

ANTHRACITE CAPITAL INC
Form 424B3
April 25, 2008

Filed pursuant to Rule 424(b)(3)
Registration Statement No. 333-149915

PROSPECTUS

\$80,000,000 Aggregate Principal Amount of 11.75% Convertible Senior Notes due 2027
and the Shares of Common Stock Issuable upon Conversion of the Notes

On August 29, 2007, we issued \$60,000,000 in aggregate principal amount of 11.75% senior convertible notes due 2027 (the "notes") in a private offering. Pursuant to the exercise of an option granted to the initial purchasers, on September 10, 2007, we issued an additional \$20,000,000 in aggregate principal amount of the notes. This prospectus relates to the resale by various selling securityholders of the notes and shares of our common stock issuable upon conversion of the notes. We will not receive any of the proceeds from these resales.

The notes bear interest at a rate of 11.75% per annum. Interest is payable on the notes on September 1 and March 1 of each year, beginning on March 1, 2008. The notes mature on September 1, 2027 unless earlier converted, redeemed or repurchased by us. Holders may require us to repurchase some or all of their notes on September 1, 2012, September 1, 2017 and September 1, 2022, and at any time following certain fundamental change transactions as described in this prospectus. We may redeem the notes for cash in whole or in part at any time on or after September 1, 2012, or earlier if necessary to preserve our status as a REIT, at 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest (including additional amounts, if any).

Holders may convert their notes into cash and shares of our common stock, if any, at an initial conversion rate of 92.7085 shares per \$1,000 principal amount of notes (equal to an initial conversion price of approximately \$10.79 per share), subject to adjustment upon certain events, under the following circumstances: (1) during specified periods, if the price of our common stock reaches specified thresholds described in this prospectus; (2) if the trading price of the notes is below a specified threshold; (3) at any time on or after April 1, 2027; (4) upon the occurrence of certain corporate transactions described in this prospectus; or (5) in the case of notes called for redemption, at any time prior to the close of business on the business day prior to the redemption date.

Upon conversion, we will deliver cash equal to the lesser of the aggregate principal amount of notes to be converted and our total conversion obligation and shares of our common stock in respect of the remainder, if any, of our conversion obligation (unless we have elected to deliver only shares of our common stock). If certain fundamental change transactions occur prior to September 1, 2012, we will increase the conversion rate for any notes converted in connection with those fundamental changes by a number of additional shares of common stock. For a more detailed

description of the notes, see “Description of Notes” beginning on page 23.

Our common stock is listed on The New York Stock Exchange under the symbol “AHR.” The closing sale price of our common stock on The New York Stock Exchange on April 15, 2008 was \$7.19 per share. The notes are not listed on any securities exchange or included in any automatic quotation system.

Investing in the notes or our common stock issuable upon conversion of the notes involves risks that are described in the “Risk Factors” section of this prospectus beginning on page 6 and the risk factors incorporated herein by reference from our annual and quarterly reports filed with the Securities and Exchange Commission, or SEC.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS OR ANY ACCOMPANYING PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is April 16, 2008

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ADDITIONAL INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may inspect without charge any documents filed by us at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain copies of all or any part of these materials from the SEC upon the payment of certain fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC also maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. Our filings with the SEC are available to the public through the SEC's website at <http://www.sec.gov>.

The SEC allows us to "incorporate by reference" documents we file with the SEC into this prospectus, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered part of this prospectus. Any statement in this prospectus or incorporated by reference into this prospectus shall be automatically modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in a subsequently filed document that is incorporated by reference into this prospectus modifies or supersedes such prior statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We incorporate by reference into this prospectus the documents listed below and all documents we subsequently file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, after the date of this prospectus and until the selling securityholders named herein have sold all of the notes to which this prospectus relates.

- Our Annual Report on Form 10-K for the year ended December 31, 2007, filed on March 13, 2008;
- Our Current Reports on Form 8-K filed on January 31, 2008, February 21, 2008, March 4, 2008, March 7, 2008 and April 16, 2008; and
- The description of our common stock included in our registration statement on Form 8-A, filed on March 9, 1998.

These documents are available at <http://www.sec.gov>.

You may request a copy of these filings, at no cost, by writing or telephoning us at:

Anthracite Capital, Inc.
40 East 52nd Street
New York, New York 10022
Telephone: (212) 810-3333

You should rely only upon the information provided in this document, or incorporated in this document by reference. We have not authorized anyone to provide you with different information. You should not assume that the information in this document, including any information incorporated by reference, is accurate as of any date other than the date indicated on the front cover.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference in this prospectus include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Exchange Act with respect to future financial or business performance, strategies or expectations.

Forward-looking statements are typically identified by words or phrases such as “trend,” “opportunity,” “pipeline,” “believe,” “comfortable,” “expect,” “anticipate,” “current,” “intention,” “estimate,” “position,” “assume,” “potential,” “outlook,” “maintain,” “sustain,” “seek,” “achieve” and similar expressions, or future or conditional verbs such as “will,” “would,” “could,” “may” or similar expressions. We caution that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Actual results could differ materially from those anticipated in forward-looking statements, and future results could differ materially from historical performance.

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In addition to factors previously disclosed in our SEC reports and those identified elsewhere in this prospectus, the following factors, among others, could cause actual results to differ materially from those anticipated in forward-looking statements or historical performance:

- | | |
|---|-------------------------|
| introduction, withdrawal, success and timing of business initiatives and strategies; | 1. the |
| political, economic or industry conditions, the interest rate environment or financial and capital markets, which could result in changes in the value of our assets; | 2. changes in |
| absolute investment performance and operations of BlackRock Financial Management, Inc., our manager; | 3. the relative and |
| increased competition; | 4. the impact of |
| future acquisitions and divestitures; | 5. the impact of |
| resolution of legal proceedings; | 6. the unfavorable |
| legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies relating to us or our manager; | 7. the impact of |
| and international hostilities, which may adversely affect the general economy, domestic and global financial and capital markets, specific industries and us; | 8. terrorist activities |
| manager to attract and retain highly talented professionals; | 9. the ability of our |
| foreign currency exchange rates; and | 10. fluctuations in |
| changes to tax legislation and, generally, our tax position. | 11. the impact of |

Our Annual Report on Form 10-K for the year ended December 31, 2007 and our subsequent reports filed with the SEC, accessible on the SEC's website at <http://www.sec.gov>, identify additional factors that can affect forward-looking statements.

Forward-looking statements speak only as of the date they are made. Except as required under the federal securities laws and the rules and the regulations of the SEC, we do not undertake, and specifically disclaim any obligation, to release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus. Because it is a summary, it does not include all of the information you should consider before deciding to purchase any notes or shares of common stock in this offering. Please review this entire prospectus and the documents incorporated by reference herein, including the risk factors discussed below, before you to decide to purchase any notes or shares of common stock issuable upon conversion of the notes. In this prospectus, unless otherwise indicated, “Anthracite,” the “Company,” “we,” “us” and “our” to Anthracite Capital, Inc. and its subsidiaries.

Anthracite Capital, Inc.

We are a specialty finance company that invests in commercial real estate assets on a global basis. We seek to generate income from the spread between the interest income, gains and net operating income on our commercial real estate assets and the interest expense from borrowings to finance our investments. Our primary activities are investing in high yielding commercial real estate debt and equity. We combine traditional real estate underwriting and capital markets expertise to maximize the opportunities arising from the continuing integration of these two disciplines. We focus on acquiring pools of performing loans in the form of commercial mortgage-backed securities (“CMBS”), issuing secured debt backed by CMBS and providing strategic capital for the commercial real estate industry in the form of mezzanine loan financing. We also began investing in diversified portfolios of commercial real estate in the United States during December 2005.

Our primary investment activities are conducted in three investment sectors: (i) commercial real estate securities, (ii) commercial real estate loans and (iii) commercial real estate equity. The commercial real estate securities portfolio provides diversification and high yields that are adjusted for anticipated losses over a period of time (typically, a ten-year weighted average life) and can be financed through the issuance of secured debt that matches the life of the investment. Commercial real estate loans and equity provide attractive risk adjusted returns over shorter periods of time through strategic investments in specific property types or regions.

We are a Maryland corporation, managed by BlackRock Financial Management, Inc., or the manager, a subsidiary of BlackRock, Inc., or BlackRock. The manager provides an operating platform that incorporates significant asset origination, risk management and operational capabilities. We commenced operations on March 24, 1998. We are organized and conduct our operations in a manner intended to qualify as a real estate investment trust, or REIT, for federal income tax purposes. We have adopted compliance guidelines, including restrictions on acquiring, holding, and selling assets, to ensure that we meet the requirements for qualification as a REIT. Our charter also contains restrictions on ownership of our common stock to assist us in maintaining our qualification as a REIT. See “Federal Income Tax Considerations” and “Risk Factors.”

Our principal executive offices are located at 40 East 52nd Street, New York, New York 10022, and our telephone number is (212) 810-3333. Our website is <http://www.anthracitecapital.com>. The information on our website is not considered part of this prospectus. Copies of the documents referred to in this prospectus and all documents incorporated by reference herein (other than the exhibits to such documents unless the exhibits are specifically incorporated herein by reference in the documents that this prospectus incorporate by reference) may be obtained without charge upon written or oral request to Anthracite Capital, Inc. at the address and telephone number under “Additional Information.”

About the Manager

BlackRock is one of the world's largest publicly traded (NYSE:BLK) investment management firms. As of December 31, 2007, its assets under management were approximately \$1.357 trillion. BlackRock manages assets on behalf of institutions and individuals worldwide through a variety of

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equity, fixed income, cash management and alternative investment products. Merrill Lynch & Co., Inc., or Merrill Lynch, has an approximate 45.15% stake in BlackRock's equity while The PNC Financial Services Group, Inc., or PNC, has an approximate 35.5% stake. The remaining approximate 19% is held by BlackRock employees and the public. We may transact business, including the purchase of mortgage pools, with either Merrill Lynch or PNC.

The Notes

The summary below highlights information contained elsewhere in this prospectus. This summary is not a complete description of the notes. You should read the full text and more specific details contained elsewhere in this prospectus. For a more detailed description of the notes and the common stock issuable upon conversion of the notes, see the section entitled "Description of Notes" and "Description of Capital Stock" in this prospectus. As used in this section, references to the "Company," "we," "us" and "our" refer only to Anthracite Capital, Inc. and do not include its subsidiaries

	Issuer
Anthracite Capital, Inc.	
of 11.75% Convertible Senior Notes due 2027.	Notes Offered \$80,000,000 aggregate principal amount
redeemed or repurchased.	Maturity September 1, 2027, unless earlier converted,

Ranking The notes are our general unsecured obligations and rank equally with all of our existing and future senior debt and senior to all of our subordinated debt. The notes are structurally subordinated to all existing and future liabilities of our subsidiaries and are effectively subordinated to our existing and future secured indebtedness.

As of December 31, 2007,

- we had \$242.5 million of senior, unsecured indebtedness (including \$80.0 million aggregate principal amount of the notes originally issued in private placements on August 29, 2007 and September 10, 2007);
- we had \$3.8 billion of secured indebtedness and had approximately \$300.8 million of secured debt that could be incurred under our secured credit facilities; and
- our subsidiaries had \$3.7 billion of indebtedness and other liabilities, including trade and other payables but excluding intercompany amounts.

Interest

The notes bear interest at an annual rate of 11.75%. Interest on the notes is payable semi-annually in arrears on September 1 and March 1 of each year, beginning March 1, 2008.

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Conversion Rights Holders may convert their notes into cash and shares of our common stock, if any, at an initial conversion rate of 92.7085 shares per \$1,000 principal amount of notes (equal to an initial conversion price of approximately \$10.79 per share) subject to adjustments upon certain events. The notes are convertible, prior to the close of business on the business day immediately preceding the stated maturity, only under the following circumstances:

- during any fiscal quarter commencing after the fiscal quarter ending September 30, 2007 if the closing sale price per share of our common stock is greater than 130% of the applicable conversion price for at least 20 trading days in the 30-consecutive-trading-day period ending on the last trading day of the preceding fiscal quarter;
- during the five-business-day-period following any five-consecutive-trading-day period in which the trading price of the notes for each day of such period was less than 98% of the product of the closing sale price per share of our common stock and the conversion rate in effect for the notes on each such day;
- in the case of notes called for redemption, at any time prior to the close of business one business day prior to the redemption date for the notes;
- at any time on or after April 1, 2027 until the close of business on the business day immediately preceding the stated maturity; or
- upon the occurrence of specified corporate transactions described under “Description of Notes — Conversion Rights — Conversion upon Specified Corporate Transactions.”

The initial conversion rate will be adjusted for certain events, but it will not be adjusted for accrued interest (or additional amounts, if any). Holders will not receive any cash payment or additional shares representing accrued and unpaid interest (or additional amounts, if any) upon conversion of a note, except in limited circumstances. Instead, interest (including additional amounts, if any) will be deemed paid by the cash and common stock, if any, delivered to such holder upon conversion.

- Upon a surrender of notes for conversion, we will deliver:
- cash equal to the lesser of the aggregate principal amount of notes to be converted and our total conversion obligation; and
 - shares of our common stock in respect of the remainder, if any, of our conversion obligation

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as described under “Description of Notes — Conversion Rights — Payment upon Conversion,” unless we have elected to satisfy our obligation upon such conversion by delivering only shares of our common stock as described under “Description of Notes — Conversion Rights — Option to Irrevocably Elect to Satisfy Future Conversion Obligations in Common Stock.”

If a holder elects to convert its notes in connection with certain fundamental change transactions described below under “Description of Notes — Conversion Rights — Make-Whole Amount” prior to September 1, 2012, we will increase the conversion rate by a number of additional shares of common stock as described under “Description of Notes — Conversion Rights — Make-Whole Amount.”

Redemption We will have the right to redeem the notes for cash in whole or in part, at any time or from time to time, (i) on or after September 1, 2012, or (ii) to preserve our status as a REIT, at 100% of the principal amount of the notes to be redeemed, plus any accrued and unpaid interest (including additional amounts, if any) as described under “Description of Notes — Redemption at Our Option.”

Repurchase at the Option of the Holder Holders have the right to require us to repurchase their notes, in whole or in part, on September 1, 2012, September 1, 2017 and September 1, 2022 for a cash price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest (including additional amounts, if any) as described under “Description of Notes — Repurchase Rights.”

Repurchase upon Fundamental Change If we undergo certain fundamental change transactions, holders have the right, subject to certain conditions, to require us to repurchase their notes for cash, in whole or in part, at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest (including additional amounts, if any) as described under “Description of Notes — Repurchase of Notes by Us at Option of Holder upon a Fundamental Change” (which includes the definition of the term “fundamental change”).

Ownership Limit In order to assist us in maintaining our qualification as a REIT for U.S. federal income tax purposes, no person may own, or be deemed to own by virtue of the attribution rules of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code” or the “Code”), more than 9.8% of the value of our outstanding capital stock, subject to certain exceptions. Notwithstanding any other provision

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of the notes, no holder of notes is entitled to convert such notes for our common stock to the extent that receipt of our common stock would cause the holder (together with the holder's affiliates) to exceed the ownership limit contained in our charter. See "Federal Income Tax Considerations" and "Risk Factors — Restrictions on ownership of our common stock may inhibit market activity."

Trading

The notes issued in the initial private placements have been eligible for trading in the PORTALsm Market. However, the notes resold and shares of our common stock issued pursuant to this prospectus will no longer be eligible for trading in the PORTALsm Market. We do not intend to list the notes on any securities exchange.

NYSE

Symbol for Our Common

Stock Our common stock is listed on The New York Stock Exchange under the symbol "AHR."

Use of

Proceeds The selling securityholders will receive all the proceeds from the sale under this prospectus of the notes and common stock issuable upon conversion of the notes. We will not receive any proceeds from these sales.

Trust,

Paying Agent and Conversion Agent Wells Fargo Bank, N.A.

Book-Entry Form The notes were issued in fully registered book-entry form and are represented by a permanent fully registered global note without coupons deposited with the trustee, as custodian for the Depository Trust Company, or DTC. Beneficial interests in any of the notes are shown on, and transfers thereof will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated notes except in limited circumstances. See "Description of Notes — Book-Entry Delivery and Settlement."

Risk Factors You should carefully consider the information set forth under the heading "Risk Factors" in this prospectus and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as well as the other information included in or incorporated by reference into this prospectus before deciding whether to invest in the notes or the common stock into which the notes, in certain circumstances, are convertible.

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RISK FACTORS

An investment in our notes and the common stock issuable upon conversion of the notes involves a high degree of risk. You should carefully consider the following information, together with the other information contained in this prospectus and other documents that are incorporated by reference into this prospectus, including the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2007, before making a decision to invest in the notes and the common stock into which the notes, in certain circumstances, are convertible.

Risks Related to the Notes and Our Common Stock

An active trading market may not develop for the notes. The failure of a market to develop for the notes could adversely affect the liquidity and value of holders’ notes.

We issued the notes on August 23, 2007 and September 10, 2007 to Banc of America Securities LLC and Deutsche Bank Securities Inc., which we refer to as the “initial purchasers,” in a private placement. The initial purchasers then sold the notes to persons reasonably believed by the initial purchasers to be “qualified institutional buyers,” as defined by Rule 144A under the Securities Act. Prior to this offering there was no trading market for the notes. The notes are not listed and we have no plans to list the notes on any securities exchange. Although the notes initially sold to qualified institutional buyers are eligible for trading in the PORTALsm Market, any notes resold pursuant to this prospectus will no longer be eligible for trading in the PORTALsm Market. The initial purchasers are not obligated to make a market in the notes. Any market-making activity, if initiated, may be discontinued at any time, for any reason or for no reason, without notice. Accordingly, there can be no assurance that any market for the notes will develop or, if one does develop, that it will be maintained. If an active market for the notes fails to develop or be sustained, the value of the notes could be materially adversely affected.

The liquidity of the trading market for the notes, if any, and future trading prices of the notes will depend on many factors, including, among other things, the market price of our common stock, prevailing interest rates, the market for similar securities, general economic conditions and our financial condition, performance and prospects. Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices. It is possible that the market for the notes will be subject to disruptions which may have a negative effect on the holders of the notes, regardless of our operating results, financial performance or prospects.

We may not be able to repurchase the notes upon a fundamental change or upon the exercise of your option to require us to repurchase the notes, or pay you cash upon conversion of your notes.

Upon the occurrence of a fundamental change, and on September 1, 2012, September 1, 2017, and September 1, 2022, you will have the right to require us to repurchase your notes at a price in cash equal to 100% of the principal amount of the notes you have selected to be repurchased plus accrued and unpaid interest, if any, to, but not including, the repurchase date. In addition, upon a conversion, we may be required to make a cash payment to you unless we have elected to satisfy our obligation upon such conversion by delivering only shares of our common stock as described under “Description of Notes — Conversion Rights — Option to Irrevocably Elect to Satisfy Future Conversion Obligations in Common Stock.” In the event that we experience a fundamental change that results in us having to repurchase the notes or upon the exercise of your option to require us to repurchase the notes, or upon your conversion of the notes, we may not have sufficient financial resources to satisfy all of our obligations under the notes and our other indebtedness. If any arrangement or agreement governing our indebtedness prohibits us from repurchasing or converting the notes when we become obligated to do so, we could seek the consent of the lenders to repurchase or convert the notes or attempt to refinance the borrowings that contain the prohibitions. If we did not obtain the

necessary consents or refinance such borrowings, we would not be able to repurchase or convert the notes.

Additionally, we derive our operating income, in part, from our subsidiaries. An important source of cash to repurchase the notes or to pay you cash upon conversion of your notes would be cash

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distributions, dividends and other payments from our subsidiaries. The payment of dividends by our subsidiaries is subject to the declaration of dividends by those subsidiaries' boards, and our subsidiaries are not obligated to pay dividends. Our subsidiaries' ability to make such payments may also be restricted by, among other things, applicable laws and regulations and current and future credit agreements into which our subsidiaries may enter. In any of the situations described above, or otherwise, our failure to make the fundamental change offer, to pay the fundamental change repurchase price when due, to make payments upon the exercise of a holder's option to require us to repurchase the notes or to pay cash to a holder upon its conversion of notes, would result in a default under the indenture governing the notes.

A change of control may not constitute a fundamental change for purposes of the notes.

The term "fundamental change" is limited to certain specified transactions and may not include other events that might adversely affect our financial condition or the market value of the notes or our common stock. Our obligation to offer to repurchase the notes upon a fundamental change would not necessarily afford holders of the notes protection in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving us. Furthermore, the fundamental change provisions, including the provision requiring an increase to the conversion rate for conversions in connection with certain fundamental changes, may in certain circumstances make more difficult or discourage a takeover of our company and the removal of incumbent management.

On conversion of the notes, you may receive less proceeds than expected because the value of our common stock may decline after you exercise your conversion right.

The settlement amount that you will receive on conversion of your notes is in part determined by the volume weighted average price of our common stock on each of the 20 consecutive trading days beginning, subject to certain exceptions, on a specified trading day immediately following the day you have tendered your notes for conversion and complied with the other requirements to convert them. Accordingly, if the price of our common stock decreases after that day, the settlement amount you will receive may be adversely affected.

The market price of the notes could be significantly affected by the market price of our common stock.

We expect that the market price of the notes will be significantly affected by the market price of our common stock. This may result in greater volatility in the market price of the notes than would be expected for nonconvertible debt securities. The market price of our common stock likely will continue to fluctuate in response to factors including the following:

- the other risk factors described in or incorporated by reference into this prospectus;
- prevailing interest rates;
- the market for similar securities;
- additional issuances of common stock;
- general economic conditions; and
- our financial condition, performance and prospects, including our ability or inability to meet analyst expectations.

Most of these factors are beyond our control. In addition, the stock markets in general, including The New York Stock Exchange, have experienced price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may affect adversely the market prices of the notes and our common stock.

Sales of a significant number of shares of our common stock in the public markets, or the perception of such sales, could depress the market price of the notes.

Sales of a substantial number of shares of our common stock or other equity-related securities in the public markets, including the issuance of common stock upon conversion of the notes or the

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vesting of restricted stock or options, could depress the market price of the notes, our common stock, or both, and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock or the value of the notes. In addition, the existence of the notes also may encourage short selling by market participants because the conversion of the notes could depress our common stock price.

The price of our common stock could be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity which we expect to occur involving our common stock. This hedging or arbitrage could, in turn, affect the market price of the notes.

Restrictions on ownership of our common stock may inhibit market activity.

In order for us to meet the requirements for qualification as a REIT at all times, our charter prohibits any person from acquiring or holding, directly or indirectly, shares of capital stock in excess of 9.8% (in value or in number of shares, whichever is more restrictive) of the aggregate of the outstanding shares of any class of our capital stock. Our charter further prohibits (i) any person from beneficially or constructively owning shares of capital stock that would result in our being “closely held” under Section 856(h) of the Code or would otherwise cause us to fail to qualify as a REIT, and (ii) any person from transferring shares of capital stock if such transfer would result in shares of capital stock being beneficially owned by fewer than 100 persons. If any transfer of shares of capital stock occurs which, if effective, would result in a violation of one or more ownership limitations, then that number of shares of capital stock, the beneficial or constructive ownership of which otherwise would cause such person to violate such limitations (rounded to the nearest whole share) shall be automatically transferred to a trustee of a trust for the exclusive benefit of one or more charitable beneficiaries, and the intended transferee may not acquire any rights in such shares; provided, however, that if any transfer occurs which, if effective, would result in shares of capital stock being owned by fewer than 100 persons, then the transfer shall be null and void and the intended transferee shall acquire no rights to the stock. Subject to certain limitations, our board of directors may waive the limitations for certain investors.

Our authorized capital stock includes preferred stock issuable in one or more series. The issuance of preferred stock could have the effect of making an attempt to gain control of us more difficult by means of a merger, tender offer, proxy contest or otherwise. The currently outstanding preferred stock has a preference on dividend payments that could affect our ability to make dividend distributions to the common stockholders.

The provisions of our charter or relevant Maryland law may inhibit market activity and the resulting opportunity for the holders of our common stock to receive a premium for their common stock that might otherwise exist in the absence of such provisions. Such provisions also may make us an unsuitable investment vehicle for any person seeking to obtain ownership of more than 9.8% of the outstanding shares of our common stock.

Material provisions of the Maryland General Corporation Law (“MGCL”), including those relating to “business combinations” and a “control share acquisition,” and of our charter and bylaws may also have the effect of delaying, deterring or preventing a takeover attempt or other change in control of us that would be beneficial to stockholders and might otherwise result in a premium over then prevailing market prices. Although our bylaws contain a provision exempting the acquisition of our common stock by any person from the control share acquisition statute, there can be no assurance that such provision will not be amended or eliminated at any time in the future.

Upon conversion of the notes, converting holders will receive shares or a combination of cash and shares of our common stock. Therefore, holders of the notes may receive no shares of our common stock or fewer shares than they

may expect.

To satisfy our conversion obligation to holders, for each \$1,000 principal amount of notes, a holder will receive a settlement amount equal to the sum of the daily settlement amounts for each of

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the 20 consecutive trading days in the conversion reference period. The settlement amount will be paid in common stock or a combination of cash or common stock, at our option. Accordingly, upon conversion of a note, holders may not receive any shares of common stock, or they might receive fewer shares of common stock than they may expect.

If you hold notes, you will not be entitled to any rights with respect to our common stock, but will be subject to all changes made with respect to our common stock.

If you hold notes, you are not entitled to any rights with respect to our common stock (including, without limitation, voting rights or rights to receive any dividends or other distributions on our common stock), but you are subject to all changes affecting our common stock. You will have rights with respect to our common stock only if and when you tender your notes for conversion and comply with the other requirements to convert them (the “conversion date”) and, in limited cases, under the conversion rate adjustments applicable to the notes. For example, in the event that an amendment is proposed to our charter or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the conversion date, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock that result from such amendment. Similarly, if we declare a dividend, you will only be entitled to the conversion rate adjustment, if any, provided for under “Description of Notes — Conversion Rights — Conversion Rate Adjustments.”

The conversion rate of the notes may not be adjusted for all dilutive events, which may adversely affect the trading price of the notes.

The conversion rate of the notes is subject to adjustment for certain events, including the issuance of stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness or assets, certain cash dividends and certain issuer tender or exchange offers as described under “Description of Notes — Conversion Rights — Conversion Rate Adjustments.” However, the conversion rate will not be adjusted for other events, such as certain exchange offers or an issuance of common stock for cash, that may adversely affect the trading price of the notes or our common stock. An event that adversely affects the value of the notes may occur, and the event may not result in an adjustment to the conversion rate.

Our subsidiaries may not be able to make payments to us, which could cause us to be unable to service our indebtedness, including the notes.

We derive our operating income, in part, from our subsidiaries. An important source of cash to pay principal and interest on our indebtedness, including the notes, is from cash distributions, dividends and other payments from our subsidiaries. The payment of dividends by our subsidiaries is subject to the declaration of dividends by those subsidiaries’ boards, and our subsidiaries are not obligated to pay dividends. Our subsidiaries’ ability to make such payments may also be restricted by, among other things, applicable laws and regulations and current and future credit agreements into which our subsidiaries may enter.

Rating agencies may provide unsolicited ratings on the notes that could reduce the market value or liquidity of the notes and our common stock.

We have not requested a rating of the notes from any rating agency, the notes are not currently rated to our knowledge and we do not anticipate that the notes will be rated. However, if one or more rating agencies rates the notes and assigns the notes a rating lower than the rating expected by investors, or reduces their rating in the future, the market price or liquidity of the notes and our common stock could be harmed.

The adjustment to increase the conversion rate for notes converted in connection with certain fundamental changes may not adequately compensate holders for the lost option time value of their notes as a result of such fundamental change and may not be enforceable.

If a fundamental change occurs on or prior to September 1, 2012, we may be required to increase the conversion rate for any notes converted in connection with such fundamental change. The extent

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to which the conversion rate will be increased will be based on the date on which the fundamental change becomes effective and the price paid, or deemed to be paid, in respect of a share of our common stock in the fundamental change as described under “Description of Notes — Conversion upon Specified Corporate Transactions — Fundamental Change Transactions.” While this adjustment is designed to compensate you for the lost option time value of your notes as a result of a fundamental change, the adjustment is only an approximation of such lost value and may not adequately compensate you for such loss.

You should consider the United States federal income tax consequences of owning the notes.

Investors should be aware that the conversion of notes into a combination of cash and shares of our common stock will be taxable at the time of such conversion (or subject to alternative treatment different from that of conventional convertible debt instruments). These consequences may be materially different from the consequences that may be expected by investors in considering other convertible debt investments. Investors considering the purchase of notes are urged to consult with their own tax advisors concerning such consequences and the potential impact in their particular circumstances. The material United States federal income tax consequences of the purchase, ownership and disposition of the notes are summarized in this prospectus under the heading “Federal Income Tax Considerations.”

The contingent conversion features of the notes could result in your receiving less than the value of the common stock upon which the settlement amount would otherwise be based.

Except during the six months prior to the maturity date of the notes, the notes are convertible only if specified conditions are met. If the specific conditions for conversion are not met prior to September 1, 2012, you may not be able to receive the settlement amount prior to such date. Therefore, you may not be able to realize the appreciation, if any, in the value of our common stock after the issuance of the notes in this offering and prior to such date.

The notes contain restrictive covenants, and there is limited protection in the event of a fundamental change.

The indenture under which the notes were issued contains restrictive covenants that will not protect you from several kinds of transactions that may adversely affect you. Neither the indenture nor the terms of the notes restrict us from incurring additional debt, including senior debt or secured debt. In addition, the limited covenants contained in the indenture do not require us to achieve or maintain any minimum financial ratios relating to our financial position or results of operations. The indenture also does not impose any limitation on the incurrence by our subsidiaries of any indebtedness or on our ability to transfer our assets and property among our subsidiaries. Moreover, the right of each holder to require us to repurchase for cash all or part of that holder’s notes in a “fundamental change” is limited to the transactions specified in the definition of a “fundamental change” under “Description of Notes — Repurchase of Notes by Us at Option of Holder upon a Fundamental Change.” Accordingly, we could enter into certain transactions, such as acquisitions, refinancings or a recapitalization, that could affect our capital structure and the value of our common stock but would not constitute a “fundamental change.”

The notes are unsecured and, therefore, are effectively subordinated to any secured indebtedness that we may incur in the future.

The notes are our senior unsecured obligations and are not be secured by any of our assets. Holders of our secured obligations, including obligations under our credit facilities, will have claims that are prior to claims of the holders of the notes with respect to the assets securing those obligations. In the event of liquidation, dissolution, reorganization, bankruptcy or any similar proceeding, our assets and those of certain subsidiaries will be available to pay obligations on the notes only after holders of our senior secured debt have been paid the value of the assets securing such debt.

Accordingly, there may not be sufficient funds remaining to pay amounts due on all or any of the notes.

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The notes are structurally subordinated to all liabilities of our current and future subsidiaries.

The notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, these subsidiaries will pay the holders of their debts, holders of preferred equity interests and their trade creditors before they will be able to distribute any of their assets to us. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. This subordination could adversely affect our ability to pay our obligations on the notes. As of December 31, 2007, our subsidiaries had \$3.7 billion of indebtedness and other liabilities, including trade and other payables but excluding intercompany amounts to which the notes would be structurally subordinated.

You may have to pay taxes if we make or fail to make certain adjustments to the conversion rate of the notes even though you do not receive a corresponding cash distribution.

The conversion rate of the notes is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, certain cash dividends and certain other actions by us that modify our capital structure. See “Description of Notes — Conversion Rights — Conversion Rate Adjustments.” If, for example, the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, you may be required to include an amount in income for U.S. federal income tax purposes, notwithstanding the fact that you do not receive a corresponding cash distribution. In addition, a failure to adjust (or to adjust adequately) the conversion rate after an event that has the effect of increasing your proportionate interest in our company could be treated as a deemed taxable dividend to you. The amount that you would have to include in income generally will be equal to the amount of the distribution that you would have received if you had converted your notes into our common stock.

If certain types of fundamental changes occur on or before the maturity date of the notes, under some circumstances, we will increase the conversion rate for notes converted in connection with the fundamental change. Such increase may also be treated as a distribution subject to U.S. federal income tax as a dividend. See “Federal Income Tax Considerations.”

If you are a non-U.S. holder (as defined in “Federal Income Tax Considerations”), any deemed dividend would be subject to U.S. federal withholding tax at a 30% rate, or such lower rate as may be specified by an applicable treaty, which may be set off against subsequent payments. See “Federal Income Tax Considerations.”

We cannot assure you that we will not be required to withhold on payments to non-U.S. holders of notes in connection with a sale, exchange, redemption, repurchase, conversion, or other disposition of notes based on the facts and circumstances at the time.

Although we believe that currently the notes do not constitute “U.S. real property interests” and we therefore do not currently intend to withhold under the Foreign Investment in Real Property Tax Act, or FIRPTA, we cannot assure you that the notes will not constitute U.S. real property interests depending on the facts in existence at the time of any sale, exchange, redemption, repurchase, conversion or other disposition of a note. If the notes were to constitute U.S. real property interests, withholding on payments to non-U.S. holders in connection with such a sale, exchange, redemption, repurchase, conversion or other disposition of notes may be required regardless of whether such non-U.S. holders provided certification documenting their non-U.S. status. See “Federal Income Tax Considerations.”

Changes in the accounting treatment of the notes could decrease our earnings per share and, potentially, our stock price.

There may, in the future, be new or different accounting pronouncements or regulatory rulings, which could impact the way we are required to account for the notes, and which may have an adverse

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impact on our future financial condition and results of operations. With respect to the notes, we are required under U.S. GAAP as presently in effect to include in outstanding shares for purposes of computing earnings per share only a number of shares underlying the notes that, at the end of a given quarter, have a value in excess of the outstanding principal amount of the notes. This is because of the “net share settlement” feature of the notes, under which we are required to pay the principal amount of the notes in cash. During the third quarter of 2007, the FASB Staff issued a proposed FASB Staff Position (FSP) that applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under FAS 133. Convertible debt instruments within the scope of the proposed FSP are not addressed by the existing FSP. The proposed FSP would require that the liability and equity components of convertible debt instruments within the scope of the proposed FSP shall be separately accounted for in a manner that reflects the entity’s nonconvertible debt borrowing rate. This will require an allocation of the convertible debt proceeds between the liability component and the embedded conversion option (i.e., the equity component). The difference between the principal amount of the debt and the amount of the proceeds allocated to the liability component would be reported as a debt discount and subsequently amortized to earnings over the instrument’s expected life using the effective interest method. This proposed FSP as currently written would require this accounting to be applied retrospectively for all periods presented.

We cannot predict the outcome of the proposed FSP or any changes in GAAP that may be made affecting accounting for convertible debt securities. Any change in the accounting method for convertible debt securities could have an adverse impact on our reported or future financial results and could adversely affect the trading price of our common stock and in turn negatively affect the trading price of the notes.

We may not be able to pay dividends upon events of default under our financing documents.

Some of our financing documents contain restrictions on dividends upon the occurrence of events of default thereunder. If such an event of default occurs, such as our failure to pay principal at maturity or interest when due for a specified period of time, we would be prohibited from making payments on our capital stock, including our common stock.

The “taxable mortgage pool” rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations.

Certain of our securitizations have resulted in the creation of taxable mortgage pools for federal income tax purposes. As a REIT, so long as we own 100% of the equity interests in a taxable mortgage pool, we would generally not be adversely affected by the characterization of the securitization as a taxable mortgage pool. Certain categories of stockholders, however, such as foreign stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax-exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to the taxable mortgage pool. In addition, to the extent that our stock is owned by tax-exempt “disqualified organizations,” such as certain government-related entities and charitable remainder trusts that are not subject to tax on unrelated business income, under recently issued IRS guidance, we may incur a corporate level tax on a portion of our income from the taxable mortgage pool. In that case, we may reduce the amount of our distributions to any disqualified organization whose stock ownership gave rise to the tax. See “Federal Income Tax Considerations — Taxation of Anthracite Capital, Inc. — Taxable Mortgage Pools and Excess Inclusion Income” and “Federal Income Tax Considerations — Taxation of Stockholders — Taxation of Tax-Exempt Stockholders.” Moreover, we could be precluded from selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. These limitations may prevent us from using certain

techniques to maximize our returns from securitization transactions.

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We may not be able to refinance the notes if required or if we so desire.

We may need or desire to refinance all or a portion of the notes or any other future indebtedness that we incur on or before the maturity of the notes. We may not be able to refinance any of our indebtedness on commercially reasonable terms, if at all.

The notes are held in book-entry form and, therefore, you must rely on the procedures and the relevant clearing systems to exercise your rights and remedies.

Unless and until certificated notes are issued in exchange for book-entry interests in the notes, owners of the book-entry interests are not be considered owners or holders of notes. Instead, DTC, or its nominee, is the sole holder of the notes. Payments of principal, interest and other amounts owing on or in respect of the notes in global form will be made to the paying agent, which will make payments to DTC. Thereafter, those payments will be credited to DTC participants' accounts that hold book-entry interests in the notes in global form and credited by such participants to indirect participants. Unlike holders of the notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC or, if applicable, a participant. Procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on any requested actions on a timely basis.

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USE OF PROCEEDS

The selling securityholders will receive all of the net proceeds from the sale of the notes or shares of our common stock issuable upon conversion of the notes. We will not receive any of the proceeds from the sale of any of these securities.

The selling securityholders will not cover any of the expenses that are incurred by us in connection with the registration of the notes or common stock issuable upon conversion of the notes, but the selling securityholders will pay any commissions, discounts and other compensation to any broker-dealers through whom any such selling securityholder sells any of the notes or common stock issuable upon conversion of the notes.

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