CHIMERA INVESTMENT CORP
Form 424B5
May 28, 2009

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-159468

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee(1)
Common Stock	193,200,000	$3.22	$622,104,000	$34,713.41

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended (or the Securities Act). Payment of the registration fee at the time of filing of the registration statement on May 26, 2009 was deferred pursuant to Rule 456(b) of the Securities Act and paid herewith.

PROSPECTUS SUPPLEMENT
(To prospectus dated May 26, 2009)

168,000,000 Shares

Common Stock

We are offering 168,000,000 shares of our common stock to be sold in this offering. We expect to receive approximately $541.0 million in aggregate gross proceeds plus up to approximately $81.1 million in additional aggregate gross proceeds if the underwriters overallotment is exercised in full. The last reported sales price of our common stock on May 27, 2009 was $3.39 per share.

We are externally managed and advised by Fixed Income Discount Advisory Company, which we refer to as FIDAC or our Manager, an investment adviser registered with the Securities and Exchange Commission. FIDAC is a wholly-owned subsidiary of Annaly Capital Management, Inc., which we refer to as Annaly, a New York Stock Exchange-listed real estate investment trust.

Immediately after this offering, Annaly will purchase in a private offering approximately 4.72 million shares, the maximum number of shares allowable to Annaly based on the size of its current ownership under New York Stock Exchange rules without shareholder approval.

Our common stock is subject to certain restrictions on ownership designed to preserve our qualification as a real estate investment trust for federal income tax purposes. See Description of Capital Stock on page 6 of the accompanying prospectus.

Our common stock is listed on the New York Stock Exchange under the symbol CIM.

Investing in our common stock involves risks that are described under the caption Risk Factors beginning on page S-11 of this prospectus supplement, in the accompanying prospectus, and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009, which are incorporated by reference in the accompanying prospectus.

	Per Share	Total

Public offering price	$3.22	$540,960,000
Underwriting discount	$.1288	$21,638,400
Proceeds, before expenses, to us	$3.0912	$519,321,600

The underwriters may also purchase up to an additional 25,200,000 shares at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover overallotments, if any.

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

The shares will be ready for delivery on or about June 2, 2009.

Merrill Lynch & Co. **Credit Suisse** **Deutsche Bank Securities**

Citi **Morgan Stanley** **UBS Investment Bank**

JMP Securities **Keefe, Bruyette & Woods**

The date of this prospectus supplement is May 27, 2009.

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Prospectus Supplement

Prospectus

You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as information we previously filed with the Securities and Exchange Commission and incorporated by reference, is only accurate as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

A WARNING ABOUT FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this prospectus supplement that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When we use the words believe, expect, anticipate, estimate, plan, continue, intend, should, may, would, wil expressions, we intend to identify forward-looking statements. Statements regarding the following subjects, among others, are forward-looking by their nature:

- our business and investment strategy;
- our projected financial and operating results;
- our ability to maintain existing financing arrangements, obtain future financing arrangements and the terms of such arrangements;
- general volatility of the securities markets in which we invest;
- the implementation, timing and impact of, and changes to, various government programs, including the U.S. Treasury s plan to buy U.S. government agency residential mortgage-backed securities, the Term Asset-Backed Securities Loan Facility, and the Public-Private Investment Program;
- our expected investments;
- changes in the value of our investments;
- interest rate mismatches between our investments and our borrowings used to fund such purchases;
- changes in interest rates and mortgage prepayment rates;
- effects of interest rate caps on our adjustable-rate investments;
- rates of default or decreased recovery rates on our investments;
- prepayments of the mortgage and other loans underlying our mortgage-backed or other asset-backed securities;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- impact of and changes in governmental regulations, tax law and rates, accounting guidance, and similar matters;
- availability of investment opportunities in real estate-related and other securities;
- availability of qualified personnel;
- estimates relating to our ability to make distributions to our stockholders in the future;
- our understanding of our competition;
- market trends in our industry, interest rates, the debt securities markets or the general economy; and
- use of proceeds of this offering.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. You should not place undue reliance on these forward-looking statements. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. Some of these factors are described under the captions Prospectus Supplement Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Business in this prospectus supplement, the accompanying prospectus, and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009, which are incorporated by reference in the accompanying prospectus. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights some of the information in this prospectus supplement. It is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read carefully the more detailed information set forth under Risk Factors and the other information included in this prospectus supplement, in the accompanying prospectus, and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009, which are incorporated by reference in the accompanying prospectus. Except where the context suggests otherwise, the terms Chimera, company, we, us and our refer to Chimera Investment Corporation; our Manager and FIDAC refer to Fixed Income Discount Advisory Company, our external manager; and Annaly refers to Annaly Capital Management, Inc., the parent company of FIDAC. Unless indicated otherwise, the information in this prospectus supplement assumes (i) the common stock to be sold in this offering is to be sold at $3.22 per share, (ii) the purchase by Annaly in a private offering of 4,724,017 shares at $3.22 per share and (iii) no exercise by the underwriters of their overallotment option to purchase or place up to an additional 25,200,000 shares of our common stock.

The Company

We are a specialty finance company that invests in residential mortgage-backed securities, or RMBS, residential mortgage loans, real estate-related securities and various other asset classes. We elected to be taxed as a real estate investment trust, or REIT, for federal income tax purposes commencing with our taxable year ending on December 31, 2007. Therefore, we generally will not be subject to federal income tax on our taxable income that is distributed to our stockholders. We commenced operations in November 2007.

We are externally managed by Fixed Income Discount Advisory Company, which we refer to as our Manager or FIDAC. Our Manager is an investment advisor registered with the Securities and Exchange Commission, or SEC. Additionally, our Manager is a wholly-owned subsidiary of Annaly, a NYSE-listed REIT, which has a long track record of managing investments in U.S. government agency residential mortgage-backed securities, or Agency RMBS. To date, Annaly has invested approximately $155.5 million in shares of our common stock. Immediately after this offering, Annaly will purchase in a private offering approximately 4.72 million shares, the maximum number of shares allowable to Annaly based on the size of its current ownership under NYSE rules without shareholder approval.

Our objective is to provide attractive risk-adjusted returns to our investors over the long-term, primarily through dividends and secondarily through capital appreciation. We intend to achieve this objective by investing in a broad class of financial assets to construct an investment portfolio that is designed to achieve attractive risk-adjusted returns and that is structured to comply with the various federal income tax requirements for REIT status and to maintain our exemption from registration under the Investment Company Act of 1940, as amended, or 1940 Act.

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

Our Manager

We are externally managed and advised by FIDAC pursuant to a management agreement. All of our officers are employees of our Manager or its affiliates. Our Manager is a fixed-income investment management company specializing in managing investments in Agency RMBS, which are mortgage pass-through certificates, collateralized mortgage obligations, or CMOs, and other mortgage-backed securities representing interests in or obligations backed by pools of mortgage loans issued or guaranteed by the Federal National Mortgage Association, or Fannie Mae, the Federal Home Loan Mortgage Corporation, or Freddie Mac, and the Government National Mortgage Association, or Ginnie Mae. Our Manager also has experience in managing investments in non-Agency RMBS and collateralized debt obligations, or CDOs; real estate-related securities; and managing credit and interest rate-sensitive investment strategies. Our Manager commenced active investment management operations in 1994. At March 31, 2009, our Manager was the adviser or sub-adviser for funds with approximately $3.8 billion in net assets and $11.6 billion in gross assets, and which consisted predominantly of Agency RMBS.

Our Manager is responsible for administering our business activities and day-to-day operations. We have no employees other than our officers. Pursuant to the terms of the management agreement, our Manager provides us with our management team, including our officers, along with appropriate support personnel. Our Manager is at all times subject to the supervision and oversight of our board of directors and has only such functions and authority as we delegate to it. We do not pay any of our officers any cash compensation. Rather, we pay our Manager a base management fee pursuant to the terms of the management agreement. We do not pay our Manager any incentive-based fees or other compensation.

Our Investment Strategy

Our objective is to provide attractive risk-adjusted returns to our investors over the long-term, primarily through dividends and secondarily through capital appreciation. We intend to achieve this objective by investing in a diversified investment portfolio of RMBS, residential mortgage loans, real estate-related securities and various other asset classes, subject to maintaining our REIT status and exemption from registration under the 1940 Act. The RMBS, asset-backed securities, or ABS, commercial mortgage backed securities, or CMBS, and CDOs we purchase may include investment-grade and non-investment grade classes, including the BB-rated, B-rated and non-rated classes.

We rely on our Manager s expertise in identifying assets within our target asset classes. Our Manager makes investment decisions based on various factors, including expected cash yield, relative value, risk-adjusted returns, current and projected credit fundamentals, current and projected macroeconomic considerations, current and projected supply and demand, credit and market risk concentration limits, liquidity, cost of financing and financing availability, as well as maintaining our REIT qualification and our exemption from registration under the 1940 Act.

Since we commenced operations in November 2007, we have focused our investment activities on acquiring non-Agency RMBS and on purchasing residential mortgage loans that have been originated by select high-quality originators, including the retail lending operations of leading commercial banks. Over time, we will modify our investment allocation strategy as market conditions change to seek to maximize the returns from our investment portfolio. We believe this strategy, combined with our Manager s experience, will enable us to pay dividends and achieve capital appreciation throughout changing interest rate and credit cycles and provide attractive long-term returns to investors.

Our targeted asset classes and the principal investments we have made and expect to make in each asset class are as follows:

Asset Class	**Principal Investments**
Residential Mortgage-Backed Securities, or RMBS	Non-Agency RMBS, including investment-grade and non-investment grade classes, including the BB-rated, B-rated and non-rated classes.
	Agency RMBS.
Residential Mortgage Loans	Prime mortgage loans, which are mortgage loans that conform to the underwriting guidelines of Fannie Mae and Freddie Mac, which we refer to as Agency Guidelines; and jumbo prime mortgage loans, which are mortgage loans that conform to the Agency Guidelines except as to loan size.
	Alt-A mortgage loans, which are mortgage loans that may have been originated using documentation standards that are less stringent than the documentation standards applied by certain other first lien mortgage loan purchase programs, such as the Agency Guidelines, but have one or more compensating factors such as a borrower with a strong credit or mortgage history or significant assets.
Other Asset-Backed Securities, or ABS	Commercial mortgage-backed securities, or CMBS.
	Debt and equity tranches of collateralized debt obligations, or CDOs.
	Consumer and non-consumer ABS, including investment-grade and non-investment grade classes, including the BB-rated, B-rated and non-rated classes.

Our investment portfolio at March 31, 2009 was weighted toward RMBS. After the consummation of this offering, we expect that over the near term our investment portfolio will continue to be weighted toward RMBS, subject to maintaining our REIT qualification and our 1940 Act exemption. In addition, we have engaged in and anticipate continuing to engage in transactions with residential mortgage lending operations of leading commercial banks and other high-quality originators in which we identify and re-underwrite residential mortgage loans owned by such entities, and rather than purchasing and securitizing such residential mortgage loans ourselves, we and the originator would structure the securitization and we would purchase the resulting mezzanine and subordinate non-Agency RMBS. We have and may continue to engage in similar transactions with non-Agency RMBS in which we would acquire originally AAA-rated non-Agency RMBS and re-securitize those securities. We sell all or a portion of the securities issued by the securitization trust and retain the rated or unrated mezzanine and other subordinated RMBS. Our investment decisions, however, will depend on prevailing market conditions and will change over time. As a result, we cannot predict the percentage of our assets that will be invested in each asset class or whether we will invest in other classes of investments. We may change our investment strategy and policies without a vote of our stockholders.

We elected to be taxed as a REIT commencing with our taxable year ending on December 31, 2007 and to operate our business so as to be exempt from registration under the 1940 Act, and therefore we will be required to invest a substantial majority of our assets in loans secured by mortgages on real estate and real estate-related assets.

Subject to maintaining our REIT qualification and our 1940 Act exemption, we do not have any limitations on the amounts we may invest in any of our targeted asset classes.

Our Financing Strategy

We use leverage to increase potential returns to our stockholders. We are not required to maintain any specific debt-to-equity ratio as we believe the appropriate leverage for the particular assets we are financing depends on the credit quality and risk of those assets. Subject to maintaining our REIT qualification, we may use a number of sources to finance our investments, including repurchase agreements, warehouse facilities, securitization, asset-backed commercial paper, and term financing structures.

Our ability to fund our investments on a leveraged basis depends to a large extent upon our ability to secure warehouse, repurchase, credit, and/or commercial paper financing on acceptable terms. The current dislocation in the non-Agency mortgage sector has made it difficult for us to obtain short-term financing on favorable terms. As a result, we have completed loan securitizations in order to obtain long-term financing and terminated our un-utilized whole loan repurchase agreements in order to avoid paying non-usage fees under those agreements.

We have entered into a RMBS repurchase agreement with Annaly. This agreement contains customary representations, warranties and covenants contained in such agreements. As of May 19, 2009, we were borrowing $406.2 million under this repurchase agreement at an interest rate of 1.72%. Our RMBS repurchase agreement with Annaly is rolled daily at market rates and is secured by the RMBS pledged under the agreement. While we do not expect to increase significantly the amount of securities pledged to Annaly or significantly increase or decrease the funds we borrow from Annaly, until we invest the net proceeds of this offering in other assets, we may use part of the net proceeds to pay down amounts borrowed under our repurchase agreement with Annaly. We cannot assure you that Annaly will continue to provide us with such financing. If Annaly does not provide us with financing, we cannot assure you that we will be able to replace such financing. If we are not able to replace this financing, we could be forced to sell our assets at an inopportune time when prices are depressed.

We have entered into a RMBS repurchase agreement with RCap Securities, Inc., or RCap, a wholly-owned subsidiary of Annaly. This agreement contains customary representations, warranties and covenants contained in such agreements. As of May 19, 2009, we were borrowing $18.7 million under this repurchase agreement at an interest rate of 0.55%. Our RMBS repurchase agreement with RCap has a one-month term and is secured by the RMBS pledged under the agreement. We cannot assure you that RCap will continue to provide us with such financing. If RCap does not provide us with financing, we cannot assure you that we will be able to replace such financing.

Our Interest Rate Hedging and Risk Management Strategy

We may, from time to time, utilize derivative financial instruments to hedge all or a portion of the interest rate risk associated with our borrowings. Under the federal income tax laws applicable to REITs, we generally enter into certain transactions to hedge indebtedness that we incur, or plan to incur, to acquire or carry real estate assets.

Our Competitive Advantages

We believe that our competitive advantages include the following:

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

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

Credit-Oriented Investment Approach

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

Experienced Investment Advisor

Our Manager has a long history of strong performance across a broad range of fixed-income assets. Our Manager s most senior investment professionals have a long history of investing in a variety of mortgage and real estate-related securities and structuring and marketing CDOs. Our Manager is also acting as liquidating agent for a number of CDOs, and has competitive advantages as a result of its knowledge regarding the pipeline, values, supply and market participants for liquidations of CDOs because of its involvement in these liquidations. Investments will be overseen by an Investment Committee of our Manager s professionals, consisting of Michael A.J. Farrell, Wellington J. Denahan-Norris, James P. Fortescue, Kristopher Konrad, Rose-Marie Lyght, Ronald Kazel, Jeremy Diamond, Eric Szabo and Matthew Lambiase.

Access to Annaly s and Our Manager s Relationships

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

Access to Our Manager s Systems and Infrastructure

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

Alignment of Interests between Annaly, Our Manager and Our Investors

To date, Annaly has invested approximately $155.5 million in shares of our common stock. Immediately after this offering, Annaly will purchase in a private offering approximately 4.72 million shares, the maximum number of shares allowable to Annaly based on the size of its current ownership under NYSE rules without shareholder approval. Annaly will purchase these shares at the share price per share that we sell shares in our public offering. Annaly has agreed with us to lock-up such shares it acquires immediately after this offering in the private offering for three years from the date of this offering.

We believe that Annaly s investment aligns our Manager s interests with our interests.

Compliance with REIT and Investment Company Requirements

We monitor our investment securities and the income from these securities and, to the extent we enter into hedging transactions, we monitor income from our hedging transactions as well, so as to ensure at all times that we maintain our qualification as a REIT and our exempt status under the 1940 Act, which may include qualifying for an exemption from registration under the 1940 Act pursuant to Section 3(a)(1) or Section 3(a)(6) of the 1940 Act in addition to Section 3(c)(5)(C) of the 1940 Act.

Recent Developments

TALF

On November 25, 2008, the U.S. Treasury and the Federal Reserve announced the creation of the Term Asset-Backed Securities Loan Facility, or the TALF. Under the TALF, the Federal Reserve Bank of New York, or the FRBNY, provides non-recourse loans to borrowers to fund their purchase of eligible assets, which currently

includes certain ABS but not RMBS or CMBS. On March 23, 2009, the U.S. Treasury announced preliminary plans to expand the TALF to include non-Agency RMBS and CMBS. On May 1, 2009, the Federal Reserve provided more of the details as to how TALF is to be expanded to newly issued CMBS and explained that beginning in June 2009, up to $100 billion of TALF loans will be available to finance purchases of CMBS created on or after January 1, 2009. In addition to the ability of newly issued CMBS to become collateral under the TALF, on May 19, 2009, the Federal Reserve provided details on the types of legacy CMBS that is eligible to become collateral under the TALF. To become eligible collateral under the TALF, the legacy CMBS must issued before January 1, 2009 and must be senior in payment priority to all other interests in the underlying pool of commercial mortgages meet certain other criteria designed to protect the Federal Reserve and the U.S. Treasury from credit risk. Both newly issued CMBS and legacy CMBS must have at least two triple-A ratings from DBRS, Fitch Ratings, Moody s Investors Service, Realpoint, or Standard Poor s and must not have a rating below triple-A from any of these rating agencies to become eligible collateral under the TALF. To date, neither the FRBNY nor the U.S. Treasury has announced how the TALF will be expanded to cover non-Agency RMBS.

While we will consider utilizing the TALF program to the extent that it is feasible for us to do so and the nature of eligible assets is extended to fit within our investment strategy, we can provide no assurance that we will be eligible to do so, or if eligible, will be able to utilize it successfully.

Public-Private Investment Program

On March 23, 2009, the U.S. Treasury, in conjunction with the Federal Deposit Insurance Corporation, or FDIC, and the Federal Reserve, announced the establishment of the Public-Private Investment Program, or PPIP. The PPIP is designed to encourage the transfer of certain illiquid legacy real estate-related assets off of the balance sheets of financial institutions, restarting the market for these assets and supporting the flow of credit and other capital into the broader economy. The PPIP is expected to be $500 billion to $1 trillion in size and has two primary components: the Legacy Securities Program and the Legacy Loan Program. Under the Legacy Securities Program, Legacy Securities Public-Private Investment Funds, or PPIFs, will be established to purchase from financial institutions certain non-Agency RMBS and CMBS that were originally rated in the highest rating category by one or more of the nationally recognized statistical rating organizations. Under the Legacy Loan Program, Legacy Loan PPIFs will be established to purchase troubled loans (including residential and commercial mortgage loans) from insured depository institutions.

We are currently actively evaluating these programs to determine if they are appropriate in light of our investment strategy. As further details of these programs emerge, we may deem them appropriate in light of our investment strategy. We can provide no assurance, however, that we will be eligible to utilize these programs, or if eligible, will be able to utilize them successfully. Further, these programs are still in early stages of development and it is not possible for us to predict how these programs will impact our current or future investments.

Recent Legislative Action and Litigation

As delinquencies and defaults in residential mortgages increase, there has been an increasing amount of legislative action. For example, Congress has recently considered amendments to the federal bankruptcy laws to allow judges to modify residential mortgage loans with owner-occupant borrowers in Chapter 13 bankruptcy which could lead to reductions in interest rate and principal and extensions of term of residential mortgage loans and thereby could affect the return on the residential mortgage loan or RMBS secured by such residential mortgage loans. These proposals, if enacted, may negatively impact our business. In addition, state laws continue to be enacted that might restrict a residential mortgage loan servicer s ability to foreclose and resell the property of a customer in default. These laws delay the initiation or completion of foreclosure proceedings on specified types of residential mortgage loans, or otherwise limit the ability of residential mortgage loan servicers to take actions that may be essential to preserve the value of the mortgage loans on behalf of the holders of RMBS. These laws may negatively impact our business.

In May 2009, a securitizer of residential mortgage loans entered into a settlement agreement with the Commonwealth of Massachusetts stemming from its investigation of subprime lending and securitization markets. The securitizer agreed to provide loan restructuring (including significant principal write-downs) valued at approximately $50 million to Massachusetts borrowers of subprime loans and to make a $10 million payment to the Commonwealth. If other courts or regulators take similar actions, our business may be negatively impacted.

Amendment of Our Charter

On May 22, 2009, we amended our charter to raise the total number of authorized shares we are permitted to issue from 550,000,000 shares, of which 500,000,000 shares were classified as Common Stock and 50,000,000 shares were classified as Preferred Stock, to 1,100,000,000 shares. Our authorized capital stock now consists of 1,100,000,000 shares of capital stock, of which 1,000,000,000 shares are classified as Common Stock and 100,000,000 shares are classified as Preferred Stock. The amendment to our charter was approved by our board of directors on May 19, 2009.

Dividend

On May 21, 2009, we announced that our board of directors declared a second quarter cash distribution of $0.08 per share of our common stock. This dividend will be paid on July 31, 2009 to common shareholders of record on June 1, 2009. Common stock sold in this offering will not participate in this quarterly distribution. We have not yet completed our 2009 second quarter or our financial statements for the second quarter. Our Core Earnings per share for the second quarter could be different from our dividends per share. Core Earnings is a non-GAAP measure and is defined as GAAP net income (loss) excluding non-cash equity compensation expense, excluding any unrealized gains, losses or other items that do not affect realized net income (regardless of whether such items are included in other comprehensive income or loss, or in net income). GAAP is defined as accounting principles generally accepted in the United States.

Recent Offerings

On April 15, 2009, we announced the sale of 235,000,000 shares of our common stock at $3.00 per share for proceeds, less the underwriters discount and offering expenses, of approximately $674.8 million. Immediately following the sale of these shares, Annaly purchased 24,955,752 shares at the same price per share as the public offering, for proceeds of approximately $74.9 million. In addition, on April 16, 2009 the underwriters exercised the option to purchase up to an additional 35,250,000 shares of our common stock to cover over-allotments for proceeds, less the underwriters discount, of approximately $101.3 million. These sales were completed on April 21, 2009. We raised total net proceeds of approximately $851.0 million in these offerings. We have deployed all of the net proceeds of these offerings and used most of the net proceeds to purchase unlevered non-Agency RMBS and the remainder of the net proceeds to purchase Agency RMBS using what we believe to be a modest amount of leverage.

Corporate Information

Our principal executive offices are located at 1211 Avenue of Americas, Suite 2902, New York, New York 10036. Our telephone number is 1-866-315-9930. Our website is http://www.chimerareit.com. The contents of our website are not a part of this prospectus supplement or the accompanying prospectus. We have included our website address only as an inactive textual reference and do not intend it to be an active link to our website.

Summary Financial Information

The following table presents summary financial data as of and for the period indicated. We derived the summary financial data from our audited consolidated financial statements for the period from November 21, 2007 (commencement of operations) through December 31, 2007 and for the fiscal year ended December 31, 2008 and our unaudited consolidated financial statements for the three months ended March 31, 2009 and 2008. The following summary financial information should be read in conjunction with our more detailed information contained in the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009, which are incorporated by reference into the accompanying prospectus and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009, which are incorporated by reference into the accompanying prospectus.

	As of March 31,		As of December 31,	
	2009	2008	2008	2007
	(dollars in thousands, except share and per share data)			
Statement of Financial Condition Highlights				
Mortgage-backed securities	$ 1,085,792	$ 1,229,780	$ 855,467	$ 1,124,290
Loans held for investment		$ 361,594		$ 162,371
Securitized loans	$ 565,895		$ 583,346	
Total assets	$ 1,676,048	$ 1,910,044	$ 1,477,501	$ 1,565,636
Repurchase agreements	$ 559,926	$ 1,439,534	$ 562,119	$ 270,584
Securitized debt	$ 473,168		$ 488,743	
Total liabilities	$ 1,243,222	$ 1,490,732	$ 1,063,046	$ 1,026,747
Stockholders equity	$ 432,826	$ 419,312	$ 414,455	$ 538,889
Book value per share	$ 2.44	$ 11.11	$ 2.34	$ 14.29
Number of shares outstanding	177,196,945	37,744,918	177,198,212	37,705,563

	For the three months ended March 31, 2009	For the three months ended March 31, 2008	For the year ended December 31, 2008	For the period November 21, 2007 through December 31, 2007
	(dollars in thousands, except share and per share data)			
Statement of Operations Highlights				
Net interest income	$ 18,965	$ 14,172	$ 44,715	$ 3,077
Net income (loss)	$ 18,869	($ 54,935)	($ 119,809)	($ 2,906)
Earnings per share, or EPS (basic)	$ 0.11	($ 1.46)	($ 1.90)	($ 0.08)
EPS (diluted)	$ 0.11	($ 1.46)	($ 1.90)	($ 0.08)
Weighted average shares basic	177,196,959	37,744,486	63,155,878	37,401,737
Weighted average shares diluted	177,196,959	37,744,486	63,155,878	37,401,737
Taxable income per share (1)	$ 0.09	$ 0.27	$ 0.62	$ 0.030
Dividend declared per share (2)	$ 0.06	$ 0.26	$ 0.62	$ 0.025
Other Data(3)				
Yield on average interest earning assets	6.44%	6.63%	5.96%	7.02%
Cost of funds on average interest bearing liabilities	3.48%	4.23%	4.64%	5.08%
Interest rate spread	2.96%	2.40%	1.32%	1.94%
G&A and management fee expense as percentage of average total assets	0.94%	1.10%	0.85%	1.55%
G&A and management fee expense as percentage of average equity	3.51%	4.00%	3.50%	3.05%

(1) See reconciliation on the following page of non-GAAP financial measurements to GAAP financial measurements.

(2) For the applicable period.

(3) Data for the period November 21, 2007 through December 31, 2007 is provided on an annualized basis.

Reconciliation of non-GAAP financial measurements to GAAP financial measurements

As a REIT, we are required to distribute to our shareholders substantially all of our REIT taxable income in the form of dividends. Accordingly, we believe taxable income per share is a meaningful financial measurement for investors and management in assessing our performance. A reconciliation of REIT taxable income per share to GAAP EPS (basic) follows:

Reconciliation of REIT Taxable Income Per Share to GAAP EPS

	For the three months ended March 31, 2009	For the three months ended March 31, 2008	For the year ended December 31, 2008	For the period November 21, 2007 through December 31, 2007
GAAP EPS	$ 0.11	($ 1.46)	($ 1.90)	($ 0.08)
Unrealized loss on interest rate swaps		$ 0.83	$ 0.07	$ 0.11
Realized (gain) loss on sales of investments	($ 0.02)	$ 0.87	$ 2.45	
Other book-to-tax differences		$ 0.03		
REIT taxable income per share	$ 0.09	$ 0.27	$ 0.62	$ 0.03

The Offering

Issuer	Chimera Investment Corporation
Common stock offered by us	168,000,000 shares (plus up to an additional 25,200,000 shares of our common stock that we may issue and sell upon the exercise of the underwriters overallotment option).
Common stock to be outstanding after this offering	645,125,786 shares, based upon 472,401,769 shares of common stock outstanding as of May 22, 2009. Does not include up to an additional 25,200,000 shares of our common stock that we may issue and sell upon the exercise of the underwriters overallotment option. Includes 1,127,875 shares of our restricted common stock granted pursuant to our equity incentive plan that were unvested as of March 31, 2009. Includes 4,724,017 shares to be sold to Annaly immediately after this offering.
NYSE symbol	CIM
Use of proceeds	We intend to invest the net proceeds of this offering primarily in non-Agency RMBS, Agency RMBS, prime and Alt-A mortgage loans, CMBS, CDOs, and other consumer or non-consumer ABS. Our investment portfolio at March 31, 2009 was weighted toward RMBS. After the consummation of this offering, we expect that over the near term our investment portfolio will continue to be weighted toward RMBS, subject to maintaining our REIT qualification and our 1940 Act exemption. Until appropriate investments can be identified, our Manager may invest these funds in interest-bearing short-term investments, including money market accounts, which are consistent with our treatment as a REIT. These investments are expected to provide a lower net return than we hope to achieve from investments in our intended use of proceeds of this offering. In addition, until appropriate investments can be found, we may also utilize the net proceeds to pay down amounts borrowed under our repurchase agreement with Annaly. See Use of Proceeds.
Risk factors	Investing in our common stock involves a high degree of risk. You should carefully read and consider the information set forth under Risk Factors and all other information in this prospectus supplement, in the accompanying prospectus, and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009, which are incorporated by reference in the accompanying prospectus, before investing in our common stock.

RISK FACTORS

In evaluating an investment in our common stock, you should carefully consider the risks set forth under the caption Risk Factors in this prospectus supplement, in the accompanying prospectus, and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009, which are incorporated by reference in the accompanying prospectus.

Continued adverse developments in the broader residential mortgage market may adversely affect the value of the assets in which we invest.

In 2008 and so far in 2009, the residential mortgage market in the United States has experienced a variety of difficulties and changed economic conditions, including defaults, credit losses and liquidity concerns. Certain commercial banks, investment banks and insurance companies have announced extensive losses from exposure to the residential mortgage market. These losses have reduced financial industry capital, leading to reduced liquidity for some institutions. These factors have impacted investor perception of the risk associated with RMBS, residential mortgage loans, real estate-related securities and various other asset classes in which we invest. As a result, values for RMBS, residential mortgage loans, real estate-related securities and various other asset classes in which we invest have experienced a certain amount of volatility. Further increased volatility and deterioration in the broader residential mortgage and RMBS markets may adversely affect the performance and market value of our investments.

Any decline in the value of our investments, or perceived market uncertainty about their value, would likely make it difficult for us to obtain financing on favorable terms or at all, or maintain our compliance with terms of any financing arrangements already in place. The RMBS in which we invest are classified for accounting purposes as available-for-sale. All assets classified as available-for-sale are reported at fair value with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders equity. As a result, a decline in fair values may reduce the book value of our assets. Moreover, if the decline in fair value of an available-for-sale security is other-than-temporarily impaired, such decline will reduce earnings. If market conditions result in a decline in the fair value of our RMBS, our financial position and results of operations could be adversely affected.

The lack of liquidity in our investments may adversely affect our business.

We may invest in securities or other instruments that are not liquid. It may be difficult or impossible to obtain third party pricing on the investments we purchase. Turbulent market conditions, such as those currently in effect, could significantly and negatively impact the liquidity of our assets. Illiquid investments typically experience greater price volatility as a ready market does not exist and can be more difficult to value. In addition, validating third party pricing for illiquid investments may be more subjective than more liquid investments. The illiquidity of our investments may make it difficult for us to sell such investments if the need or desire arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which could adverse