

ANWORTH MORTGAGE ASSET CORP
Form DEF 14A
April 21, 2009

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
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ANWORTH MORTGAGE ASSET CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid:

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(4) Date Filed:

April 21, 2009

Dear Stockholder:

Our Annual Meeting of Stockholders (the Annual Meeting) will be held at the principal offices of our company located at 1299 Ocean Avenue, Second Floor, Santa Monica, California, at 10:00 a.m. on Thursday, May 21, 2009. The formal meeting notice and our proxy statement for the Annual Meeting are attached.

Each of the proposals to be presented at the Annual Meeting are described in the accompanying proxy statement. We urge you to carefully review the proxy statement which discusses each of the proposals in more detail.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. Therefore, I urge you to sign, date and promptly return the enclosed proxy in the enclosed postage-paid envelope. Returning your completed proxy will ensure your representation at the Annual Meeting.

We look forward to seeing you on May 21.

Sincerely,

Lloyd McAdams
Chairman and Chief Executive Officer

ANWORTH MORTGAGE ASSET CORPORATION

1299 Ocean Avenue, Second Floor

Santa Monica, California 90401

(310) 255-4493

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 21, 2009

TO OUR STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the Annual Meeting) of Anworth Mortgage Asset Corporation, a Maryland corporation, will be held on Thursday, May 21, 2009 at 10:00 a.m. at our principal offices located at 1299 Ocean Avenue, Second Floor, Santa Monica, California 90401 for the following purposes:

1. To elect six directors to serve for the ensuing year or until their successors are duly elected and qualified;
2. To ratify the appointment of McGladrey & Pullen, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009; and

3. To transact such other business as may properly come before the Annual Meeting or at any adjournment or postponement thereof. Our board of directors recommends that you vote **for** each of the proposals. Stockholders of record at the close of business on April 9, 2009 are entitled to vote at the Annual Meeting or any adjournment or postponement thereof.

All stockholders are cordially invited to attend the Annual Meeting in person. To ensure your representation at the Annual Meeting, you are urged to mark, sign, date and return the enclosed proxy card promptly in the postage-paid envelope enclosed for that purpose. Any stockholder attending the Annual Meeting may vote in person even if he or she previously returned a proxy.

Sincerely,

Thad M. Brown
Secretary

Santa Monica, California

April 21, 2009

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on May 21, 2009:

This proxy statement and our Annual Report on Form 10-K are available on the internet, free of charge, at <http://www.anworth.com/EZProxy>. On this web site, you will be able to access this proxy statement, our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and any amendments or supplements to the foregoing material that is required to be furnished to stockholders.

ANWORTH MORTGAGE ASSET CORPORATION

1299 Ocean Avenue, Second Floor

Santa Monica, California 90401

(310) 255-4493

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 21, 2009

INFORMATION ABOUT THE ANNUAL MEETING

This proxy statement is being furnished to stockholders in connection with the solicitation of proxies by and on behalf of the Board of Directors of Anworth Mortgage Asset Corporation for use at our 2009 Annual Meeting of Stockholders (the Annual Meeting) to be held on Thursday, May 21, 2009 at the principal offices of our company located at 1299 Ocean Avenue, Second Floor, Santa Monica, California 90401, or at any adjournment or postponement thereof.

What is the purpose of the Annual Meeting?

At the Annual Meeting, stockholders will consider and vote upon the following matters:

The election of six directors to our board of directors, or the board;

The ratification of the appointment of McGladrey & Pullen, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009; and

Such other matters as may properly come before the Annual Meeting or any adjournments or postponements thereof. We sent you these proxy materials because the board is requesting that you allow your shares to be represented at the Annual Meeting by the proxyholders named in the enclosed proxy card. This proxy statement contains information that we are required to provide you under the rules of the Securities and Exchange Commission, or SEC, and that is designed to assist you in voting your shares. On or about April 21, 2009, we began mailing these proxy materials to all stockholders of record at the close of business on April 9, 2009.

Who is entitled to vote at the Annual Meeting?

Holders of record of our common stock at the close of business on April 9, 2009 are entitled to vote at the Annual Meeting. As of April 9, 2009, there were 100,776,172 shares of our common stock outstanding. Stockholders are entitled to cast one vote per share on each matter presented for consideration and action at the Annual Meeting.

How can I vote my shares?

Your vote is important. Stockholders can vote in person at the Annual Meeting or by proxy. If you vote by proxy, the individuals named on the proxy card as representatives will vote your shares in the manner you indicate. You may specify whether your shares should be voted for all, some or none of the nominees for director and whether your shares should be voted for or against the other proposals. You may vote your shares of common stock by any of the following methods:

By Telephone or the Internet Stockholders can vote their shares via telephone or the internet as instructed in the proxy card. The telephone and internet voting procedures are designed to authenticate a stockholder's identity, to allow stockholders to vote their shares and to confirm that their instructions have been properly recorded.

By Mail Stockholders who receive a paper proxy card or request a paper proxy card by telephone or the internet may elect to vote by mail and should complete, sign and date their proxy cards and mail them in the pre-addressed envelopes that accompany the delivery of paper proxy cards. Proxy cards submitted by mail must be mailed by the date shown on the proxy card or the deadline imposed by your bank, broker or other agent for your shares to be voted.

In Person Shares held in your name as the stockholder of record may be voted by you in person at the Annual Meeting. Shares held beneficially in street name may be voted by you in person at the Annual Meeting only if you obtain a legal proxy from the broker or other agent that holds your shares giving you the right to vote the shares and bring that proxy to the Annual Meeting.

If my shares are held in street name by my broker, will my broker vote my shares for me?

Your broker will vote your shares only if you provide instructions to your broker on how to vote. You should contact your broker and ask what directions your broker will need from you. Your broker will not be able to vote your shares without instructions from you.

Can I change my vote after I have mailed my signed proxy card?

There are three ways in which you can change your vote before your proxy is voted at the Annual Meeting. First, you can send our secretary a written notice stating that you revoke your proxy. Second, you can complete and submit a new proxy card, dated a later date than the first proxy card. Third, you can attend the Annual Meeting and vote in person. Your attendance at the Annual Meeting will not, however, by itself revoke your proxy. If you hold your shares in street name and have instructed your broker to vote your shares, you must follow directions received from your broker to change those instructions.

What votes are needed to hold the Annual Meeting?

The presence, in person or by proxy, of stockholders entitled to cast at least a majority of the votes entitled to be cast by all stockholders will constitute a quorum for the transaction of business at the Annual Meeting. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the inspectors of election appointed for the meeting who will determine whether or not a quorum is present. For purposes of determining whether a quorum is present, abstentions and broker non-votes are counted as present.

How does the board recommend that I vote on the proposals?

If no instructions are indicated on your valid proxy, the proxyholders will vote in accordance with the recommendations of the board. The board recommends a vote:

FOR each of the nominees for director listed in this proxy statement; and

FOR the ratification of McGladrey & Pullen, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.

With respect to any other matter that properly comes before the meeting or any adjournment or postponement thereof, the proxyholders will vote as recommended by the board, or if no recommendation is given, in their own discretion.

What vote is required to approve each proposal?

2009 Annual Meeting of Stockholders

The directors receiving the most votes at a meeting at which a quorum is present will be elected. The affirmative vote of a majority of all votes cast on the matter at a meeting at which a quorum is present is necessary to ratify the appointment of McGladrey & Pullen, LLP as our independent registered public accounting firm and to approve any other proposals to be brought before the Annual Meeting.

Future Stockholder Meetings

On March 11, 2009, our board amended our bylaws. The amendment will be effective following the 2009 Annual Meeting and will not impact the voting for directors at that meeting. The amendment provides that upon the failure of a director nominee to receive the affirmative vote of more than half of the votes cast in an uncontested election (as that term is defined in the amendment), such director shall tender his resignation following certification of such vote. Our Nominating and Corporation Governance Committee shall then consider the tendered resignation offer and make a recommendation to the board as to whether to accept the resignation. In determining whether to accept the resignation, the Nominating and Corporate Governance Committee will consider, among other things, whether accepting the resignation of a director who receives a majority against vote (as the term is defined in the amendment) would cause the Company to fail to meet any applicable U.S. Securities and Exchange Commission or NYSE requirement. The board will take action within 90 days following certification of the vote and any director whose resignation is under consideration will abstain from participating in the decision.

What is the effect of abstentions and broker non-votes?

Abstentions will not be counted as votes cast and will have no effect on the result of the vote. Broker non-votes will not be counted as votes cast and will have no effect on the result of the vote.

PROPOSAL NO. 1:

ELECTION OF DIRECTORS

Our board of directors consists of six members, four of whom are independent within our director independence standards, which are consistent with the director independence standards of the New York Stock Exchange, or NYSE. At the Annual Meeting, a total of six directors will be elected to hold office until the next annual meeting of stockholders and until their successors have been elected and qualified.

Unless otherwise instructed, the proxyholders will vote the proxies received by them for the six nominees named below. If any of our nominees is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee designated by the present board to fill the vacancy. It is not presently expected that any of the nominees named below will be unable or will decline to serve as a director. If additional persons are nominated for election as directors, the proxyholders intend to vote all proxies received by them in a manner to assure the election of as many of the nominees listed below as possible. In such event, the specific nominees to be voted for will be determined by the proxyholders.

Information Regarding Nominees for Director

Biographical summaries and ages as of the date hereof of individuals nominated by the board for election as directors are provided below:

Lloyd McAdams, age 63, has been our Chairman of the Board, President and Chief Executive Officer since our formation in 1997. Mr. McAdams is also the Chairman of the Board, Chief Investment Officer and co-founder of Pacific Income Advisers, Inc., or PIA, an investment advisory firm organized in 1986 that manages portfolios for institutional and individual clients. Mr. McAdams is also the Chairman of Syndicated Capital, Inc., a registered broker-dealer. Mr. McAdams holds a Bachelor of Science in Statistics from Stanford University and a Masters in Business Administration from the University of Tennessee. Mr. McAdams is a Chartered Financial Analyst charterholder and a Certified Employee Benefit Specialist.

**Lee A. Ault, III*, age 72, has been a director of our company since October 2002 and is also a private investor. Mr. Ault has also served as a director since July 1999 and as Chairman of the Board (non-executive) since November 2005 of American Funds Insurance Series, Inc. He has also served as Chairman of the Board (non-executive) of American Funds Target Date Retirement Series, Inc. since December 2006. Mr. Ault also serves as a director of Office Depot, Inc. From 1968 until 1992, he was Chief Executive Officer of Telecredit, Inc., a payment services company. He also served as President of Telecredit, Inc. from 1968 until 1983 and as Chairman of the Board from 1983 until 1992. From 1999 until 2006, Mr. Ault served as Chairman of the Board of In-Q-Tel, Inc., a technology venture company.

**Charles H. Black*, age 82, has been a director of our company since its formation. Since 1985, Mr. Black has been a private investor and financial consultant. From 1985 to 1987, he served as Vice Chairman and Director of Pertron Controls Corporation. From 1982 to 1985, Mr. Black served as the Executive Vice President, Director, Chief Financial Officer and Chairman of Investment Committee for Kaiser Steel Corporation. From 1980 to 1982, Mr. Black served as Executive Vice President and Chief Financial Officer of Great Western Financial Corporation. From 1957 to 1980, Mr. Black served at Litton Industries, where he ultimately held the position of Corporate Vice President and Treasurer. Mr. Black serves as an advisory director of Windsor Capital Group, Inc. and a director of Jet Fleet International Inc.

**Joe E. Davis*, age 74, has been a director of our company since its formation. He has been a private investor since 1982. Mr. Davis currently serves as a director (since 2000) of Natural Alternatives International, Inc. as well as a member of the Audit Committee (serving as the Chairman of the Audit Committee since 2004), a member of the Human Resources Committee (since 2003) and a member of the Nominating Committee of Natural Alternatives International, Inc. (since 2004). Mr. Davis currently serves as a trustee (since 1991) and a

member of the Audit and Nominating Committees of American Funds Insurance Series, and as a director (since 2007) and a member of the Audit and Nominating Committees of American Funds Target Date Retirement Series, Inc., each a publicly traded investment company. Previously, Mr. Davis served as Chairman of the Board of Linear Corporation (1987-1988); President and Chief Executive Officer of BMC Industries, Inc. (1985); and President and Chief Executive Officer of National Health Enterprises, Inc. (1974-1982). Formerly, Mr. Davis was a director and a member of the Audit Committee of BMC Industries, Inc. and Wilshire Technologies, Inc., and a director of Freymiller Trucking, Inc. Mr. Davis graduated from the University of Texas with a Bachelor of Science in Chemistry. He holds a Master of Business Administration degree from Harvard Graduate School of Business Administration.

**Robert C. Davis*, age 64, has been a director of our company since May 2005. Mr. Davis has been the Chief Executive Officer of Optimus EMR, Inc. since 2000. Prior to that, he served as Chief Executive Officer and Chairman of the Board of Amcare, Inc. and as a director of Roger Cleveland Golf Company, Inc. Mr. Davis holds both a Master of Business Administration degree in Finance and a Bachelor of Science degree in Accounting from the University of Southern California.

Joseph E. McAdams, age 40, has been a director and Executive Vice President of our company since June 2002 and Chief Investment Officer of our company since January 2003. Mr. McAdams joined our company as a Vice President in June 1998. Mr. McAdams joined PIA in 1998 and holds the position of Senior Vice President. Mr. McAdams serves as a Portfolio Manager and the Director of Fixed Income of PIA with a specialty in mortgage-backed securities and is also responsible for PIA's fixed income trading. Prior to joining PIA, from 1993 to 1998, Mr. McAdams was employed by Donaldson, Lufkin & Jenrette Securities Corp. in New York as a mortgage-backed security trader and research analyst. Mr. McAdams holds a Master of Arts degree in Economics from the University of Chicago and a Bachelor of Science degree in Economics from the Wharton School of the University of Pennsylvania. Mr. McAdams is also a Chartered Financial Analyst charterholder.

* Member of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Mr. Joe E. Davis and Mr. Robert C. Davis are not related.

Vote Required

The directors receiving the most votes at a meeting at which a quorum is present will be elected.

The board unanimously recommends that you vote FOR the election of each of the nominees listed above. Proxies received will be so voted unless stockholders specify otherwise in the proxy.

Independence of Nominees for Director

The board has adopted the NYSE independence tests set forth in Listed Company Manual Section 303A.02 to assist it in making determinations of independence. The board has determined that all of the nominees standing for election at the Annual Meeting, other than Lloyd McAdams and Joseph E. McAdams, our Chairman, Chief Executive Officer and President and Chief Investment Officer and Executive Vice President, respectively, are independent of our company under the aforementioned NYSE independence standards in that such nominees have no material relationship with us either directly or as a partner, stockholder or affiliate of an organization that has a relationship with our company. The board has made this determination in part based on the following:

other than Lloyd McAdams and Joseph E. McAdams, no nominee for director has any current or prior material relationships with our company aside from his directorship that could affect his judgment;

other than Lloyd McAdams and Joseph E. McAdams, no nominee for director is, or has been within the last three years, an employee of our company, or has an immediate family member that is or has been within the last three years, an executive officer of our company;

other than Lloyd McAdams and Joseph E. McAdams, no nominee for director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from our company, other than director and committee fees and pension or other forms of deferred compensation for prior service (such compensation not being contingent in any way on continued service);

no nominee for director or an immediate family member of a nominee for director is a current partner of a firm that is our company's internal or external auditor;

no nominee for director is a current employee of a firm that is our company's internal or external auditor;

no nominee for director has an immediate family member who is a current employee of a firm that is our company's internal or external auditor and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice;

no nominee for director or an immediately family member of a nominee for director was within the last three years (but is no longer) a partner or employee of a firm that is our company's internal or external auditors and personally worked on our company's audit within that time;

other than Lloyd McAdams and Joseph E. McAdams, no nominee for director or an immediate family member of a nominee for director is, or has been within the last three years, employed as an executive officer of another company where any of our company's present executive officers at the same time serves or served on that company's compensation committee; and

other than Lloyd McAdams and Joseph E. McAdams, no nominee for director is a current executive officer, or has an immediate family member that is a current executive officer of a company that has made payments to, or received payments from, our company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

Presiding Director

Our independent directors appoint a presiding director to strengthen the independence and the role of the independent directors. The duties of the presiding director are to:

preside at board meetings in the absence of the chairman of the board, or upon designation by a majority of directors;

preside at executive sessions or other meetings of the independent directors;

recommend the retention of consultants, legal, financial or other professional advisors who are to report directly to the board;

consult with the chairman of the board as to agenda items for board and committee meetings; and

coordinate with committee chairs in the development and recommendations relative to board and committee meeting schedules. The independent directors have decided to rotate the position of presiding director among the independent directors. As such, each calendar quarter, a different independent director fulfills the role of presiding director at each meeting of the board.

Board Committees

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Our board has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Other committees may be established by our board from time to time. The following is a description of each of the committees and their composition.

Audit Committee

Our Audit Committee consists of four members: Joe Davis (chairman), Charles Black, Lee Ault, and Robert Davis, each of whom qualifies as independent under the rules of the NYSE. The board has determined that:

Mr. Black qualifies as an audit committee financial expert, as defined by the SEC, and

all members of the Audit Committee are financially literate, within the meaning of NYSE rules, and independent, under the strict audit committee independence standards of the SEC and the NYSE.

Our Audit Committee operates pursuant to a written charter adopted by the board. Among other things, the Audit Committee Charter calls upon the Audit Committee to:

review the financial information that will be provided to the stockholders and others;

review the adequacy of systems of internal controls that management and the board have established;

review our audit and financial reporting process; and

maintain free and open lines of communication among the committee, our independent auditors and management.

It is not the duty of the Audit Committee to determine that our financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for preparing our financial statements, and our independent auditors are responsible for auditing those financial statements. Our Audit Committee does, however, consult with management and our independent auditors prior to the presentation of financial statements to stockholders and, as appropriate, initiates inquiries into various aspects of our financial affairs. In addition, the committee is responsible for retaining, evaluating and, if appropriate, recommending the termination of our independent certified public accountants and approving professional services provided by the independent public accountants.

The Audit Committee held four meetings during 2008.

Compensation Committee

Our Compensation Committee consists of four members: Charles Black (chairman), Joe Davis, Lee Ault and Robert Davis. The board has determined that all of the Compensation Committee members qualify as:

independent directors under the NYSE independence standards;

non-employee directors under the Exchange Act Rule 16b-3; and

outside directors under Internal Revenue Code, or the Code, section 162(m).

Our Compensation Committee has been delegated authority by the board to administer our equity incentive plans, to determine each Named Executive Officer's salary and bonus, if any, and to approve salary and bonus for all other executive officers following recommendation by the Chief Executive Officer. Our Chief Executive Officer has been delegated the authority by the Compensation Committee to determine salary and bonus to be paid to all other employees. The Compensation Committee did not use the services of any external consultant in determining either executive or director compensation.

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Our Compensation Committee operates pursuant to a written charter that was adopted by the board. Our Compensation Committee in 2008 recommended and our board approved several amendments to the written charter. Among other things, the amended charter calls upon the Compensation Committee to:

determine our compensation policies and all forms of compensation to be provided to our salaried employees;

review and approve the specific salaries and bonuses for the Named Executive Officers and review their overall job performance;

review and ratify the specific salaries and bonuses for the executive officers (other than the Named Executive Officers) and review their overall job performance;

review and approve the proposed compensation and terms of employment of persons proposed to be hired as executive officers;

review and approve fringe benefits and perquisites of salaried employees and executive officers and directors;

review and approve amendments to benefit plans and programs for salaried employees and executive officers;

administer our 2004 Equity Compensation Plan and 2007 Dividend Equivalent Rights Plan; and

make recommendations with respect to stock, restricted stock, option and DER grants and other incentive compensation arrangements for our employees.

The Compensation Committee held six meetings during 2008.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee consists of four members: Lee Ault (chairman), Charles Black, Joe Davis and Robert Davis. The committee is composed entirely of independent directors as required by NYSE rules. Our Nominating and Corporate Governance Committee establishes and implements our corporate governance practices and nominates individuals for election to the board.

Our Nominating and Corporate Governance Committee operates pursuant to a written charter adopted by our board. Among other things, the charter calls upon the Nominating and Corporate Governance Committee to:

develop criteria for selecting new directors and to identify individuals qualified to become board members and members of the various committees of the board;

select, or to recommend that the board select, the director nominees for each annual meeting of stockholders and the committee nominees; and

develop and recommend to the board a set of corporate governance principles applicable to the corporation.

The Nominating and Corporate Governance Committee held two meetings during 2008.

Additional Governance Matters

Code of Conduct

The board has established the Anworth Mortgage Asset Corporation Code of Ethics and Business Conduct, or the Code of Conduct, which qualifies as a code of ethics as defined by Item 406 of Regulation S-K of the Exchange Act. Among other matters, the Code of Conduct is designed to deter wrongdoing and to promote:

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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 Conduct to appropriate persons identified in the code; and

accountability for adherence to the Code of Conduct.

Waivers to the Code of Conduct may be granted only by our Nominating and Corporate Governance Committee. In the event that the committee grants any waivers of the elements listed above to any of our directors, officers or employees, or if any amendment is made to any provision of the Code of Conduct, we expect to announce the waiver or amendment within four business days on the Corporate Governance section of our website.

Limitation on Board Members Service on Other Public Company Boards

Our Nominating and Corporate Governance Committee recommended and our board approved a policy that limits our directors to service on no more than three public company boards (including our board) without the prior approval of the board. In deciding whether to grant a waiver, the Nominating and Corporate Governance Committee and the board will take into account, among other things, the nature and time involved in the director's service on other boards. In addition, service on boards and committees of other companies must be in compliance with our conflicts of interest policies.

Stock Ownership Guidelines for Directors and Executive Officers

Our Nominating and Corporate Governance Committee recommended and our board approved a policy that sets out stock ownership guidelines for our directors and executive officers. Our Chief Executive Officer is required to hold shares of our common stock with a minimum value equal to five times his or her annual base salary and our other executive officers who are deemed to be insiders for purposes of Section 16 of the Securities and Exchange Act of 1934, as amended, are required to hold shares of our common stock with a minimum value equal to \$100,000. These guidelines must be met within three years of becoming an insider for purposes of Section 16 or within three years following adoption of these guidelines, whichever is later.

Our directors are required to hold shares of our common stock with a minimum value equal to three times the amount of the annual retainer paid to directors (the annual retainer is currently \$50,000). These guidelines must be met within three years of joining the board or, in the case of directors serving at the time these guidelines were adopted, within three years following adoption.

For purposes of the foregoing ownership guidelines, shares owned outright by the director or executive officer (or his or her immediate family members residing in the same household), shares held in trust for the benefit of the director or executive officer (or his or her immediate family members residing in the same household) and restricted shares granted to the director or executive officer under one of our employee benefit plans, may all be counted towards reaching the minimum amounts. Deferred stock units do not, however, count towards satisfaction of these guidelines. Compliance with these guidelines may be waived by the Nominating and Corporate Governance Committee for directors joining the board from government, academia or similar vocations, and for directors and executive officers if compliance would create severe hardship or prevent compliance with a court order.

Public Availability of Corporate Governance Documents

Our key corporate governance documents, including our Code of Conduct and the charters of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are:

available on our corporate website at <http://www.anworth.com> (by including the foregoing Internet address link, the Company does not intend to incorporate by reference to this proxy statement material not specifically referenced herein);

available in print to any stockholder who requests them from our corporate secretary; and

filed as exhibits to our securities filings with the SEC.

Director Compensation

Our independent directors receive an annual fee of \$50,000, payable quarterly, for service on the board, plus meeting fees of \$2,000 for each formally called board meeting, which is reduced to \$1,000 if the participation is telephonic, and \$1,000 for each formally called committee meeting, which is reduced to \$500 if the participation is telephonic, in each case that the independent directors attend at which a quorum is present. We reimburse all of our directors for the expenses they incur in connection with attending board and committee meetings.

Each independent member of the board who is first elected or appointed as a board member at any time on or after the effective date of the 2004 Equity Compensation Plan is automatically awarded a stock grant of 2,000 shares of restricted common stock upon the date such person is initially appointed to the board. The restricted common stock does not vest until three years after the award date. In addition, on the first business day in July in each calendar year following the effective date of the 2004 Equity Compensation Plan, each independent board member then in office is automatically awarded a stock grant of 2,000 shares of restricted common stock, which does not vest until three years after the award date, provided such individual has served as an independent board member for at least six months. We may also make additional grants of equity awards to our independent board members from time to time.

The following table sets forth information regarding the various components of compensation to our independent directors during the fiscal year ended December 31, 2008:

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in		Stock Awards	Total
	Cash (\$)	(1)		
Lee A. Ault	66,500	8,710	8,710	75,210
Charles H. Black	73,500	8,710	8,710	82,210
Joe E. Davis	73,500	8,710	8,710	82,210
Robert C. Davis	71,500	8,710	8,710	80,210

- (1) Each of our independent directors receives an annual stock award of 2,000 shares of restricted common stock which do not vest until three years after the award date. The values shown in the table above represent the fair value on the date of the award. The fair value of the aforementioned stock awards was estimated using the Black-Scholes model with the following weighted-average assumptions: dividend yield: 13.1%; expected volatility: 5.81%; discount rate bond equivalent yield: 2.48%; expected lives: 3 years. The closing price of our common stock on the date of the 2008 award was \$6.43.

Director Attendance

During 2008, the board held eight meetings. Each director attended more than 90% of the aggregate of the meetings of the board and the meetings of each committee of which that director is a member.

Executive Sessions of the Board

Our independent directors meet regularly in executive session without management, as required by our corporate governance guidelines, to review the performance of management and our company and any related matters. Generally, executive sessions are held in conjunction with regularly scheduled meetings of the board. We expect the board to have a least four executive sessions each year.

Stockholder Meeting Attendance

As a general matter, all of our directors are encouraged to attend our annual meetings of stockholders. All but one of our directors attended the 2008 annual meeting of stockholders.

Compensation Committee Interlocks and Insider Participation

No officer or employee participated in deliberations of the board concerning their own compensation. None of our executive officers has served on the board or on the compensation committee of any other entity which had officers who served on the board or our Compensation Committee.

EXECUTIVE OFFICERS AND COMPENSATION

Executive Officers

All of our officers serve at the discretion of the board. The persons listed below are our executive officers:

Name	Age	Positions with our Company
Lloyd McAdams	63	Chairman of the Board, President and Chief Executive Officer
Thad M. Brown	59	Chief Financial Officer, Treasurer and Secretary
Joseph E. McAdams	40	Chief Investment Officer, Executive Vice President and Director
Heather U. Baines	67	Executive Vice President
Charles J. Siegel	59	Senior Vice President Finance and Assistant Secretary
Bistra Pashamova	38	Senior Vice President and Portfolio Manager
Evangelos Karagiannis	47	Vice President and Portfolio Manager

Biographical information regarding each executive officer other than Lloyd McAdams and Joseph E. McAdams is set forth below.

Lloyd McAdams and Joseph E. McAdams biographical information is set forth above under Election of Directors.

Thad M. Brown has been the Chief Financial Officer, Treasurer and Secretary of our company since June 2002. Mr. Brown has also been the Chief Operating and Compliance Officer, Secretary and Treasurer of Pacific Income Advisers since April 2002. From 1999 to 2002, Mr. Brown was President and Chief Executive Officer of Wealthpoint, a financial consulting and investment advisory firm.

Heather U. Baines has been an Executive Vice President of our company since its formation. Since 1987, Ms. Baines has held the position of President and Chief Executive Officer of PIA.

Charles J. Siegel joined our company in October 2004 and has served as Senior Vice President Finance, since January 2005 and also as Assistant Secretary since May 2005. From February 2003 to September 2004, Mr. Siegel was affiliated with Borrowers Best Mortgage Company, L.P., a mortgage originator, initially as a consultant and then as its Chief Financial Officer.

Bistra Pashamova joined our company in June 2002 as a Portfolio Manager and was appointed as Vice President in October 2002. In March 2009, Ms. Pashamova was appointed as Senior Vice President of our company. Ms. Pashamova joined PIA in 1997 and holds the positions of Vice President and Portfolio Manager. Ms. Pashamova serves as Fixed Income Portfolio Manager with a specialty in mortgage-backed securities.

Evangelos Karagiannis has been a Vice President and Portfolio Manager of our company since its formation. Mr. Karagiannis joined PIA in 1992 and holds the positions of Senior Vice President and Portfolio Manager. Mr. Karagiannis serves as Fixed Income Portfolio Manager with a specialty in mortgage-backed securities and is also responsible for PIA's quantitative research.

Compensation Discussion and Analysis

This discussion and analysis focuses on: (1) the objectives of the executive compensation policies and practices; (2) the actions or behaviors the compensation program is designed to reward; (3) each element of compensation; (4) the rationale for each element of compensation; (5) the methodologies utilized by us in determining the amounts to pay for each element; and (6) how the elements of compensation and our rationale for each element fit together within our overall compensation objectives.

Compensation Philosophy and Objectives

Our business objective is to produce income for distribution to our stockholders as dividends.

Our executive compensation programs are designed to link executive compensation with our objective of producing income by attracting, motivating, rewarding and retaining top quality senior executives, officers and employees who are committed to our core values of excellence and integrity. The Compensation Committee's fundamental philosophy is to closely align these compensation programs with the achievement of annual and long-term performance goals that enhance shareholder value and are tied to both individual performance and contributions to our overall performance.

The Compensation Committee's objectives in developing and administering the executive compensation programs are to: (1) attract, retain and motivate a highly skilled senior executive team that will contribute to the successful performance of our company; (2) align the interests of the senior executive team with the interests of our stockholders by motivating our senior executives to increase long-term stockholder value; (3) provide compensation opportunities that are competitive within industry standards, thereby reflecting the value of the position in the marketplace; (4) support a culture committed to pay for performance where compensation is commensurate with the level of performance achieved; and (5) maintain flexibility and discretion to allow us to recognize the unique characteristics of our operations and strategy, and our prevailing business environment, as well as changing labor market dynamics.

The Compensation Committee believes that it is important to create a compensation program that appropriately balances short-term, cash-based compensation with long-term, equity-based compensation. This includes the following primary components: (1) base salaries paid in cash which recognize the unique role and responsibilities of a position as well as an individual's performance in that role; (2) annual cash awards which are meant to motivate and reward our short-term financial and operational performance as well as individual performance; and (3) long-term equity-based awards which are designed to support our objectives of aligning the interests of senior executives, officers and employees with those of our stockholders, promoting our long-term performance, value creation and staff retention.

The Compensation Committee annually benchmarks the total compensation provided to our executive officers to industry-based compensation practices within the agency mortgage REIT industry. While it is the Compensation Committee's goal to provide compensation opportunities that reflect company and individual performance and are competitive within industry standards, a specific target market position for executive officer pay levels has not been established.

Setting Executive Compensation

Our Compensation Committee regularly conducts a review of our senior executive compensation practices in order to ensure that the senior executive compensation program and policies remain aligned with the goal of enhancing stockholder value through compensation practices that attract, motivate and retain key senior executives. In conducting this review, the Compensation Committee examines all components of our compensation programs offered to senior executives including base salary, annual incentive bonus, equity and long-term compensation, accumulated (realized and unrealized) gains on stock options, or Options, and payments

on dividend equivalent rights, or DERs, the dollar value to the senior executives (and the cost to us) of all perquisites and other personal benefits, the earnings and accumulated payout obligations under the Deferred Compensation Plan and the actual projected payout obligations under several potential severance and change-in-control scenarios.

Each year, we review our executive compensation by analyzing the compensation practices of our agency mortgage REIT peers with other relevant factors such as firm profitability and performance. We consider our peer group to be agency mortgage REITs but have narrowed this to the companies in this peer group which we believe are most similar to the important aspects of our business. This peer group consists of the following companies:

Annaly Capital Management, Inc.

MFA Mortgage Investments, Inc.

Capstead Mortgage Corporation

While we consider the compensation practices of our peer group, we do not attempt to set the various components of our compensation arrangements to target a particular point or benchmark along the spectrum offered by our peer group. Instead, the Compensation Committee retains considerable discretion in establishing the compensation arrangements offered to the senior executives. In general, the base salaries and bonus amounts paid to our Named Executive Officers in 2008 were in the bottom half relative to the base salaries and bonus amounts paid to executive officers at the peer group. Our position relative to our peers is one of several facts that the Compensation Committee considered when it decided to adjust our Named Executive Officers' base salary and bonus amounts that were paid in 2008. Although the Compensation Committee considers peer group comparisons, they are not material to its determination of base salary and bonus.

The Compensation Committee believes that the use of long-term incentive compensation through the granting of restricted stock, stock options and other dividend and equity awards promotes the long-term performance and commitment of management. The Compensation Committee has reviewed the use of such awards in our peer group and has determined that the stock awards that have been granted to our company's senior executives, officers and employees are consistent with those granted within the peer group.

The Compensation Committee will, on an ongoing basis, continue to examine and assess our executive compensation practices relative to our compensation philosophy and objectives, as well as competitive market practices, and will make modifications to the compensation programs as deemed appropriate.

Elements of Compensation

The key elements of our compensation program include: (1) base salary; (2) equity grants; (3) incentive compensation; (4) dividend equivalent rights; and (5) perquisites and other benefits.

Base Salary

We view a competitive annual base salary as an important component of compensation to retain and recruit the specific executive talent needed for success in our business.

The base salaries of our Chief Executive Officer (Lloyd McAdams) and our Chief Investment Officer (Joseph E. McAdams) are set in accordance with their respective employment agreements. We provide senior executives (including other Named Executive Officers) with annual base salaries to compensate them for services provided during their employment. When setting base salaries, the Compensation Committee and the Chief Executive Officer take into consideration the scope of the role and responsibilities of the position, experience, individual performance and competitive market practices.

The base salaries of our other officers and employees are determined by market comparison with the agency mortgage REIT industry, taking into account the financial performance of our company, individual performance, experience and level of responsibility. Individual performance is not assessed based on any individual goals but is reviewed by the Chief Executive Officer. Salaries are designed to be competitive within the marketplace as one of the elements in attracting, motivating and retaining our management team.

Equity Grants

The Compensation Committee believes that the long-term commitment of the current management team is a crucial factor in our future performance. One of the elements used to promote the long-term performance and commitment of management is long-term incentive compensation realized through the granting of restricted stock and stock options to executive officers and other key employees. Neither target nor maximum grant amounts are established; instead, the grants are based on the assessment by the Chief Executive Officer of each employee's individual performance and contribution to our performance and reviewed by the Compensation Committee. While pre-defined ranges of grants are not set by employment levels, senior executive officers and other Named Executive Officers receive a greater number of shares of restricted stock than officers and employees. Restricted stock and stock options are granted to aid in the retention and to align the interests of executive officers and other key employees with those of our stockholders. The granting of an equity interest serves to link management interests with stockholder interests and to motivate executive officers to make long-term decisions that are in the stockholders' and our best interests and also to provide an incentive to maximize stockholder value. In granting such equity interests to management and employees, the Compensation Committee considers the company's stock ownership limitations that apply to all stockholders. These limitations are in our corporate charter.

Under the terms of their employment agreements (as more fully described on page 24) as amended, a long-term equity incentive structure was established in 2008 for Messrs. Lloyd McAdams and Joseph E. McAdams (the Participants). As a result, the Participants are eligible to participate in a performance-based bonus pool that is funded based on the company's return on average equity, or ROAE. ROAE is calculated as the twelve-month GAAP net income excluding the effect of depreciation, preferred stock dividends, gains/losses on asset sales and impairment charges, divided by the average stockholder equity less goodwill and preferred stockholder equity. The Compensation Committee evaluated various measures and factors of performance in developing this structure and, in its view, ROAE was determined to be the single best indicator of our overall performance and therefore of value creation for our stockholders. This is in part due to the fact that ROAE is a metric of our performance that has been calculated and reported on a consistent basis since our inception in 1998.

Incentive Compensation

Bonuses

All senior executives, officers and employees may receive a cash bonus based on their individual performance and other criteria as the Compensation Committee and the Chief Executive Officer deem appropriate. In determining the amount paid, the Compensation Committee and the Chief Executive Officer take into consideration other elements of these employees' compensation as well as market comparisons. The Compensation Committee has considerable discretion when determining bonus amounts and is not constrained by benchmarks, targets or maximum amounts. This is considered an important element in attracting, motivating and retaining these members of the management team and other key employees.

2002 Incentive Compensation Plan

Under our 2002 Incentive Compensation Plan, or the 2002 Incentive Plan, various executive officers, including our Chief Executive Officer (Lloyd McAdams), our Chief Investment Officer (Joseph E. McAdams), our Executive Vice President (Heather U. Baines), and other executives have the opportunity to earn incentive

compensation during each fiscal quarter. The 2002 Incentive Plan requires that we pay all amounts earned thereunder each quarter (subject to offset for accrued negative incentive compensation) and we will be required to pay a percentage of such amounts to certain of our executives pursuant to the terms of their employment agreements. Pursuant to their employment agreements, Lloyd McAdams, Joseph E. McAdams and Heather U. Baines are entitled to minimum percentages of all amounts paid under the 2002 Incentive Plan. Those percentages are 45%, 25% and 5%, respectively. The three executives may be paid up to 50% of their respective incentive compensation earned under such plan in the form of our common stock. The 2002 Incentive Plan is tied directly to our performance and is designed to incentivize key employees to maximize return on equity. The total aggregate amount of compensation that may be earned quarterly by all participants under the plan equals a percentage of net income, before incentive compensation, in excess of the amount that would produce an annualized return on average net worth equal to the ten-year U.S. Treasury Rate plus 1%, or the Threshold Return. At December 31, 2008, 2007 and 2006, the Threshold Return was 4.30%, 5.27% and 5.63%, respectively.

The 2002 Incentive Plan contains a high water-mark provision requiring that in any fiscal quarter in which net income is an amount less than the amount necessary to earn the Threshold Return, the company will calculate negative incentive compensation for that fiscal quarter that will be carried forward and will offset future incentive compensation earned under the plan with respect to participants who were participants during the fiscal quarter(s) in which negative incentive compensation was generated. At December 31, 2008, the negative incentive compensation accrual carry forward under the plan was \$19.1 million, which represents a reduction from the negative carry forward of \$21.4 million under the plan at December 31, 2007. This negative carry forward may provide an incentive to the individuals covered by the plan to make higher risk investments in an attempt to generate returns of a magnitude necessary to overcome the negative carry forward.

The percentage of taxable net income in excess of the Threshold Return earned under the 2002 Incentive Plan by all employees is calculated based on our quarterly average net worth as defined in the 2002 Incentive Plan. The percentage rate used in this calculation is based on a blended average of the following tiered percentage rates (based on a hypothetical example of \$500 million average net worth), this calculation would be as follows:

	Hypothetical Example
25% for the first \$50 million of average net worth	\$ 12.5 million
15% for the average net worth between \$50 million and \$100 million	\$ 7.5 million
10% for the average net worth between \$100 million and \$200 million	\$ 10.0 million
5% for the average net worth in excess of \$200 million	\$ 15.0 million
Sum:	\$ 45.0 million

Blended %: \$45 million divided by \$500 million = 9% (as shown in the hypothetical example).

Average net worth for any period is (i) the daily average of the cumulative net proceeds to date from all offerings of the Company's equity securities, after deducting any underwriting discounts and commissions and other expenses and costs related to such offerings, plus (ii) the Company's retained earnings (without taking into account any losses incurred in prior periods) computed by taking the average of such values at the end of each month during such period.

A hypothetical example of the Company's 2002 Incentive Plan is as follows:

	Hypothetical Example
Average net worth	\$ 500,000,000
Threshold Return %	5%
\$ amount of Threshold Return (average net worth x Threshold Return %)	\$ 25,000,000
Hypothetical net income for the year	\$ 30,000,000
Hypothetical Return % (hypothetical net income / average net worth)	6%
% that hypothetical return % exceeds Threshold Return %	1%
\$ amount that Hypothetical Return exceeds Threshold Return %	\$ 5,000,000
Blended % (based on tiers) of average net worth used to calculate incentive pool	9%
Incentive pool (excess net income x blended %)*	\$ 450,000

* Subject to a high water mark provision as previously described on page 15.

Allocation	Minimum	Discretionary	Total %	Hypothetical Example Allocated \$ Amount
Lloyd McAdams, Chief Executive Officer	45%	5%	50%	\$ 225,000
Joseph E. McAdams, Chief Investment Officer	25%	5%	30%	135,000
Heather U. Baines, Executive Vice President	5%	5%	10%	45,000
Others in Plan		10%	10%	45,000
Total:				\$ 450,000

Dividend Equivalent Rights

Our 2007 Dividend Equivalent Rights Plan, or DER Plan, is intended to provide our Compensation Committee and our board with additional compensation tools to better align the interests of the company's employees, officers and directors with those of its stockholders. The DER Plan is intended to provide incentives to those employees, officers, and directors who are expected to provide significant services to the company, to encourage such employees, officers, and directors to remain in the employ of the company, to attract new employees, officers, and directors and to provide additional incentive to increase their efforts in providing services to the company. A DER is a right to receive amounts equal in value to the dividend distributions paid on a share of our common stock. A DER does not create any stock option or authorize additional shares to be granted to employees, officers or directors.

For the year ended December 31, 2008, there were two grants awarded under the DER Plan to various officers and employees in an aggregate of 450,000 DERs.

Fringe Benefits

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The company contributes to a cafeteria plan for the benefit of all staff to be used for health, dental and life insurance, parking and other qualified perks. The company also makes employer matching contributions to the 401(k) plan. Benefits are provided to all staff in accordance with practices within the marketplace and are a necessary element of compensation in attracting, motivating and retaining employees.

In general, it is the Compensation Committee's practice to provide limited perquisites and other benefits to senior executives, officers and employees. We do not reimburse senior executives, officers and employees for

automobiles, clubs, financial planning or items of a similar nature. The Compensation Committee periodically reviews the levels of perquisites and other benefits provided to employees in light of market practices and within the context of the total compensation program.

Change in Control Provisions

Various executive officers and employees, including our Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Executive Vice President and other senior executives and key employees, have either change in control provisions in their employment agreements or have entered into Change in Control and Arbitration Agreements with the company. These provisions or agreements grant these officers and employees certain compensation and accelerated vesting of equity awards in the event that a change in control occurs. These agreements are based on market comparison and are an important element in the retention of these officers and employees.

Relationship Between Elements and Objectives

In determining the total amount and mixture of the compensation package for each executive officer, the Chief Executive Officer and the Compensation Committee subjectively consider individual performance including past and expected contributions, overall performance, long-term goals and such other factors as the Chief Executive Officer and the Compensation Committee determine to be appropriate. There are no pre-identified annual targets for either aggregate amount or mixture of compensation. Such compensation may be subject to the rights of certain executives to be paid certain minimum amounts or percentages under their respective employment agreements and the 2002 Incentive Plan, as applicable. The use of both cash compensation (salary, bonus and incentive plan) and long-term compensation (equity awards) achieves the objective of attracting, motivating and retaining executive officers and employees. The 2002 Incentive Plan provides certain senior executive officers with the incentive to maximize return on equity. Long-term compensation realized through the use of equity awards achieves the objectives of aligning management's interests with stockholders' interests; attracting, motivating and retaining senior executive officers; and ensuring the long-term commitment of the management team.

Other Factors and Considerations

Timing of Grants of Options and Restricted Stock

We do not have, nor do we intend to have, a program, plan or practice to select the grant dates of stock options and restricted stock for executive officers in coordination with the release of material non-public information. It is our practice to use the actual grant date when setting option exercise prices or when granting restricted stock. The grant dates used are usually the dates when the board of directors approved the grants or when the board of directors set an effective grant date (usually within a short period of time after approval).

Basis for Using Different Forms of Equity Awards for Long-Term Incentive Compensation

Prior to December 2005, we granted stock options to our senior executives, officers and employees as a means of realizing long-term incentive compensation. In December 2005, our board of directors authorized the immediate vesting of all our then-outstanding common stock options. No other terms of the outstanding common stock options were modified. The decision to accelerate the vesting of the common stock options was based upon the conclusion that the outstanding common stock options were currently not achieving management's employee motivation and retention goals because the strike prices of the outstanding common stock options were in excess of the fair market value of the underlying common stock. In October 2005, our board of directors decided that we would utilize restricted stock instead of stock options in the future as a means of realizing long-term incentive compensation.

In October 2005, our board of directors approved the grant of 200,780 shares of restricted stock to various of our employees under our 2004 Equity Plan. The closing price of our common stock on the grant date was

\$7.72. The restricted stock vests 10% per year on each anniversary date for a ten-year period and shall also vest immediately upon the death of the grantee or upon the grantee reaching age 65. Each grantee shall have the right to sell 40% of the restricted stock anytime after such shares have vested. The remaining 60% of such vested restricted stock may not be sold until after termination of employment with us.

In October 2006, our board of directors approved a grant of an aggregate of 197,362 shares of performance-based restricted stock to several of our officers and employees under our 2004 Equity Plan. Such grant was made effective on October 18, 2006. The closing price of our common stock on the effective date of the grant was \$9.12. The shares will vest in equal annual installments over the next three years provided that the annually compounded rate of return on our common stock, including dividends, exceeds 12% measured from the effective date of the grant to each of the next three anniversary dates. If the annually compounded rate of return does not exceed 12%, then the shares will vest on the anniversary date thereafter when the annually compounded rate of return exceeds 12%. If the annually compounded rate of return does not exceed 12% within ten years after the effective date of the grant, then the shares will be forfeited. The shares will fully vest within the ten-year period upon the death of a grantee. Upon vesting, each grantee shall have the right to sell 40% of the restricted stock anytime after such shares have vested. The remaining 60% of such vested restricted stock may not be sold until after termination of employment with us or upon the tenth anniversary of the effective date.

Deferred Compensation Plan

The Anworth Mortgage Asset Corporation Deferred Compensation Plan, or the Deferred Compensation Plan, permits eligible officers to defer the payment of all or a portion of their cash compensation that otherwise would be in excess of the \$1 million annual limitation on deductible compensation imposed by Section 162 (m) of the Code. Under this limitation, compensation paid to our Chief Executive Officer, Chief Financial Officer and our three other highest paid officers is not deductible by us for income tax purposes to the extent the amount paid to any such officer exceeds \$1 million in any calendar year, unless such compensation qualifies as performance-based compensation under Section 162 (m). Our board of directors designates the eligible officers who may participate in the Deferred Compensation Plan and, to date, has designated Lloyd McAdams, our Chief Executive Officer, and Joseph E. McAdams, our Chief Investment Officer, as the only officers who may participate in this plan.

Executive Management's Involvement in Compensation Policies

The Chief Executive Officer is responsible for all salary adjustments and bonus payments for all employees other than Named Executive Officers and other executive officers. Adjustments to the Chief Executive Officer's salary and bonus compensation other than those subject to the 2002 Incentive Plan and the Chief Executive Officer's employment agreement, as amended, shall become effective only after approval by the Compensation Committee. The Compensation Committee monitors the total cost of the various compensation arrangements annually when it reviews the Summary Compensation Table and other related tables as disclosed in the annual proxy statement.

Accounting and Tax Considerations of Different Forms of Compensation

Deductibility of Executive Compensation

The Compensation Committee periodically reviews the potential implications of Section 162(m) of the Code. This section precludes a public corporation from taking a tax deduction for individual compensation in excess of \$1 million for its named executive officers unless the compensation is performance-based within the meaning of Section 162(m). Although the Compensation Committee will consider various alternatives for preserving the deductibility of compensation payments, the Compensation Committee reserves the right to award compensation to the executives that may not qualify under Section 162(m) as deductible compensation.

Other Tax and Accounting Implications

Section 409A of the Code adopted under the American Jobs Creation Act of 2004 has significantly changed the tax rules applicable to nonqualified deferred compensation arrangements. We believe that we are operating in good faith compliance with the statutory provisions which were effective January 1, 2005 and we are taking measures to comply with final regulations scheduled to take effect January 1, 2009.

On January 1, 2006, we adopted FAS No. 123R *Share-Based Payment* (FAS 123R). Prior to the adoption of FAS 123R, we accounted for our stock-based compensation in accordance with FAS No. 123, *Accounting for Stock-Based Compensation*, as amended by FAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*, which was adopted on January 1, 2003.

Executive Compensation and Related Matters

The following table provides certain summary information concerning the compensation earned by our Principal Executive Officer, Principal Financial Officer and each of our three other most highly compensated executive officers who were serving as executive officers as of December 31, 2008 and whose aggregate total compensation was in excess of \$100,000 for services rendered in all capacities to us and our subsidiaries for the fiscal years ended December 31, 2008, 2007 and 2006 (the *Named Executive Officers*):

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary \$(1)	Bonus \$(2)	Stock Awards \$(3)	Non-Equity Incentive Comp. \$(4)	Change in Pension Value and Non- Qualified Deferred Comp. Earnings \$(5)	All Other Comp. \$(6)(7)	Total
								(\$)
Lloyd McAdams Principal Executive Officer	2008	925,000	400,000	1,241,090	1,300,000	39,809	147,318	4,053,217
	2007	630,000		41,090		8,864	50,928	730,882
	2006	607,500		62,500		2,532	38,590	711,122
Thad M. Brown Principal Financial Officer	2008	275,000	73,333	18,002			78,472	444,807
	2007	157,500	100,000	18,002			6,099	281,258
	2006	151,875	100,000	27,500			1,883	281,258
Joseph E. McAdams Chief Investment Officer	2008	700,000	1,090,000	627,256	700,000		117,087	3,234,343
	2007	420,000		27,256			24,064	471,320
	2006	405,000		40,833			16,027	461,860
Charles J. Siegel Senior VP-Finance	2008	250,000	115,250	18,002			78,472	461,724
	2007	105,000	75,000	18,002			41,099	239,101
	2006	101,250	75,000	27,500			33,165	236,915
Bistra Pashamova Senior VP and Portfolio Manager	2008	264,583	480,000	18,002			78,472	841,057
	2007	150,000		18,002			6,099	174,101
	2006	131,250		27,500			1,833	160,633

- (1) Salaries for Lloyd McAdams and Joseph E. McAdams are in accordance with their employment agreements through December 31, 2008. The salaries for the three other Named Executive Officers are recommended by the Chief Executive Officer (taking into account their individual performance, experience and level of responsibility), subject to approval by the Compensation Committee.
- (2) For 2008, these officers received annual cash bonuses based on their individual performance and such other criteria as the Compensation Committee and/or the Chief Executive Officer deemed appropriate. For 2007 and 2006, Thad Brown and Charles Siegel received quarterly cash bonuses based on their individual

performance and such other criteria as the Compensation Committee and the Chief Executive Officer deemed appropriate.

- (3) At the end of our 2008 fiscal year, Lloyd McAdams and Joseph E. McAdams received 191,693 and 95,846 shares of common stock, respectively, in accordance with the terms of their employment agreements. The grant date fair value of these awards are included under Stock Awards in the table above and also are shown and further described in Grants of Plan-Based Awards on page 21. Stock awards also represent restricted stock grants which vest according to the terms as more fully described on page 18 of this proxy statement. The amounts in the table above for 2008 and 2007 also include the amount the company expensed in 2008 relating to the 2005 and 2006 awards. The amounts in the table above for 2006 represent the amount the company expensed in 2006 relating to a full year's expense for the 2005 award (granted in October 2005) and a full year's expense for the 2006 award (granted in October 2006). There were no grants of stock awards in 2008. For the 2005 award, the following assumptions were used: term: 10 years; volatility: 29.2%; annual dividend rate: 6.01%; discount rate bond equivalent yield: 4.29%. For the 2006 award, the following assumptions were used: term: 10 years; volatility: 28.1%; annual dividend rate: 4.31%; discount rate bond equivalent yield: 4.80%. The closing price of our common stock on the date of the 2006 stock award was \$9.12. The closing price of our common stock on the date of the 2005 stock award was \$7.72.
- (4) There were no payments made in 2008, 2007 and 2006 under the 2002 Incentive Plan due to the negative incentive compensation accrual carry forward under that plan. At the end of our 2008 fiscal year, the amounts shown for Lloyd McAdams and Joseph E. McAdams represent additional incentive compensation received in cash in accordance with the terms of their employment agreements (as described on pages 24 and 25).
- (5) The company does not provide any pension benefits to any of its officers and employees. In a prior period, Lloyd McAdams voluntarily deferred a portion of his cash compensation. The amount in the table above represents the interest calculated on the amount deferred. The amount deferred accrues interest each year at a rate equal to the amount of dividends paid to common stockholders for the year divided by the average common stock price for the year. In 2008, the common stock dividends for the year totaled \$1.00 and the average common stock price for the year was \$6.83. In 2007, the common stock dividends for the year totaled \$0.27 per share and the average common stock price for the year was \$8.01. In 2006, the common stock dividends for the year totaled \$0.08 per share and the average common stock price for the year was \$8.23.
- (6) Other compensation includes dividends paid in 2008, 2007 and 2006 on restricted stock granted to the Named Executive Officers. In addition, Lloyd McAdams, Joseph E. McAdams and Charles J. Siegel received other compensation in 2007 of \$40,000, \$15,000 and \$35,000, respectively, and in 2006 of \$35,750, \$13,406 and \$31,282, respectively, for services provided to BT Management (the company that managed our wholly-owned subsidiary, Belvedere Trust Mortgage Corporation, which is now reported as a discontinued operation). Effective January 15, 2008, the compensation for services provided to BT Management was discontinued for the three Named Executive Officers mentioned above.
- (7) On February 22, 2008, an aggregate of 300,000 DERs were awarded to various officers and employees (of which 220,000 DERs were awarded to the Named Executive Officers). On December 22, 2008, an aggregate of 150,000 DERs were awarded to various officers and employees (of which 106,000 DERs were awarded to the Named Executive Officers). A DER is a right to receive amounts equal in value to the distributions paid on a share of our common stock. A DER does not create any stock option or authorize additional shares to be granted to employees, officers or directors. The amounts received during 2008 on the DERs are also included in Other compensation.

Grants of Plan-Based Awards

The following grants of plan-based awards were issued to our Named Executive Officers during the fiscal year ended December 31, 2008⁽¹⁾:

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(1)
Lloyd McAdams Chief Executive Officer	12/29/08	191,693	\$ 6.26	1,200,000
Thad M. Brown Chief Financial Officer				
Joseph E. McAdams Chief Investment Officer	12/29/08	95,846	\$ 6.26	600,000
Charles J. Siegel Senior VP-Finance				
Bistra Pashamova VP and Portfolio Manager				

(1) These amounts represent the shares of common stock granted to Lloyd McAdams and Joseph E. McAdams, respectively, in accordance with the terms of their employment agreements. As the stock awards vested immediately, the grant date fair value represents the number of shares of common stock multiplied by the closing price of our common stock on the date of the grant.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information with respect to our Named Executive Officers concerning outstanding equity awards held by them at December 31, 2008:

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards			Stock Awards	Equity Incentive Plan Awards:
	Number of Securities Underlying Unexercised Options Exercisable (#)(1)	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(2)	Market or Payout Value of Unearned Shares, Units or Other Rights That have Not Vested (\$)(3)
Lloyd McAdams	29,725	9.45	1/21/2012		
	90,000	11.20	10/4/2012		
	99,500	13.80	5/1/2013		
	90,000	12.47	4/20/2009		
				18,137	116,621
				38,377	246,764
Thad M. Brown	38,700	13.80	5/1/2013		
	30,000	12.47	4/20/2009		
				13,601	87,454
				16,447	105,754
Joseph E. McAdams	54,000	9.45	1/21/2012		
	75,000	11.20	10/4/2012		
	82,900	13.80	5/1/2013		
	75,000	12.47	4/20/2009		
				18,137	116,621
				27,412	176,259
Charles J. Siegel	5,000	9.72	7/19/2015		
				13,601	87,454
				16,447	105,754
Bistra Pashamova	30,000	11.20	10/4/2012		
	33,100	13.80	5/1/2013		
	30,000	12.47	4/20/2009		
				13,601	87,454
				16,447	105,754

(1) The option awards in the above table list the number of securities underlying unexercised options that are exercisable, the option exercise price and the option exercise date. All of these options have now been vested. In December 2005, our board of directors authorized the immediate vesting of all of our then-outstanding common stock options. No other terms of the outstanding common stock options were modified. The decision to accelerate the vesting of the common stock options was based upon the conclusion that the outstanding common stock options were currently not achieving management's employee motivation and retention goals because the strike prices of the outstanding common stock options were in excess of the fair market value of the underlying common stock. There were no stock options granted in 2008.

(2) For each Named Executive Officer, the market value of the number of shares of restricted stock that have not vested is based on the closing price of our common stock as of December 31, 2008. These shares represent the portions of the October 2005 (first number in column for each Named Executive Officer) and

October 2006 (second number in column for each Named Executive Officer) restricted stock grants that have not vested. The terms of these grants are more fully described on page 17 of this proxy statement.

- (3) The market value of the stock awards is based on the number of unvested shares multiplied by the closing price of \$6.43 of our common stock on December 31, 2008.

Option Exercises and Stock Vested

The following table provides information with respect to our Named Executive Officers concerning option exercises and stock vested as of December 31, 2008:

OPTION EXERCISES AND STOCK VESTED

Name	2008			
	Option Awards(1)		Stock Awards(2)	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Lloyd McAdams	24,811	80,140	2,590	12,821
Thad M. Brown			1,943	9,618
Joseph E. McAdams			2,590	12,821
Charles J. Siegel			1,943	9,618
Bistra Pashamova			1,943	9,618

- (1) Reflects 17,780 shares exercisable pursuant to an option granted March 17, 1998 at an exercise price of \$9.00 per share and (ii) 7,031 shares accrued pursuant to dividend equivalent rights associated with that option. The value realized on exercise represents the difference between the market price (\$9.68) of the underlying securities at the time of exercise and the effective price of \$6.45 (including the effect of the DERs).

- (2) The stock awards that were vested during 2008 relate to the restricted stock that was granted on October 27, 2005. In accordance with the terms of this award, 10% vested on the anniversary date of the effective date of the grant. The closing price of our common stock on this anniversary date in 2008 was \$4.95. This price multiplied by the number of shares that vested results in the value realized on vesting.

Pension Benefits

The company does not provide any pension benefits to any of our officers or employees.

Non-Qualified Deferred Compensation

The following table provides information with respect to non-qualified deferred compensation paid to our Named Executive Officers during the fiscal year ended December 31, 2008:

NON-QUALIFIED DEFERRED COMPENSATION

Name	Aggregate Earnings in Last	Aggregate Balance at Last
	FY (\$)	FY (\$)
Lloyd McAdams	39,809	311,579

Thad M. Brown
Joseph E. McAdams
Charles J. Siegel
Bistra Pashamova

Our board of directors designates the eligible officers who may participate in the Deferred Compensation Plan (which is more fully described on page 18 of this proxy statement) and, to date, has designated Lloyd McAdams, our Chief Executive Officer, and Joseph E. McAdams, our Chief Investment Officer, as the only officers who may participate in this plan. To date, Lloyd McAdams is the only officer who has elected to defer compensation. This had been done in a prior year. The amount deferred accrues interest each year at a rate equal to the amount of dividends paid to common stockholders for the year divided by the average common stock price for the year. In 2008, the common stock dividends for the year totaled \$1.00 per share and the average common stock price for the year was \$6.83. This resulted in an accrual for 2008 of \$39,809 (this entire amount is included in the Summary Compensation Table). Including this amount, the aggregate balance of the amount deferred for Lloyd McAdams at December 31, 2008 was \$311,579.

Equity Compensation Plan Information

The following table provides information as of December 31, 2008 with respect to our common stock issuable under our equity compensation plans:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(1)	1,184,969	\$ 12.397	916,863
Equity compensation plans not approved by security holders(2)	N/A	N/A	N/A
Total	1,184,969	\$ 12.397	916,863

(1) In May 2004, our stockholders adopted the Anworth Mortgage Asset Corporation 2004 Equity Compensation Plan, or the Plan, which amended and restated our 1997 Stock Option and Awards Plan. The Plan authorized the board of directors or a committee of our board to grant options to purchase of up to 3,500,000 of the outstanding shares of our common stock. The Plan does not provide for automatic annual increases in the aggregate share reserve or the number of shares remaining available for grant. On November 7, 2005, we filed a registration statement on Form S-8 to register an aggregate of 3,500,000 shares of our common stock, which may be issued pursuant to the Plan.

(2) The company has not authorized the issuance of its equity securities under any plan not approved by security holders.

Employment Agreements

Upon the closing in June 2002 of the merger with our external manager, we assumed the existing employment agreements of Lloyd McAdams, Joseph E. McAdams and Heather U. Baines. These agreements have been modified over time by addenda entered into between us and each of the executives, including addenda entered into in 2008. Pursuant to the terms of the employment agreements:

Lloyd McAdams serves as our President, Chairman and Chief Executive Officer, Joseph E. McAdams serves as our Executive Vice President and Chief Investment Officer and Heather U. Baines serves as our Executive Vice President;

Lloyd McAdams receives a \$925,000 annual base salary, Joseph E. McAdams receives a \$700,000 annual base salary and Heather U. Baines receives a \$60,000 annual base salary;

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in the event any of the three executives is terminated without cause or if they terminate for good reason, or in the case of Lloyd McAdams or Joseph E. McAdams, their employment agreements are not renewed, then the executives would be entitled to: (1) all base salary due under the employment

agreements, (2) all discretionary bonus due under the employment agreements, (3) a lump sum payment of an amount equal to three years of the executive's then-current base salary, (4) payment of COBRA medical coverage for 18 months, (5) immediate vesting of all pension benefits, (6) all incentive compensation to which the executives would have been entitled to under the employment agreements prorated through the termination date, and (7) all expense reimbursements and benefits due and owing the executives through the termination. In addition, under these circumstances Lloyd McAdams and Joseph E. McAdams would each be entitled to a lump sum payment equal to 150% of the greater of (i) the highest amount paid or that could be payable (in the aggregate) under the 2002 Incentive Plan during any one of the three fiscal years prior to their termination, and (ii) the highest amount paid, or that could be payable (in the aggregate), under the plan during any of the three fiscal years following their termination. Ms. Baines would also be entitled to a lump sum payment equal to all incentive compensation that Ms. Baines would have been entitled to under the plan during the three-year period following her termination;

each agreement contains an evergreen provision that permits automatic renewal for one year at the end of each term unless written notice of termination is provided by either party six months prior to the end of the current term;

the three executives are entitled to participate in the 2002 Incentive Plan and each of these individuals are provided a minimum percentage of the amounts earned under such plan as described on page 14 under 2002 Incentive Compensation Plan, each may be paid up to 50% of their respective incentive compensation earned under the plan, if any, in common stock, and the plan may not be amended without the consent of the three executives;

the three executives received restricted stock grants of 20,000 shares each, which grants vest in equal, annual installments over ten years following the grant date in June 2002;

the equity awards granted to each of the three executives will immediately vest upon the termination of the executive's employment upon a change in control; and

Lloyd McAdams and Joseph E. McAdams are each subject to a one-year non-competition provision following termination of their employment except in the event of a change in control.

Under the terms of their employment agreements, a long-term equity incentive structure was established for Messrs. Lloyd McAdams and Joseph E. McAdams. As a result, they are eligible to participate in a performance-based bonus pool that is funded based on the company's return on average equity, or ROAE. ROAE is calculated as the twelve-month GAAP net income available to common stockholders excluding the effect of depreciation, preferred stock dividends, gains/losses on asset sales and impairment charges, divided by the average stockholder equity less goodwill and preferred stockholder equity. The Compensation Committee evaluated various measures and factors of performance in developing this structure and, in its view, ROAE was determined to be the single best indicator of our overall performance and therefore of value creation for our stockholders. This is in part due to the fact that ROAE is a metric of our performance that has been calculated and reported on a consistent basis since our inception in 1998.

As structured by the Compensation Committee, the aggregate amount of this performance-based bonus pool available for distribution can range annually based upon the ROAE. If the ROAE is 0% or less, no performance-based bonus is paid. If the ROAE is greater than 0% but less than 8%, a pool of up to \$500,000 is available. If the ROAE is 8% or greater, then the pool is \$500,000 plus 10% of the first \$5 million of excess return and 6% of the amount of the excess return greater than \$5 million. The Compensation Committee has the discretionary right to adjust downward the amount available for distribution from the bonus pool by as much as 10.0% in any given year, based upon its assessment of factors including our leverage, stability of book value of the common stock and price per share of our common stock relative to other industry participants. Of the aggregate amount available for distribution from the bonus pool, the Compensation Committee bases annual bonus allocation to each of Messrs. Lloyd McAdams and Joseph E. McAdams on its assessment of the performance of each executive.

In order to further align the performance of Messrs. Lloyd McAdams and Joseph E. McAdams with our long-term financial success and the creation of stockholder value, the Compensation Committee also determined that (1) with respect to 2008, at least 25.0% of the annual performance-based bonus amount to be distributed to an Executive over \$100,000 would be paid in restricted shares of common stock, preferred stock or a combination of both classes of securities, and (2) with respect to each year thereafter, at least 25.0% of any annual performance-based bonus amount over \$100,000 will be paid in such restricted shares. In addition, neither of the executives will be permitted to sell or otherwise transfer any restricted shares during such person's employment with the company until the value of his respective stock holdings in the company exceeds a seven and one-half times multiple of his base compensation and, once this threshold is met, only to the extent that the value of such holdings exceeds that multiple.

For 2008, the ROAE (as described above) was approximately 18.39%, based on the adjusted GAAP net income available to common stockholders (as described above) of approximately \$98.6 million, divided by the average stockholders' equity (as described above) of approximately \$536.1 million. This ROAE produced an excess return of approximately \$55.7 million. Based on this information, the performance-based bonus pool (as described above) was approximately \$4.0 million. Of this bonus pool, approximately \$1.3 million was paid to Lloyd McAdams in cash and \$1.2 million was paid in restricted stock. Of this bonus pool, approximately \$0.7 million was paid to Joseph E. McAdams in cash and \$0.6 million was paid in restricted stock.

Prior to the end of any year, the Compensation Committee, at its discretion, may notify either of Messrs. Lloyd McAdams or Joseph E. McAdams that either or both of them will not participate in the pool during the following year. If this occurs, the sale or transfer restrictions on previously issued pool shares with respect to the executive so notified will be eliminated at that time.

The Compensation Committee, in its discretion, may provide additional compensation to each of Messrs. Lloyd McAdams and Joseph E. McAdams beyond the annual performance-based bonus awards earned under the incentive compensation structure in their employment agreements. This additional compensation may be provided in consideration of the company's execution of our business and strategic plan. For the year ended December 31, 2008, additional compensation of \$0.4 million was paid to Lloyd McAdams and \$1.09 million was paid to Joseph E. McAdams.

Change in Control and Arbitration Agreements

In June 2006, we entered into Change in Control and Arbitration Agreements with our Chief Financial Officer (Thad M. Brown), Senior Vice President-Finance (Charles J. Siegel), Senior Vice President-Portfolio Manager (Bistra Pashamova) and our Vice President-Portfolio Manager (Evangelos Karagiannis), as well as certain of our other employees. Our board of directors determined that, in the event of a change in control of the company, as defined below, it would be imperative for us and the board to be able to receive and rely upon these employees' advice, if requested, as to the best interests of the company and its stockholders without concern that these employees might be distracted by the personal uncertainties and risks created by any such possible transactions.

The Change in Control and Arbitration Agreements grant these officers and employees, in the event that a change in control occurs, a lump sum payment equal to (i) 12 months annual base salary in effect on the date of the change in control, plus (ii) the average annual incentive compensation received for the two complete fiscal years prior to the date of the change in control, and plus (iii) the average annual bonus received for the two complete fiscal years prior to the date of the change in control, as well as all fringe benefits for a period of 12 months following termination of employment with us. The Change in Control and Arbitration Agreements also provide for immediate vesting of all equity awards granted to these officers and employees upon an change in control.

A Change in Control, as defined in the Change in Control and Arbitration Agreements, shall mean the first to occur of any of the following:
(a) any person or persons acting as a group (other than the company or any

trustee or other fiduciary holding securities under an employee benefit plan of the company) being the beneficial owner, directly or indirectly, of securities of the company representing more than 50% of the combined voting power of the company's then outstanding securities; or (b) a change in the composition of the board of directors; or (c) the effective date of any merger or consolidation of the company with any other corporation or entity other than (i) a merger or consolidation which would result in the voting securities of the company outstanding immediately prior thereto continuing to represent in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the company, at least 65% of the combined voting power of the voting securities of the company or such surviving entity outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of the company in which no person acquires more than 35% of the combined voting power of the company's then outstanding securities, or (iii) a merger or consolidation of the company with one or more persons that are related to the company immediately prior to the consolidation or merger; or (d) the sale or disposition by the company of all or substantially all of the company's assets, to one or more persons that are not related to the company immediately prior to the sale or transfer.

The following table reflects the amounts that would be paid if a change in control or other termination event occurred on December 31, 2008 and our stock price per share was the closing market price as of that date. The closing market price of our common stock at December 31, 2008 was \$6.43.

	Lloyd McAdams(1)	Thad M. Brown	Joseph E. McAdams	Charles J. Siegel	Bistra Pashamova
If termination without cause, for good reason, or if employment agreements are not renewed	\$ 4,077,491	\$	\$ 2,865,912	\$	\$
Change in Control	\$ 4,440,876	\$ 564,524	\$ 3,158,792	\$ 547,982	\$ 716,141

- (1) Included in the amount for Mr. McAdams is the balance at December 31, 2008 of the amounts payable to him under the Deferred Compensation Plan, which would be payable upon a Termination Event or Change in Control Event under the plan.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. The principal management executive involved in determining compensation and in discussing these issues with the Compensation Committee is the Chief Executive Officer. His involvement is discussed in the Compensation Discussion and Analysis section (see page 16 of this proxy statement).

Based on this review and discussion, the Compensation Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Annual Report on Form 10-K.

Respectfully Submitted by the Compensation
Committee of the Board of Directors,

Charles H. Black

Lee A. Ault, III

Joe E. Davis

Robert C. Davis

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of April 9, 2009, the record date of the Annual Meeting, there were 100,776,172 shares of our common stock outstanding. The following table sets forth certain information known to us with respect to the beneficial ownership of our common stock as of that date by (i) each of our directors, (ii) each of our Named Executive Officers, (iii) each person who is known to us to beneficially own more than 5% of our common stock and (iv) all of our directors and executive officers as a group. The number of shares beneficially owned is determined under rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and any shares which the individual has the right to acquire within 60 days of April 9, 2009 through the exercise of any stock option or other right. Unless otherwise noted, we believe that each person has sole investment and voting power (or shares or controls such powers with either his or her spouse or immediate family member) with respect to the shares set forth in the following table:

Beneficial Owner	Common Stock Beneficially Owned	Percent of Class
Directors and Named Executive Officers		
Lloyd McAdams(1)	1,267,941	1.25%
Thad M. Brown(2)	104,577	*
Joseph E. McAdams(3)	561,708	*
Charles J. Siegel(4)	45,795	*
Bistra Pashamova(5)	128,977	*
Lee A. Ault, III(6)	64,100	*
Charles H. Black(7)	39,682	*
Joe E. Davis(8)	40,682	*
Robert C. Davis	18,000	*
All Directors and Executive Officers as a Group (11 Persons)(9)	2,527,319	2.48%
5% Stockholders		
Wells Fargo & Company 420 Montgomery Street, San Francisco, CA 94104(10)	8,861,126	8.79%
Wellington Management Company, LLP 75 State Street, Boston, MA 02109(11)	6,092,794	6.05%

* Less than 1%

- (1) Includes (i) 862,516 shares held by Lloyd McAdams and Heather U. Baines, (ii) 309,225 shares subject to stock options exercisable within 60 days of April 9, 2009, (iii) 62,500 shares which Mr. McAdams owns individually in which Ms. Baines has no beneficial interests, and (iv) 33,700 shares owned by the McAdams Foundation, of which Lloyd McAdams is a director. Mr. McAdams shares voting and investment power over the shares held by the Foundation and disclaims any beneficial interest in the shares held by this entity.
- (2) Includes 68,700 shares subject to stock options exercisable within 60 days of April 9, 2009.
- (3) Includes 286,900 shares subject to stock options exercisable within 60 days of April 9, 2009. Includes 33,700 shares owned by the McAdams Foundation, of which Joseph E. McAdams is a director. Mr. McAdams shares voting and investment power over the shares held by the Foundation and disclaims any beneficial interest in the shares held by this entity.
- (4) Includes 5,000 shares subject to stock options exercisable within 60 days of April 9, 2009.
- (5) Includes 93,100 shares subject to stock options exercisable within 60 days of April 9, 2009.
- (6) Includes 22,100 shares subject to stock options exercisable within 60 days of April 9, 2009.

- (7) Includes 25,360 shares subject to stock options exercisable within 60 days of April 9, 2009.

- (8) Includes 25,360 shares subject to stock options exercisable within 60 days of April 9, 2009.

- (9) Each of our directors and officers may be reached at 1299 Ocean Avenue, Second Floor, Santa Monica, California 90401.

- (10) Aggregate beneficial ownership reported by Wells Fargo & Company is on a consolidated basis and includes shares beneficially owned by Wells Capital Management Incorporated and Wells Fargo Funds Management, LLC, each registered investment advisors, and Wells Fargo Bank, National Association, all three of which are subsidiaries of Wells Fargo & Company. *The above information was provided to the SEC in a Schedule 13G filed on January 30, 2009 by Wells Fargo & Company.*

- (11) Wellington Management, in its capacity as investment adviser, may be deemed to beneficially own the shares reported above which are held of record by clients of Wellington Management. *The above information was provided to the SEC in a Schedule 13G filed on February 17, 2009 by Wellington Management Company, LLP.*

As of April 9, 2009, the record date of the Annual Meeting, there were 1,875,500 shares of our Series A Cumulative Preferred Stock and 1,205,500 shares of our Series B Cumulative Convertible Preferred Stock outstanding. The following table sets forth certain information known to us with respect to the beneficial ownership of our Series A Cumulative Preferred Stock and Series B Cumulative Convertible Preferred Stock as of that date by (i) each of our directors, (ii) each of our Named Executive Officers, and (iii) all of our directors and executive officers as a group. We have omitted from the following table those directors and Named Executive Officers who do not beneficially own shares of our Series A Cumulative Preferred Stock or Series B Cumulative Convertible Preferred Stock. The number of shares beneficially owned is determined under rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and any shares which the individual has the right to acquire within 60 days of April 9, 2009 through the exercise of any stock option or other right. Except under certain circumstances, both our Series A Cumulative Preferred Stock and Series B Cumulative Convertible Preferred Stock are non-voting equity securities. Our Series B Cumulative Convertible Preferred Stock is convertible into shares of our common stock. Unless otherwise noted, we believe that each person has sole investment power (or shares or controls such powers with either his or her spouse or immediate family member) with respect to the shares set forth in the following table:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Directors and Named Executive Officers:			
Series A Cumulative Preferred Stock	Thad M. Brown	1,375	*
Series A Cumulative Preferred Stock	Robert C. Davis	2,700	*
Series A Cumulative Preferred Stock	All Directors and Executive Officers as a Group (11 Persons)	4,075	*
Series B Cumulative Convertible Preferred Stock(1)	Joe E. Davis	3,000	*
Series B Cumulative Convertible Preferred Stock(1)	Robert C. Davis	5,500	*
Series B Cumulative Convertible Preferred Stock(1)	All Directors and Executive Officers as a Group (11 Persons)	8,500	*

* Less than 1%

- (1) As of April 9, 2009, our Series B Preferred Stock was convertible at the conversion rate of 2.7865 shares of our common stock per \$25.00 liquidation preference. The conversion rate will be adjusted in any fiscal quarter in which the cash dividends paid to common stockholders results in an annualized common stock dividend yield which is greater than 6.25%. The conversion ratio will also be subject to adjustment upon the occurrence of certain specific events such as a change in control. Our Series B Preferred Stock is convertible into shares of our common stock at the option of the Series B Preferred stockholder at any time at the then prevailing conversion rate. On or after January 25, 2012, we may, at our option, convert, under certain circumstances, each share of Series B Preferred Stock into a number of common shares at the then prevailing conversion rate.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policies and Procedures for Review and Approval of Related Party Transactions

The board of directors has established the Anworth Mortgage Asset Corporation Code of Ethics and Business Conduct, or the Code of Conduct. The Code of Conduct outlines the principles, policies and values that govern the activities of our company and it applies to all of our directors, officers and employees. The Code of Conduct outlines our policy on conflicts of interest.

A conflict of interest is defined as any situation in which a director, officer or employee has competing professional or personal interests, which could possibly make it difficult to fulfill his or her Anworth duties and responsibilities in an impartial manner. It is specifically required by our Code of Conduct that all of our officers, directors and employees (1) fully disclose to the appropriate parties all actual or perceived conflicts of interest and (2) ensure that Anworth duties and responsibilities are handled in such a manner that ensures impartiality.

In addition to the Code of Conduct, we require our directors and executive officers to complete annually a directors and officers questionnaire which requires disclosure of any related party transactions. Also, on a quarterly basis, the board of directors reviews all existing related party transactions and any new transactions that are brought to the attention of either management or the board of directors.

On any new related party transactions, if the party involved in the transaction is a member of the board of directors, such member of the board of directors is required to recuse or abstain from involvement in the decision. If the remaining board members ratify the transaction, the Nominating and Corporation Governance Committee will grant a waiver to the Code of Conduct. In the event that such a waiver is granted to any of our officers, we expect to announce the waiver within four business days on the Corporate Governance section of our website.

Agreements with Pacific Income Advisers, Inc.

On June 13, 2002, we entered into a sublease with PIA, a company owned by a trust controlled by Lloyd McAdams, our President, Chairman and Chief Executive Officer, and Heather U. Baines, our Executive Vice President. Under the sublease, as amended on July 8, 2003, we lease approximately 5,500 square feet of office space from PIA and currently pay an annual rate of \$52.58 per square foot in rent to PIA. The sublease runs through June 20, 2012 unless earlier terminated pursuant to the master lease. During 2008, we paid \$337,000 as office rental to PIA.

At December 31, 2008, the future minimum lease commitment was as follows (in whole dollars):

Year	2009	2010	2011	2012	Total Commitment
Commitment Amount	\$ 293,515	\$ 302,332	\$ 311,414	\$ 158,012	\$ 1,065,273

On October 14, 2002, we entered into an administrative services agreement with PIA. On July 25, 2008, we entered into a new administrative services agreement with PIA which was amended on December 29, 2008. Under the administrative services agreement, PIA provides administrative services and equipment to us in the nature of accounting, human resources, operational support and information technology, and we pay an annual fee of seven basis points on the first \$225 million of stockholder equity, five basis points on the next \$450 million of stockholder equity and 3.5 basis points thereafter (paid quarterly in advance) for those services. The administrative agreement had an initial term of one year and renews for successive one year terms each year thereafter unless either party gives notice of termination at least 90 days before the expiration of the then current annual term. We may also terminate the administrative agreement upon 30 days notice for any reason and immediately if there is a material breach by PIA. During 2008, we paid fees of \$345,000 to PIA in connection with this agreement.

Indemnification Agreements

In addition to the indemnification provisions contained in our articles of incorporation and bylaws, we have entered into separate indemnification agreements with each of our directors and officers. These agreements require us, among other things, to indemnify each such director or officer to the fullest extent permitted by Maryland law against expenses (including attorneys' fees), judgments, fines and settlements incurred by such individual in connection with any action, suit or proceeding by reason of such individual's status or service as a director or officer (other than liabilities with respect to which such individual receives payment from another source, arising in connection with certain final legal judgments, arising from knowing fraud, deliberate dishonesty, willful misconduct, in connection with assertions by such individuals not made in good faith or which are frivolous or which we are prohibited by applicable law from paying) and to advance expenses incurred by such individual in connection with any proceeding against such individual with respect to which such individual may be entitled to indemnification by us.

Family Relationships

Lloyd McAdams and Heather U. Baines are husband and wife and Lloyd McAdams and Joseph E. McAdams are father and son.

AUDIT COMMITTEE

Audit Committee Report

The following is the report of the Audit Committee of Anworth Mortgage Asset Corporation (the Company) with respect to the Company's audited financial statements for 2008, which include the consolidated balance sheets as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2008 and the notes thereto.

Composition. The Audit Committee of the board is comprised of four directors and operates under a written charter adopted by the board. All members of the Audit Committee are financially literate and are independent, as defined in Rule 10A-3 under the Exchange Act and the rules of the NYSE.

Responsibilities. The responsibilities of the Audit Committee include recommending to the board an accounting firm to be engaged as the independent accountants and auditors. Management has primary responsibility for the internal controls and financial reporting process. The independent accountants are responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon. The Audit Committee's responsibility is to oversee these processes and the activities of the internal audit department.

Review with Management and Independent Accountants. The Audit Committee has reviewed the consolidated audited financial statements and met separately, and held discussions with, management and McGladrey & Pullen, LLP, our independent registered public accounting firm for the fiscal year ended December 31, 2008. Management represented to the Audit Committee that the consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee discussed with McGladrey & Pullen, LLP the matters required to be discussed by Statements on Auditing Standards No. 61, Communication with Audit Committee and No. 90, Audit Committee Communications.

The independent accountants provided to the Audit Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and the Audit Committee discussed with McGladrey & Pullen, LLP, the firm's independence.

Conclusion. Based upon the Audit Committee's discussions with management and the independent accountants, the Audit Committee's review of the representations of management and the report of the independent accountants to the Audit Committee, the Audit Committee recommended that the board include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the SEC.

Respectfully submitted by the Audit
Committee of the Board of Directors,

Joe E. Davis

Lee A. Ault, III

Charles H. Black

Robert C. Davis

Audit and Related Fees

The following table presents fees for professional audit services rendered by McGladrey & Pullen, LLP for the audit of our company's annual financial statements for the year ended December 31, 2008 and rendered by BDO Seidman, LLP for the year ended December 31, 2007 and fees billed for other services rendered by McGladrey & Pullen, LLPO and BDO Seidman, LLP, respectively, during 2008 and 2007:

	2008	2007
Audit fees	\$ 294,000	\$ 656,000
Audit-related fees	101,200	212,285
Tax fees		
Other fees		
Total:	\$ 395,200	\$ 868,285

Audit-related fees consist primarily of comfort letters and consent opinions related to our stock offerings.

Pre-approval Policies and Procedures

Consistent with SEC policies regarding auditor independence, our Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent auditor. In recognition of this responsibility, the Audit Committee has established policies and procedures regarding pre-approval of all services provided by the independent auditor. At the beginning of the fiscal year, the Audit Committee pre-approves the engagement of the independent auditor to provide audit services based on fee estimates. The Audit Committee also pre-approves proposed audit-related services, tax services and other permissible services, based on specified project and service details, fee estimates, and aggregate fee limits for each service category. The Audit Committee receives a report at each meeting on the status of services provided or to be provided by the independent auditor and the related fees. All of the audit and audit-related fees performed for the company during the fiscal year ended December 31, 2008 were pre-approved by the Audit Committee.

PROPOSAL NO. 2:

RATIFICATION OF McGLADREY & PULLEN, LLP

AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Dismissal of independent registered public accounting firm

On March 19, 2008, the Audit Committee of our board of directors selected McGladrey & Pullen, LLP to replace BDO Seidman, LLP as the company's independent registered public accounting firm. This decision was based on a reduction in audit fees. BDO Seidman, LLP was informed of its dismissal on March 19, 2008, which decision was recommended by the Audit Committee of the board of directors of Anworth. BDO Seidman, LLP's reports on our financial statements for the fiscal years ended December 31, 2007 and 2006 did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope or accounting principles. During the two most recent fiscal years ended December 31, 2007 and 2006, and in the subsequent interim period through March 19, 2008, there were: (i) no disagreements between us and BDO Seidman, LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of BDO Seidman, LLP, would have caused BDO Seidman, LLP to make reference to the subject matter of the disagreement in their reports on the financial statements for such years, and: (ii) no reportable events as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

We have provided BDO Seidman, LLP a copy of this disclosure and requested that BDO Seidman, LLP furnish us with a letter addressed to the SEC stating whether BDO Seidman, LLP agrees with such disclosure or, if not, stating the respects in which it does not agree. We received the requested letter from BDO Seidman, LLP wherein it confirmed their agreement with the disclosure above as it relates to BDO Seidman, LLP. A copy of BDO Seidman, LLP's letter has been filed as Exhibit 16.1 to a Current Report on Form 8-K filed with the SEC on March 26, 2008.

Engagement of new independent registered public accounting firm

On March 26, 2008, the Audit Committee of the board of directors of Anworth engaged McGladrey & Pullen, LLP as its independent registered public accounting firm for the fiscal year ending December 31, 2008. During the company's two most recent fiscal years ended December 31, 2007 and 2006 and through March 19, 2008, neither the company nor anyone on its behalf has consulted with McGladrey & Pullen, LLP regarding: (1) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the company's financial statements, and neither a written report nor oral advice was provided to us that McGladrey & Pullen, LLP concluded was an important factor considered by the company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K) or a reportable event (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

McGladrey & Pullen, LLP was recommended by the Audit Committee of the board to act in such capacity for the fiscal year ending December 31, 2008, subject to ratification by the stockholders. BDO Seidman, LLP served as the company's independent registered public accounting firm for the fiscal year ended December 31, 2007.

We have been advised by McGladrey & Pullen, LLP that the firm has no relationship with our company or its subsidiaries or affiliates other than that arising from the firm's engagement as auditors, tax advisors and consultants. If the selection of McGladrey & Pullen, LLP is not ratified by the affirmative vote of at least a majority of the shares casting votes on the matter at the meeting, or if prior to the Annual Meeting, McGladrey & Pullen, LLP should decline to act or otherwise become incapable of acting, or if its employment should be otherwise discontinued by the board, then in any such case the board will appoint other independent auditors

whose employment for any period subsequent to the 2009 Annual Meeting will be subject to ratification by the stockholders at the 2009 Annual Meeting.

A representative of McGladrey & Pullen, LLP is expected to be present in person at the Annual Meeting to make a statement if he or she desires, and to respond to appropriate questions.

Vote Required

The affirmative vote of a majority of all votes cast on the matter at a meeting at which a quorum is present is necessary to ratify the appointment of McGladrey & Pullen, LLP as our independent registered public accounting firm.

The board unanimously recommends that you vote FOR the ratification of McGladrey & Pullen, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009. Proxies received will be so voted unless stockholders specify otherwise in the proxy.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Under Section 16(a) of the Exchange Act, our directors, officers and persons holding more than 10% of our common stock are required to file forms reporting their beneficial ownership of our common stock and subsequent changes in that ownership with the SEC. Such persons are also required to furnish us copies of the forms so filed. Based solely upon a review of copies of such forms filed with us, we believe that during 2008, our officers and directors complied with the Section 16(a) filing requirements on a timely basis.

Expenses of Proxy Solicitation

Brokerage firms and other custodians, nominees and fiduciaries will be requested to forward the proxy materials to beneficial owners and to obtain authorization for the execution of proxies, and we will reimburse such brokerage firms, other custodians, nominees and fiduciaries for reasonable expenses incurred in sending proxy materials to beneficial owners of our common stock. Our directors, officers and employees may solicit proxies by telephone or in person (but will receive no additional compensation for such solicitation). We will bear the expense of this proxy solicitation.

Legal Proceedings

We have no material proceedings to which any of our directors, officers or affiliates, any owner of record or beneficially of more than 5% of any class of our voting securities, or any associate of any such director, officer, affiliate or security holder is a party adverse to us or any of our subsidiaries or has a material interest adverse to us or any of our subsidiaries.

Annual Report

A copy of the annual report to stockholders of our company for the 2008 fiscal year has been mailed concurrently with this proxy statement to all stockholders entitled to notice of and to vote at the Annual Meeting. The annual report is not incorporated into this proxy statement and is not considered proxy solicitation material.

Stockholder Proposals for 2010 Annual Meeting

Proposals of stockholders for consideration at the 2010 Annual Meeting of Stockholders must be received by us no later than the close of business on December 22, 2009¹, and must comply with the applicable rules of the SEC in order to be included in our proxy statement and proxy relating to the 2010 Annual Meeting of Stockholders pursuant to Rule 14a-8 of the Exchange Act. In addition, in order for a stockholder proposal outside of Rule 14a-8 of the Exchange Act to come before the 2010 Annual Meeting of Stockholders, proposals must be made in accordance with our Articles of Incorporation, which require appropriate notice to us of the proposal not less than 30 days nor more than 60 days prior to the date of the Annual Meeting of Stockholders. If less than 31 days notice of the date of the Annual Meeting of Stockholders meeting is given by us, then we must receive notice of the proposal not later than the close of business on the 10th day following the date we first mailed the notice of the meeting. In this regard, notice is given that the 2010 Annual Meeting of Stockholders is expected to be held on May 20, 2010, and therefore we must receive notice of the proposal not before March 21, 2010 but not after April 20, 2010.

Procedures for Recommending Director Candidates

Stockholders of our company wishing to recommend director candidates to the Nominating and Corporate Governance Committee must submit their recommendations in writing to the committee, c/o the Secretary, Anworth Mortgage Asset Corporation, 1299 Ocean Avenue, Second Floor, Santa Monica, California 90401.

¹ Rule 14a-8 deadline.

Our Nominating and Corporate Governance Committee will consider nominees recommended by our stockholders provided that the recommendation contains sufficient information for the Nominating and Corporate Governance Committee to assess the suitability of the candidate, including the candidate's qualifications. Candidates recommended by stockholders that comply with these procedures will receive the same consideration that candidates recommended by the committee receive.

Our Nominating and Corporate Governance Committee makes recommendations to the Board concerning candidates for membership as directors, considering such factors as background, skills, expertise, accessibility and availability to serve effectively on the Board. This Committee also makes recommendations to the Board regarding the nomination of incumbent directors for re-election to the Board. The Board then approves a slate of directors to be nominated for election at annual meetings of shareholders.

When selecting directors, the board will review and consider many factors, including those specified in our Corporate Governance Guidelines, which are posted on the Corporate Governance section of our website. It considers recommendations from many sources, including members of the board, management and search firms. From time to time, we may hire search firms to help identify and facilitate the screening and interview process of director nominees. The Nominating and Corporate Governance Committee has full discretion in considering its nominations to the board.

Deadline and Procedures for Submitting Nominations to the Board

A stockholder wishing to nominate a candidate for election to the board at the next Annual Meeting of Stockholders is required to give written notice addressed to the Secretary, Anworth Mortgage Asset Corporation, 1299 Ocean Avenue, Second Floor, Santa Monica, California 90401, of his or her intention to make such a nomination. The notice of nomination must be made in accordance with our Articles of Incorporation, which require appropriate notice to us of the nomination not less than 30 days nor more than 60 days prior to the date of the Annual Meeting of Stockholders. If less than 31 days' notice of the date of the Annual Meeting of Stockholders is given by us, then we must receive the notice of nomination not later than the close of business on the 10th day following the date we first mailed the notice of the meeting. In this regard, notice is given that the 2010 Annual Meeting of Stockholders is expected to be held on May 20, 2010, and therefore we must receive notice of the proposal not before March 21, 2010 but not after April 20, 2010.

The notice of nomination is required to contain certain information about both the nominee and the stockholder making the nomination, as set forth in our bylaws. In addition, the notice of nomination must include information regarding the recommended candidate relevant to a determination of whether the recommended candidate would be barred from being considered independent under NYSE Rule 303A.02(b), or, alternatively, a statement that the recommended candidate would not be so barred. A nomination which does not comply with the above requirements will not be considered.

Communications to the Board

All communications to the board, the board committees or any individual director, must be in writing and addressed to them c/o the Secretary, Anworth Mortgage Asset Corporation, 1299 Ocean Avenue, Second Floor, Santa Monica, California 90401. Communications received in writing will be forwarded to the named recipient(s).

April 21, 2009

By Order of the Board of Directors

Thad M. Brown
Secretary

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03) Charles H. Black

06) Joseph E. McAdams

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Vote on Proposals

For Against Abstain

- 2. To ratify the appointment of McGladrey & Pullen, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.

..

For address changes and/or comments, please check this box

and write them on the back where indicated.

..

Please indicate if you plan to attend this meeting.

Yes No
.. ..

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership, by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]

Date

Signature (Joint Owners)

Date

**ANNUAL MEETING OF STOCKHOLDERS OF
ANWORTH MORTGAGE ASSET CORPORATION**

MAY 21, 2009

**Please date, sign and mail
your proxy card in the
envelope provided as soon
as possible**

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Notice and Proxy Statement and Annual Report are available at www.proxyvote.com.

q Please detach along perforated line and mail in the envelope provided. q

M12667

ANWORTH MORTGAGE ASSET CORPORATION

PROXY FOR ANNUAL MEETING OF STOCKHOLDERS ON MAY 21, 2009

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Lloyd McAdams and Joseph E. McAdams, or either of them, each with full power of substitution, as proxies of the undersigned, to attend the Annual Meeting of Stockholders of Anworth Mortgage Asset Corporation, to be held on Thursday, May 21, 2009 at 10:00 a.m. Pacific Time, and at any adjournments or postponements thereof, and to vote the number of shares, as indicated on the reverse side, the undersigned would be entitled to vote if personally present.

THE UNDERSIGNED HEREBY ACKNOWLEDGES RECEIPT OF (A) NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 21, 2009, (B) THE ACCOMPANYING PROXY STATEMENT AND (C) THE ANNUAL REPORT ON THE COMPANY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008.

THIS PROXY WILL BE VOTED AS SPECIFIED, OR, IF NO CHOICE IS SPECIFIED, WILL BE VOTED FOR THE 6 NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS AND FOR PROPOSAL 2.

STOCKHOLDERS ARE URGED TO MARK, DATE, SIGN AND RETURN THIS PROXY IN THE ENVELOPE PROVIDED, WHICH REQUIRES NO POSTAGE IF MAILED WITHIN THE UNITED STATES.

Address Changes/Comments:

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

Continued and to be signed on the reverse side