

CHIMERA INVESTMENT CORP  
Form SC 13D/A  
October 21, 2008

=====

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 13D  
Under the Securities and Exchange Act of 1834

(Amendment No. 4)

Chimera Investment Corporation

-----  
(Name of Issuer)

Common Stock, par value \$.01 per share

-----  
(Title of Class of Securities)

16934Q109

-----  
(CUSIP Number)

Allison Bennington, Esq.  
ValueAct Capital  
435 Pacific Avenue, Fourth Floor  
San Francisco, CA 94133  
(415) 362-3700

-----  
(Name, address and telephone number of Person  
Authorized to Receive Notices and Communications)

Christopher G. Karras, Esq.  
Dechert LLP  
Cira Centre  
2929 Arch Street  
Philadelphia, PA 19104-2808  
(215) 994-4000

October 21, 2008

-----  
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box [ ].

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 240.13d-7 for other parties to whom copies are to be sent.

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

This information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1834 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see

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the Notes).

SCHEDULE 13D

CUSIP NO. 16934Q109

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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (entities only)

ValueAct Capital Master Fund III, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a)   
(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS (See Instructions)\*

WC\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6. CITIZENSHIP OR PLACE OF ORGANIZATION

British Virgin Islands

|               |                              |
|---------------|------------------------------|
|               | 7. SOLE VOTING POWER         |
|               | 0                            |
| NUMBER OF     | 8. SHARED VOTING POWER       |
| SHARES        | 4,532,628**                  |
| BENEFICIALLY  | 9. SOLE DISPOSITIVE POWER    |
| OWNED BY EACH | 0                            |
| PERSON WITH   | 10. SHARED DISPOSITIVE POWER |
|               | 4,532,628**                  |

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

4,532,628\*\*

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

11.6%

14. TYPE OF REPORTING PERSON

PN

\*See Item 3

\*\*See Items 2 and 5

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SCHEDULE 13D

CUSIP NO. 16934Q109

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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (entities only)

VA Partners III, LLC

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a)   
(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS\*

00\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

|               |                              |
|---------------|------------------------------|
|               | 7. SOLE VOTING POWER         |
|               | 0                            |
| NUMBER OF     | 8. SHARED VOTING POWER       |
| SHARES        | 4,532,628**                  |
| BENEFICIALLY  |                              |
| OWNED BY EACH | 9. SOLE DISPOSITIVE POWER    |
| PERSON WITH   | 0                            |
|               | 10. SHARED DISPOSITIVE POWER |
|               | 4,532,628**                  |

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13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

11.6%

14. TYPE OF REPORTING PERSON

00 (LLC)

\*See Item 3

\*\*See Items 2 and 5

SCHEDULE 13D

CUSIP NO. 16934Q109

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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (entities only)

ValueAct Capital Management, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a)  (b)

3. SEC USE ONLY

4. SOURCE OF FUNDS\*

00\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

|               |                              |
|---------------|------------------------------|
|               | 7. SOLE VOTING POWER         |
|               | 0                            |
| NUMBER OF     | 8. SHARED VOTING POWER       |
| SHARES        | 4,532,628**                  |
| BENEFICIALLY  |                              |
| OWNED BY EACH | 9. SOLE DISPOSITIVE POWER    |
| PERSON WITH   | 0                            |
|               | 10. SHARED DISPOSITIVE POWER |
|               | 4,532,628**                  |

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14. TYPE OF REPORTING PERSON

PN

\*See Item 3

\*\*See Items 2 and 5

SCHEDULE 13D

CUSIP NO. 16934Q109

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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (entities only)

ValueAct Capital Management, LLC

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2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a)   
(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS\*

00\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

|   |                              |             |
|---|------------------------------|-------------|
|   | 7. SOLE VOTING POWER         | 0           |
| NUMBER OF<br>SHARES<br>BENEFICIALLY<br>OWNED BY EACH<br>PERSON WITH | 8. SHARED VOTING POWER       | 4,532,628** |
|   | 9. SOLE DISPOSITIVE POWER    | 0           |
|   | 10. SHARED DISPOSITIVE POWER | 4,532,628** |

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11.6%

14. TYPE OF REPORTING PERSON

00 (LLC)

\*See Item 3

\*\*See Items 2 and 5

SCHEDULE 13D

CUSIP NO. 16934Q109

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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. INDENTIFICATION NO. OF ABOVE PERSON (entities only)

ValueAct Holdings, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\* (a)   
(b)

3. SEC USE ONLY

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4. SOURCE OF FUNDS\*

00\*

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e) [ ]

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7. SOLE VOTING POWER  
0

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY EACH  
PERSON WITH

8. SHARED VOTING POWER  
4,532,628\*\*

9. SOLE DISPOSITIVE POWER  
0

10. SHARED DISPOSITIVE POWER  
4,532,628\*\*

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

4,532,628\*\*

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES  
CERTAIN SHARES [x]

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

11.6%

14. TYPE OF REPORTING PERSON

PN

\*See Item 3

\*\*See Items 2 and 5

SCHEDULE 13D

CUSIP NO. 16934Q109

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1. NAME OF REPORTING PERSON/S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE  
PERSON (entities only)

ValueAct Holdings GP, LLC

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\*

(a) [X]

(b) [ ]

3. SEC USE ONLY

4. SOURCE OF FUNDS\*

00\*

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5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) or 2(e) [ ]

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

|               |                              |             |
|---------------|------------------------------|-------------|
|               | 7. SOLE VOTING POWER         | 0           |
| NUMBER OF     | 8. SHARED VOTING POWER       | 4,532,628** |
| SHARES        |                              |             |
| BENEFICIALLY  | 9. SOLE DISPOSITIVE POWER    | 0           |
| OWNED BY EACH |                              |             |
| PERSON WITH   | 10. SHARED DISPOSITIVE POWER | 4,532,628** |

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4,532,628\*\*

12. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES  
CERTAIN SHARES [x]

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

11.6%

14. TYPE OF REPORTING PERSON

00 (LLC)

\*See Item 3

\*\*See Items 2 and 5

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THE PURPOSE OF THIS AMENDMENT NO. 4 TO SCHEDULE 13D IS TO AMEND THE OWNERSHIP REPORTS OF THE REPORTING PERSONS AND TO AMEND THE PURPOSE OF TRANSACTION SECTION. THE INFORMATION BELOW SUPPLEMENTS THE INFORMATION PREVIOUSLY PROVIDED.

Item 4. Purpose of Transaction

On October 21, 2008, the Reporting Persons sent a letter (the "Letter") to the Board of Directors of the Issuer, expressing the Reporting Persons' strong disapproval of the Issuer's proposed dilutive stock offering. A copy of the Letter is attached as Exhibit 2 to this report and is incorporated herein by reference.

Item 7. Material to Be Filed as Exhibits

(1) Joint Filing Agreement.

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(2) Letter from Reporting Persons to Issuer's Board of Directors dated October 21, 2008.

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SIGNATURE

After reasonable inquiry and to the best of his knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below on this Schedule 13D hereby constitutes and appoints Jeffrey W. Ubben, George F. Hamel, Jr., G. Mason Morfit and Allison Bennington, and each of them, with full power to act without the other, his or its true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or it and in his or its name, place and stead, in any and all capacities (until revoked in writing) to sign any and all amendments to this Schedule 13D, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary fully to all intents and purposes as he or it might or could do in person, thereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

ValueAct Capital Master Fund III L.P., by  
VA Partners III, LLC, its General Partner

By: /s/ George F. Hamel, Jr.  
-----

Dated: October 21, 2008

George F. Hamel, Jr., Chief Operating Officer

VA Partners III, LLC

By: /s/ George F. Hamel, Jr.  
-----

Dated: October 21, 2008

George F. Hamel, Jr., Chief Operating Officer

ValueAct Capital Management, L.P., by  
ValueAct Capital Management, LLC its  
General Partner

By: /s/ George F. Hamel, Jr.  
-----

Dated: October 21, 2008

George F. Hamel, Jr., Chief Operating Officer

ValueAct Capital Management, LLC

By: /s/ George F. Hamel, Jr.  
-----

Dated: October 21, 2008

George F. Hamel, Jr., Chief Operating Officer



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CUSIP NO. 16934Q109  
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ValueAct Holdings, L.P., by  
ValueAct Holdings GP, LLC, its  
General Partner

By: /s/ George F. Hamel, Jr.  
-----

Dated: October 21, 2008

George F. Hamel, Jr., Chief Operating Officer

ValueAct Holdings GP, LLC

By: /s/ George F. Hamel, Jr.  
-----

Dated: October 21, 2008

George F. Hamel, Jr., Chief Operating Officer

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CUSIP NO. 16934Q109  
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Exhibit 1

JOINT FILING UNDERTAKING

The undersigned parties hereby agree that the Schedule 13D filed herewith (and any amendments thereto) relating to the Common Stock of Chimera Investment Corporation is being filed jointly on behalf of each of them with the Securities and Exchange Commission pursuant to Section 13(d) of the Securities Exchange Act of 1834, as amended.

ValueAct Capital Master Fund III L.P., by  
VA Partners III, LLC, its General Partner

By: /s/ George F. Hamel, Jr.  
-----

Dated: October 21, 2008

George F. Hamel, Jr., Chief Operating Officer

VA Partners III, LLC

By: /s/ George F. Hamel, Jr.  
-----

Dated: October 21, 2008

George F. Hamel, Jr., Chief Operating Officer

ValueAct Capital Management, L.P., by  
ValueAct Capital Management, LLC its  
General Partner

By: /s/ George F. Hamel, Jr.  
-----

Dated: October 21, 2008

George F. Hamel, Jr., Chief Operating Officer

ValueAct Capital Management, LLC

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By: /s/ George F. Hamel, Jr.  
-----

Dated: October 21, 2008

George F. Hamel, Jr., Chief Operating Officer

ValueAct Holdings, L.P., by  
ValueAct Holdings GP, LLC, its  
General Partner

By: /s/ George F. Hamel, Jr.  
-----

Dated: October 21, 2008

George F. Hamel, Jr., Chief Operating Officer

ValueAct Holdings GP, LLC

By: /s/ George F. Hamel, Jr.  
-----

Dated: October 21, 2008

George F. Hamel, Jr., Chief Operating Officer

-----  
CUSIP NO. 16934Q109

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Exhibit 2

October 21, 2008

VIA FACSIMILE

The Board of Directors  
Chimera Investment Corporation  
1211 Avenue of the Americas, Suite 2902  
New York, NY 10036

Dear Sirs,

As owners of over 11.6% of existing Chimera shares through ValueAct Capital Master Fund III, L.P., ValueAct Capital believes the proposed massively dilutive offering of 250 million new Chimera shares at a significant discount to current book value is misguided and exhibits complete disregard for current Chimera shareholders.

After meeting with management, we agreed with the thesis that there is a significant opportunity to buy low-risk mortgage assets at a significant discount because of technical market dislocations. In fact, that same thesis was the impetus behind our current ownership of Chimera. However, by essentially forcing a sale of existing Chimera equity at a significant discount to book, you are subjecting existing shareholders to the same market squeeze you plan on exploiting with the new capital. We are disappointed that a more thoughtful approach is not being pursued to better protect existing, and in our case specifically, loyal Chimera shareholders. Management was proactive in the third quarter to deleverage the portfolio, and we believe that any opportunistic capital raise should be through a much smaller, mildly dilutive offering.

Simply put, Chimera shareholders are being asked to accept permanent and massive dilution, as the company attempts to sell 250 million shares on a base of 36 million existing, at the worst possible time to be a seller. We characterize this offering as one of laziness and conflicts of interest, considering the initial prospectus was filed on June 3, 2008 when Chimera's stock was roughly \$13 while now the company is prepared to print a hugely

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upsized deal at \$3 to \$4 per share. A more measured approach would still enable the company to pursue business opportunities while protecting existing shareholders.

In conclusion, we urge Chimera's Board and management team to re-think the timing and magnitude of this proposed offering.

Sincerely,

Jeffrey W. Ubben  
Chief Executive Officer  
ValueAct Capital