

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: January 29, 2001

DYNEX CAPITAL, INC.  
(Exact Name of Registrant as Specified in Charter)

Virginia (State or Other Jurisdiction of Incorporation)	1-9819 (Commission File Number)	52-1549373 (IRS Employer Identification No.)
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4551 Cox Road, Suite 300, Glen Allen, Virginia (Address of Principal Executive Offices)	23060 (Zip Code)
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(804) 217-5800  
(Registrant's telephone number, including area code)

Item 5. OTHER EVENTS.

On January 26, 2001, the Company delivered a letter to California Investment Fund, LLC ("CIF") notifying CIF that, in accordance with the terms and conditions of the Agreement and Plan of Merger dated November 7, 2000, as amended, the Company was exercising its right to terminate the Agreement due to CIF's failure to comply with certain terms of the Agreement.

Additionally, the Company has made a claim under the Escrow Agreement between the parties for the Escrow Amount.

Item 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(c) Exhibits

99.1 Dynex Capital, Inc. Press Release, dated January 26, 2001.

99.2 Letter, dated January 26, 2001, to California Investment Fund LLC from Dynex Capital, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: January 29, 2001

DYNEX CAPITAL, INC.

By: /s/  
Thomas H. Potts  
President

EXHIBIT INDEX

Number	Description	Method of Filing
99.1	Dynex Capital, Inc. Press Release, dated January 26, 2001.	Filed herewith
99.2	Letter, dated January 26, 2001, to California Investment Fund, LLC from Dynex Capital, Inc.	Filed herewith

Exhibit 99.1

[ Company Logo ]

Press Release

FOR IMMEDIATE RELEASE  
January 26, 2001

CONTACT: Kathy Fern  
804-217-5800

DYNEX CAPITAL, INC.  
TERMINATES AGREEMENT AND PLAN OF MERGER  
WITH CALIFORNIA INVESTMENT FUND

Dynex Capital, Inc. (NYSE: DX) announced today that it has exercised its right to terminate the Agreement and Plan of Merger entered into by the Company and California Investment Fund, LLC on November 7, 2000, as amended, in accordance with the terms and conditions of said Agreement for failure to comply with certain terms of the Agreement. In addition, the Company has made claim under the Escrow Agreement between the parties for the Escrow Amount.

Dynex Capital, Inc. is a financial services company that elects to be treated as a real estate investment trust (REIT) for federal income tax purposes.

# # #

Exhibit 99.2

[Company Logo ]

Dynex Capital, Inc.  
4551 Cox Road, Suite 300  
Glen Allen, Virginia 23060  
804-217-5800  
Fax 804-217-5861

January 26, 2001

VIA FACSIMILE AND CERTIFIED MAIL

California Investment Fund, LLC  
550 West C Street  
10th Floor  
San Diego, CA 92101

Attention: Michael R. Kelly, Managing Member

Re: Merger Agreement dated November 7, 2000

Dear Mr. Kelly:

Reference is made to the Agreement and Plan of Merger dated November 7, 2000, as amended ("Merger Agreement") between California Investment Fund, LLC ("CIF"), DCI Acquisition Corporation and Dynex Capital, Inc. ("Dynex") and to the letter dated December 22, 2000 between Dynex and CIF ("December 22nd Letter"). Dynex hereby notifies you that Dynex is terminating the Merger Agreement for CIF's breaches of its obligations under numbered paragraphs 2 and 3 of the December 22nd Letter and pursuant to Section 7(a)(vii) of the Merger

Agreement.

Very truly yours,

DYNEX CAPITAL, INC.

By /s/

Stephen J. Benedetti

Vice President, Treasurer

cc: Stephen Fraidin, Esquire