the appointment of Ernst & Young LLP to serve as our independent registered public accounting firm for our fiscal year ending December 31, 2020; and
- (4) To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

### **Are there any matters to be voted on at the Annual Meeting that are not included in this Proxy Statement?**

We currently are not aware of any business to be acted upon at the Annual Meeting other than as described in this proxy statement. If, however, other matters are properly brought before the Annual Meeting, or any adjournment or postponement of the Annual Meeting, your proxy includes discretionary authority on the part of the individuals appointed to vote your shares of common stock or act on those matters according to their best judgment.

### **Why is the company holding a virtual Annual Meeting?**

We have elected to conduct our Annual Meeting in a virtual format in order to better facilitate stockholder participation by enabling stockholders to participate fully and equally from any location at no cost. We believe this approach increases our ability to engage with all stockholders, regardless of size, resources or physical location, and also provides cost savings for the company. We have designed this virtual format to enhance, rather than constrain, stockholder access, participation and communication. For example, the online format allows stockholders to communicate with us in advance of, and during, the meeting so they can ask any questions of management and our Board of Directors.

## **Who is entitled to vote at the Annual Meeting?**

Our Board of Directors has set March 27, 2020, as the record date for the Annual Meeting. This means that the holders of our common stock as of the close of business on that date are entitled to receive notice of and to vote at the Annual Meeting and any postponements or adjournments thereof. On the record date, there were 273,528,243 shares of our common stock outstanding and entitled to vote at the Annual Meeting.

A list of the holders of our common stock as of the record date will be available at our principal executive office, during normal business hours for the ten days preceding the Annual Meeting, for examination by any registered common stockholder as of the record date for any purpose pertaining to the Annual Meeting. Our principal executive office is located at 575 Lexington Avenue, Suite 2930, New York, New York 10022.

## **What are my voting rights?**

You are entitled to one vote for each share of our common stock held by you on the record date on all matters presented at the Annual Meeting or any adjournment or postponement thereof. There is no cumulative voting.

## **How many shares must be present to hold the Annual Meeting?**

The presence, in person or represented by proxy, of the holders of shares of our common stock entitled to cast a majority of all the votes entitled to be cast at the Annual Meeting will constitute a quorum for the transaction of business at the Annual Meeting. Your shares will be counted toward the quorum if you submit a proxy or vote at the Annual Meeting. Shares represented by proxies marked "abstain" and "broker non-votes" are also counted in determining whether a quorum is present.

## **What is a proxy?**

A proxy is your designation of another person to vote shares of our common stock that you own. The person you designate is called a proxy. If you designate someone as your proxy in a written document, that document also is called a proxy or a proxy card. When you designate a proxy, you also may direct the proxy how to vote your shares. We refer to this as your "proxy vote." Two executive officers have been designated as proxies for our Annual Meeting. These executive officers are Thomas E. Siering, our Chief Executive Officer, and Rebecca B. Sandberg, our General Counsel and Secretary.

## **What is a proxy statement?**

A proxy statement is a document that SEC regulations require us to make available to you by Internet or, if you request, by mail when we ask you to designate proxies to vote your shares of our common stock at a meeting of our stockholders. The proxy statement includes information regarding the matters to be acted upon at the Annual Meeting and certain other information required by regulations of the SEC and rules of the New York Stock Exchange ("NYSE").

## **Why did I receive a notice instead of a full set of proxy materials?**

As permitted by SEC rules, we have elected to provide access to our proxy materials over the Internet, which reduces the environmental impact and costs of our Annual Meeting. Accordingly, we mailed a Notice of Availability to beneficial owners and the holders of record of our common stock who

have not previously requested a printed set of proxy materials. The Notice of Availability contains instructions on how to access our proxy materials and vote online as well as instructions on how to request a printed set of proxy materials.

### **Why did I receive more than one notice or printed set of proxy materials?**

If you receive more than one Notice of Availability or printed set of proxy materials, it likely means that you hold shares of our common stock in more than one account. To ensure that all of your shares are voted, you should vote once for each control number you receive, as described below under *"How can I vote prior to the Annual Meeting?"*

### **How can I obtain a paper copy or an electronic copy of the proxy materials?**

To obtain a paper copy or an electronic copy of the proxy materials, you will need your control number, which was provided to you in the Notice of Availability or the proxy card included with your printed set of proxy materials. Once you have your control number, you may request a paper copy or an electronic copy of our proxy materials using any of the following methods: (i) visit [www.proxyvote.com](http://www.proxyvote.com) and enter your control number when prompted; (ii) call 1-800-579-1639 and enter your control number when prompted; or (iii) send an email requesting electronic delivery of the materials to [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com).

### **What is the difference between a stockholder of record and a beneficial owner?**

If your shares of common stock are registered directly in your name with our transfer agent, Equiniti Trust Company, you are considered the stockholder of record with respect to those shares.

If your shares of common stock are held in a stock brokerage account, or by a bank, trustee or other nominee, you are considered the beneficial owner of shares held in "street name." As the beneficial owner, you have the right to direct your broker, bank, trustee or nominee on how to vote the shares that you beneficially own and you are also invited to attend our Annual Meeting. However, beneficial owners generally cannot vote their shares directly because they are not the stockholder of record; instead, beneficial owners must instruct the broker, bank, trustee or other nominee how to vote their shares using the method described below under *"How can I vote prior to the Annual Meeting?"*

### **Where can I find the voting results of the Annual Meeting?**

We plan to publish the final voting results in a Current Report on Form 8-K filed within four business days of the Annual Meeting. If final voting results are not available within the four business day timeframe, we plan to file a Form 8-K disclosing preliminary voting results within the required four business days, to be followed as soon as practicable by an amendment to the Form 8-K containing final voting results.

## How can I vote prior to the Annual Meeting?

**Stockholders of Record.** If you are a holder of record of our common stock, you may vote your shares or submit a proxy to be voted at the Annual Meeting by one of the following methods:

### Vote by Internet



You may authorize your proxy online via the Internet by accessing the website [www.proxyvote.com](http://www.proxyvote.com) and following the instructions provided on the Notice of Availability or proxy card. Internet voting facilities will be available 24 hours a day and will close at 11:59 p.m. Eastern Daylight Time, on May 20, 2020. To vote by Internet, you will need to use the control number listed on your Notice of Availability or proxy card, which was provided to you by our vote tabulator, Broadridge Financial Solutions, Inc.; then follow the additional steps when prompted. These steps have been designed to authenticate your identity, allow you to give voting instructions and confirm that those instructions have been recorded properly.

### Vote by Telephone



You may authorize your proxy by touch-tone telephone by calling 1-800-690-6903. Telephone voting facilities will be available 24 hours a day and will close at 11:59 p.m. Eastern Daylight Time, on May 20, 2020. To vote by telephone, you will need to use the control number listed on the Notice of Availability or proxy card, which was provided to you by our vote tabulator, Broadridge Financial Solutions, Inc.; then follow the additional steps when prompted. The steps have been designed to authenticate your identity, allow you to give voting instructions and confirm that those instructions have been recorded properly.

### Vote by Mail



If you request paper copies of the proxy materials to be sent to you by mail, you may authorize your proxy by completing, signing and dating your proxy card and returning it in the reply envelope included with the paper proxy materials.

**Beneficial Owners.** If your shares of common stock are held in a stock brokerage account or by a bank, trustee or other nominee, you are considered the beneficial owner of shares held in "street name." If you hold your shares in street name, you must vote your shares in the manner prescribed by your broker, bank, trustee or other nominee, which is similar to the voting procedures for stockholders of record. Other than ratifying the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2020, the rules do not permit your broker, bank, trustee or other nominee to vote your shares of stock on any proposal unless you provide them with specific instructions on how to vote your shares of common stock. You should instruct your broker, bank, trustee or other nominee how to vote your shares of common stock by following the directions provided by such party. However, if you request the proxy materials by mail after receiving a Notice of Availability from your broker, bank, trustee or other nominee, you will receive a voting instruction form (not a proxy card) to use in directing such party how to vote your shares.

## Can I vote my shares during the Annual Meeting?

You may vote your shares during the Annual Meeting by logging in to [www.virtualshareholdermeeting.com/TWO2020](http://www.virtualshareholdermeeting.com/TWO2020) and following the instructions provided. You will need the 16-digit control number included in your proxy card, voting instruction form or Notice of Availability. You will be able to vote during the Annual Meeting until such time as the Chairperson declares the polls closed.

## How does the Board recommend that I vote my shares, and what vote is required for approval of each proposal at the Annual Meeting?

Proposal	Board Recommendation	Available Voting Options	Voting Approval Standard	Effect of an Abstention	Effect of a Broker Non-Vote
1. Election of eight directors	<b>FOR</b> each of the eight nominees	FOR; AGAINST; or ABSTAIN, with respect to each nominee	A nominee who receives a majority of all votes cast "for" such nominee is elected as a director	No Effect	No Effect
2. Advisory vote relating to executive compensation	<b>FOR</b>	FOR; AGAINST; or ABSTAIN	Majority of all votes cast "for" the proposal	No Effect	No Effect
3. Ratification of Ernst & Young LLP as our independent registered public accounting firm	<b>FOR</b>	FOR; AGAINST; or ABSTAIN	Majority of all votes cast "for" the proposal	No Effect	Not Applicable

## If I submit my proxy, how will my shares of common stock be voted?

How do you hold your Shares?	How your shares will be voted if you specify how to vote:	How your shares will be voted if you <u>do not</u> specify how to vote:
Stockholder of Record (your shares are registered in your name)	The named proxies will vote your shares as you direct on the proxy card.	The named proxies will vote as recommended by the Board of Directors. In the case of Proposal 1, that means your shares will be voted <b>FOR</b> each director nominee. In the case of Proposals 2 and 3, that means your shares will be voted <b>FOR</b> each proposal.
Beneficial Owner (your shares are held in "street name")	Your bank or broker will vote your shares as you direct them to.	Your bank or broker may use its discretion to vote only on items deemed by the NYSE to be "routine", such as Proposal 3 - Ratification of Auditors. For non-routine items, such as Proposals 1 and 2, your shares will be considered "uninstructed" and result in a broker non-vote.

## How are abstentions and broker non-votes treated?

Under NYSE rules, brokers or other nominees who hold shares for a beneficial owner have the discretion to vote on a limited number of "routine" proposals when they have not received voting instructions from the beneficial owner at least ten days prior to the Annual Meeting. A "broker non-vote" occurs when a broker or other nominee does not receive such voting instructions and does not have the discretion to vote the shares. Pursuant to Maryland law, abstentions and broker non-votes are not included in the determination of the shares of common stock voting on such matters, but are counted for quorum purposes.

The only "routine" matter to be voted on at our Annual Meeting is Proposal 3 - Ratification of Auditors. Therefore, if you do not provide voting instructions to your broker or other nominee, your broker or other nominee may only vote your shares on Proposal 3.

***Your vote is important. We urge you to vote, or to instruct your broker, bank, trustee or other nominee how to vote, on all matters before the Annual Meeting.*** For more information regarding the effect of abstentions and broker non-votes on the outcome of a vote, please see *"How does the Board recommend that I vote my shares, and what vote is required for approval of each Proposal at the Annual Meeting?"* and *"If I submit my proxy, how will my shares be voted?"*

## Can I change my vote after submitting my proxy?

You may change your vote at any time before the proxy is exercised. For holders of record of our common stock, if you voted by mail, you may revoke your proxy at any time before it is voted by executing and delivering a timely and valid later-dated proxy, by voting via the Internet during the virtual Annual Meeting or by giving written notice of such revocation to the Secretary. If you voted by Internet or telephone, you may also change your vote with a timely and valid later-dated Internet or telephone vote, as the case may be, or by voting via the Internet during the Annual Meeting. Attendance at the virtual

Annual Meeting will not have the effect of revoking a proxy unless: (i) you give proper written notice of revocation to the Secretary before the proxy is exercised; or (ii) you vote online during the Annual Meeting.

Notices of revocation of proxies should be sent to Two Harbors Investment Corp., Attention: Rebecca B. Sandberg, General Counsel and Secretary, 575 Lexington Avenue, Suite 2930, New York, New York 10022. The notice of revocation must be received no later than Wednesday, May 20, 2020.

### **Who will count the votes?**

Broadridge Financial Solutions, Inc., our independent proxy tabulator, will count the votes and will act as our Inspector of Elections for the Annual Meeting.

### **How can I attend the Annual Meeting?**

The Annual Meeting will be conducted virtually via the Internet on Thursday, May 21, 2020. You can attend the meeting by logging in to [www.virtualshareholdermeeting.com/TWO2020](http://www.virtualshareholdermeeting.com/TWO2020) and following the instructions provided on your Notice of Availability. We recommend that you log in at least ten minutes before the Annual Meeting to ensure you are logged in when the meeting starts.

Only stockholders who own shares of our common stock as of the record date, March 27, 2020, may submit questions and vote at the Annual Meeting. You may still virtually attend the Annual Meeting if you vote by proxy in advance of the Annual Meeting.

If you wish to attend the virtual Annual Meeting at a location provided by us, our legal counsel, Stinson LLP, will air the webcast at its offices located at 50 South Sixth Street, Suite 2600, Minneapolis, Minnesota 55402. Please note that no members of management or the Board of Directors will be in attendance at this location and you will not have the ability to vote your shares during the Annual Meeting from this location. If you wish to attend the Annual Meeting via webcast at Stinson LLP's offices, you must complete and return the Reservation Request Form found at the end of this proxy statement.

### **How can I submit questions for the Annual Meeting?**

You may submit questions prior to the meeting at [www.proxyvote.com](http://www.proxyvote.com) or during the meeting by logging in to [www.virtualshareholdermeeting.com/TWO2020](http://www.virtualshareholdermeeting.com/TWO2020). Questions pertinent to matters to be acted upon at the Annual Meeting as well as appropriate questions regarding the business and operations of the company will be answered during the Annual Meeting, subject to time constraints. In the interests of time and efficiency, we reserve the right to group questions of a similar nature together to facilitate the question and answer portion of the meeting. We may not be able to answer all questions submitted in the allotted time.

### **What is householding?**

We may send a single Notice of Availability, as well as other stockholder communications, to any household at which two or more stockholders reside unless we receive other instruction from you. This practice, known as "householding," is designed to reduce duplicate mailings and printing and postage costs, and conserve natural resources. If your Notice of Availability is being househanded and you wish to receive multiple copies of the Notice of Availability, or if you are receiving multiple copies and would like to receive a single copy, you may contact:

Broadridge Financial Solutions, Inc.  
Householding Department  
51 Mercedes Way  
Edgewood, New York 11717  
1-866-540-7095

If you participate in householding and would like to receive a separate copy of our 2019 Annual Report, Notice of Availability or proxy statement, please contact Broadridge in the manner described above. Broadridge will deliver the requested documents to you promptly upon receipt of your request.

**Who pays for the cost of proxy preparation and solicitation?**

We will pay the cost of soliciting proxies and may make arrangements with brokerage houses, custodians, nominees and other fiduciaries to send proxy materials to beneficial owners of our common stock. We will reimburse these third parties for reasonable out-of-pocket expenses. In addition to solicitation by mail, our directors and officers may solicit proxies by telephone, electronic transmission and personally. Our directors and officers will not receive any special compensation for such services. We have retained D.F. King & Co., Inc. for an estimated fee of \$8,500, plus out of pocket expenses, to assist us in soliciting proxies.

**Who can help answer my questions?**

If you have any questions or need assistance voting your shares or if you need additional copies of this proxy statement or the enclosed proxy card, please contact our Investor Relations department at our principal executive office:

Two Harbors Investment Corp.  
575 Lexington Avenue, Suite 2930  
New York, New York 10022  
Phone (612) 629-2500  
Facsimile: (612) 629-2501  
Email: [investors@twoharborsinvestment.com](mailto:investors@twoharborsinvestment.com)  
Attention: Investor Relations

## PROPOSAL 1: ELECTION OF DIRECTORS

### Board Composition

Pursuant to our Bylaws, our directors are elected by stockholders each year at our annual meeting to serve terms expiring at the next annual meeting. Our Bylaws provide that our Board of Directors may be comprised of no less than the number of directors required by the Maryland General Corporation Law and no more than 15, with the precise number to be set by our Board of Directors. The Board of Directors has set the size of our Board at eight, and our Board of Directors is currently comprised of eight directors.

### Director Nominations

Action will be taken at the Annual Meeting for the election of eight directors, each to hold office until our annual meeting of stockholders to be held in 2021 and until his or her successor is duly elected and qualified. Proxies cannot be voted for a greater number of persons than the number of nominees named.

Information concerning each of the eight director nominees standing for election to our Board of Directors at the Annual Meeting is set forth below. Each of the nominees has been recommended for nomination by the Nominating and Corporate Governance Committee and nominated by our Board of Directors. It is expected that each of the director nominees will be able to serve, but if any such nominee is unable to serve or for good cause will not serve, the proxies reserve discretion to vote or refrain from voting for a substitute nominee or nominees.

We believe that each of the director nominees displays personal and professional integrity; satisfactory levels of education and/or business experience; business acumen; an appropriate level of understanding of our business and its industry and other industries relevant to our business; the ability and willingness to devote adequate time to the work of our Board of Directors and its Committees; a fit of skills and personality with those of our other directors that helps build a board that is effective and responsive to the needs of our company; strategic thinking and a willingness to express ideas; a diversity of experiences, expertise and background; and the ability to represent the interests of our stockholders. The information presented below regarding each director nominee also sets forth specific experience, qualifications, attributes and skills that led our Board of Directors to conclude that he or she should be nominated to stand for election to serve as a director.

## Director Nominees

### E. Spencer Abraham



**Director since:** 2014

**Age:** 67

**Board Committees:**

Compensation (Chair),  
Nominating and Corporate  
Governance

E. Spencer Abraham is an independent member of the Board of Directors and has served as a director of our company since May 2014. Since 2005, Secretary Abraham has served as the Chairman and Chief Executive Officer of The Abraham Group LLC, an international strategic consulting firm based in Washington, D.C. He represented the State of Michigan in the United States Senate prior to President George W. Bush selecting him as the tenth Secretary of Energy. During his tenure at the Energy Department from 2001 through January 2005, he developed policies and regulations to ensure the nation's energy security, was responsible for the U.S. Strategic Petroleum Reserve, oversaw domestic oil and gas development policy, and developed relationships with international governments, including members of the Organization of the Petroleum Exporting Countries. Secretary Abraham serves as a director of PBF Energy Inc. (NYSE: PBF), where he is a member of its compensation and nominating and corporate governance committees; Uranium Energy Corp. (NYSE: UEC), where he is the Chairman of the Board; and NRG Energy, Inc. (NYSE: NRG), where he is a member of its compensation committee. Secretary Abraham also currently serves as a director of Occidental Petroleum Corporation (NYSE: OXY), though he will step down from the Occidental board effective upon its annual meeting of stockholders in May 2020. Secretary Abraham previously served as a director of GenOn Energy, Inc. and as a director and member of the nominating and corporate governance and compensation committees of ICx Technologies. He also previously served on the board of directors for C3 IoT. He is also a member of the board of trustees for the California Institute of Technology and is a senior advisor to Blank Rome Government Relations LLC. Secretary Abraham holds a J.D. from Harvard Law School. We believe Secretary Abraham is qualified to serve as a director of the company because of his extensive public company board experience.

### James J. Bender



**Director since:** 2013

**Age:** 63

**Board Committees:**

Compensation, Nominating and  
Corporate Governance (Chair)

James J. Bender is an independent member of our Board of Directors and has served as a director of our company since May 2013. Mr. Bender served as Senior Vice President Special Projects of WPX Energy, Inc. (NYSE: WPX) from May 2014 to July 2014. Previously, he served as the President and Chief Executive Officer of WPX Energy and as a member of the WPX Energy board of directors from December 2013 to May 2014 and was Senior Vice President and General Counsel of WPX Energy from April 2011 to December 2013. From December 2002 to December 2011, he served as General Counsel and Corporate Secretary of The Williams Companies Inc. and, from September 2005 to December 2011, he also served as General Counsel of Williams Partners GP LLC, the general partner of Williams Partners L.P. Mr. Bender served as the General Counsel of the general partner of Williams Pipeline Partners L.P., from 2007 until its merger with Williams Partners in August 2010. Mr. Bender has served as director of the general partner of Shell Midstream Partners, L.P. (NYSE: SHLX) since October 2014, where he is Chairman of the conflicts committee. Mr. Bender also serves on the senior advisory board of Orion Energy Partners. Mr. Bender served as director and Chairman of the board of directors for Apco Oil & Gas International Inc. (NASDAQ: APAGF), an affiliate of WPX Energy, Inc., from December 2013 to August 2014. Mr. Bender received a Bachelor's degree in mathematics from St. Olaf College and a J.D. from the University of Minnesota Law School. We believe Mr. Bender is qualified to serve as a director because of his experience with and

knowledge of corporate governance, regulatory matters and issues applicable to a public company and its board of directors.

#### Karen Hammond



**Director since:** 2018

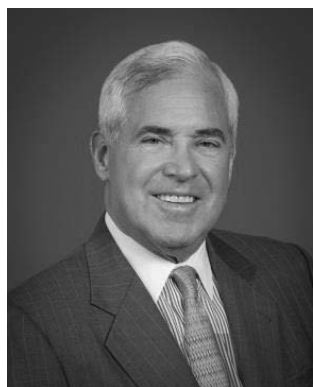
**Age:** 63

**Board Committees:**

Audit, Nominating and  
Corporate Governance

Karen Hammond is an independent member of our Board of Directors and has served as a director of our company since July 2018. Ms. Hammond served as a director of CYS Investments, Inc. ("CYS") from October 2014 until its merger with Two Harbors. Ms. Hammond served as Managing Director of Devonshire Investors, a private equity group within Fidelity, from 2007 through 2013. From 1993 to 2007, Ms. Hammond held various positions at Fidelity. She was Vice President and Chief Administrative Officer in Equity Research for Fidelity Management & Research Company, Vice President-Associate Group Leader in International Equities for Fidelity Management & Research Company, Chief Operating Officer of Investments in Fidelity Investments Japan, Senior Vice President and Corporate Treasurer at FMR Corp., and Senior Vice President of Investment Services for Fidelity Management & Research Company. Before serving at Fidelity, Ms. Hammond was Treasurer and Chief Financial Officer at the Boston Five Cents Savings Bank. Ms. Hammond serves as a Member of the Rhode Island State Investment Commission, a Trustee of Simmons University, a Trustee of Rhode Island School of Design, a Director of Blue Cross Blue Shield of Rhode Island, and as a member of the Board of Governors for the RISD Museum. Ms. Hammond previously served as a board member of Moses Brown School and as Vice Chair of the Nellie Mae Education Foundation. Ms. Hammond was initially appointed as a director pursuant to contractual rights of CYS granted in the merger agreement between Two Harbors and CYS. We believe Ms. Hammond is qualified to serve as a director because of her diverse experience in investment management, fixed income and mortgage banking, private equity, corporate treasury and banking.

#### Stephen G. Kasnet



**Director since:** 2009

**Age:** 74

**Board Committees:**

Audit (Chair), Nominating and  
Corporate Governance, Risk  
Oversight

Stephen G. Kasnet is an independent member and the Chairman of our Board of Directors. He has been a director of our company since our merger with Capitol Acquisition Corp. ("Capitol") in October 2009. Mr. Kasnet serves as a director of Granite Point Mortgage Trust Inc. (NYSE: GPMT), where he is Chairman of the board and the audit committee. He served as a director of Silver Bay Realty Trust Corp. (NYSE: SBY) from 2012 to 2017, as director and Chairman of Juniper Pharmaceuticals, Inc. (formerly Columbia Laboratories, Inc.)(NASDAQ: JNP) from 2004 to 2015, and was the Chairman of Dartmouth Street Capital LLC, a private investment firm, from 2007 through October 2009. He was also the President and Chief Executive Officer of Raymond Property Company LLC, a real estate company, from 2007 through October 2009. From 2000 to 2006, he was President and Chief Executive Officer of Harbor Global Company, Ltd., an asset management, natural resources and real estate investment company, and President of PioGlobal, a Russian real estate investment fund. From 1995 to 2006, Mr. Kasnet was a director and member of the executive committee of The Bradley Real Estate Trust. He was Chairman of Warren Bank from 1990 to 2003. He has also held senior management positions with other financial organizations, including: Pioneer Group, Inc.; First Winthrop Corporation; Winthrop Financial Associates; and Cabot, Cabot and Forbes. He serves as a director of First Ipswich Bank and has previously served as a director of GoodBulk Ltd., as a director and Chairman of Rubicon Ltd. (NZX: RBC) and as a director and Chairman of Tenon Ltd. He is also a trustee of the Governor's Academy, a private coed boarding high school in Byfield, Massachusetts. He

formerly served as director of Republic Engineered Products and FTD, Inc. Mr. Kasnet received a B.A. from the University of Pennsylvania. We believe Mr. Kasnet is qualified to serve as a director based on his audit committee experience and his experience as a director of public companies.

#### **W. Reid Sanders**



**Director since:** 2009

**Age:** 70

**Board Committees:**

Audit, Compensation,  
Risk Oversight

W. Reid Sanders is an independent member of our Board of Directors and has served as a director of our company since our merger with Capitol in October 2009. Since 2010, he has served as a director and member of the audit committee and real estate investment committee of Mid-America Apartment Communities, Inc., a Delaware REIT that owns and operates apartment complexes (NYSE: MAA). He also currently serves as a director and a member of the audit committee and compensation committee of Granite Point Mortgage Trust Inc. (NYSE: GPMT) and previously served as a director of Silver Bay Realty Trust Corp. (NYSE: SBY). Mr. Sanders currently serves as the President of Sanders Properties, Inc., a real estate company; is a member of the board, executive committee and nominating and corporate governance committee of Independent Bank, a bank holding company; serves on the Investment Committee at Cypress Realty, a real estate company; and is on the Advisory Board of SSM Venture Partners III, L.P., a private venture capital firm. He is the former Chairman at Two Rivers Capital Management, and his former directorships include: Harbor Global Company Ltd., an asset management, natural resources and real estate investment company; PioGlobal Asset Management, a Russian private investment management company; The Pioneer Group Inc., a global investment management firm; and TBA Entertainment Corporation, a strategic communications and entertainment marketing company. Mr. Sanders was the co-founder and former Executive Vice President of Southeastern Asset Management, and the former President of Lingle Partners Mutual Funds, a family of funds in Memphis from 1975-2000. Mr. Sanders is Chairman of the Hugo Dixon Foundation, is a trustee of the Dixon Gallery and Gardens and the TN Shakespeare Company, and is a former trustee of The Jefferson Scholars Foundation, the Hutchison School, Rhodes College and the Campbell Clinic Foundation. He received a Bachelor's Degree of Economics from the University of Virginia. We believe Mr. Sanders is qualified to serve as a director because of his broad business experience, his expertise with audits and financial statements, and experience as a director of public companies.

#### **Thomas E. Siering**



**Director since:** 2009

**Age:** 60

Thomas E. Siering is our Chief Executive Officer and President and a member of our Board of Directors. Mr. Siering has been a director and executive officer since we were incorporated in May 2009. Mr. Siering is a Partner of Pine River, which is the parent company of our external manager, PRCM Advisers. Mr. Siering currently serves as a director of Granite Point Mortgage Trust Inc. (NYSE: GPMT). Mr. Siering also previously served as a director of Silver Bay Realty Trust Corp. (NYSE: SBY) from December 2012 to May 2017. Prior to joining Pine River in 2006, Mr. Siering was head of the Value Investment Group at EBF & Associates, a private investment firm, from 1989 until 2006. During that period, he was also the manager for Merced Partners, LP, a private investment firm, and Tamarack International Limited, a closed end, non-diversified investment management company. Mr. Siering was named a Partner at EBF & Associates in 1997. Mr. Siering joined EBF & Associates in 1989 as a trader. From 1987 to 1989, Mr. Siering held various positions in the Financial Markets Department at

Cargill, Inc. From 1981 until 1987, Mr. Siering was employed in the Domestic Soybean Processing Division at Cargill in both trading and managerial roles. Mr. Siering holds a B.B.A. from the University of Iowa with a major in Finance. We believe Mr. Siering is qualified to serve as a director because of his investment and trading expertise as well as his knowledge of PRCM Advisers and its affiliate organizations, which helps ensure that adequate resources are devoted to our company by PRCM Advisers.

#### **James A. Stern**



**Director since:** 2018

**Age:** 69

**Board Committees:**

Compensation, Risk Oversight

James A. Stern is an independent member of our Board of Directors and has served as a director of our company since July 2018. Mr. Stern served as a director of CYS Investments, Inc. ("CYS") from 2006 until its merger with Two Harbors. As Chairman and Chief Executive Officer of The Cypress Group, Mr. Stern managed the firm's investing activities. Mr. Stern currently serves as director of OHA Investment Corp. He has served on the boards of directors of a number of corporations including Affinia Group Intermediate Holdings, Inc., Infinity Broadcasting, WESCO International, Inc., Lear Corporation, and Cinemark USA, Inc. Prior to founding The Cypress Group in 1994, Mr. Stern had a twenty year career with Lehman Brothers. He joined the firm in 1974 and was named Managing Director in 1982. In 1988, he joined the firm's management committee and became co-head of investment banking. He was named head of merchant banking in 1989. Mr. Stern was a trustee of Tufts University from 1982 to 2013 and was Chairman from 2003 to 2013. He is a board member of several charitable organizations including WNET, the Jewish Museum and the Cancer Research Foundation. Mr. Stern was appointed as a director pursuant to contractual rights of CYS granted in the merger agreement between Two Harbors and CYS. We believe Mr. Stern is qualified to serve as a director because of his experience in investments and capital markets and as a director of publicly traded companies.

#### **Hope B. Woodhouse**



**Director since:** 2012

**Age:** 63

**Board Committees:**

Audit, Risk Oversight (Chair)

Hope B. Woodhouse is an independent member of our Board of Directors and has served as a director of our company since May 2012. She also currently serves as a director for Granite Point Mortgage Trust Inc. (NYSE: GPMT). Ms. Woodhouse has over 25 years of experience in the financial services industry at top-ranked, global alternative asset management firms and broker dealers. From 2005 to 2009, she served as Chief Operating Officer and as a member of the management committee for Bridgewater Associates, Inc. Between 2003 and 2005, Ms. Woodhouse was President and Chief Operating Officer of Auspex Group, L.P., and was Chief Operating Officer and a member of the management committee of Soros Fund Management LLC from 2000 to 2003. Prior to that, she held various executive leadership positions, including Treasurer of Funds at Tiger Management L.L.C. from 1998 to 2000 and Managing Director of the Global Finance Department at Salomon Brothers Inc. from 1983 to 1998. She has previously served as a director of Piper Jaffray Companies (NYSE: PJC) and as a member of its audit and compensation committees, Seoul Securities Co. Ltd., Soros Funds Limited, Bottom Line New York and The Bond Market Association. She has also served as a member of the investment committee at Phillips Academy, Andover, Massachusetts. Ms. Woodhouse also serves on the boards of the Kindergarten Reading Collaborative, Children's Services Advisory Committee and the John's Island Community Service League, and is a trustee of the Tiger Foundation. Ms. Woodhouse received an A.B. degree in Economics from Georgetown University and an M.B.A. from Harvard Business School. We believe Ms. Woodhouse is qualified to serve as a director

because of her background in the financial services industry and her experience serving in executive management roles.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE ELECTION OF EACH OF THE DIRECTOR NOMINEES NAMED ABOVE.**

## CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

Our Board of Directors is committed to maintaining the highest standards of business conduct and corporate governance. As described more fully below, we have adopted a Code of Business Conduct and Ethics applicable to the conduct of our officers and directors, as well as to the employees of our external manager and its affiliates, PRCM Advisers and Pine River. We have also adopted Corporate Governance Guidelines, which, in conjunction with our Charter, Bylaws and our board committee charters, provide the framework for our corporate governance practices.

You can access our Code of Business Conduct and Ethics, our Corporate Governance Guidelines, the charters for our Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Risk Oversight Committee, and certain other policies under "Corporate Governance" in the Investors section of our website at [www.twoharborsinvestment.com](http://www.twoharborsinvestment.com) or by writing to our Investor Relations Department at Two Harbors Investment Corp., 575 Lexington Avenue, Suite 2930, New York, New York 10022.

### Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to our officers and directors and to PRCM Advisers' and Pine River's officers, directors and employees when such individuals are acting for us or on our behalf. Among other matters, our Code of Business Conduct and Ethics is designed to detect and deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the Code of Business Conduct and Ethics to appropriate persons identified in the Code; and
- accountability for adherence to the Code of Business Conduct and Ethics.

Any waiver of the Code of Business Conduct and Ethics for our executive officers or directors may be made only by our Board of Directors or a committee thereof and will be promptly disclosed as required by law or stock exchange regulations. The Code of Business Conduct and Ethics was adopted by the Board of Directors on October 28, 2009.

### Director Independence

NYSE rules require that a majority of a company's board of directors be composed of "independent directors," which is defined generally as a person other than an executive officer or employee of the company or its subsidiaries or any other individual having a relationship which, in the opinion of the company's board of directors, would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director. Consistent with these considerations, our Board of Directors has affirmatively determined, upon the review and recommendation of our Nominating and Corporate Governance Committee, that the following directors and director nominees each meet the qualifications of an independent director: E. Spencer Abraham, James J. Bender, Karen Hammond, Stephen G. Kasnet, W. Reid Sanders, James A. Stern and Hope B. Woodhouse.

## **Board Leadership Structure**

Our Board of Directors is led by a Chairperson who is appointed by the directors. Both independent and non-independent directors are eligible for appointment as the Chairperson. The Chairperson presides at all meetings of our stockholders and of our Board of Directors. The Chairperson performs such other duties and exercises such powers as from time to time shall be prescribed in our Bylaws or by our Board of Directors. Our Board of Directors has appointed Mr. Kasnet, an independent director, to serve as our Chairperson.

Our Board of Directors consists of a majority of independent directors and exercises a strong, independent oversight function. All of the committees of our Board of Directors – the Audit, Compensation, Nominating and Corporate Governance, and Risk Oversight Committees – are comprised entirely of independent directors. A number of board committee processes and procedures, including regular executive sessions of independent directors and a regular review of the performance of PRCM Advisers, our external manager, provide substantial independent oversight of our management's performance. Under our Bylaws and Corporate Governance Guidelines, our Board of Directors has the ability to change its structure if it determines that such a change is appropriate and in the best interest of our company. Our Board of Directors believes that these factors provide the appropriate balance between the authority of those who oversee our company and those who manage it on a day-to-day basis.

We currently separate the roles of Chairperson and Chief Executive Officer. Our Chief Executive Officer is affiliated with PRCM Advisers and Pine River. Our Board of Directors believes that this affiliation benefits our company because this individual is knowledgeable about our company's business and is in a position to ensure that adequate resources are devoted to our company by PRCM Advisers and Pine River pursuant to the Management Agreement we have with PRCM Advisers (the "Management Agreement").

## **Board Committees**

Our Board of Directors has formed four committees, including our Audit, Compensation, Nominating and Corporate Governance, and Risk Oversight Committees, and has adopted charters for each of these committees. Each committee is composed exclusively of directors who meet the independence and other requirements established by the rules and regulations of the SEC and the NYSE listing standards. Additionally, the Compensation Committee is composed exclusively of individuals intended to be, to the extent required by Rule 16b-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, non-employee directors.

The following table summarizes the current membership of each of our committees.

Director	Audit	Compensation	Nominating & Corporate Governance	Risk Oversight
E. Spencer Abraham		Chair	X	
James J. Bender		X	Chair	
Karen Hammond	X		X	
Stephen G. Kasnet	Chair		X	X
W. Reid Sanders	X	X		X
James A. Stern		X		X
Hope B. Woodhouse	X			Chair

### ***Audit Committee***

Our Audit Committee is responsible for engaging our independent registered public accounting firm, preparing Audit Committee reports, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public accounting firm, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees, and overseeing the adequacy of our internal accounting controls, which are established by management.

Our Audit Committee is, and will at all times be, composed exclusively of “independent directors” as defined under the NYSE listing standards and who otherwise meet the NYSE listing standards. Each member of our Audit Committee is also financially literate, in that they are able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement.

In addition, as a listed company, we must certify that our Audit Committee has and will continue to have at least one member who is financially sophisticated in that he or she has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual’s financial sophistication. Our Board of Directors has determined that each of Ms. Hammond, Mr. Kasnet and Ms. Woodhouse satisfies the definition of financial sophistication and also qualifies as an “audit committee financial expert,” as defined under rules and regulations of the SEC.

Our Audit Committee’s purpose and responsibilities are more fully set forth in its charter.

### ***Compensation Committee***

The principal functions of our Compensation Committee are to:

- evaluate the performance of our executive officers;
- in consultation with senior management, establish the company’s general compensation philosophy and review the compensation philosophy of the company’s external manager;
- evaluate the performance of our external manager, PRCM Advisers;

- review the compensation and fees payable to PRCM Advisers under the Management Agreement;
- review the compensation and fees payable to any affiliates of PRCM Advisers or any other related party;
- prepare Compensation Committee reports;
- make recommendations to our Board of Directors with respect to our company's incentive compensation plans and equity-based plans; and
- administer the issuance of any common stock or other equity awards issued to employees of PRCM Advisers or Pine River, who provide services to us.

Our Compensation Committee also reviews and makes recommendations to our Board of Directors regarding the compensation of our company's independent directors. In reviewing and making recommendations on independent director compensation, our Compensation Committee considers, among other things, the following policies and principles:

- the compensation that is paid to directors of other companies that are comparable to us;
- the amount of time it is likely directors will be required to devote to preparing for and attending meetings of our Board of Directors and the committees on which they serve;
- the success of our company;
- whether a director is a lead independent director or chairperson of one of the committees of our Board of Directors and the time commitment related thereto;
- if a committee on which a director serves undertakes a special assignment, the importance of that special assignment to our company and its stockholders; and
- the risks involved in serving as a director on our Board of Directors or a member of its committees.

Other than our Chief Executive Officer, who also serves as a director, none of our executive officers are involved in determining independent director compensation levels, although our company's management may support the Compensation Committee with certain information, data and other resources in connection with its compensation recommendations to our Board of Directors.

Our Compensation Committee may delegate all or a portion of its duties and responsibilities to a subcommittee of the Compensation Committee. Our Compensation Committee's purpose and responsibilities are more fully set forth in the Compensation Committee's charter.

### ***Nominating and Corporate Governance Committee***

Our Nominating and Corporate Governance Committee is responsible for seeking, considering and recommending to our Board of Directors qualified candidates for election as directors and approves and recommends to the full Board of Directors the appointment of each of our executive officers. It also periodically prepares and submits to our Board of Directors for adoption its selection criteria for director nominees. It reviews and makes recommendations on matters involving the general operation of our Board of Directors and our corporate governance, and annually recommends to our Board of Directors nominees for each committee of our Board of Directors. In addition, the Nominating and Corporate Governance Committee annually facilitates the assessment of our Board of Directors' performance and reports thereon to our Board of Directors.

Our Nominating and Corporate Governance Committee considers the following factors in making its recommendations to the Board of Directors: background experience, skills, expertise, accessibility and availability to serve effectively on the Board of Directors. The Nominating and Corporate Governance Committee also conducts inquiries into the background and qualifications of potential candidates.

Our Nominating and Corporate Governance Committee's purpose and responsibilities are more fully set forth in its charter.

### ***Risk Oversight Committee***

The purpose of our Risk Oversight Committee is to assist our Board of Directors in fulfilling its responsibility to oversee our company's risks, including through the review of our investment activities and data security and infrastructure. This Committee also assists our Audit Committee in reviewing the guidelines and policies that govern the process by which risk assessment and risk management is addressed by the company through its senior management team, Chief Risk Officer and Risk Management Committee.

Our company's senior management team, Chief Risk Officer and Risk Management Committee are responsible for: (i) identifying the material risks to the company and its operations; (ii) creating and implementing appropriate risk management policies, procedures and practices; (iii) integrating the consideration of risk and risk management into the decision-making process of the company; and (iv) measuring risk and monitoring risk levels.

Our Risk Oversight Committee's purpose and responsibilities are more fully set forth in its charter.

### **Role of Our Board of Directors in Risk Oversight**

Our management team is responsible for assessing and managing the risks faced by our company, subject to the oversight of our Board of Directors. Our Board of Directors is responsible for oversight of our company's risk management processes and for understanding the overall risk profile of our company. In exercising its oversight, the Board of Directors relies upon the Audit Committee to assist it in overseeing certain risks related to our company, including the quality and integrity of our financial reports, the performance and independence of our external auditor, the performance of our internal audit function and our policies regarding accounting and financial matters and internal controls. The Risk Oversight Committee also assists the Board of Directors in fulfilling its responsibility to oversee the risks related to our company's investment activities and the performance of our information technology and data security function, including as it relates to cybersecurity. The Risk Oversight Committee also assists the Audit Committee in reviewing the guidelines and policies that govern the process by which risk assessment and risk management is addressed by the company through its senior management team, Chief Risk Officer and Risk Management Committee.

Pursuant to our Risk Management Policy, the Chief Risk Officer is required to report to our Board of Directors on an annual basis, or more frequently as the circumstances may require or the Board of Directors may request, regarding: (i) our company's risk management practices; (ii) our company's compliance with the Risk Management Policy Manual; (iii) breaches and exceptions to the Risk Management Policy Manual; (iv) the membership and composition of the Risk Management Committee; and (v) changes or proposed changes to the Risk Management Policy.

## **Board Meetings**

Our Board of Directors held seven meetings during 2019. During certain meetings of our Board of Directors, the independent directors also met separately in executive sessions without management present to discuss various matters, including our performance and the performance of PRCM Advisers. During 2019, our Audit Committee held seven meetings; our Compensation Committee held five meetings; our Nominating and Corporate Governance Committee held one meeting; and our Risk Oversight Committee held two meetings. Each of our directors, except for Mr. Roth, attended at least 75% of the aggregate total number of meetings held by the Board and all committees on which he or she served during 2019. Mr. Roth, who resigned as a director as of December 31, 2019, attended 5 of the 7 Board of Directors meetings held during the year. Although we do not have a policy on director attendance at our annual meetings of stockholders, directors are encouraged to attend all annual meetings. Each of our then-current directors attended our virtual annual meeting of stockholders held in May 2019.

## **Director Nomination Process**

Our Corporate Governance Guidelines provide the following minimum qualifications for directors in order to be considered for a position on our Board of Directors:

- possession of the highest personal and professional ethics, integrity and values;
- the ability to exercise good business judgment and be committed to representing the long-term interests of the company and its stockholders;
- having an inquisitive and objective perspective, practical wisdom and mature judgment; and
- willingness to devote the necessary time and effort to board of director duties, including preparing for and attending meetings of the Board of Directors and its Committees.

In considering candidates for nomination as a director, the Nominating and Corporate Governance Committee generally assembles all information regarding a candidate's background and qualifications, evaluates a candidate's mix of skills and qualifications and determines the contribution that the candidate could be expected to make to the overall functioning of our Board of Directors. Although we do not have a formal policy on diversity, our corporate governance guidelines provide that our company shall endeavor to have a Board of Directors representing a diverse education and experience that provides knowledge of business, financial, governmental or legal matters that are relevant to our business and to our status as a publicly owned company. With respect to the re-nomination of current directors, the Committee considers the foregoing factors as well as past participation in and contributions to the activities of our Board of Directors.

Our Nominating and Corporate Governance Committee will consider candidates recommended for nomination to our Board of Directors by our stockholders. Stockholder recommendations for nominees to the Board of Directors should be submitted in writing to our Secretary. The manner in which such Committee evaluates candidates recommended by stockholders is generally the same as any other candidate. However, the Committee will also seek and consider information concerning any relationship between a stockholder recommending a candidate and the candidate to determine if the candidate can represent the interests of all of the stockholders. The Committee will not evaluate a candidate recommended by a stockholder unless the stockholder's proposal provides a certification that the potential candidate consents to being named in our proxy statement and will serve as a director if elected.

## **Majority Voting for Directors and Director Resignation Policy**

Our Bylaws provide that a director nominee will be elected by receiving the affirmative vote of a majority of the votes cast on the election of such nominee on a per nominee basis in an uncontested election (which occurs when the number of director nominees is the same as the number of directors to be elected). If a director nominee who is an incumbent director receives a greater number of votes "against" than votes "for" his or her election and with respect to whom no successor has been elected, such incumbent director shall promptly tender his or her offer to resign to our Board of Directors for its consideration following certification of the stockholder vote. Within 90 days following certification of the stockholder vote, our Nominating and Corporate Governance Committee shall consider the tendered resignation offer and make a recommendation to our Board of Directors whether or not to accept such offer, and our Board of Directors shall act on our Nominating and Corporate Governance Committee's recommendation. In determining whether to accept the resignation, our Nominating and Corporate Governance Committee and Board of Directors may consider any factors they deem relevant in deciding whether to accept a director's resignation, including, among other things, whether accepting the resignation of such director would cause our company to fail to meet any applicable stock exchange or SEC rules or requirements. Thereafter, our Board of Directors shall promptly and publicly disclose its decision-making process regarding whether to accept the director's resignation offer or the reasons for rejecting the resignation offer, if applicable, on a Form 8-K furnished to the SEC. Any director who tenders his or her resignation will not participate in our Nominating and Corporate Governance Committee's recommendation or our Board of Directors' action regarding whether to accept the resignation offer. If our Board of Directors does not accept the director's resignation, such director will continue to serve until the next annual meeting of stockholders and until such director's successor is duly elected and qualified and until the director's earlier resignation or removal.

In a contested election, the director nominees who receive a plurality of votes cast will be elected as directors. Under the plurality standard, the number of persons equal to the number of vacancies to be filled who receive more votes than other nominees are elected to our Board of Directors, regardless of whether they receive a majority of votes cast.

## **Communications with our Board of Directors**

We provide the opportunity for our stockholders and all other interested parties to communicate with members of our Board of Directors. Stockholders and all other interested parties may communicate with the independent Board members or the chairperson of any of the committees of the Board by email or regular mail. All communications should be sent to the company's Secretary, Rebecca B. Sandberg, by email to [legal@twoharborsinvestment.com](mailto:legal@twoharborsinvestment.com) or by regular mail to the attention of the Independent Directors, the Chair of the Audit Committee, the Chair of the Compensation Committee, the Chair of the Nominating and Corporate Governance Committee, or the Chair of the Risk Oversight Committee, as the case may be, in each instance in care of the Secretary at the company's office at 575 Lexington Avenue, Suite 2930, New York, New York 10022.

Our Secretary will review each communication received in accordance with this process to determine whether the communication requires immediate action. The Secretary will forward all appropriate communications received, or a summary of such communications, to the appropriate member(s) of our Board of Directors. However, we reserve the right to disregard any communication that we determine is unduly hostile, threatening or illegal, or does not reasonably relate to us or our business, or is similarly inappropriate. The Secretary has the authority to disregard any inappropriate communications or to take other appropriate actions with respect to any such inappropriate communications.

Stockholder proposals must be made in accordance with the procedures set forth in our current Bylaws or the procedures set forth in Rule 14a-8 of the Exchange Act and not the procedures set forth in the preceding paragraph or the procedures set forth under “*Corporate Governance and Board of Directors – Director Nomination Process*” above. Nominations for the Board of Directors may only be made in accordance with the procedures set forth in our Bylaws. Certain matters set forth in our Bylaws for stockholder proposals, including nominations for our Board of Directors, as well as certain matters set forth in Rule 14a-8 for stockholder proposals are described in “*Other Matters – Stockholder Proposals and Director Nominations for 2021 Annual Meeting*” in this proxy statement.

## **Director Compensation**

We compensate the independent members of our Board of Directors for their service. It is our belief that director compensation should:

- align the interests of our directors and our stockholders;
- ensure our company can attract and retain outstanding director candidates who meet the selection criteria set forth in our Corporate Governance Guidelines and Nominating and Corporate Governance Committee Charter; and
- reflect the substantial time commitment of our directors necessary to oversee the company’s business.

Generally, it has been our practice to compensate our independent directors with a mix of cash compensation and equity awards. We do not pay any compensation to non-independent directors for service on our Board of Directors. However, all members of our Board of Directors are reimbursed for their costs and expenses of serving on the Board of Directors, including costs and expenses of attending all meetings of our Board of Directors and its Committees. As discussed above, the Compensation Committee Charter provides that the Compensation Committee has the primary responsibility for reviewing and recommending any changes to director compensation. Our Board of Directors reviews the Compensation Committee’s recommendations and determines the amount of director compensation.

### ***Independent Director Compensation for 2019***

For the one-year term commencing immediately following the 2019 annual meeting of stockholders and ending at the Annual Meeting, each of our independent directors, which includes the individuals listed below, was eligible to earn the following fees for their service:

- each independent director received an annual fee of \$200,000, which consisted of \$90,000 in cash and \$110,000 in shares of restricted stock;
- the independent Chair of the Board of Directors received an additional fee of \$50,000, which was paid half in cash and half in shares of restricted stock; and
- the Audit Committee Chair received an additional fee of \$15,000, which was paid half in cash and half in shares of restricted stock.

The cash portion of these annual fees is paid in four equal quarterly installments over the course of the term. The restricted stock portion of the annual director fee is granted under our Second Restated 2009 Equity Incentive Plan (the “Equity Incentive Plan”), which occurs on the date of the annual meeting of stockholders at which such director is elected. The number of shares subject to issuance is determined using the fair market value of our common stock on the grant date, which is based on the closing market price on the NYSE on the grant date. The restricted stock granted to the independent directors under our

Equity Incentive Plan as part of the director fees noted above fully vests on the one year anniversary of the grant date, so long as such director has complied with the terms and conditions of the applicable award agreement.

In 2019, the Compensation Committee recommended, with the assistance of its independent compensation consultant, and the non-independent members of the Board approved, two changes to the annual compensation paid to the company's independent directors. First, all equity compensation paid to the independent directors shall be provided in the form of restricted stock that fully vests on the one year anniversary of the grant date. Such equity compensation had previously been paid in the form of fully vested common shares. Second, an additional fee of \$50,000, payable half in cash and half in shares of restricted stock, shall be paid to the independent Chair of the Board of Directors. This second change was made in recognition of the additional responsibilities assumed by Mr. Kasnet upon his appointment as independent Chairperson, and replaces the \$35,000 additional fee that was previously payable to Mr. Kasnet for his role as lead independent director. These changes were effective for the 2019-2020 service period.

The following table shows the compensation of our independent directors for services in all capacities provided to us in the year ended December 31, 2019:

<b>Name</b>	<b>Fees Paid in Cash</b>	<b>Stock Awards<sup>(1)</sup></b>	<b>Total</b>
E. Spencer Abraham	\$90,000	\$109,991	\$199,991
James J. Bender	\$90,000	\$109,991	\$199,991
Karen Hammond	\$90,000	\$109,991	\$199,991
Stephen G. Kasnet	\$118,750	\$142,498	\$261,248
W. Reid Sanders	\$90,000	\$109,991	\$199,991
James A. Stern	\$90,000	\$109,991	\$199,991
Hope B. Woodhouse	\$90,000	\$109,991	\$199,991

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- (1) The values in this column were computed in accordance with FASB ASC Topic 718 such that the values are based on the closing market price of our common stock on the NYSE on the grant date of the stock award.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee or Nominating and Corporate Governance Committee is or has been employed by us. None of our executive officers currently serves as a member of the board of directors or compensation committee of another entity that has one or more executive officers serving on our Board of Directors or our Compensation or Nominating and Corporate Governance Committees, except that in 2019 each of Messrs. Siering and Roth participated in making compensation decisions for officers and employees of Pine River, PRCM Advisers and their affiliates.

### Transactions with Related Persons

#### ***Management Agreement with PRCM Advisers LLC***

We are party to a Management Agreement with PRCM Advisers, pursuant to which PRCM Advisers provides the day-to-day management of our business, including providing us with our executive officers and all other personnel necessary to support our operations. The Management Agreement requires PRCM Advisers to manage our business in conformity with the policies and the investment guidelines that are approved and monitored by our Board of Directors. The Management Agreement had an initial three-year term, which expired on October 28, 2012, and renews annually for successive one-year terms unless earlier terminated by either us or PRCM Advisers. PRCM Advisers is entitled to receive a termination fee from us under certain circumstances. In exchange for its services, we are obligated to pay PRCM Advisers a management fee as well as reimburse it for certain expenses incurred by it and its affiliates in rendering management services to us. Mr. Siering, our Chief Executive Officer, is a partner of Pine River. Messrs. Greenberg and Koeppen, our Co-Chief Investment Officers, Ms. Risky, our Chief Financial Officer, and Ms. Sandberg, our General Counsel, Secretary and Chief Compliance Officer, are each employees of Pine River. The Management Agreement between us and PRCM Advisers was negotiated on our behalf by and between related parties in connection with our merger with Capitol Acquisition Corp. in 2009, and as a result, the terms, including fees and other amounts payable to PRCM Advisers, may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

PRCM Advisers is party to a shared facilities and services agreement with Pine River, its parent company, to provide PRCM Advisers with access to personnel, office space, equipment, credit analysis and risk management expertise and processes, information technology and other resources in order for PRCM Advisers to fulfill its obligations under the Management Agreement. The Management Agreement and PRCM Advisers' shared facilities and services agreement with Pine River are intended to provide us with access to the personnel, services and resources necessary to operate our business.

We incurred charges of \$87.7 million for the year ended December 31, 2019 related to the Management Agreement, of which \$60.1 million represented the base management fee and \$27.6 million represented expense reimbursements to PRCM Advisers for the general and administrative expenses it incurred on behalf of the company in the normal course of operations and certain compensation expenses incurred by PRCM Advisers for non-investment personnel providing services to the company under the Management Agreement, as described in greater detail below.

The base management fee paid to PRCM Advisers is equal to 1.5% of our stockholders' equity per annum, calculated and payable quarterly in arrears. For purposes of calculating the base management fee, our stockholders' equity means the sum of the net proceeds from all 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 the most recently completed calendar quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less the consolidated stockholders' equity of Granite Point Mortgage Trust Inc., or Granite Point, during the time Granite Point was consolidated on our balance sheet (i.e., prior to the spin-off in 2017), the weighted average cost basis of Granite Point common stock purchased, the outstanding principal balance of the promissory note due from the sale of Granite Point preferred stock and any amount that we have paid for repurchases of our common stock since inception, and excluding any unrealized gains, losses or other items that do not affect realized net income (regardless of whether such items are included in other comprehensive income or loss, or in net income). In connection with the acquisition of CYS Investments, Inc. in July 2018, the Management Agreement was amended to: (i) reduce the base management fee with respect to the additional equity under management resulting from the merger to 0.75% per annum from the effective time through the first anniversary of the effective time; (ii) for the fiscal quarter in which closing of the merger occurred, to make a one-time downward adjustment of the base management fee for such quarter by \$15.0 million; and (iii) for the quarter in which the closing of the merger occurred, to make an additional downward adjustment of up to \$3.3 million for certain transaction-related expenses. The resulting amount of stockholders' equity to be used in the calculation of the base management fee will be adjusted to exclude one-time events pursuant to changes in accounting principles generally accepted in the United States of America, or U.S. GAAP, and certain non-cash items after discussions between PRCM Advisers and our independent directors and approval by a majority of our independent directors. To the extent asset impairments reduce our retained earnings at the end of any completed calendar quarter it will reduce the base management fee for such quarter. Our stockholders' equity for the purposes of calculating the base management fee could be greater than the amount of stockholders' equity shown on the consolidated financial statements.

As noted above, we reimburse PRCM Advisers for: (i) all of the compensation expenses paid by Pine River to its employees serving as our Chief Financial Officer and General Counsel and other employees of Pine River who are dedicated to our business, including Pine River employees providing us in-house legal, tax, accounting, consulting, auditing, administrative, information technology, valuation, computer programming and development services; and (ii) any amounts for employees of Pine River's affiliates arising under the shared facilities and services agreement between PRCM Advisers and Pine River. In 2019, we reimbursed Pine River a total of \$3.1 million for compensation expenses paid to employees of Pine River serving as our Chief Financial Officer and General Counsel.

### ***Transactions with Significant Stockholders***

From time to time we may engage in ordinary course relationships and commercial transactions with our significant stockholders, or their subsidiaries, that are deemed to be related pursuant to SEC rules.

### **Related Person Transaction Policies**

Our Audit Committee charter requires our Audit Committee to review, approve and oversee any related party transactions involving our company and also authorizes such Committee to develop policies and procedures for its approval of related party transactions.

Our Management Agreement places restrictions on PRCM Advisers from entering into transactions with its related parties. These limitations include prohibitions on entering into transactions with affiliates of PRCM Advisers that are not approved by a majority of our independent directors in certain circumstances and prohibitions on investing in securities structured by affiliates of PRCM Advisers unless the investment is consistent with our investment guidelines, is approved by at least one independent director, and is made in accordance with applicable law.

## STOCK OWNERSHIP

### **Director Stock Ownership Guidelines**

Our directors are encouraged to own shares of our common stock in order to better align their personal interests with the interests of our stockholders. In furtherance of this objective, our directors are not permitted to sell shares of our common stock if, upon completion of such sale, the aggregate number of shares of our common stock owned by such director would have a market value of less than \$300,000. For tax planning purposes, our directors are permitted to forfeit up to 40 percent of their annual stock award upon vesting and instead receive a cash payment from the company in an amount equivalent to the number of shares withheld. Under our Insider Trading Policy, our directors are prohibited from both hedging company stock and from pledging company stock in any manner, whether as collateral for a loan, in a margin account held at a broker, or otherwise.

### **Beneficial Ownership of Directors, Director Nominees and Named Executive Officers**

Our common stock is listed on the NYSE under the symbol "TWO." As of March 27, 2020, we had approximately 630 registered holders and 120,059 beneficial owners of our common stock. The following table sets forth information regarding the beneficial ownership of our common stock as of March 27, 2020 (unless otherwise indicated) by each of our executive officers, current directors and director nominees and all of such individuals as a group.

Beneficial ownership is determined in accordance with Rule 13d-3 of the Exchange Act. A person is deemed to be the beneficial owner of any shares of common stock if that person has or shares voting power or investment power with respect to those shares or has the right to acquire beneficial ownership at any time within 60 days of the date on which it is calculated. "Voting power" is the power to vote or direct the voting of shares and "investment power" is the power to dispose or direct the disposition of shares.

Name and Address of Beneficial Owner <sup>(1)</sup>	Number of Shares Beneficially Owned <sup>(2)</sup>	Percent of Class <sup>(3)</sup>
<b>Directors and Director Nominees:</b>		
E. Spencer Abraham	28,444	*
James J. Bender	32,304	*
Karen Hammond	47,262	*
Stephen G. Kasnet <sup>(4)</sup>	85,790	*
W. Reid Sanders	82,951	*
Thomas E. Siering <sup>(5)</sup>	1,113,342	*
James A. Stern	77,241	*
Hope B. Woodhouse	43,645	*
<b>Officers:</b>		
William Greenberg	187,296	*
Matthew Koeppen	169,462	*
Mary Risky	112,289	*
Rebecca B. Sandberg	211,127	*
All directors, director nominees and executive officers as a group (12 individuals)	2,191,153	*

\* Represents ownership of less than 1.0% of our outstanding common stock as of March 27, 2020.

- (1) Unless otherwise indicated, the business address of each of the individuals is 575 Lexington Avenue, Suite 2930, New York, New York 10022.
- (2) Reported holdings include previously granted but unvested shares of restricted stock issued pursuant to our Equity Incentive Plan, in the following amounts: E. Spencer Abraham, 8,239 shares; James J. Bender, 8,239 shares; Karen Hammond, 8,239 shares; Stephen G. Kasnet, 10,674 shares; W. Reid Sanders, 8,239 shares; Thomas E. Siering, 86,640 shares; James A. Stern, 8,239 shares; Hope B. Woodhouse, 8,239 shares; William Greenberg, 131,779 shares; Matthew Koeppen, 130,566 shares; Mary Risky, 81,374 shares; and Rebecca B. Sandberg, 119,625 shares. These restricted shares are treated as issued and outstanding and individuals are entitled to vote the shares and receive dividends as declared and paid thereon.
- (3) Based on 273,528,243 shares of common stock outstanding as of March 27, 2020. Under our Insider Trading Policy, our directors and named executive officers are prohibited from both hedging company stock and from pledging company stock in any manner, whether as collateral for a loan, in a margin account held at a broker, or otherwise.
- (4) Mr. Kasnet also owns 10,000 shares of our 8.125% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock ("Series A Preferred Stock"), which were acquired in connection with our public offering of 5,750,000 shares Series A Preferred Stock in March of 2017 at the public offering price of \$25.00 per share. Holders of Series A Preferred Stock generally do not have any voting rights. Mr. Kasnet's beneficial ownership of Series A Preferred Stock did not exceed one percent of the shares of Series A Preferred Stock issued and outstanding as of March 27, 2020.
- (5) Mr. Siering's reported holdings include 363,636 shares of common stock owned by trusts that are indirectly owned by Mr. Siering.

## Beneficial Owners of More than Five Percent of Our Common Stock

Based on filings made under Section 13(g) of the Exchange Act, the persons known by us to be beneficial owners of more than 5% of our common stock were as follows:

<b>Name and Address of Beneficial Owner</b>	<b>Number of Shares Beneficially Owned</b>	<b>Percent of Class</b>
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	26,177,835 <sup>(1)</sup>	9.59%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	17,476,384 <sup>(2)</sup>	6.4%

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- (1) This information is based on a Schedule 13G/A filed with the SEC on February 12, 2020, by The Vanguard Group. Vanguard reported that it has sole voting power with respect to 144,948 shares, shared voting power with respect to 31,276 shares, sole dispositive power with respect to 26,040,814 shares and shared dispositive power with respect to 137,021 shares.
- (2) This information is based on a Schedule 13G/A filed with the SEC on February 10, 2020, by BlackRock, Inc. BlackRock reported sole voting power with respect to 16,273,178 shares and sole dispositive power with respect to all shares reported in the table.

## EXECUTIVE OFFICERS

### Executive Officers

Our Board of Directors generally appoints our executive officers annually following our annual meeting of stockholders to serve until the meeting of the Board of Directors following the next annual meeting of stockholders. Set forth below is certain information about each of our executive officers.

#### Thomas E. Siering

**Age:** 60

**Background:** Thomas E. Siering is our President and Chief Executive Officer. Biographical information for Mr. Siering is provided above under *"Proposal 1: Election of Directors – Director Nominees."*

#### William Greenberg

**Age:** 52

**Background:** William Greenberg is our Co-Chief Investment Officer. Mr. Greenberg has served as our Co-Chief Investment Officer since January 2020, with primary responsibility for the investment and hedging strategy of the Company's investment securities portfolio and conventional MSR holdings. Mr. Greenberg previously served as Co-Deputy Chief Investment Officer of the Company since June 2018. Mr. Greenberg has over 25 years of experience managing portfolios of structured finance assets. Prior to joining Two Harbors in 2012, Mr. Greenberg was a Managing Director at UBS AG, holding a variety of senior positions with responsibilities including managing the mortgage repurchase liability risk related to over \$100 billion of RMBS and whole loans issued and/or sold by UBS. Additionally, Mr. Greenberg was co-head of trading within the SNB StabFund, including managing \$40 billion of legacy RMBS, ABS, and CMBS securities and loans. Prior to joining UBS, Mr. Greenberg was a Managing Director at Natixis NA, where he co-managed portfolios of RMBS and Agency Mortgage Servicing Rights. Mr. Greenberg holds a B.S. degree in physics from the Massachusetts Institute of Technology, and M.S. and Ph.D. degrees in theoretical nuclear physics from the University of Washington.

#### Matthew Koeppen

**Age:** 49

**Background:** Matthew Koeppen is our Co-Chief Investment Officer. Mr. Koeppen has served as Co-Chief Investment Officer since January 2020, with primary responsibility for the investment and hedging strategy of the Company's investment securities portfolio and conventional MSR holdings. Mr. Koeppen previously served as Co-Deputy Chief Investment Officer of the Company since June 2018. Mr. Koeppen has over 20 years of experience managing portfolios of structured finance assets. Prior to joining Two Harbors in 2010, Mr. Koeppen held a variety of positions with Black River Asset Management, which was a division of Cargill, Inc. Most recently, Mr. Koeppen served as a Managing Director of Business Development, where he was responsible for a variety of initiatives to diversify and grow assets under management. From 2003 to 2007, Mr. Koeppen was a Managing Director and Portfolio Manager for Black River

Asset Management. In this role, he was responsible for managing a securitized products portfolio. From 1996 to 2003, Mr. Koeppen was a Vice President in the Financial Markets Group for Cargill where he traded Agency and non-Agency RMBS and municipal bonds. Mr. Koeppen received a B.A. degree in Financial Management from the University of St. Thomas.

#### **Mary Risky**

**Age:** 55

**Background:** Mary Risky is our Chief Financial Officer. Ms. Risky has served as our Chief Financial Officer since February 2019 after previously serving as Acting Chief Financial Officer beginning in October 2018. Ms. Risky previously served as our Chief Accounting Officer since 2016, Corporate Controller since 2013 and Director, Loan Accounting upon joining the Company in 2011. Ms. Risky has spent the breadth of her career in financial reporting and accounting roles for public financial services companies. From 2000 to 2011, Ms. Risky served in leadership roles at GMAC ResCap, a global diversified real estate company, advancing to Senior Director, Accounting and Reporting. From 1995 to 2000, Ms. Risky held several positions at Arcadia Financial LTD, serving most recently as Assistant Controller. Ms. Risky received a B.B.A. in Accounting from the University of North Dakota.

#### **Rebecca B. Sandberg**

**Age:** 48

**Background:** Rebecca B. Sandberg is our General Counsel, Secretary and Chief Compliance Officer. Ms. Sandberg has served as our General Counsel since March 2013. Ms. Sandberg also serves as Secretary for Granite Point Mortgage Trust Inc. (NYSE: GPMT). Ms. Sandberg has been an employee of Pine River since 2010 and previously served as our Deputy General Counsel and Secretary from May 2012 until March 2013. From 2010 to May 2012, she served as our Senior Counsel. Prior to joining Pine River, Ms. Sandberg was in the private practice of law where she advised clients primarily in the areas of securities laws, mergers and acquisitions, capital markets transactions, corporate governance and general corporate law. She received a B.A. from the University of Minnesota and a J.D. from William Mitchell College of Law.

## Compensation Discussion and Analysis

This compensation discussion and analysis describes our compensation objectives and policies in relation to compensation received by our named executive officers during the fiscal year ended December 31, 2019. Our named executive officers for such year included Thomas E. Siering, our President and Chief Executive Officer, William Roth, our former Chief Investment Officer, Mary Risky, our Chief Financial Officer, and Rebecca B. Sandberg, our General Counsel, Secretary and Chief Compliance Officer. William Greenberg and Matthew Koeppen were appointed and assumed the role of Co-Chief Investment Officers on January 1, 2020, following the previously-announced resignation of Mr. Roth.

As described more fully above under the section titled *"Certain Relationships and Related Party Transactions – Transactions with Related Persons – Management Agreement with PRCM Advisers LLC,"* we are externally managed by PRCM Advisers under the terms of a Management Agreement, pursuant to which PRCM Advisers provides us with all of the personnel required to manage and operate our business. As compensation for the services provided under the Management Agreement, we pay PRCM Advisers a base management fee and reimburse it for certain expenses incurred in the course of rendering such services. Each of our named executive officers is either an employee or partner of Pine River, which is the parent company of PRCM Advisers.

As an externally managed company with no employees, we utilize a hybrid approach in connection with the compensation of our named executive officers. PRCM Advisers, through its parent company Pine River, is responsible under the Management Agreement for all cash compensation paid to our named executive officers, although as discussed in more detail below, we reimburse PRCM Advisers for the cash compensation paid to our Chief Financial Officer and General Counsel. Equity incentive compensation that is awarded to our named executive officers is the responsibility of our company and is determined by the Compensation Committee of our Board of Directors in accordance with our Equity Incentive Plan. As described in more detail in the following sections, we believe the utilization of our Equity Incentive Plan aligns the interests of our named executive officers with those of our stockholders and does not incentivize excessive or unnecessary risk-taking.

At our 2019 annual meeting, approximately 95% of votes cast by our stockholders supported our say-on-pay proposal on executive compensation. Stockholder outreach and feedback is a critical component of our investor relations philosophy, and, in 2019, we continued to maintain a regular dialogue with our stockholders. In response to stockholder feedback, we have included in this proxy statement certain information about the compensation of our executive officers that is consistent with disclosure guidance for externally managed companies previously issued by Institutional Shareholder Services, including:

- the aggregate cash compensation paid by Pine River to our named executive officers that is reasonably associated with their management of our company, as well as a calculation of the percentage of such aggregate cash compensation relative to the aggregate amount of management fees and expense reimbursements we paid to PRCM Advisers during 2019;
- the allocation of such aggregate cash compensation amount between fixed and variable cash compensation; and
- factors considered by Pine River in determining our named executive officers' variable cash compensation.

Importantly, we have previously provided and will continue to provide the compensation-related information and data that is required of us as an externally managed issuer, per SEC rules and regulations.

Such required disclosure focuses primarily on the equity compensation that we pay to our named executive officers, which is set forth in the *"Equity Incentive Compensation"* section of this proxy statement and identifies the factors considered by the Compensation Committee in determining such pay.

### ***Cash Compensation***

We do not pay any cash compensation to our named executive officers or to any other employees of Pine River who support our business. Pine River is responsible for all such cash compensation and for making decisions relating thereto based on such factors as Pine River determines appropriate. Pine River consults with our Compensation Committee concerning the cash compensation that Pine River proposes to pay to its employees who serve as our Chief Financial Officer and General Counsel. The cash compensation paid by Pine River to our Chief Financial Officer and General Counsel includes salaries and performance-based bonuses for services provided to our company. We reimburse Pine River for all such amounts. Cash compensation paid by Pine River to the individuals serving as our Chief Executive Officer and former Chief Investment Officer, each of whom are equity partners of Pine River, includes salaries, profit sharing and partnership distributions that are derived in part from the management fee we pay to PRCM Advisers and in part from various other revenue streams generated by Pine River in its ordinary course of operations as a global asset manager. Such amounts are determined in the sole discretion of Pine River.

Our Management Agreement with PRCM Advisers does not require that any specified amount or percentage of the base management fees we pay to PRCM Advisers be allocated to our named executive officers. However, PRCM Advisers has informed us that the aggregate cash compensation that it paid to our named executive officers in 2019 which may reasonably be associated with their management of our company (exclusive of any salary, partnership distribution, profit sharing or other arrangements payable to our Chief Executive Officer and former Chief Investment Officer that is attributable to their roles as partners of Pine River) totaled \$15.4 million for fiscal year 2019. This amount, which is based on the internal records and calculations of PRCM Advisers, represents approximately 17.6% of the \$87.7 million in total base management fees and reimbursements paid by us to PRCM Advisers for fiscal year 2019.

Of the aggregate cash compensation paid by Pine River to our named executive officers in 2019 that was reasonably associated with their management of our company, PRCM Advisers estimates that approximately 16% represented fixed compensation (e.g., salaries) and 84% represented variable compensation (e.g., performance-based bonuses, profit sharing and partnership distributions). We have been advised by Pine River that it does not use a specific formula to calculate the variable pay portion of our named executive officers' compensation; generally, in determining each executive's variable pay, Pine River takes into account factors such as the individual's position, his or her contribution to our business, the performance of our company, market practices, and, with respect to our Chief Financial Officer and General Counsel, the recommendations of our Compensation Committee and its independent compensation consultant, and applies its discretion in considering and weighing such factors.

### ***Equity Incentive Compensation***

Our Compensation Committee is responsible for overseeing the equity incentive component of our compensation program, and approves and recommends all equity awards granted pursuant to our Equity Incentive Plan, which awards are then ratified by our Board of Directors.

The equity compensation paid to our named executive officers is designed to drive and reward corporate performance annually and over the long term. Our Compensation Committee periodically

reviews our equity compensation program to ensure it reflects strong governance practices and the best interests of our stockholders, while striving to meet the following core objectives:

***Pay for Performance***

- Our equity compensation program is designed to generate and reward superior individual and collective performance by ensuring that equity compensation is commensurate with the level of achieved company results.

***Strengthen our Ability to Retain our Work Force***

- We are a specialized company operating in a highly competitive industry, and our continued success depends on retaining our talented executive team.
- Our equity compensation program is designed to attract and retain highly qualified executives whose abilities and expertise are critical to our long-term success and our competitive advantage.
- Continued success over the long term will create opportunities for our named executive officers through their common stock ownership by enabling them to participate in any future appreciation of our common stock and receive dividends.

***Align Risk and Reward***

- We are committed to creating an environment that encourages increased profitability for our company without undue risk-taking.
- We strive to focus our executive officers' decisions on goals that are consistent with our overall business strategy without threatening the long-term viability of our company.

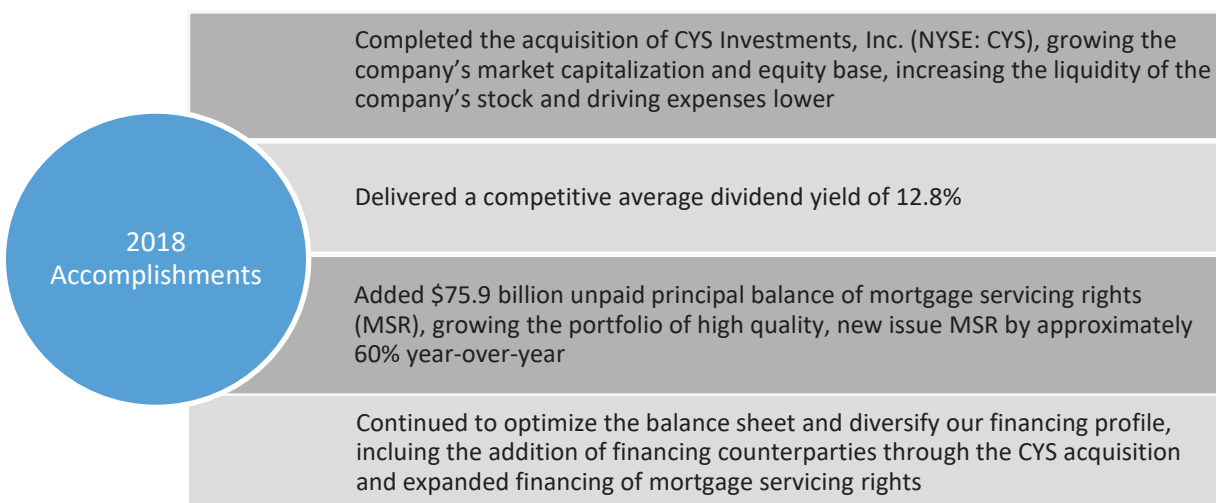
***Align Interests with Stockholders***

- We are committed to using our equity compensation program to increase executive stock ownership over the long term and focus our named executive officers' attention on creating value for our stockholders.
- We believe that equity ownership directly aligns the interests of our named executive officers with those of our stockholders and encourages our named executive officers to focus on creating long-term stockholder value. Accordingly, our named executive officers are prohibited from hedging company stock.

Restricted stock awards that are granted to our named executive officers under our Equity Incentive Plan provide for ratable vesting on an annual basis over a three-year period, with accelerated vesting occurring under certain circumstances, as described in greater detail below under "*Potential Payments Upon Termination or Change in Control.*" Under certain circumstances, our named executive officers may be required to forfeit their respective restricted stock awards pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), the Sarbanes-Oxley Act

of 2002, applicable stock exchange listing rules, or any clawback or recoupment policy that may be adopted by our Board of Directors or Compensation Committee. The restricted stock awards are treated as issued and outstanding as of the grant date and each named executive officer is entitled to vote the shares and receive dividends as declared and paid thereon; however, the restricted stock remains subject to forfeiture if the executive officer does not comply with the terms of the award agreement, including where the executive officer voluntarily terminates his or her employment with our external manager prior to any applicable vesting dates.

In 2019, our Compensation Committee and Board of Directors approved the grant of an aggregate amount of 128,471 shares of restricted common stock (the "2019 Restricted Stock Awards") under our Equity Incentive Plan to our named executive officers, which awards are set forth in greater detail below under "*Grants of Plan-Based Awards*." The 2019 Restricted Stock Awards were granted to our named executive officers in recognition of our overall development and the financial performance of the business during the fiscal year ended December 31, 2018. Consistent with our compensation philosophy and objectives discussed above, our Compensation Committee considered a number of key company results and developments in determining whether it was appropriate to grant awards for the fiscal year ended December 31, 2018, including that the company:



When determining the amount of equity awards granted to each of our named executive officers, our Compensation Committee took into account all of the factors described above, as well as the individual's role and responsibility in attaining the achievements noted above, the individual's expected and actual job performance, the individual's ability to influence the outcome of our company's future performance, the value of the award in retaining and motivating key personnel, comparable compensation data for similarly situated peers and economic and market conditions generally. Our Compensation Committee considered all of these factors in exercising its discretion to determine the equity awards granted to each named executive officer in 2019 for his or her performance during 2018.

We have not in the past made equity awards on a fixed schedule to our named executive officers, and our Compensation Committee's decision on whether to approve any equity awards in future periods will depend on a number of factors, including our company's performance, market trends and practices, expense implications, tax efficiencies or other considerations the Compensation Committee determines to be appropriate in its sole discretion.

## ***Compensation Risk Assessment***

We do not believe that our management fee arrangement with PRCM Advisers or our equity compensation practices with respect to our named executive officers encourage excessive or unnecessary risk-taking by our management team. The base management fee under the Management Agreement is calculated based on a fixed percentage of stockholder equity and is not dependent upon our financial performance or the performance of our named executive officers. Thus, the base management fee does not create an incentive for our management to take excessive or unnecessary risks. Specifically, the use of stockholders' equity to calculate the base management fee does not result in leveraged pay-out curves, steep pay-out cliffs, or set unreasonable performance goals and thresholds. Our independent directors and Compensation Committee review PRCM Advisers' performance and compensation, including reimbursements, annually and the base management fee itself cannot be increased or revised without the approval of our independent directors.

We believe that the restricted stock awards we grant to our named executive officers serve to align the interests of our named executive officers with those of our stockholders and our company over the long term. These awards provide for ratable vesting over a three-year period, with accelerated vesting occurring under certain circumstances, as described in greater detail below under "*Potential Payments Upon Termination or Change in Control*." We believe that the vesting restriction is an important retention device and encourages our named executive officers to focus on sustaining our company's long-term performance and delivering total return to our stockholders rather than encouraging decisions that result in a short-term benefit for our company.

## ***Role of Compensation Consultant in Compensation Decisions***

In 2019, our Compensation Committee engaged Pay Governance LLC ("Pay Governance") as its independent compensation consultant. The compensation consultant provides various services to the Compensation Committee, including advising the Compensation Committee on the principal aspects of our compensation program and evolving industry practices and presenting information to assist the Compensation Committee in determining the appropriate peer group to be used to evaluate the competitiveness of our equity compensation program. Our Compensation Committee considers advice and recommendations received from its compensation consultant regarding compensation matters, including when making decisions with respect to director compensation and executive equity compensation.

Pay Governance does not provide services to our company other than the advice provided to our Compensation Committee, and Pay Governance had advised our Compensation Committee that the payments for fees and direct expense reimbursements it received from us during 2019 were immaterial as a percentage of their income for the period. Pay Governance has also advised us that neither they nor, to their knowledge, any member of their consulting team who provides services to our Compensation Committee owns any shares of our common stock. After considering the foregoing, as well as Pay Governance's conflict of interest policies and procedures and the lack of known business and personal relationships between Pay Governance, its team members providing services to our Compensation Committee and its members, and our named executive officers, our Compensation Committee concluded that Pay Governance's work for it does not raise any conflict of interest concerns.

### ***Role of Named Executive Officers in Equity-Based Compensation Decisions***

Our Compensation Committee makes all equity-based compensation decisions related to our named executive officers. Our Compensation Committee receives input from Mr. Siering, our Chief Executive Officer, regarding the equity compensation and performance of named executive officers other than himself, including recommendations as to the equity compensation levels that he believes are commensurate with an individual's job performance, skills, experience, qualifications, criticality to our company, as well as with our compensation philosophy, external market data and considerations of internal equity. Mr. Siering regularly attends meetings of our Compensation Committee, except when our Compensation Committee is meeting in executive session or when his own equity compensation arrangements are being considered. Our Compensation Committee communicates its views and decisions regarding equity compensation arrangements for our named executive officers to Mr. Siering, who is generally responsible for overseeing the implementation of such arrangements.

### ***Tax Treatment of Compensation***

Section 162(m) disallows a federal income tax deduction for any publicly held corporation with respect to individual compensation exceeding \$1 million in any taxable year paid to a corporation's chief executive officer and certain other executive officers. Beginning in 2018, certain changes to Section 162(m) greatly restrict the ability to design compensation for these officers in a way to ensure its deductibility for a company subject to Section 162(m). Because we do not have any employees, we do not believe that Section 162(m) has been or is currently applicable to us and, therefore, we do not currently consider the effects of Section 162(m) on the compensation paid to our named executive officers by our external manager or the degree to which it would be advisable to structure the amount and form of equity compensation to our named executive officers so as to maximize our ability to deduct it. If we were to determine that Section 162(m) was applicable to us, our Compensation Committee retains the discretion to provide compensation in an amount or form that would not be deductible under Section 162(m) in circumstances under which it believes the exercise of such discretion would be in the best interest of our company.

Our Equity Incentive Plan provides that, with respect to awards intended to qualify for relief from the limitations of Section 162(m) of the Code, the maximum number of shares that may underlie awards over any three-year period to any eligible person may not exceed 750,000 as options and 300,000 as other grants. If we were subject to Section 162(m), these limitations on awards would be required under prior Section 162(m) to qualify for deduction of payments to certain officers to settle the awards. As indicated above, management does not believe that Section 162(m) is applicable to us and, moreover, these limitations on awards no longer qualify payments of the awards for deduction; therefore, management does not currently consider and has not previously considered such restrictions in connection with the granting of prior awards. As such, certain individual restricted stock awards previously disclosed in our proxy statements and other filings with the SEC have exceeded 300,000 shares over a three-year period, as permitted under the Equity Incentive Plan. The share limits referenced above have been adjusted to reflect the one-for-two reverse stock split of our outstanding shares of common stock that was effected on November 1, 2017.

### **Employment Agreements**

We do not have any employment agreements with any of our named executive officers.

## Pension Benefits or Nonqualified Deferred Compensation

We do not provide any of our named executive officers with pension benefits or nonqualified deferred compensation plans.

## Summary Compensation Table

The table below summarizes the equity compensation paid to our named executive officers during the fiscal years ending December 31, 2019, 2018 and 2017. On November 1, 2017, we effected a one-for-two reverse stock split of our outstanding shares of common stock. All per share amounts for all periods presented herein have been adjusted on a retroactive basis to reflect the reverse stock split.

Name and Principal Position	Year	Restricted Stock Awards <sup>(1)</sup>	All Other Compensation <sup>(2)</sup>	Total <sup>(3)</sup>
Thomas E. Siering, <i>President and Chief Executive Officer</i>	2019	\$299,995	\$440,617	\$740,612
	2018	\$3,299,985	\$531,596	\$3,831,581
	2017	\$2,399,987	\$1,739,174	\$4,139,161
William Roth, <i>Former Chief Investment Officer</i>	2019	\$299,995	\$296,933	\$596,929
	2018	\$1,649,985	\$377,727	\$2,027,712
	2017	\$2,399,987	\$1,739,174	\$4,139,161
Mary Risky, <i>Chief Financial Officer</i>	2019	\$499,997	\$74,846	\$574,843
	2018	\$258,492	\$37,197	\$295,689
	2017	\$159,994	\$100,752	\$260,746
Rebecca B. Sandberg, <i>General Counsel, Secretary and Chief Compliance Officer</i>	2019	\$749,995	\$155,073	\$905,068
	2018	\$723,991	\$111,806	\$835,797
	2017	\$499,998	\$335,564	\$835,562

- (1) See also "Grants of Plan-Based Awards" below. The shares of restricted stock were granted pursuant to our Equity Incentive Plan and will vest in three equal annual installments beginning on the first anniversary of the grant date, so long as the named executive officer complies with the terms and conditions of the applicable award agreement. The values in this column represent the grant date fair value of the restricted stock awards, which grant dates were January 28, 2019, January 29, 2018 and January 26, 2017.
- (2) All Other Compensation paid represents dividends and distributions on unvested shares of restricted common stock. For 2017, these amounts included the value of Granite Point common stock received, based on the \$18.78 closing market price of Granite Point common stock on the NYSE on November 1, 2017, in connection with the pro rata dividend of Granite Point common stock to Two Harbors common stockholders.
- (3) Because we do not pay cash compensation to our named executive officers, any such compensation paid to our named executive officers by Pine River is not included in this Summary Compensation Table. See "Cash Compensation" above for information regarding cash compensation paid by Pine River.

## Grants of Plan-Based Awards

We adopted our Equity Incentive Plan, which was most recently approved by our stockholders on May 14, 2015, to provide incentive compensation to attract and retain qualified directors, officers, advisors, consultants, key personnel and others expected to provide significant services to our company and its subsidiaries, including the personnel of PRCM Advisers and its affiliates. Our Equity Incentive Plan is administered by our Compensation Committee and permits grants of restricted common stock, phantom

shares, dividend equivalent rights and other equity-based awards. Our Compensation Committee is authorized to issue up to 6,500,000 shares of our common stock pursuant to our Equity Incentive Plan. As of December 31, 2019, 1,713,651 shares of our common stock remained available for future issuance pursuant to our Equity Incentive Plan.

The following table summarizes each equity award granted to our named executive officers pursuant to our Equity Incentive Plan during the fiscal year ended December 31, 2019. As described above under the section titled “*Equity Compensation*,” the 2019 Restricted Stock Awards were granted to our named executive officers in recognition of our overall development and the financial performance of the business during the fiscal year ended December 31, 2018.

<b>Name</b>	<b>Grant Date</b>	<b>All Other Stock Awards: Number of Shares<sup>(1)</sup></b>	<b>Grant Date Fair Value of Stock Awards<sup>(2)</sup></b>
Thomas E. Siering	January 28, 2019	20,833	\$299,995
William Roth	January 28, 2019	20,833	\$299,995
Mary Risky	January 28, 2019	34,722	\$499,997
Rebecca B. Sandberg	January 28, 2019	52,083	\$749,995

(1) See also “*Summary Compensation Table*” above. The shares of restricted stock were granted pursuant to our Equity Incentive Plan and will vest in three equal annual installments beginning on the first anniversary of the grant date, so long as the named executive officer complies with the terms and conditions of his or her restricted stock award agreement.

(2) The values in this column are based on the \$14.40 closing market price of our common stock on the NYSE on the grant date, which was January 28, 2019.

## Outstanding Equity Awards at Fiscal Year End

The following table sets forth information concerning unvested restricted stock awards for each named executive officer as of December 31, 2019.

Name	Grant Date	Stock Awards	
		Number of Shares or Units of Stock Not Yet Vested <sup>(1)</sup>	Market Value of Shares or Units of Stock Not Yet Vested <sup>(2)</sup>
Thomas E. Siering	January 28, 2019	20,833	\$304,578
	January 29, 2018	145,502	\$2,127,239
	January 26, 2017	45,767	\$669,114
William Roth <sup>(3)</sup>	January 28, 2019	-	-
	January 29, 2018	-	-
	January 26, 2017	-	-
Mary Risky	January 28, 2019	34,722	\$507,636
	January 29, 2018	11,398	\$166,639
	January 26, 2017	3,051	\$44,606
Rebecca B. Sandberg	January 28, 2019	52,083	\$761,453
	January 29, 2018	31,922	\$466,700
	January 26, 2017	9,535	\$139,402

(1) The shares of restricted stock were granted pursuant to our Equity Incentive Plan and will vest in three equal annual installments beginning on the first anniversary of the grant date, so long as the named executive officer complies with the terms and conditions of his or her restricted stock award agreement.

(2) The values in this column are based on the \$14.62 closing market price of our common stock on the NYSE on December 31, 2019.

(3) Mr. Roth retired from his position as an executive officer of our company on December 31, 2019, at which time all unvested shares vested on an accelerated basis pursuant to the terms of our Equity Incentive Plan.

## Stock Vested in 2019

The following table sets forth information concerning the shares of restricted stock held by our named executive officers that vested during the year ended December 31, 2019.

Name	Vesting Date	Stock Awards	
		Number of Shares Acquired on Vesting	Value Realized on Vesting <sup>(1)</sup>
Thomas E. Siering	January 26, 2019	45,766	\$663,149
	January 27, 2019	54,570	\$790,719
	January 29, 2019	72,751	\$1,057,072
William Roth <sup>(2)</sup>	January 26, 2019	45,766	\$663,149
	January 27, 2019	54,570	\$790,719
	January 29, 2019	36,375	\$528,529
	December 31, 2019	139,351	\$2,037,312
Mary Risky	January 26, 2019	3,051	\$44,209
	January 27, 2019	3,183	\$46,122
	January 29, 2019	5,698	\$82,792
Rebecca B. Sandberg	January 26, 2019	9,535	\$138,162
	January 27, 2019	10,232	\$148,262
	January 29, 2019	15,961	\$231,913

- (1) The values in this column for the vesting events on January 26, 2019, January 27, 2019, January 29, 2019 and December 31, 2019 are based on the closing market price of our common stock on the NYSE on such date or, to the extent the NYSE was closed on such date, the closing market price of our common stock on the most recent NYSE trading date prior to the vesting event.
- (2) Mr. Roth retired from his position as an executive officer of our company on December 31, 2019, at which time all unvested shares vested on an accelerated basis pursuant to the terms of our Equity Incentive Plan.

## Potential Payments upon Termination or Change in Control

Our Equity Incentive Plan and the restricted stock award agreements with our named executive officers provide for accelerated vesting of any unvested restricted stock awards in the event of termination of service without cause or due to death, disability or retirement and, potentially, in connection with a change in control of our company. The following table sets forth estimates of the potential benefits to our named executive officers in connection with such circumstances, assuming such event occurred on December 31, 2019 and assuming our Compensation Committee exercised its discretion to accelerate vesting of unvested restricted stock awards upon a change in control. The actual payments due upon the occurrence of certain events could materially differ from the estimates provided in the table if such events occur on a different date.

Name	Value of Vesting Restricted Stock <sup>(1)</sup>
Thomas E. Siering	\$3,100,931
William Roth <sup>(2)</sup>	-
Mary Risky	\$718,880
Rebecca B. Sandberg	\$1,367,555

- 
- (1) Comprised of all outstanding shares of restricted stock held by such named executive officer that had not vested as of December 31, 2019. The values in this column are based on the \$14.62 closing market price of our common stock on the NYSE on December 31, 2019.
- (2) Mr. Roth retired from his position as an executive officer of our company on December 31, 2019, at which time all unvested shares vested on an accelerated basis pursuant to the terms of our Equity Incentive Plan.

### COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors reviewed and discussed with management of the company the "Compensation Discussion and Analysis" contained in this proxy statement. Based on that review and discussion, the Compensation Committee recommended that the "Compensation Discussion and Analysis" be included in the company's proxy statement for the 2020 Annual Meeting of Stockholders.

*By the Compensation Committee:*

E. Spencer Abraham, Chair  
James J. Bender  
W. Reid Sanders  
James A. Stern

### CEO PAY RATIO DISCLOSURE

In August 2015, the SEC issued final rules implementing the provision of the Dodd-Frank Act that require U.S. publicly-traded companies to disclose the ratio of their chief executive officer's compensation to that of their median employee. Disclosure pursuant to such rules is not included herein because the company does not have any employees.

## PROPOSAL 2: ADVISORY VOTE RELATING TO EXECUTIVE COMPENSATION

The SEC adopted rules pursuant to Section 951 of the Dodd-Frank Act that require public companies to provide stockholders with periodic advisory (non-binding) votes on executive compensation, also referred to as “say-on-pay” proposals.

As more fully described under the sections of this proxy statement entitled “*Executive Officers*” and “*Certain Relationships and Related Party Transactions*,” we are externally managed by PRCM Advisors pursuant to the Management Agreement between us and PRCM Advisers and, consequently, we do not have any employees and have not paid any cash compensation directly to any of our named executive officers. Each named executive officer’s compensation is comprised of cash compensation paid to them directly by the parent company of our external manager, Pine River, and equity awards granted by our company pursuant to our Equity Incentive Plan. The amount of cash compensation paid to each named executive officer is determined by and is the responsibility of Pine River and the amount of the equity awards granted to each named executive officer is the responsibility of the company and determined by our Compensation Committee. For more information regarding our executive compensation, please see “*Executive Officers*” above.

At the 2019 annual meeting of stockholders, we provided our stockholders with an opportunity to cast an advisory vote regarding our executive compensation. At that meeting, the stockholders approved the proposal, with approximately 95% of the votes cast voting in favor of the proposal.

Similar to last year, at the 2020 Annual Meeting, we are asking you to vote “FOR” the adoption of the following resolution:

**“RESOLVED:** That the stockholders of the company approve, on a non-binding advisory basis, the compensation paid to the company’s executive officers, as disclosed in the company’s proxy statement for the 2020 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the *Compensation Discussion and Analysis* and related narrative discussions in the proxy statement.”

Because this say-on-pay vote is advisory in nature, it is not binding on us, our Board of Directors, our Compensation Committee, PRCM Advisers or Pine River. Our Board of Directors has determined that our company will hold an advisory vote on executive compensation on an annual basis. We currently expect to conduct our next advisory vote on executive compensation at our next annual meeting of stockholders in May 2021.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE ADVISORY VOTE RELATED TO EXECUTIVE COMPENSATION.**

### **PROPOSAL 3: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We are asking our stockholders to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2020. Although ratification is not required by our Bylaws or otherwise, our Board of Directors is submitting the selection of Ernst & Young LLP to our stockholders for ratification as a matter of good corporate practice. In the event stockholders do not ratify the appointment, the appointment will be reconsidered by our Audit Committee. Even if the selection is ratified, our Audit Committee in its discretion may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of our company. A representative of Ernst & Young LLP is expected to be present at the Annual Meeting, will have an opportunity to make a statement if he or she so desires and is expected to be available to respond to appropriate questions.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” RATIFICATION OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

## AUDIT COMMITTEE REPORT AND AUDITOR FEES

### Audit Committee Report

The Board of Directors has appointed an Audit Committee presently composed of independent directors Karen Hammond, Stephen G. Kasnet, W. Reid Sanders, and Hope B. Woodhouse. Mr. Kasnet serves as Chair of the Audit Committee. Each of the directors on our Audit Committee is an independent director under the NYSE listing standards and SEC rules. The Board of Directors has determined that each of Ms. Hammond, Mr. Kasnet and Ms. Woodhouse satisfies the definition of financial sophistication and is an "audit committee financial expert," as defined under rules and regulations promulgated by the SEC.

The Audit Committee's responsibility is one of oversight as set forth in its charter, which is available on our website at [www.twoharborsinvestment.com](http://www.twoharborsinvestment.com). It is not the duty of the Audit Committee to prepare our financial statements, to plan or conduct audits or to determine that our financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Our management is responsible for preparing our financial statements and for maintaining internal controls. Our independent registered public accounting firm is responsible for auditing the financial statements and for expressing an opinion as to whether those audited financial statements fairly present our financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

The Audit Committee has reviewed and discussed our audited financial statements with management and with Ernst & Young LLP, our independent registered public accounting firm for 2019.

The Audit Committee has discussed with Ernst & Young LLP the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board, or PCAOB and the SEC.

The Audit Committee has received from Ernst & Young LLP the written disclosures and the letter from Ernst & Young LLP required by the PCAOB regarding Ernst & Young LLP's communication with the Audit Committee concerning independence, and has discussed Ernst & Young LLP's independence with Ernst & Young LLP.

Based on the review and discussions referred to above, the Audit Committee has recommended to the Board of Directors that the audited consolidated financial statements for the year ended December 31, 2019 be included in our Annual Report on Form 10-K for the year ended December 31, 2019, for filing with the SEC. The Audit Committee also has recommended the appointment of Ernst & Young LLP to serve as the company's independent registered public accounting firm for the year ending December 31, 2020.

*By the Audit Committee:*

Stephen G. Kasnet, Chair  
Karen Hammond  
W. Reid Sanders  
Hope B. Woodhouse

## Use of Audit Committee Report

In accordance with and to the extent permitted by applicable law or regulation, the information contained in the foregoing Report of the Audit Committee is not "soliciting material," is not deemed to be "filed" with the SEC, and is not to be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or under the Exchange Act.

## Auditor Fees

We retained Ernst & Young LLP to audit our consolidated financial statements for the year ended December 31, 2019. We also retained Ernst & Young LLP, as well as other accounting and consulting firms, to provide various other services in 2019.

The table below presents the aggregate fees billed to us for professional services performed by Ernst & Young LLP for the years ended December 31, 2019 and 2018:

	Year Ended December 31,	
	2019	2018
Audit fees <sup>(1)</sup>	\$ 1,443,738	\$ 1,301,476
Audit-related fees <sup>(2)</sup>	46,100	56,144
Tax fees <sup>(3)</sup>	224,726	536,267
Total principal accountant fees	<u>\$ 1,714,564</u>	<u>\$ 1,893,887</u>

- (1) Audit fees pertain to the audit of our annual Consolidated Financial Statements, including review of the interim financial statements contained in our Quarterly Reports on Form 10-Q, comfort letters to underwriters in connection with our registration statements and common stock offerings, attest services, consents to the incorporation of the EY audit report in publicly filed documents and assistance with and review of documents filed with the SEC.
- (2) Audit-related fees pertain to assurance and related services that are traditionally performed by the principal accountant, including accounting consultations and audits in connection with proposed or consummated acquisitions, internal control reviews and consultation concerning financial accounting and reporting standards.
- (3) Tax fees pertain to services performed for tax compliance, including REIT compliance, tax planning and tax advice, including preparation of tax returns and claims for refund and tax-payment planning services. Tax planning and advice also includes assistance with tax audits and appeals, and tax advice related to specific transactions.

## Auditor Services Pre-Approval Policy

The services performed by Ernst & Young LLP in 2019 were pre-approved by our Audit Committee in accordance with the pre-approval policy set forth in our Audit Committee Charter. This policy requires that all engagement fees and the terms and scope of all auditing and non-auditing services be reviewed and approved by the Audit Committee in advance of their formal initiation.

## OTHER MATTERS

### Meeting Matters

Our Board of Directors does not intend to bring other matters before the Annual Meeting except items incidental to the conduct of the meeting. However, on all matters properly brought before the meeting by our Board of Directors or others, the persons named as proxies in the accompanying proxy, or their substitutes, will vote on such matters in their discretion to the extent permitted by law.

### Stockholder Proposals and Director Nominations for 2021 Annual Meeting

Our 2021 annual meeting is expected to be held on or about May 19, 2021. If a stockholder intends to submit a proposal for inclusion in our proxy statement for our 2021 annual meeting pursuant to Rule 14a-8 under the Exchange Act, the stockholder proposal must be received by the Secretary of Two Harbors Investment Corp., 575 Lexington Avenue, Suite 2930, New York, New York 10022, on or before December 3, 2020. If such proposal is in compliance with all of the requirements of Rule 14a-8 under the Exchange Act, the proposal will be included in our proxy statement and proxy card relating to such meeting. We suggest such proposals be submitted by certified mail, return receipt requested. Nothing in this paragraph shall be deemed to require us to include any stockholder proposal that does not meet all the requirements for such inclusion established by the SEC in effect at that time.

Stockholders may (outside of Rule 14a-8) nominate candidates for election to the Board of Directors or propose business for consideration at our 2021 annual meeting under Maryland law and our Bylaws. Our Bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals for election to our Board of Directors and the proposal of other business to be considered by stockholders may be made only: (i) pursuant to our notice of the meeting; (ii) by or at the direction of our Board of Directors; or (iii) by a stockholder who was a stockholder of record both at the time of giving the notice required by our Bylaws and at the time of the meeting, who is entitled to vote at the meeting and who has complied with the advance notice provisions set forth in our Bylaws. Under our Bylaws, notice of such a nomination or proposal of other business must generally be provided to the Secretary not earlier than the 150th day nor later than 5:00 p.m., Eastern Time, on the 120th day prior to the first anniversary of the date of the proxy statement for the preceding year's annual meeting. In addition, any such nomination or proposal must include the information required by our Bylaws. Accordingly, any stockholder who intends to submit such a nomination or such a proposal at our 2021 annual meeting must notify us in writing of such proposal by December 4, 2020, but in no event earlier than November 4, 2020.

### Annual Report

A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as filed with the SEC, will be sent to any stockholder, without charge, upon written request to Two Harbors Investment Corp., Attention: Investor Relations, 575 Lexington Avenue, Suite 2930, New York, New York 10022. You also may obtain our Annual Report on Form 10-K on the Internet at the SEC's website, [www.sec.gov](http://www.sec.gov), or on our website at [www.twoharborsinvestment.com](http://www.twoharborsinvestment.com). Our 2019 Annual Report, which contains information about our business, but is not part of our disclosure deemed to be filed with the SEC, is also available on our website at [www.twoharborsinvestment.com](http://www.twoharborsinvestment.com).

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**TWO HARBORS INVESTMENT CORP.  
2020 ANNUAL MEETING OF STOCKHOLDERS  
RESERVATION REQUEST FORM**

If you wish to attend the webcast of Two Harbors Investment Corp.'s 2020 Annual Meeting of Stockholders (the "Annual Meeting") at the offices of Stinson LLP (located at 50 South Sixth Street, Suite 2600, Minneapolis, Minnesota 55402), you must complete the following information and return the form to Two Harbors Investment Corp., Attention: Rebecca B. Sandberg, General Counsel and Secretary, 575 Lexington Avenue, Suite 2930, New York, New York 10022. Please note that no members of management or the Board of Directors will be in attendance at Stinson LLP's offices and you will not have the ability to vote your shares from that location. This form must be received by Two Harbors Investment Corp. no later than May 20, 2020.

Your name and address:

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Number of shares of Two Harbors common stock you hold:

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Please note that if you hold your shares through a bank, broker or other nominee (i.e., in street name), you may be able to authorize your proxy by telephone or the Internet as well as by mail. You should follow the instructions you receive from your bank, broker or other nominee to vote these shares. Also, if you hold your shares in street name, you must obtain a proxy executed in your favor from your bank, broker or nominee to be able to vote via the Annual Meeting webcast. If the shares listed above are not registered in your name, identify the name of the registered stockholder below *and include evidence that you beneficially own the shares.*

Record stockholder:

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(name of your bank, broker, or other nominee)

<b>THIS IS NOT A PROXY CARD</b>
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