

Edgar Filing: Capitol Acquisition Corp - Form 425

Capitol Acquisition Corp  
Form 425  
June 11, 2009

Filed by Two Harbors Investment Corp. pursuant to

Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

under the Securities Exchange Act of 1934

Subject Company: Capitol Acquisition Corp.

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Two Harbors  
Investment Corp.  
Investor Presentation  
Capitol Acquisition  
Corp.  
June 2009

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Two Harbors

Investment Corp

Safe Harbor Statement

THIS PRESENTATION IS BEING PRESENTED BY CAPITOL ACQUISITION CORP. ( CAPITOL OR CLA ), PINE INVESTMENT CORP. ( TWO HARBORS ).

NEITHER CAPITOL, TWO HARBORS NOR ANY OF ITS RESPECTIVE AFFILIATES MAKES ANY REPRESENTATION OF THE INFORMATION CONTAINED IN THIS PRESENTATION. THE SOLE PURPOSE OF THIS PRESENTATION IS TO PROCEED WITH A FURTHER REVIEW OF THE PROPOSED TRANSACTION DISCUSSED HEREIN AND IS NOT INTENDED TO PROVIDE INFORMATION THAT A PERSON MAY DESIRE IN CONSIDERING THE PROPOSED TRANSACTION DISCUSSED HEREIN FOR AN INVESTMENT DECISION OR ANY OTHER DECISION IN RESPECT OF THE PROPOSED TRANSACTION.

CAPITOL INTENDS TO FILE A PROXY STATEMENT AND TWO HARBORS INTENDS TO FILE A REGISTRATION STATEMENT/PROSPECTUS, WITH THE SECURITIES AND EXCHANGE COMMISSION ( SEC ) IN CONNECTION WITH THE PROPOSED TRANSACTION, AN AFFILIATE OF CLA S OFFICERS, DIRECTORS AND AFFILIATES WILL BE PROVIDING SERVICES IN CONNECTION WITH THE TRANSACTION AND WILL RECEIVE FROM TWO HARBORS S MANAGER A PERCENTAGE OF THE MANAG

WARRANT HOLDERS OF CLA ARE URGED TO READ THE PROXY STATEMENT AND PROSPECTUS WHEN THE IMPORTANT INFORMATION. SUCH PERSONS CAN ALSO READ CLA S FINAL PROSPECTUS, DATED NOVEMBER 2008 YEAR ENDED DECEMBER 31, 2008 (THE ANNUAL REPORT ) AND OTHER REPORTS AS FILED WITH THE SEC OFFICERS AND DIRECTORS AND THEIR AFFILIATES AND THEIR OTHER RESPECTIVE INTERESTS IN THE SUCH THE DEFINITIVE PROXY STATEMENT/PROSPECTUS WILL BE MAILED TO STOCKHOLDERS AND WARRANT HOLDERS ESTABLISHED FOR VOTING ON THE PROPOSED TRANSACTION. FREE COPIES OF THESE DOCUMENTS CAN BE OBTAINED FROM THE COMPANY WEBSITE (<http://www.sec.gov>).

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Two Harbors

Investment Corp

Forward Looking Statements

THIS PRESENTATION CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE SAFE HARBOR REFORM ACT OF 1995. FORWARD-LOOKING STATEMENTS INVOLVE NUMEROUS RISKS AND UNCERTAINTIES, INCLUDING CHANGES IN MARKET EXPECTATIONS, ESTIMATES, AND PROJECTIONS AND, CONSEQUENTLY, YOU SHOULD NOT RELY ON THESE STATEMENTS REGARDING FUTURE EVENTS. FORWARD-LOOKING STATEMENTS ARE NOT HISTORICAL IN NATURE AND CAN BE IDENTIFIED BY THE USE OF WORDS SUCH AS EXPECT, BELIEVE, INTEND, SEEK, PLAN, AND SIMILAR EXPRESSIONS OR THEIR NEGATIVE FORMS. FORWARD-LOOKING STATEMENTS REGARDING THE FOLLOWING SUBJECTS, AMONG OTHERS, ARE FORWARD-LOOKING BY THEIR NATURE AND STRUCTURE OF THE PROPOSED TRANSACTION, THE TERMS OF TWO HARBORS' SECURITIES UPON CLOSING OF THE TRANSACTION; (II) REGARDING THE TERMS AND STRUCTURE OF TWO HARBORS' MANAGEMENT AND ORGANIZATION UPON COMPLETION OF THE TRANSACTION; (III) REGARDING THE BOOK VALUE OF TWO HARBORS UPON CLOSING OF THE PROPOSED TRANSACTION; (IV) REGARDING TWO HARBORS' GOALS, TARGETED INVESTMENTS AND THE OPPORTUNITIES FOR INVESTMENT; (V) REGARDING CERTAIN ASPECTS OF THE CAPITAL IS EXPECTED TO PLAY IN FINANCING THE RESIDENTIAL MORTGAGE MARKET, THAT THE INCREASED

OFFER POTENTIAL FOR ATTRACTIVE NON-RECOURSE FINANCING ALTERNATIVES IMPROVING INVESTMENT PRICES TO LIBOR FOR SOME TIME, AND THE PROJECTED PREPAYMENT SPEEDS OF CERTAIN ASSETS (INCLUDING THAN PROJECTIONS); (V) THAT CERTAIN NON-AGENCY RMBS ARE PRICED AT LEVELS THAT COMPENSATE PROGRAMS PROVIDING NON-RECOURSE TERM FINANCING, AND CERTAIN AGENCY RMBS SPREADS ARE EX EXPECTATION TO GENERATE AN ATTRACTIVE ROE; (VII) REGARDING TWO HARBORS' ABILITY TO QUICKLY TO WHICH TWO HARBORS WILL INVEST ITS CAPITAL; (VIII) REGARDING TWO HARBORS' S FINANCING STR LEVERAGE RATIO AND POTENTIAL USE OF GOVERNMENT PROGRAMS; (IX) REGARDING THE EXPECTED TE AS A POTENTIAL SOURCE OF CAPITAL GROWTH, INCLUDING THE BOOK VALUE OF TWO HARBORS POST W UPON EXERCISE OF THE WARRANTS.

THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES. TWO HARBORS U LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE RESULTS INCLUDE: UNCERTAINTIES AS TO THE TIMING OF THE PROPOSED TRANSACTION; APPROVAL OF WARRANT HOLDERS; THE SATISFACTION OF CLOSING CONDITIONS TO THE PROPOSED TRANSACTION; CO ECONOMIC CONDITIONS GENERALLY, CHANGES IN TWO HARBORS' S INDUSTRY AND CHANGES IN THE CO LEGISLATIVE AND REGULATORY CHANGES; AVAILABILITY OF DEBT AND EQUITY CAPITAL TO TWO HARB INVESTMENT OPPORTUNITIES THAT SATISFY TWO HARBORS' S INVESTMENT OBJECTIVES AND STRATEGII REVENUES; THE DEGREE AND NATURE OF TWO HARBORS' S COMPETITION; TWO HARBORS' S DEPENDENC REPLACEMENT IN A TIMELY MANNER, OR AT ALL, IF TWO HARBORS OR ITS MANAGER WERE TO TERMINA AMONG, OR THE BUSINESS OR INVESTMENT OBJECTIVES AND STRATEGIES OF, AND CONFLICTS OF INTERI MANAGER; LIMITATIONS IMPOSED ON TWO HARBORS' S BUSINESS BY ITS EXEMPTIONS UNDER THE 1940 A PERFORMANCE, FINANCIAL CONDITION AND LIQUIDITY OF BORROWERS; INFLATION; CHANGES IN GAAP; PERSONNEL; MARKET TRENDS; POLICIES AND RULES APPLICABLE TO REITS; AND OTHER FACTORS NOT PI

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Two Harbors  
Investment Corp  
Proven Manager  
with Strong Track  
Record

Capitol Acquisition (NYSE Amex: CLA) to merge with a subsidiary of Two Harbors Investment Corp., a newly created mortgage REIT to capitalize on severe dislocation in residential mortgage backed securities (RMBS) market.

At  
current  
CLA  
price,  
an  
investor

creates  
a  
share  
in  
Two  
Harbors  
at  
1.00x  
initial  
Book  
Value  
vs.  
1.40x  
trading  
average  
for  
non-Agency  
public  
peers.  
(1)  
Externally  
managed  
by  
PRCM  
Advisers,  
an  
affiliate  
of  
Pine  
River,  
a  
global  
fixed-income focused asset manager.

Since February 2008 inception, Pine River's MBS strategy has returned  
95.6% net

(2)  
with no negative months.

Team and infrastructure in place to rapidly invest proceeds and manage  
future growth.

Attractive 1.5% management fee structure with no additional performance  
fees.

Opportunity

Transaction Highlights

(1) Please see slide 24 entitled "Comparables: Non-Agency and Agency REITS" for more information.

(2) For more information with respect to the performance of Pine River's MBS strategy including key assumptions used



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Two Harbors  
Investment Corp

With no legacy assets, Two Harbors is positioned to invest 100% of Capitol's trust fund proceeds into RMBS with potential for attractive risk adjusted returns and Return on Equity (ROE).

Cross-product approach targeting all sub-sets of the RMBS market enables Two Harbors to best capture inefficiencies.

Expected  
government  
financing  
programs  
such  
as  
TALF

II

(1)

(if

expanded

to

RMBS) could increase return on equity.

Compelling

Targeted Returns

Transaction Highlights

(1)

Term Asset-Backed Securities Loan Facility (TALF).

(2)

As of June 9, 2009 closing price.

Capitol's public shareholders to own 100% of Two Harbors post completion.

Expected market capitalization of \$252 million based on 26.25 million common

shares

and

current

stock

price

of

\$9.61

(2)

(reduced

by

the

amounts converted by stockholders exercising their conversion rights

and the amounts that may be used to enter into forward or other

contracts to purchase shares of Capitol).

Warrants struck at \$11.00 provide accretive growth capital.

Pro Forma

Ownership

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Two Harbors

Investment Corp

Experienced, Cohesive Team:

Six partners together for average of 14 years.

Average 18 years hedge fund  
experience.

54 employees, 19 investment professionals.

No senior management turnover.

Historically low attrition.

Overview of Pine River Capital Management

Founded June 2002 with offices in New York, London, Hong Kong, San Francisco and Minnesota.

Over \$800 million assets under management

(1)

Experienced manager of non-Agency, Agency and other mortgage related assets.

Pine River has never suspended or withheld cash from investors.

Established Infrastructure:

Strong corporate governance.

Registrations: SEC/NFA (U.S.), FSA (U.K.),

SFC (Hong Kong), SEBI (India) and TSEC

(Taiwan).

Proprietary technology.

Global footprint.

Minnetonka, MN

London

Hong Kong

San Francisco

New York

Global multi-strategy asset management firm providing comprehensive portfolio management, transparency and liquidity to institutional and high net worth investors.

(1)

Estimate as of June 1, 2009.

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Two Harbors

Investment Corp

The Two Harbors Team

Board consists of seven directors, majority independent, including:

Chairman, Brian Taylor, CEO and Founder, Pine River;

Vice-Chairman, Mark Ein, CEO, Capitol;

Director, Tom Siering, Partner, Pine River; and

Four independent directors.

Tom Siering, CEO.

Jeff Stolt, CFO.

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Steve Kuhn, Co-Chief Investment Officer.

Bill Roth, Co-Chief Investment Officer.

Tim O'Brien, General Counsel.

Andrew Garcia, VP Business Development.

Management Team

Board of Directors

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Two Harbors

Investment Corp

Pine River's MBS Strategy Historical Returns

Jan-08

Feb-08

Mar-08

Apr-08

May-08

Jun-08

Jul-08

Aug-08

Sep-08

Oct-08

Nov-08

Dec-08

Net Monthly Return

N/A

2.93%

1.26%

2.83%

4.10%

4.09%

2.49%

2.11%

9.56%

2.46%

3.26%

4.32%

Net Annual Return

N/A

2.93%

4.23%

7.18%

11.57%

16.13%

19.02%

21.52%

33.15%

36.42%

40.87%

46.95%

Jan-09

Feb-09

Mar-09

Apr-09

May-09

(Estimate)

Jun-09

Jul-09

Aug-09

Sep-09

Oct-09

Nov-09

Dec-09

Net Monthly Return

8.50%

5.01%

4.48%

5.09%

6.38%

Net Annual Return

8.50%

13.94%

19.04%



25.10%

33.08%

Annualized Net Life to Date Return

3 Month Net Return

Annualized Standard Deviation

6 Month Net Return

Positive Months

12 Month Net Return

LTD Net Return

Nisswa Fixed Income Fund L.P. Estimated

May 1, 2009 Assets Under Management

95.56%

16.80%

38.82%

75.28%

65.37%

7.84%

16/16

\$202.2 Million

Beginning in September 2008, the data reflects the actual performance of Nisswa Fixed Income Fund L.P.

For the period from February 2008 to August 2008, Pine River's fixed income strategy was conducted through Nisswa Master and non-investment grade global convertible arbitrage, capital structure arbitrage, SPAC warrant arbitrage and fixed income arbitrage performance of this strategy as a component of Nisswa Master Fund Ltd. The performance information relating to this strategy is reported in the reports of Nisswa Master Fund Ltd. which separately reported on the results of this strategy, except that the performance information is reported even if such fees were not paid. The strategy performance information is based on a number of important assumptions with respect to expenses. For example, Pine River allocated fund leverage and expenses among Nisswa Master Fund Ltd.'s various strategies. Investors should note that the investment strategy of each of Nisswa Fixed Income Fund L.P. and the fixed income strategy component of that Two Harbors intends to employ in several important respects. Nisswa Fixed Income Fund L.P. (and before September 2008) was actively in fixed-rate, adjustable and interest only securities, Collateralized Mortgage Obligations, trades in mortgage backed securities, and equity investments in REITs, and actively hedged its trading positions. However, Two Harbors initially expected to have a fixed income emphasis. In addition, whereas Nisswa Master Fund Ltd. and Nisswa Fixed Income Fund L.P. charge a 1.5% management fee, Two Harbors investment strategy may differ from that of Nisswa Fixed Income Fund L.P. additionally, in that Two Harbors invests in securities. Accordingly investors should not assume that they will experience returns, if any, comparable to those experienced by the component of the Nisswa Master Fund Ltd.

Past performance is not indicative of future results. Return on capital is calculated based on average monthly capital, not beginning

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Two Harbors

Investment Corp

Two Harbors Investment Approach

Holistic approach across non-Agency and Agency RMBS.

Continuous top-down market assessment to identify most attractive segments.

Detailed analyses to find the most mispriced securities.

Find and invest in smaller opportunities often ignored by larger funds.

Strong focus on risk management to preserve value and maximize returns.

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Market Opportunity

Traditional providers of capital have left the market.

Fannie Mae & Freddie Mac, historically the overseers of relative value and

effectively the world's two largest mortgage hedge funds, cannot participate in the current price discrepancies.

The capital bases of traditional market participants such as proprietary trading desks and hedge funds have been reduced.

Continued forced selling by remaining participants has led to significant price declines.

Two Harbors will be positioned to capitalize upon severe dislocations in the \$11.0 trillion

U.S. mortgage market.

(1)

(1)

FBR Miller.

11  
Two Harbors  
Investment Corp  
0%  
1%  
2%  
3%  
4%  
5%  
6%  
7%  
Jan-04  
Oct-04  
Jul-05  
Apr-06

Jan-07

Oct-07

Jul-08

Apr-09

FN30CC

1moLIB

Agency securities are trading at wide spreads to LIBOR and are likely to remain wide for some time.

Source:

UBS Mortgage Strategy.

Non-Agency securities are trading at low prices.

Significant opportunities in both non-Agency and Agency securities.

Source:

Amherst Securities.

Note:

All prices are indicative month-end levels for 2006 / 2007 vintages.

Historical Pricing on Senior Non-Agency Securities

Agency Spreads

FN 30-yr Current Coupon vs. LIBOR

30

40

50

60

70

80

90

100

Jan-08

Apr-08

Jul-08

Oct-08

Jan-09

Apr-09

Prime - 30 Year Fixed

Alt - A - 30 Year Fixed

Option Arm Super Senior

Market Opportunity

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Two Harbors  
Investment Corp

(1)

Actual results will be impacted by the risks inherent in any mortgage backed securities portfolio, including by the matters discussed in the prospectus supplement and the offering circular, which are incorporated by reference into this offering circular, in its entirety when available, including the section under

"Risk

Factors.

Assumes

no

shareholder

conversions.

(2)

Haircut is defined as the percent of market value one must pledge as collateral to finance a security.

(3)

The following assumptions were used for each security type: Agency Hybrids: 15 Constant Prepayment Rate (CPR); Non-Age

Mezzanine: 4 CPR, 15 CDR, 70 Loss Severity; MBS Derivatives: 25 CPR.

(4)

Assumes 9x borrowings.

(5)

Assumes LIBOR is flat to current level.

Hypothetical Portfolio

Hypothetical

Portfolio

(1)

% of Equity

Finance

Interest

Interest

Return on

Security Type

Low

Mid

High

Equity

Haircut

Assets

Yield

Rate

Income

Expense

Equity

Agency hybrids

15%

20%

25%

\$50.2

10%

\$502.1

4%

1.0%

\$20.1

(\$4.5)

31.0%

Non-Agency super senior

35%



45%

55%

113.0

100%

113.0

16%

18.1

16.0%

Non-Agency mezzanine

10%

20%

30%

50.2

100%

50.2

30%

15.1

30.0%

MBS derivatives

5%

15%

25%

37.7

100%

37.7

40%

15.1

40.0%

100%

\$251.1

\$703.0

\$68.3

(\$4.5)

25.4%

Estimated shareholder equity:

\$251.1

Total leverage:

1.8x

(4)

(3)

(5)

(\$ in millions)

(2)

In the discussions leading up to the execution of the merger agreement, Two Harbors presented the following hypothetical port

consideration and review. Such hypothetical portfolio information does not represent any actual assets held or borrowings made and does not represent the performance characteristics of a portfolio of assets that Two Harbors believes should be available for purchase in the market and should be available upon completion of the merger. There can be no assurance that a portfolio of the type presented will be available for purchase. In addition, the returns from the portfolio are based on a number of assumptions detailed below. Actual results will vary from

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Non-Agency Discount Example

Super Senior Bond backed by Option Arm

Collateral (CWALT 2006-OA17 2A1).

First 27.8% of loss is absorbed by  
junior bonds.

Receives protection from the Senior  
Support and Subordinate bonds  
from credit losses.

Pays a coupon of COFI

(2)  
+ 150bps,  
where most Option Arms pay 1mo  
Libor + a smaller margin.  
SUPER  
SENIOR BONDS  
27.8%-100%  
Illustrative non-Agency Security Investment  
SUPPORT  
BONDS  
Voluntary CPR

(1)  
of 1, which implies only  
1% of the people in the trust (annually)  
will be able to refinance.  
A constant default rate of 35, which means  
35% of the trust per year will be defaulted.  
Loss severity of 70%, which assumes all  
loan liquidated out of the trust will trade  
for 30 cents on the dollar.  
Purchase price: \$34.00.  
Yield: 18.5 percent.

Security  
Assumptions  
Risk / Reward Profile of this Bond

(1)  
Constant prepayment rate.

(2)  
Other  
assumptions:

1%  
voluntary  
CPR,  
30  
CDR,  
Cost  
of  
Funds  
Index  
( COFI )  
flat  
at  
1.38%.  
Dollar Price  
50%  
55%  
60%  
65%  
70%  
75%

\$34

44.0%

37.0%

31.0%

25.0%

18.0%

12.0%

Yields

at

Various

Loss

Severity

Assumptions

(2)

Implied liquidation % of the entire pool: over 95 percent.

Implied total % loss on the collateral: 66.7 percent.

This bond does not represent an actual asset held by Two Harbors. Instead, the presentation illustrates the analysis PRCM Adv purchase by Two Harbors. There can be no assurance that an asset of the type presented will be available for purchase upon co

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Investment Corp

The TALF Program

Potential Catalyst

Currently available for select Asset Backed and Commercial Mortgage Backed securities.

Treasury has proposed expansion to include certain non-Agency residential mortgage backed securities .

(1)

Key loan aspects expected to include:

Non-recourse financing;

Possible terms of up to 5-years

(2)

;

Haircuts and spreads based on average life and type of asset; and

Reduced spreads on loans benefiting from government guarantees.

Non-recourse term financing, such as that contemplated by TALF II, could have an impact on expected Return on Equity.

(1)

The timing of the expansion of the TALF to Non-Agency RMBS and the terms of such expansion have not yet been published expanded that TALF will offer financing terms that will be attractive to Two Harbors.

(2)

If  
TALF  
were  
expanded  
to  
RMBS,  
this  
assumes  
the  
term  
would  
follow  
the  
TALF  
expansion  
to  
CMBS.

15  
Two Harbors  
Investment Corp  
0  
10  
20  
30  
40  
50  
60  
70  
Incentive to Prepay in bps (May 2009)  
LLB  
Generic  
0



10  
20  
30  
40  
50  
60  
70

Incentive to Prepay in bps

2003

2009 May

Source:

Merrill Lynch Fixed Income Strategy and J.P. Morgan Securities Inc.

Capacity constraints of mortgage originators.

Significant declines in homeowners equity reduces  
borrower s ability to access funding.

Low

Loan

Balance

(LLB)

Fixed

costs

reduce

borrower s incentive; busy brokers avoid low-fee  
business.

Fixed costs represent higher barriers to smaller  
borrowers.

Prepayment speeds remain slower than 2003  
despite government intervention.

Some prepayments likely to remain slower than  
projections.

Prepayment Cycle Creates Pricing Opportunities

Fannie 30-yr. Prepayment Curves

Fannie 30-yr Prepayment Curves by Loan Attributes

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Agency Inverse IO Example

Agency Inverse IO bonds are an inherently levered way to take advantage of slow prepayment speeds on specific types of collateral pools, such as

LLBs.

5 CPR

15 CPR

25 CPR

35 CPR

45 CPR

53 CPR

Price 10-03

61.0%

53.0%

45.0%

31.0%

14.0%

(1.0%)

Yields at Various Prepayment Speeds

Agency Inverse IO Bond Example

Loan Size Data (as of April 2009)

Average

Original

Original

Current

Minimum

Maximum

\$68,300

\$64,900

\$21,000

\$85,000

1 month

May-09

18.6

Apr-09

14.4

Mar-09

18.4

Feb-09

13.2

Jan-09

8.1

Dec-08

5.6

Nov-08

9.3

Oct-08

8.1

Sep-08

7.2

Aug-08

8.4

Jul-08

13.9

Jun-08

16.5

Constant Prepayment

Rates (CPRs)

This bond does not represent an actual asset held by Two Harbors. Instead, the presentation illustrates the analysis PRCM Advisors expects to perform in analyzing potential bonds for

purchase by Two Harbors. There can be no assurance that an asset of the type presented will be available for purchase upon co

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Two Harbors

Investment Corp

Supported by 35 operational and administrative professionals, including:

11 member accounting team;

3 member legal team;

7 member operations and settlement team; and

6 member software development team.

Pine River Offers Extensive MBS Expertise

Two

Harbors  
Co-Chief  
Investment  
Officers  
Steve Kuhn  
Partner and Head of Fixed Income Trading.

Goldman Sachs Portfolio Manager from 2002 to 2007.

16 years investing in and trading mortgage backed securities and  
other fixed income  
securities for firms including Goldman Sachs Asset Management, Citadel and Cargill.

Bill Roth  
Portfolio Manager (beginning June 16, 2009).

Citi and Salomon Brothers 1981  
2009; Managing Director since 1997.

Managing Director in the bank's proprietary trading group managing MBS and ABS  
portfolios.  
Pine River's Mortgage Backed strategy has returned 95.6% net of fees since inception,  
February 2008.

(1)  
Jiayi Chen  
Trader.

Formerly Goldman Sachs Asset  
Management, risk management.  
Brendan McAllister  
Trader.

Formerly UBS Securities, member of top  
mortgage sales team.  
Diana  
Denhardt

Repo  
Funding  
Analyst.

20 years financing experience at EBF &  
Associates and Cargill.

(1)  
For  
more  
information  
with  
respect  
to  
the

performance  
of  
Pine  
River s  
MBS  
strategy  
including  
key  
assumptions  
used  
in  
deriving  
such  
performance,  
please  
see  
slide  
8  
entitled  
Pine  
River s  
MBS  
Strategy  
Historical  
Returns .

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Two Harbors

Investment Corp

Two Harbors Investment Team Goals

Create highest return on equity in the mortgage REIT sector.

Capture significant capital appreciation resulting from government policies, including if TALF

is expanded to cover RMBS.

Maintain investment flexibility across entire RMBS sector to best take advantage of opportunities as the mortgage market evolves.

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Two Harbors  
Investment Corp  
Opportunity for Investors  
\$2.6  
Cash and Cash Equivalents  
\$9.56  
Initial Book Value Per Share  
(2)  
Valuation Summary  
(\$ in millions, except per share amounts)  
June/July 2009  
\$251.1  
Initial Book Value  
1.00x



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Assumed Price/Initial Book Value

\$10.6

Less: Estimated Transaction & Other Expenses

Note:

Balance sheet as of March 31, 2009, balances and estimates subject to change.

(1)

As of June 9, 2009.

(2)

Assumes 100% of sponsors

promote shares retired and existing 33.2 million warrants amended to an out-of-the-money strike price of \$11.00.

26.25

Fully Diluted Shares (treasury method)

\$252.3

Fully Diluted Equity Value

\$259.1

Add: Cash Held in Trust

\$9.61

Assumed

Price

Per

Share

(1)

Capitol's common stockholders expected to create Two Harbors at or near Book Value.

Estimated Value at Closing

20  
Two Harbors  
Investment Corp  
124%  
109%  
156%  
100%  
50.0%  
70.0%  
90.0%  
110.0%  
130.0%  
150.0%  
170.0%  
Agency REIT

Mean  
Chimera  
Investment  
Corp  
Redwood  
Trust  
Two  
Harbors  
Non-Agency REIT's  
Non-Agency REIT Mean  
Non-Agency  
Mean: 140%  
1.0x  
6.6x  
7.0x  
0.7x

1.0x  
2.0x  
3.0x  
4.0x  
5.0x  
6.0x  
7.0x  
8.0x

Agency REIT  
Mean  
Chimera  
Investment  
Corp  
Redwood  
Trust  
Two  
Harbors  
Non-Agency REIT's  
Non-Agency REIT Mean  
Non-Agency  
Mean: 3.6x  
3.0x  
2.9x

Efficient structure creates Two Harbors at a lower Price to Book Value, using less leverage than other publicly traded residential mortgage REITs.

Target  
Leverage  
Price to Book Value  
Opportunity for Investors  
Note:  
Agency  
REIT

Mean  
comprised  
of  
American  
Capital  
Agency,  
Annaly  
Mortgage,  
Anworth  
Mortgage,  
Capstead  
Mortgage,  
Hatteras  
Financial  
and  
MFA  
Mortgage.

Non-Agency REIT Mean comprised of Chimera Investment Corp. and Redwood Trust. Prices as of June 9, 2009.

(1)

Target Leverage defined here as Total Liabilities divided by Total Equity.

(2)

Current leverage of 0.7x pro forma for recent equity offerings. Unadjusted for the equity offerings, target leverage would be 2.

(3)

Current leverage of 6.6x pro forma for recent equity offering. Unadjusted for the equity offering, target leverage would be 9.6x

(2)

(2)

(3)

(3)

(1)

21  
Two Harbors  
Investment Corp  
0.5x  
0.6x  
0.7x  
0.8x  
0.9x  
1.0x  
1.1x  
1.2x  
1.3x  
1.4x  
1.5x  
\$9.50

\$9.61  
\$9.75  
\$10.00  
\$10.50  
\$11.00  
\$11.50  
\$12.00  
\$12.50  
\$13.00  
\$13.50  
\$14.00  
\$14.50

Common Price

Two Harbors Price to BV

Non-Agency REIT Mean Price to BV

Price to Book Value

Transaction expected to create Two Harbors closer to Book Value than would be possible in a traditional IPO or through secondary market purchases.

Opportunity for Investors

Note:

Assumes 100% of sponsors

promote shares retired and existing 33.2 million warrants amended to an out-of-the-money strike price of \$11.00.

Non-Agency

Mean: 1.40x

22

Two Harbors  
Investment Corp  
Structure Creates  
Attractive Return  
Profile

Severe dislocation has led to capital outflows and potential investment opportunities throughout the sector.

Government programs to inject liquidity into market provides additional upside.

Deep, broad experience and disciplined investment approach.

Generated 95.6%

(1)

return and no negative return months since

Steve Kuhn launched Pine River's MBS strategy in February 2008.

CLA s  
public stockholders expected to create Two Harbors at  
1.00x initial Book Value vs. 1.40x average for non-Agency public  
peers  
(2)

.  
High targeted return on equity with moderate leverage.

Market

Opportunity

Investment Team

Investment Summary

Building Next

Great Mortgage

REIT

Highly experienced team of mortgage specialists brought  
together to create next great mortgage REIT franchise.

(1)

For more information with respect to the performance of Pine River s MBS strategy including key assumptions used in derivin

(2)

Please

see

slide

24

entitled

Comparables:

Non-Agency

and

Agency

REITS

for

more

information.



Two Harbors  
Investment Corp  
Appendix

24

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Comparables: Non-Agency and Agency REITs

(\$ in millions, except per share data)

Price

Market

Price /

Div. Yield:

Debt /

%

Expense

Company

Ticker

6/9/2009

Cap  
2009E EPS  
2010E EPS  
Book  
Most Recent  
Equity  
Agency  
Ratio  
Non-Agency REITs  
Chimera Investment Corp.  
CIM  
\$3.51  
\$2,353  
8.6x  
6.8x  
1.24x  
9.1%  
0.7x  
39%  
3.4%  
Redwood Trust  
RWT  
15.00  
1,162  
30.6  
8.3  
1.56  
6.7  
6.6  
0  
8.3  
Mean  
19.6x  
7.5x  
1.40x  
7.9%  
3.6x  
20%  
5.9%  
Agency REITs  
Annaly Mortgage  
NLY  
\$14.79  
\$8,051  
6.4x  
6.4x  
1.01x  
13.5%  
6.4x  
1.5%

MFA Mortgage

MFA

6.61

1,472

6.5

6.1

1.08

13.3

6.2

1.6

Hatteras Financial

HTS

25.83

935

5.7

5.6

1.16

16.3

7.1

1.5

Capstead Mortgage

CMO

12.68

805

5.3

5.6

1.23

17.7

8.4

1.8

Anworth Mortgage

ANH

6.84

695

5.7

6.1

1.03

17.5

6.7

2.2

American Capital Agency

AGNC

20.36

305

5.4

5.9

1.06

16.7

7.3

3.3

Mean

5.8x

5.9x

1.09x

15.8%

7.0x

2.0%

Overall Mean

12.7x

6.7x

1.25x

11.9%

5.3x

3.9%

(5)

(6)

(1)

(2)

(3)

(4)

(1)

Source:

SNL Financial, FactSet and company filings.

Note:

REIT Means calculated using the average of the non-Agency peer group mean and the Agency peer group mean. Prices as of 3/31/2020.

(1)

Based on IBES consensus estimates, where available.

(2)

Most recent announced quarterly dividend annualized, divided by current share price.

(3)

Debt / Equity Leverage defined here as Total Liabilities divided by Total Equity.

(4)

Expense ratio is all non-interest expense less non-recurring expenses and any provisions for loan losses divided by end of period net operating income.

(5)

Pro forma for recent equity offerings.

(6)

Pro forma for recent equity offering.

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Two Harbors  
Investment Corp

1.26x

1.00x

0.02x

(0.14x)

(0.13x)

(0.01x)

0.9x

1.0x

1.1x

1.2x

1.3x

1.4x

1.5x

Initial

Adjust warrants

Retire sponsor shares

Adjust deferred IPO fees

Transaction expenses

Final

We de-SPAC the SPAC

By re-striking warrants at \$11.00, retiring the sponsor shares, and restructuring the deferred fees, we de-SPAC the SPAC.

Non-Agency

Mean: 1.40x

(1)

As of June 9, 2009 closing price.

(1)

Current CLA Share Price    Multiple of Book Value

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Two Harbors

Investment Corp

Restructured Warrants Source of Growth Capital

Consent requires majority of warrant holders.

Any cash warrant exercises will be at a premium to the initial liquidation value.

Proceeds expected to be redeployed in accretive investments.

Note:

Assumes re-strike of 33.249 million warrants at \$11.00 and exercise of all warrants for cash. However, 7,000,000 warrants each relating to one share of stock of Two Harbors, which will be held by CLA's sponsors following the consummation of the merger, are



exercisable on a cashless basis. If these warrants are exercised, the Book Value per Share would be less than \$10.37 due to dilution

and

the

greater

the

price

of

Two

Harbors

stock

price

at

the

time

of

exercise of these warrants, the greater the dilutive impact.

Warrant Exercise

(\$ in millions, except per share data)

Warrant strike price to be amended to \$11.00.

Pre

Post

Book Value

\$251.1

\$616.8

Basic Shares Outstanding (mm)

26.25

59.50

Book Value per Share

\$9.56

\$10.37

% Increase

8.4%

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Two Harbors

Investment Corp

Capitol Shareholder Options

Holders of record of CLA stock have the option of receiving a share of Two Harbors or a pro rata distribution of the cash held in CLA's trust (currently \$9.87).

Capitol Acquisition

Shareholder

The acquisition is approved

If unable to complete a transaction by 11/8/2009, shareholder receives pro rata share of cash-in-trust (currently \$9.87).

The acquisition is  
rejected and CLA  
liquidates in 11/09  
Shareholder receives pro rata  
share of cash-in-trust  
(currently \$9.87).  
CLA shareholder  
votes no  
Shareholder holds share of  
Two Harbors.  
CLA shareholder  
votes yes

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Two Harbors

Investment Corp

Experienced Team

to Pine River's inception, Brian was with EBF & Associates from 1988 to 2002; he was named head of the convertible arbitrage group and a Senior Partner in 1997. His responsibilities included portfolio management, marketing, product development, and trading information. He holds a B.S. from Millikin University in Decatur, Illinois and an M.B.A. from the University of Chicago and passed the Illinois CPA exam. Mark is also the President and CEO of Venturehouse Group, LLC, a technology holding company that creates, invests in and builds technology, communication and business services companies. Notable portfolio companies include Matrics Technologies, sold to Symbol Technologies in 2005; sold to MACH S.a.r.l in 2007; and an early investment in XM Satellite Radio. He is also the President of Leland Investments, a private equity firm. Mark is also Co-Chairman and majority owner of Kastle Systems, a leading provider of building and office security systems. Mark is also the Owner of the Washington Kastles, the World Team Tennis franchise in Washington, D.C. From 1992 to 1999, Mark was a Principal at Carlyle Group. Prior to Carlyle, Mark worked at Brentwood Associates and Goldman, Sachs (in the commercial MBS group). Mark holds a B.S. from the University of Pennsylvania's Wharton School of Finance and an M.B.A. from the Harvard Business School. Mark was a Senior Associate at Minnetonka, MN from 1999 until 2006. He was the portfolio manager for Merced Partners, LP and Tamarack Investments, LP.

that period. Tom was named a partner of EBF in 1997. He supervised a staff of thirteen people located both in Minnesota and comprised of traders, analysts and support personnel. Tom joined EBF in 1989 as a Trader. Prior to his employment at EBF, he held various trading positions in the Financial Markets Department at Cargill, Inc. From 1981 until 1987 Tom was employed in the Processing Division at Cargill in both trading and managerial roles. Tom holds a B.B.A. from the University of Iowa with a major in Finance based in New York and Beijing from 2002 to 2007, where he was part of a team that managed approximately \$40 billion in mortgage-backed securities trading at Cargill. He has 16 years mortgage-related trading experience. Steve holds a B.A. in Economics with a concentration in asset-backed securities. Prior to joining Pine River in 2009, Bill was Managing Director at Citigroup and its predecessor firm, Citicorp. From 2004 to 2009, Bill managed a proprietary trading book at Citigroup with particular focus on mortgage and asset-backed securities. In 2004, Bill was part of the Salomon/Citi New York Mortgage Sales Department. From 1981 to 1994, Bill was based in Chicago in the Financial Institutions Sales Group for Salomon. He was awarded the Masters in Business Administration with a concentration in Finance from the University of Chicago Graduate School of Business. Bill holds a B.S. in Finance and Economics from Miami University.

Brian  
Taylor,  
Chairman.  
Brian  
Taylor  
founded  
Pine  
River  
in  
2002  
and  
is  
responsible  
for  
management  
of  
the  
business  
and  
oversight  
of  
the  
funds.  
Prior  
Mark  
D.  
Ein,  
Vice-Chairman.  
Mark  
Ein  
has  
served  
as  
CEO  
of  
Capitol  
Acquisition  
Corp.

since  
its  
inception  
in  
November  
2007.  
Mark  
is  
the  
Founder  
Thomas  
Siering,  
Chief  
Executive  
&  
Director.  
Prior  
to  
joining  
Pine  
River  
in  
2006,  
Tom  
was  
head  
of  
the  
Value  
Investment  
Group  
at  
EBF &  
Steve  
Kuhn,  
Co-Chief  
Investment  
Officer.  
Prior  
to  
joining  
Pine  
River  
in  
2008,  
Steve  
was  
a  
Vice  
President

and  
Portfolio  
Manager  
at  
Goldman  
Sachs  
Bill  
Roth,  
Co-Chief  
Investment  
Officer.  
Bill  
has  
28  
years  
of  
experience  
in  
the  
Fixed  
Income  
Markets,  
with  
specific  
expertise  
in  
mortgage-backed  
and

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Two Harbors

Investment Corp

Experienced Team

Jeff Stolt, Chief Financial Officer.

Prior to co-founding Pine River in 2002, Jeff was the Controller at EBF & Associates from 1997 to 2002. In this role, Jeff oversaw the preparation of all fund accounting statements, managed the offshore administrator relationship, managed responsible for tax planning and reporting. Jeff began employment with EBF in 1989. Prior to that, Jeff was an accountant in C Markets Department from 1986 until 1989. Jeff holds a B.S. in Accounting and Finance from the Minnesota State University.

Tim O'Brien, General Counsel.

Prior to joining Pine River in 2007, Tim previously served as Vice President and General Counsel of NRG Energy, Inc. from 2004 until 2006. He served as Deputy General Counsel of NRG Energy from 2000 to 2004 and Assistant General Counsel. Prior to joining NRG, Tim was an associate at Sheppard, Mullin, Richter & Hampton in Los Angeles and San Diego, California.

History

from



Princeton  
University  
and  
a  
Juris  
Doctor  
degree  
from  
the  
University  
of  
Minnesota  
Law  
School.  
Tim  
attended  
an  
eight-week  
Advanced  
Management Program at Harvard Business School in the spring of 2007.

Andrew  
Garcia,  
VP  
Business  
Development.

Prior  
to  
joining  
in  
2008,  
Andrew  
was  
the  
Event  
Driven  
and  
Business  
Combination  
Companies  
(SPAC)  
specialist  
in  
the  
Capital  
Markets  
division  
at  
Maxim  
Group  
in

New  
York.  
Before  
joining  
Maxim  
Group,  
he  
was  
the  
head  
trader  
at  
Laterman  
&  
Company.

From 2001 to 2005, he covered institutional event-driven and risk arbitrage investors as a sales trader, equity sales person, and person at Cathay Financial, Oppenheimer & Co., and CIBC Oppenheimer Corp. Andrew holds a B.A. from Kenyon College.

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Two Harbors  
Investment Corp

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Chairman and CEO

Capitol Acquisition Corp.

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For further information, please contact:

Andrew Garcia

VP of Business Development

Two Harbors Investment Corp.

612 238 3307

[andrew.garcia@twoharborsinvestment.com](mailto:andrew.garcia@twoharborsinvestment.com)