8937

(December 2011)
Department of the Treasury
Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

► See separate instructions.

OMB No. 1545-2224

Part I Reporting Is	ssuer			
1 Issuer's name			2 Issuer's employer identification number (EIN)	
TWO HARBORS INVESTME	ENT COPP			27-0312904
3 Name of contact for add		Telephone	No. of contact	5 Email address of contact
TWO HARBORS INVESTOR	RELATIONS		(212) 364-3663	INVESTORS@TWOHARBORSINVESTMENT.COM
6 Number and street (or P	O. box if mail is not d	elivered to st		7 City, town, or post office, state, and Zip code of contact
590 MADISON AVENUE, 36	TH FLOOR			NEW YORK, NY, 10022
8 Date of action		9 Classi	fication and description	
03/31/17, 06/30/17, 09/29/17		Conversi		nvertible note deemed a distribution
10 CUSIP number	11 Serial number(s)		12 Ticker symbol	13 Account number(s)
90187BAA9	N/A		TWO 6.25 01/15/22	N/A
				e back of form for additional questions.
		plicable, the	date of the action or the date	e against which shareholders' ownership is measured for
the action ► SEE AT	TACHED.			
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15 Describe the quantitat	ive effect of the organ	izational acti	on on the basis of the securi	ty in the hands of a U.S. taxpayer as an adjustment per
share or as a percenta				
Share or as a percenta	SEE	ATTACHE	D,	
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		sis and the C	iata triat supports trie calcula	ation, such as the market values of securities and the
valuation dates ► SEE	ATTACHED.			
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Form 8	937 (R	ev. 12-2011)			Page 2
Part	: 11	Organizational Action (continued)			
		e applicable Internal Revenue Code section(s) and subsection(s) upon which the tax trea	atment is based ▶	SEE ATTACHED.
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18	Can a	ny resulting loss be recognized? ► SEE AT	TACHED.	-2021	The Children
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19	Provi	de any other information necessary to implen	nent the adjustment, such as the reportable	tax vear ▶ SFF A	TTACHED.
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	be	der penalties of perjury, I declare that I have exam- lief, it is true, correct, and complete. Declaration of	preparer (other than officer) is based on all inform	ies and statements, a ation of which prepar	and to the best of my knowledge and er has anv knowledge.
Sign		0 0 1			
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	Pr	int your name ► BRAD FARRELL			ANCIAL OFFICER
Paid	-	Print/Type preparer's name	Preparer's signature	Date	Check if PTIN
Prep	oare	r			self-employed
Use		y Firm's name ▶			Firm's EIN ▶
	114	Firm's address ▶	and the factors		Phone no.
Send	Form	8937 (including accompanying statements) t	o: Department of the Treasury, Internal Rev	enue Service, Ogd	en, UT 84201-0054

Two Harbors Investment Corp. Conversion Rate Adjustment on Convertible Note Deemed a Distribution

Attachment to Form 8937

CONSULT YOUR TAX ADVISOR

THE FOLLOWING DISCUSSION IS A SUMMARY OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE CONVERSION RATE ADJUSTMENT ON THE CONVERTIBLE NOTE DEEMED A DISTRIBUTION UNDER CURRENT LAW AND IS FOR GENERAL INFORMATION ONLY. THE INFORMATION CONTAINED HEREIN DOES NOT CONSTITUTE TAX ADVICE AND DOES NOT PURPORT TO BE COMPLETE OR TO DESCRIBE THE CONSEQUENCES THAT MAY APPLY TO PARTICULAR CATEGORIES OF SHAREHOLDERS.

SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE AND LOCAL AND FOREIGN TAX CONSEQUENCES OF THE CONVERSION RATE ADJUSTMENT ON THE CONVERTIBLE NOTE DEEMED A DISTRIBUTION.

Part II - Organizational Action

Line 14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.

On March 31, 2017, June 30, 2017, September 29, 2017, October 20, 2017, and December 26, 2017, Two Harbors Investment Corp.'s 6.25% Convertible Senior Notes due 2022 had a deemed distribution per \$1,000 principal amount of the notes of \$0.4460, \$1.0371, \$1.1315, \$76.8709, and \$2.7163, respectively.

Line 15: Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

The taxable portion of a deemed distribution increases the basis of the notes in the hands of the taxpayer. The non-taxable portion of the deemed distribution does not affect the basis of the notes in the hands of the taxpayer. The table below shows the taxable and non-taxable portions of each deemed distribution per \$1,000 principal amount of the 6.25% Convertible Senior Notes due 2022:

Deemed Distribution Date	Deemed Distribution	Taxable Portion (Deemed Dividend)	Non-Taxable Portion
03/31/2017	\$0.446000	\$0.161786	\$0.284214
06/30/2017	\$1.037087	\$0.376203	\$0.660884
09/29/2017	\$1.131457	\$0.410436	\$0.721022

10/20/2017	\$76.870914	\$27.884898	\$48.986016
12/26/2017	\$2.716258	\$0.985322	\$1.730936

Line 16: Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.

The Conversion Rate Adjustment was treated for U.S. federal income tax purposes under IRC Section 305(c) and consistent with Prop. Reg. Section 1.305-7(c)(4)(i)(A)-(B), (4/13/2016) as a deemed distribution in an amount equal to the excess of (a) the fair market value of the total rights on the Ex-Dividend Date, given the Conversion Rate Adjustment, over (b) the fair market value that the total rights would have had on the Ex-Dividend Date, if the Conversion Rate Adjustment had not occurred. The portion of the deemed distribution that is taxable is based on the allocable share of the earnings and profits. Two Harbors Investment Corp.'s earnings and profits were calculated under IRC Section 312 (as modified by IRC Section 857(d) for a real estate investment trust), and the regulations thereunder.

List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.

IRS Section 301(c)(1), 305(b)(2) and 305(c). Reg. 1.301-1(h) and Rev. Rul. 76-186, 1976-1 C.B.86, Prop. Reg. 1.305-3(f).

Line 18: Can any resulting loss be recognized?

No.

Line 19: Provide any other information necessary to implement the adjustment, such as the reportable tax year:

These actions are effective on the date of the distribution identified above and reportable in the 2017 taxable year.