Invesco Agency Securities Inc.
Form S-11/A
December 19, 2008

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As filed with the Securities and Exchange Commission on December 19, 2008
Registration Statement No. 333-151665

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 3
to
FORM S-11
FOR REGISTRATION
UNDER
THE SECURITIES ACT OF 1933
OF CERTAIN REAL ESTATE COMPANIES

Invesco Agency Securities Inc.
(Exact name of registrant as specified in its governing instruments)

1555 Peachtree Street, NE
Atlanta, Georgia 30309
(404) 892-0896
(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant s Principal Executive Offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box: o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (Do not check if a smaller reporting company)	Smaller reporting company o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED DECEMBER 19, 2008
Shares
Invesco Agency Securities Inc.
Common Stock

Invesco Agency Securities Inc. is a newly organized Maryland corporation that will invest in mortgage-backed securities for which a U.S. Government agency or a federally chartered corporation guarantees payments of principal and interest on the securities. We will be externally managed and advised by Invesco Institutional (N.A.), Inc., a Delaware corporation and an indirect wholly-owned subsidiary of Invesco Ltd., an independent global investment company listed on the New York Stock Exchange. We will conduct substantially all of our operations through our operating partnership, of which we are the sole general partner.

This is our initial public offering and no public market currently exists for our common stock. We are offering shares of our common stock as described in this prospectus. We expect the initial public offering price of our common stock to be $ per share. We have applied to have our common stock listed on the New York Stock Exchange under the symbol IVR.

Concurrently with the completion of this offering, we will conduct a private placement in which we will sell to one or more subsidiaries of Invesco Ltd., who we refer to collectively in this prospectus as the Invesco Purchaser, shares of our common stock and units of limited partnership interest in our operating partnership, in each case at the price per share in this offering, for an aggregate of $ million. Upon completion of this offering and the concurrent private placement, the Invesco Purchaser will beneficially own % of our outstanding common stock (or % if the underwriters fully exercise their option to purchase additional shares). Assuming that all units of limited partnership interest are redeemed for an equivalent number of shares of our common stock, the Invesco Purchaser would beneficially own % of our outstanding common stock upon completion of this offering and the concurrent private placement (or % if the underwriters fully exercise their option to purchase additional shares).

We intend to elect and qualify to be taxed as a real estate investment trust for U.S. federal income tax purposes, commencing with our taxable year ending December 31, 2009. To assist us in qualifying as a real estate investment trust, stockholders are generally restricted from owning more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common or capital stock. In addition, our charter contains various other restrictions on the ownership and transfer of our common stock, see Description of Capital Stock Restrictions on Ownership and Transfer.

Investing in our common stock involves risks. See Risk Factors beginning on page 16 of this prospectus for a discussion of these risks.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds to us, before expenses	$	$

The underwriters may also purchase up to an additional shares of our common stock from us at the initial public offering price, less the underwriting discount, within 30 days after the date of this prospectus to cover over-allotments, 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 is truthful or complete. Any representation to the contrary is a criminal offense.

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

Credit Suisse	**Morgan Stanley**

The date of this prospectus is , 2009.

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You should rely only on the information contained in this prospectus, any free writing prospectus prepared by us or information to which we have referred you. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any free writing prospectus prepared by us is accurate only as of their respective dates or on the date or dates which are specified in these documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

Until , 2009 (25 days after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

SUMMARY

This summary highlights some of the information in this prospectus. It 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. Except where the context suggests otherwise, the terms company, we, us, and our refer to Invesco Agency Securities Inc., a Maryland corporation, together with its consolidated subsidiaries, including IAS Operating Partnership LP, a Delaware limited partnership, which we refer to as our operating partnership; our Manager refers to Invesco Institutional (N.A.), Inc., a Delaware corporation, our external manager; Invesco refers to Invesco Ltd, together with its consolidated subsidiaries (other than us), the indirect parent company of our Manager; and OP units refers to units of limited partnership interest in our operating partnership. Unless indicated otherwise, the information in this prospectus assumes (i) the common stock to be sold in this offering is sold at $ per share, and (ii) no exercise by the underwriters of their over-allotment option to purchase up to an additional shares of our common stock.

Our Company

We are a newly-formed Maryland company that will invest in mortgage-backed securities for which a U.S. Government agency such as the Government National Mortgage Association, or Ginnie Mae, or a federally chartered corporation such as the Federal National Mortgage Association, or Fannie Mae, or the Federal Home Loan Mortgage Corporation, or Freddie Mac, guarantees payments of principal and interest on the securities. We refer to these securities as Agency MBS. Our Agency MBS investments will include mortgage pass-through securities and collateralized mortgage obligations, or CMOs. We will be externally managed and advised by Invesco Institutional (N.A.), Inc., or our Manager, an SEC-registered investment adviser and indirect wholly-owned subsidiary of Invesco Ltd. (NYSE: IVZ), a leading independent global investment management company with $409.6 billion in managed assets as of September 30, 2008, including approximately $9.8 billion of Agency MBS. We expect to conduct all of our operations through our operating partnership, of which we are the sole general partner.

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 will generate income principally from the spread between yields on our investments and our cost of borrowing, including hedging activities. Our Agency MBS investments will be collateralized by a variety of loans secured by residential real property, including fixed-rate mortgage loans, or FRMs, adjustable-rate mortgage loans, or ARMs, and hybrid mortgage loans. We intend to construct a diversified investment portfolio by focusing on security selection and the relative value of various sectors within the Agency MBS market. We intend to finance our investments through short-term borrowings structured as repurchase agreements. Our Manager is in the process of securing commitments for us with a number of repurchase agreement counterparties.

We will commence operations upon completion of this offering. We intend to elect and qualify to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes, commencing with our taxable year ending December 31, 2009. We generally will not be subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our net taxable income to stockholders and maintain our intended qualification as a REIT. We also intend to operate our business in a manner that will permit us to maintain our exemption from registration under the Investment Company Act of 1940, or the 1940 Act.

Our Manager

We will be externally managed and advised by our Manager, an indirect and wholly-owned subsidiary of Invesco. Pursuant to the terms of the management agreement, our Manager will provide us with our management team, including our officers, along with appropriate support personnel. Each of our officers is an employee of Invesco. We do not expect to have any employees. Our Manager is not obligated to dedicate any of its employees exclusively to us, nor is our Manager or its employees obligated to dedicate any specific portion of its or their time to our business. 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.

Our Manager s investment professionals have extensive experience in performing advisory services for funds, other investment vehicles, and other managed and discretionary accounts that focus on investing in Agency MBS. As of September 30, 2008, our Manager managed approximately $18.3 billion of structured securities, consisting of approximately $9.8 billion of Agency MBS, $3.9 billion of asset-backed securities, or ABS, $2.7 billion of non-Agency MBS and $1.9 billion of commercial mortgage-backed securities, or CMBS. Approximately 78% of our Manager s existing Agency MBS portfolio is collateralized by FRMs and approximately 22% is collateralized by ARMs. We expect that our Manager will continue to manage its existing Agency MBS portfolio and provide management services to its other clients, including affiliates of Invesco. Neither our Manager nor Invesco has previously managed or advised a public REIT.

We expect to benefit from our Manager s portfolio management, finance and administration functions, which address legal, compliance, investor relations and operational matters, trade allocation and execution, securities valuation, risk management and information technologies in connection with the performance of its duties.

Concurrently with the completion of this offering, we will conduct a private placement in which we will sell to the Invesco Purchaser shares of our common stock and OP units, in each case at the price per share in this offering, for an aggregate of $ million. Upon completion of this offering and the concurrent private placement, the Invesco Purchaser will beneficially own % of our outstanding common stock (or % if the underwriters fully exercise their option to purchase additional shares.) Assuming that all OP units are redeemed for an equivalent number of shares of our common stock, the Invesco Purchaser would beneficially own % of our outstanding common stock upon completion of this offering and the concurrent private placement (or % if the underwriters fully exercise their option to purchase additional shares). The Invesco Purchaser will agree that, for a period of one year after the date of this prospectus, it will not, without the prior written consent of Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. Incorporated, dispose of or hedge any of the shares of our common stock or OP units that it purchases in the concurrent private placement, subject to certain exceptions and extension in certain circumstances as described elsewhere in this prospectus.

Invesco Aim Advisors, Inc., or Invesco Aim Advisors, an affiliate of our Manager, will serve as our sub-adviser. Invesco Aim Advisors will provide input on overall trends in short-term financing markets, make specific recommendations regarding financing of Agency MBS and provide execution services to us. We do not expect our Manager to provide these services to us directly. We will reimburse our Manager for the fees charged by Invesco Aim Advisors pursuant to the expense reimbursement provisions of the management agreement. We expect that the fees charged by Invesco Aim Advisors to our Manager will be substantially similar to the fees Invesco Aim Advisors charges to its other clients for similar services.

About Invesco

Invesco is one of the largest independent global investment management firms with offices worldwide. As of September 30, 2008, Invesco had 5,354 employees, the majority of whom were located in North America. Invesco operates under the Invesco Aim, AIM Trimark, Atlantic Trust, Invesco, Invesco Perpetual, Invesco PowerShares, and WL Ross & Co brands.

Our Investment Strategy

We will rely on our Manager s expertise in identifying assets within our target asset class of Agency MBS. Our Manager s investment team has a strong focus on security selection and the relative value of various sectors within the agency mortgage market. We expect that the investment team will make investment decisions on our behalf, which will incorporate their views on the economic environment and the outlook for the mortgage market, including relative valuation, supply and demand trends, the level of interest rates, the shape of the yield curve, prepayment rates, and financing and liquidity, subject to maintaining our REIT qualification and our exemption from registration under the 1940 Act.

Our Targeted Investments

We will target investments in mortgage pass-through certificates and CMOs for which the principal and interest payments are guaranteed by a U.S. Government agency or a federally chartered corporation. Each of these types of Agency MBS is described below.

***Mortgage Pass-Through Certificates*.** Single-family residential mortgage pass-through certificates are securities representing interests in pools of mortgage loans secured by residential real property where payments of both interest and principal, plus pre-paid principal, on the securities are made monthly to holders of the securities, in effect passing through monthly payments made by the individual borrowers on the mortgage loans that underlie the securities, net of fees paid to the issuer/guarantor and servicers of the securities.

CMOs. CMOs are securities which are structured from U.S. Government agency or federally chartered corporation-backed mortgage pass-through certificates. CMOs receive monthly payments of principal and interest. CMOs divide the cash flows which come from the underlying mortgage pass-through certificates into different classes of securities. CMOs can have different maturities and different weighted average lives than the underlying mortgage pass-through certificates. CMOs can re-distribute the risk characteristics of mortgage pass-through certificates to better satisfy the demands of various investor types. These risk characteristics would include average life variability, prepayments, volatility, floating versus fixed interest rate and payment and interest rate risk.

The types of Agency MBS described above are collateralized by either FRMs, ARMs, or hybrid ARMs. Hybrid ARMs are mortgage loans that have interest rates that are fixed for an initial period (typically three, five, seven or 10 years) and thereafter reset at regular intervals subject to interest rate caps. Our allocation between securities collateralized by FRMs, ARMs or hybrid ARMs will depend on various factors including, but not limited to, relative value, expected future prepayment trends, supply and demand, costs of hedging, costs of financing, expected future interest rate volatility and the overall shape of the U.S. Treasury and interest rate swap yield curves. We intend to take these factors into account when we make investments in various types of Agency MBS.

In the future we may also invest in debentures that are issued and guaranteed by Freddie Mac or Fannie Mae or mortgage-backed securities the collateral of which is guaranteed by Ginnie Mae, Freddie Mac, Fannie Mae or another federally chartered corporation.

Investment Guidelines

Our board of directors has adopted the following investment guidelines:

- no investment shall be made that would cause us to fail to qualify as a REIT for federal income tax purposes;
- no investment shall be made that would cause us to be regulated as an investment company under the 1940 Act;
- our assets will be invested in Agency MBS; and
- until appropriate investments can be identified, our Manager may invest the proceeds of this and any future offerings in interest-bearing, short-term investments, including money market accounts and/or funds, that are consistent with our intention to qualify as a REIT.

These investment guidelines may be changed from time to time by our board of directors without the approval of our stockholders.

Our Manager has an investment committee, or Investment Committee, comprised of its officers and investment professionals. The Investment Committee will periodically review our investment portfolio and its compliance with our investment policies and procedures, including these investment guidelines, and provide to our board of directors an investment report at the end of each quarter in conjunction with its review of our quarterly results. From time to time, as it deems appropriate or necessary, our board of directors also will review our investment portfolio and its compliance with our investment policies and procedures, including these investment guidelines.

Our Financing Strategy

We intend to employ prudent leverage to increase potential returns to our stockholders and to fund the acquisition of Agency MBS. Our income will be generated primarily by the difference, or net spread, between the income we earn on our investments in Agency MBS and the cost of our financing and hedging activities. Although we are not required to maintain any particular leverage ratio, the amount of leverage we will deploy for particular investments in Agency MBS will depend upon our Manager s assessment of a variety of factors, which may include,

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the anticipated liquidity and price volatility of the assets in our investment portfolio, the gap between the duration of our assets and liabilities including hedges, the availability and cost of financing the assets, our opinion of the creditworthiness of our financing counterparties, the health of the U.S. economy and housing-related markets, our outlook for the level, slope, and volatility of interest rates, and our outlook for asset spreads relative to the London Interbank Offered Rate, or LIBOR, curve. We expect that we will deploy, on a debt-to-equity basis, from six to ten times leverage on our Agency MBS.

We expect to finance our investments through short-term borrowings structured as repurchase agreements. Repurchase agreements are financings pursuant to which we will sell our Agency MBS to the repurchase agreement counterparty, the buyer, for an agreed upon price with the obligation to repurchase these assets from the buyer at a future date and at a price higher than the original purchase price. The amount of financing we will receive under a repurchase agreement is limited to a specified percentage of the estimated market value of the assets we sell to the buyer. The difference between the sale price and repurchase price is the cost, or interest expense, of financing under a repurchase agreement.

Our Manager is in the process of securing commitments for us with a number of repurchase agreement counterparties.

Risk Management

As part of our risk management strategy, our Manager will actively manage the financing, interest rate, prepayment and convexity risks associated with holding a portfolio of Agency MBS.

Interest Rate Hedging

Subject to maintaining our qualification as a REIT, we intend to engage in a variety of interest rate management techniques that seek on one hand to mitigate the influence of interest rate changes on the values of some of our assets, and on the other hand help us achieve our risk management objective. We intend to utilize derivative financial instruments, including, among others, puts and calls on securities or indices of securities, interest rate swaps, interest rate caps, interest rate swaptions, exchange-traded derivatives, U.S. Treasury securities and options on U.S. Treasury securities and interest rate floors to hedge all or a portion of the interest rate risk associated with the financing of our investment portfolio. Specifically, we will seek to hedge our exposure to potential interest rate mismatches between the interest we earn on our investments and our borrowing costs caused by fluctuations in short-term interest rates. In utilizing leverage and interest rate hedges, our objectives will be to improve risk-adjusted returns and, where possible, to lock in, on a long-term basis, a favorable spread between the yield on our assets and the cost of our financing. We will rely on our Manager s expertise to manage these risks on our behalf. We may implement part of our hedging strategy through a domestic taxable REIT subsidiary, or TRS, which will be subject to U.S. federal, state and, if applicable, local income tax.

Market Risk Management

Risk management is an integral component of our strategy to deliver returns to our stockholders. Because we will invest in mortgage-backed securities, investment losses from prepayment, interest rate volatility or other risks can meaningfully reduce or eliminate our distributions to stockholders. In addition, because we will employ financial leverage in funding our portfolio, mismatches in the maturities of our assets and liabilities can create risk in the need to continually renew or otherwise refinance our liabilities. Our net interest margins will be dependent upon a positive spread between the returns on our asset portfolio and our overall cost of funding. To minimize the risks to our portfolio, we will actively employ portfolio-wide and security-specific risk measurement and management processes in our daily operations. Our Manager s risk management tools include software and services licensed or purchased from third parties, in addition to proprietary software and analytical methods developed by Invesco. There can be no guarantee that these tools will protect us from market risks.

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Our Competitive Advantages

We believe that our competitive advantages include the following:

Significant Experience of Our Manager

The senior management team of our Manager has a long track record and broad experience in managing mortgage-related assets through a variety of credit and interest rate environments and has demonstrated the ability to generate attractive risk-adjusted returns under different market conditions and cycles. As of September 30, 2008, our Manager managed approximately $18.3 billion of structured securities, consisting of approximately $9.8 billion of Agency MBS, $3.9 billion of ABS, $2.7 billion of non-Agency MBS and $1.9 billion of CMBS. Approximately 78% of our Manager s existing Agency MBS portfolio is collateralized by FRMs and approximately 22% is collateralized by ARMs. We expect that our Manager will continue to manage its existing Agency MBS portfolio and provide management services to its other clients, including affiliates of Invesco. Our Manager s dedicated investment team of 13 professionals has extensive experience analyzing and investing in portfolios of structured securities, including Agency MBS. In addition, an Investment Committee which has a long history of investing in structured securities, including Agency MBS, will oversee our investments and compliance with our investment guidelines. We expect to benefit from this varied expertise, and believe that our Manager s investment team provides us with a competitive advantage relative to companies investing in Agency MBS that have management teams with less experience.

Access to Extensive Repurchase Agreement Financing and Other Strategic Relationships

An affiliate of our Manager and a sub-adviser to us, Invesco Aim Advisors, has been active in the repurchase agreement lending market since 1980 and currently has master repurchase agreements in place with a number of counterparties. For the year ended December 31, 2007, Invesco Aim Advisors had provided financing to these counterparties amounting to average daily borrowings outstanding of approximately $21 billion, including approximately $4.9 billion of Agency MBS. Our Manager is in the process of securing commitments from the counterparties to these repurchase agreements to allow us to borrow from them pursuant to Invesco Aim Advisors existing repurchase agreements.

We believe that our Manager and Invesco Aim Advisors have in place a documented process and a team of professionals who focus on mitigating counterparty risk. During these volatile times in which a number of repurchase agreement counterparties have either defaulted or ceased to exist, we feel that it is critical to have controls in place that address this recent disruption in the markets. All repurchase agreement counterparty approval requests must be submitted to the team of nine professionals at Invesco Aim Advisors and undergo a rigorous review and approval process to determine whether the proposed counterparty meets established criteria. All requests require significant support, including audited financial information and credit ratings of the potential counterparty. In addition, all approved counterparties are monitored on an ongoing basis by Invesco Aim Advisors credit team and, if they deem a credit situation to be deteriorating, they have the ability to restrict or terminate trading with this counterparty. We do not expect to enter into any hedging transactions to mitigate any risks associated with our repurchase agreement counterparties.

Our Manager and its affiliates maintain extensive long-term relationships with other financial intermediaries, including primary dealers, leading investment banks, brokerage firms, leading mortgage originators and commercial banks. We believe these relationships will enhance our ability to source, finance and hedge investment opportunities and, thus, enable us to grow in various credit and interest rate environments. In addition, we believe our Manager s and its affiliates contacts with numerous investment grade derivative and lending counterparties will assist us in implementing our financing and hedging strategies.

Disciplined Investment Approach

We will seek to maximize our risk-adjusted returns through our Manager s disciplined investment approach, which relies on rigorous quantitative and qualitative analysis. Our Manager will monitor our overall portfolio risk and evaluate the characteristics of our investments in Agency MBS including, but not limited to, loan balance distribution, geographic concentration, property type, occupancy, periodic and lifetime interest rate cap, weighted-average loan-to-value and weighted-average credit score. As a newly organized company with no historical investments, we will build an initial portfolio consisting of currently priced assets and therefore we will likely not be negatively impacted by the recent price declines experienced by many Agency MBS portfolios. We believe this strategy and our commitment to capital preservation will provide us with a competitive advantage when operating in a variety of market conditions.

Access to Our Manager s Sophisticated Analytical Tools, Infrastructure and Expertise

We will utilize our Manager s proprietary and third-party mortgage-related security and portfolio management tools to seek to generate an attractive net interest margin from our portfolio. We intend to focus on in-depth analysis of the numerous factors that influence Agency MBS including: (1) fundamental market and sector review; (2) rigorous cash flow analysis; (3) disciplined security selection; (4) controlled risk exposure; and (5) prudent balance sheet management. In addition, we will utilize these tools to guide the hedging strategies developed by our Manager to the extent consistent with satisfying the requirements for qualification as a REIT. Through the use of the tools described above, we will analyze factors that affect the rate at which mortgage prepayments occur, including changes in the level of interest rates, directional trends in housing prices, general

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economic conditions, the locations of the properties securing the mortgage loans and other social and demographic conditions in order to acquire Agency MBS that we believe are undervalued. We believe that sophisticated analysis of both macro and micro economic factors will enable us to manage cash flow and distributions while preserving capital. In addition, Invesco s proprietary Q-Tech investment platform, a unique quality control tool that allows our Manager to track, evaluate and communicate each investment decision in real time, will facilitate our Manager s ability to make well-informed and disciplined portfolio management decisions.

Our Manager has created and maintains analytical and portfolio management capabilities to aid in security selection and risk management. We intend to capitalize on the market knowledge and ready access to data across the mortgage-backed securities markets that our Manager and its affiliates obtain through their established platform. We will also benefit from our Manager s comprehensive finance and administrative infrastructure, including its risk management and financial reporting operations, as well as its business development, legal and compliance teams.

Alignment of Invesco and Our Manager s Interests

Concurrently with the completion of this offering, we will conduct a private placement in which we will sell to the Invesco Purchaser shares of our common stock and OP units, in each case at the price per share in this offering, for an aggregate of $ million. Assuming that all OP units are redeemed for an equivalent number of shares of our common stock, the Invesco Purchaser would beneficially own % of our outstanding common stock upon completion of this offering and the concurrent private placement (or % if the underwriters fully exercise their option to purchase additional shares). We believe that the significant ownership of our common stock by the Invesco Purchaser will align Invesco and our Manager s interests with our interests.

Attractive Risk Profile

We believe that Agency MBS offer attractive returns with minimal credit risk due to the fact that the principal and interest payments on these securities are guaranteed by a U.S. Government agency or a federally chartered corporation. We believe that the liquid nature of Agency MBS and their guarantees enable lenders to provide favorable financing terms relative to other types of mortgage-related investments.

Tax Advantages of REIT Qualification

Assuming that we meet, on a continuing basis, various qualification requirements imposed upon REITs by the Internal Revenue Code, we will generally be entitled to a deduction for dividends that we pay and, therefore, will not be subject to U.S. federal corporate income tax on our net income that is distributed currently to our shareholders. This treatment substantially eliminates the double taxation at the corporate and stockholder levels that results generally from investment in a corporation.

Recent Regulatory Developments

Since mid-2007, the residential housing and mortgage markets in the United States have experienced a variety of difficulties including loan defaults, credit losses and reduced liquidity. As a result, many lenders have tightened their lending standards, reduced lending capacity, liquidated significant portfolios or exited the market altogether, and therefore, financing with attractive terms is generally unavailable. In response to these unprecedented events, the U.S. Government has taken a number of actions to improve stability in the financial markets and encourage lending.

Housing and Economic Recovery Act of 2008

In response to general market instability and, more specifically, the financial conditions of Fannie Mae and Freddie Mac, on July 30, 2008, the Housing and Economic Recovery Act of 2008, or the HERA, established a new regulator for Fannie Mae and Freddie Mac, the U.S. Federal Housing Finance Agency, or the FHFA. On September 7, 2008, the U.S. Treasury, the FHFA, and the U.S. Federal Reserve announced a comprehensive action plan to help stabilize the financial markets, support the availability of mortgage finance and protect taxpayers. Under this plan, among other things, the FHFA has been appointed as conservator of both Fannie Mae and Freddie Mac, allowing the FHFA to control the actions of the two government sponsored enterprises, or GSEs, without forcing them to liquidate, which would be the case under receivership. Importantly, the primary focus of the plan is to increase the availability of mortgage financing by allowing these GSEs to continue to grow their guarantee business without limit, while limiting net purchase of Agency MBS to a modest amount through the end of 2009. Beginning in 2010, these GSEs will gradually reduce their Agency MBS portfolios. In addition, in an effort to further stabilize the U.S. mortgage market, the U.S. Treasury took three additional actions. First, it entered into a preferred stock purchase agreement with each of the GSEs, pursuant to which $100 billion will be available to each GSE. Second, it established a new secured credit facility, the Government Sponsored Enterprise Credit Facility, or the GSECF, available to each of Fannie Mae and Freddie Mac (as well as Federal Home Loan Banks) through December 31, 2009, when other funding sources are unavailable. Third, it established an Agency MBS purchase program, under which the U.S. Treasury may purchase Agency MBS in the open market. This latter program will also expire on December 31, 2009. Initially, Fannie Mae and Freddie Mac each issued $1.0 billion of senior preferred stock to the U.S. Treasury and warrants to purchase 79.9% of the fully-diluted common stock outstanding of each GSE at a nominal exercise price. Pursuant to these agreements, each of Fannie Mae s and Freddie Mac s mortgage and Agency MBS portfolio may not exceed $850 billion as of December 31, 2009, and will decline by 10% each year until such portfolio reaches $250 billion. After reporting a substantial loss in the third quarter of 2008, Freddie Mac requested a capital injection of $13.8 billion by the U.S. Treasury pursuant to its preferred stock purchase agreement. Although the U.S. Government has committed capital to Fannie Mae and Freddie Mac, there can be no assurance that these actions will be adequate for their needs. If these actions are inadequate, these GSEs could continue to suffer losses and could fail to honor their guarantees and other obligations which could materially adversely affect our business, operations and financial condition. See Risk Factors Risks Related to Our Company If the U.S. Government s recent actions with respect to Fannie Mae and Freddie Mac are inadequate or ineffective, our ability to acquire Agency MBS at attractive prices and/or returns, or at all, may be adversely affected.

Guaranty Program for Money Market Funds

The U.S. Treasury announced, on September 19, 2008, the establishment of a temporary guaranty program designed to stabilize the money market fund industry. The temporary measure will enable the Exchange Stabilization Fund, established in 1934 as part of the Gold Reserve Act, to insure the holdings of any publicly offered money market mutual fund for both retail and institutional clients. The current termination date for the guaranty program is April 30, 2009. The Secretary of the Treasury, however, may extend the guaranty program to September 18, 2009.

Money market funds are a vital source of short-term liquidity in the financial markets. Money market funds provide for repurchase agreement financing by lending cash versus collateral such as Treasuries, Agencies and Agency MBS for short periods of time. Pressure on asset prices in the credit markets has recently caused several money market funds to come under pressure from a pricing and redemption standpoint. This insurance program will help ease this pressure over time and should allow lending capacity offered by money market funds to return to more normal levels.

As we will rely on short-term borrowing in the form of repurchase agreements to fund the purchase of Agency MBS, we believe that this action should positively impact us by stabilizing a major source of our anticipated borrowings.

Emergency Economic Stabilization Act of 2008 and Capital Purchase Program

On October 3, 2008, the U.S. Congress enacted the Emergency Economic Stabilization Act of 2008, or the EESA. The EESA provides the Secretary of the U.S. Treasury with the authority to establish a Troubled Asset Relief Program, or TARP, to purchase from financial institutions up to $700 billion of residential or commercial mortgages and any securities, obligations or other instruments that are based on or related to such mortgages, that in each case was originated or issued on or before March 14, 2008, as well as any other financial instrument that the Secretary of the U.S. Treasury, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, determines the purchase of which is necessary to promote financial market stability, upon transmittal of such determination, in writing, to the appropriate committees of the U.S. Congress. The EESA also provides for a program that would allow companies to insure their troubled assets, including Agency MBS.

On October 14, 2008, the U.S. Treasury announced the voluntary Capital Purchase Program, or the CPP, which was implemented under authority provided in the EESA. Under the CPP, the U.S. Treasury will purchase up to $250 billion of senior preferred shares in qualifying U.S. controlled banks, savings associations, and certain bank and savings and loan holding companies engaged only in financial activities. In order to participate in the first phase that was directed to publicly-traded financial institutions, an application was required to have been submitted by November 14, 2008. Nine of the largest banks in the United States, as well as other financial institutions, accepted investments under the CPP during the first phase. In the second phase, which the U.S. Treasury implemented on November 17, 2008 and which required an application to be submitted by December 8, 2008, privately-held financial institutions were permitted to apply. The U.S. Treasury also is considering the expansion of the CPP to non-financial institutions, including life or other insurance companies.

We believe that by providing banks with relatively low cost capital infusions pursuant to the EESA and the CPP, the functioning of financial markets will improve as banks make loans supported by new capital infusions. We further believe that there is a reasonable likelihood that banks will deploy at least a portion of the capital that they receive in the Agency MBS market, resulting in narrower Agency MBS spreads. Narrower spreads will likely be offset, however, by more attractive repurchase financing terms, resulting in attractive net interest margins for our investments.

As the banks overall capital positions improve because of capital infusions under the CPP, we believe that they will seek to once again deploy capital through various lending channels, including repurchase lending.

However, there can be no assurance that the EESA will have a beneficial impact on the financial markets, including on current levels of volatility. To the extent the market does not respond favorably to TARP or CPP initiatives or TARP or CPP initiatives do not function as intended, our business may not receive the anticipated positive impact from the legislation. We cannot predict whether or when TARP or CPP will have any impact and to what extent it will affect our business, results of operations and financial condition.

Hope for Homeowners Act of 2008

On July 30, 2008, the Hope for Homeowners Act of 2008, or the H4H Act, was signed into law. The H4H Act created a new, temporary, voluntary program within the Federal Housing Administration, or the FHA, to back FHA-insured mortgages to distressed borrowers. The Hope for Homeowners program, which is effective from October 1, 2008 through September 30, 2011, will enable certain distressed borrowers to refinance their mortgages into FHA-insured loans.

Ginnie Mae, which guarantees the payment of principal and interest on Hope for Homeowners MBS, requires that all loans under the H4H Act must be pooled only under the Ginnie Mae II program s multiple issuer type, MFS. Ginnie Mae will accept loan packages under the H4H Act to be pooled in MFS securities with a November 1, 2008 issue date and thereafter. If a loan in an existing or seasoned pool is refinanced under this program the prepayment speeds on existing pools may rise. Depending on whether or not the bond was purchased at a premium or discount the yield may be positively or negatively impacted. Furthermore, the coupons on new pools generated under this program based on refinanced loans may be lower potentially negatively impacting our yield on new opportunities.

Other Initiatives

Federal Reserve

During 2008, the Federal Reserve also initiated a number of other programs aimed at improving broader financial markets, such as establishing a $1.8 trillion commercial paper funding facility and a $200 billion facility to finance consumer asset-backed securities. In addition, in order to provide further liquidity to financial institutions, the Federal Reserve has provided primary dealers with access to the Federal Reserve s discount window and, in instances of distress, arranged financing for certain entities. For example, American International Group, a large insurance company, was forced to accept a loan of more than $100 billion from the Federal Reserve Bank of New York to avoid insolvency. We believe that programs have and will continue to improve short-term credit markets, including the repurchase financing market. Given the Federal Reserve s actions to date, we believe the Federal Reserve will remain committed to assuring that short-term credit markets function efficiently, which, in turn, will reduce our borrowing costs over time. The Federal Reserve programs are likely to result in both Agency MBS spreads tightening and improved liquidity in this market. The improved liquidity should increase the availability and attractiveness of repurchase financing, as banks become more comfortable with their ability to value and, in the event of default, efficiently liquidate collateral.

On November 25, 2008, the Federal Reserve announced that it will initiate a program to purchase $100 billion in direct obligations of Fannie Mae, Freddie Mac and the Federal Home Loan Banks and $500 billion in mortgage-backed securities backed by Fannie Mae, Freddie Mac and Ginnie Mae. The Federal Reserve stated that its actions are intended to reduce the cost and increase the availability of credit for the purchase of houses, which in turn should support housing markets and foster improved conditions in financial markets more generally. The purchases of direct obligations began during the first week of December 2008, and the purchases of Agency MBS are expected to begin shortly. The Federal Reserve s program to purchase Agency MBS could cause an increase in the price of Agency MBS, which would negatively impact the net interest margin with respect to Agency MBS we expect to purchase.

FDIC

During 2008, the Federal Deposit Insurance Corporation, or the FDIC, also initiated programs in an effort to restore confidence and functioning in the banking system and attempt to reduce foreclosures through loan modifications. To assist the banking system, the FDIC will now insure deposits up to $250,000 up from $100,000 through December 31, 2009, provide finite guarantees on qualified bank debt and, in limited cases, provide loan guarantees to certain financial institutions. Additionally, in an attempt to reduce foreclosures, the FDIC encouraged uniform guidelines for loan modifications, which include reduction of interest rate, extension of maturity and balance reductions.

Summary Risk Factors

An investment in shares of our common stock involves various risks. You should consider carefully the risks discussed below and under the heading Risk Factors beginning on page 16 of this prospectus before purchasing our common stock. If any of the following risks occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you may lose some or all of your investment.

- We are dependent on our Manager and its key personnel for our success. In particular, we intend to rely on financing opportunities that will be facilitated and/or provided by Invesco Aim Advisors, an affiliate of our Manager.
- Our Manager has no experience operating a REIT and we cannot assure you that our Manager s past experience will be sufficient to successfully manage our business as a REIT.
- If the U.S. Government s recent actions with respect to Fannie Mae and Freddie Mac are inadequate or ineffective, our ability to acquire Agency MBS at attractive prices and/or returns, or at all, may be adversely affected.
- There can be no assurance that the actions taken by the U.S. and foreign governments, central banks and other governmental and regulatory bodies for the purpose of seeking to stabilize the financial markets will achieve the intended effect or benefit our business and further government or market developments could adversely affect us.
- There are conflicts of interest in our relationship with our Manager and Invesco, which could result in decisions that are not in the best interest of our stockholders.

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- The management agreement with our Manager was not negotiated on an arm s-length basis and may not be as favorable to us as if they had been negotiated with an unaffiliated third party and may be difficult and costly to terminate.
- Our board of directors will approve very broad investment guidelines for our Manager and will not approve each investment and financing decision made by our Manager.
- We may change any of our strategies, policies or procedures without stockholder consent.
- We have no operating history and may not be able to successfully operate our business or generate sufficient revenue to make or sustain distributions to our stockholders.
- We have not yet identified any specific investments in Agency MBS.
- We intend to use leverage for the acquisition of our investments through borrowings under repurchase agreements, which may adversely affect the return on our investments and may reduce cash available for distribution to our stockholders, as well as increase losses when economic conditions are unfavorable. We are not limited in the amount of leverage we may use.
- As a result of recent market events, including the contraction among and failure of certain lenders, it may be more difficult for us to secure financing.
- Continued adverse developments in the broader residential mortgage market may adversely affect the value of the Agency MBS in which we intend to invest.
- Loss of our 1940 Act exemption would adversely affect us and negatively affect the market price of our common stock and our ability to distribute dividends, and could result in the termination of the management agreement with our Manager.
- We will depend on repurchase agreement financing to execute our business plan, and our inability to access funding could have a material adverse effect on our results of operations, financial condition and business.
- An increase in our borrowing costs relative to the interest we receive on investments in Agency MBS may adversely affect our profitability and thus our cash available for distribution to our stockholders.
- An increase in interest rates may cause a decrease in the volume of newly-issued Agency MBS which could adversely affect our ability to acquire Agency MBS that satisfy our investment objectives and to generate income and pay dividends.
- Hedging against interest rate exposure may adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.
- Prepayment rates may adversely affect the value of our investment portfolio.
- Our failure to qualify as a REIT would subject us to U.S. federal income tax and potentially increased state and local taxes, which would reduce the cash available for distribution to our stockholders.

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Complying with REIT requirements may cause us to forego otherwise attractive investment opportunities or financing or hedging strategies.

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Our Structure

We were organized as a Maryland corporation in June 2008. We consider Invesco to be our promoter. We will conduct substantially all of our operations through our operating partnership, of which we are the sole general partner. Subject to certain limitations and exceptions, the limited partners of the operating partnership, other than us or our subsidiaries, will have the right to cause the operating partnership to redeem their OP units for cash equal to the market value of an equivalent number of our shares of common stock, or, at our option, we may purchase their OP units by issuing one share of common stock for each OP unit redeemed.

The following chart shows our structure after giving effect to this offering and the concurrent private placement to the Invesco Purchaser:

(1) Includes shares of restricted common stock to be granted to our independent directors under our equity incentive plan concurrently with the completion of this offering.

(2) Assuming redemption of all OP units owned by the Invesco Purchaser for the equivalent number of shares of our common stock, Invesco would beneficially own (through the holdings of the Invesco Purchaser) % of our common stock and the public would own the remaining %.

(3) We expect IAS Asset I LLC to qualify for an exemption from

registration under the 1940 Act as an investment company pursuant to Section 3(c)(5)(C) of the 1940 Act. We intend to conduct our operations so that the value of our operating partnership s investment in this subsidiary as well as other subsidiaries not relying on Section 3(c)(1) or Section 3(c)(7) of the 1940 Act will at all times, on an unconsolidated basis, exceed 60% of our operating partnership s total assets. See Business Operating and Regulatory Structure 1940 Act Exemption.

Management Agreement

We will be externally managed and advised by our Manager. We expect to benefit from the personnel, infrastructure, relationships and experience of our Manager to enhance the growth of our business. Each of our officers is an employee of Invesco. We do not expect to have any employees. Our Manager is not obligated to dedicate certain of its personnel exclusively to us, nor is our Manager or its personnel obligated to dedicate any specific portion of its or their time to our business.

We will enter into a management agreement with our Manager effective upon the closing of this offering. Pursuant to the management agreement, our Manager will implement our business strategy and perform certain services for us, subject to oversight by our board of directors. Our Manager will be responsible for, among other duties, (1) performing all of our day-to-day functions, (2) determining investment criteria in conjunction with our board of directors, (3) sourcing, analyzing and executing investments, asset sales and financings, and (4) performing asset management duties. In addition, our Manager has an Investment Committee of our Manager s professionals that will oversee compliance with our investment guidelines, investment portfolio holdings, financing and leveraging strategies.

The initial term of the management agreement will end two years after the closing of this offering, with automatic one-year renewal terms that end on the anniversary of the closing of this offering. Our independent directors will review our Manager s performance annually and, following the initial term, the management agreement may be terminated annually upon the affirmative vote of at least two-thirds of our independent directors based upon: (1) our Manager s unsatisfactory performance that is materially detrimental to us or (2) our determination that the management fees payable to our Manager are not fair, subject to our Manager s right to prevent termination based on unfair fees by accepting a reduction of management fees agreed to by at least two-thirds of our independent directors. We will provide our Manager with 180 days prior notice of such termination. Upon such a termination, we will pay our Manager a termination fee equal to three times the management fee described in the table below. We may also terminate the management agreement with 30 days prior notice from our board of directors, without payment of a termination fee, for cause, as defined in the management agreement. Our Manager may terminate the management agreement if we become required to register as an investment company under the 1940 Act, with such termination deemed to occur immediately before such event, in which case we would not be required to pay a termination fee. Our Manager may also decline to renew the management agreement by providing us with 180 days written notice, in which case we would not be required to pay a termination fee.

The following table summarizes the fees and expense reimbursements that we will pay to our Manager:

Type	Description	Payment
Management fee:	1.50% of our stockholders equity up to $500 million and 1.25% of our stockholders equity in excess of $500 million, per annum and calculated and payable quarterly in arrears. For purposes of calculating the management fee, our stockholders equity means the sum of the net proceeds from all issuances of our equity securities since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), plus our retained earnings at the end of the most recently completed calendar quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less any amount that we pay to repurchase our common stock since inception, and 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). This amount will be adjusted to exclude one-time events pursuant to changes in accounting principles generally accepted in the United States, or GAAP, and certain non-cash items after discussions between our Manager and our independent directors and approved by a majority of	Quarterly in cash

our independent directors. Our stockholders equity, for purposes

Type	Description	Payment
	of calculating the management fee, could be greater or less than the amount of stockholders equity shown on our financial statements. We will treat outstanding limited partner interests (not held by us) as outstanding shares of capital stock for purposes of calculating the management fee.	
Expense reimbursement	Reimbursement of operating expenses related to us incurred by our Manager, including certain salary expenses and other expenses relating to legal, accounting, due diligence and other services, and including fees payable to our subadvisor, Invesco Aim Advisors. Our reimbursement obligation is not subject to any dollar limitation.	Monthly in cash.
Termination fee	Termination fee equal to three times the sum of the average annual management fee earned by our Manager during the prior 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter.	Upon termination of the management agreement by us without cause or by our Manager if we materially breach the management agreement.
Incentive plan	Our equity incentive plan includes provisions for grants of restricted common stock and other equity-based awards to our directors, officers and personnel of our Manager. We do not expect to grant any awards under our equity incentive plan upon completion of this offering other than _____ shares of restricted stock to each of our independent directors.	

Conflicts of Interest

We are dependent on our Manager for our day-to-day management and do not have any independent officers or employees. Each of our officers and two of our directors, Mr. Armour and Ms. Dunn Kelley, is an employee of Invesco. Our management agreement with our Manager was negotiated between related parties and its terms, including fees and other amounts payable, may not be as favorable to us as if it had been negotiated at arm s length with an unaffiliated third party. In addition, the obligations of our Manager and its officers and personnel to engage in other business activities, including for Invesco, may reduce the time our Manager and its officers and personnel spend managing us.

As of September 30, 2008, Invesco had $409.6 billion in managed assets, including approximately $9.8 billion of Agency MBS, and we will compete for investment opportunities directly with our Manager or other clients of our Manager or Invesco. As of September 30, 2008, approximately 100 accounts managed by our Manager had some exposure to Agency MBS. In addition, in the future our Manager may have additional clients that compete directly with us for investment opportunities, although Invesco has indicated to us that it expects that we will be the only publicly-traded REIT advised by our Manager or Invesco whose investment strategy is to invest substantially all of its capital in Agency MBS. Our Manager has an investment allocation policy in place that is intended to enable us to share equitably with other clients of our Manager in all investment opportunities that may be suitable for us and such other clients. Pursuant to this policy, investments may be allocated by taking into account factors, including but not limited to investment objectives or strategies, the size of the available investment, cash availability and cash flow expectations, and the tax implications of an investment. Our Manager s policy also requires a fair and equitable allocation of financing opportunities over time among us and other clients of our Manager. Our Manager s policy also includes other procedures intended to prevent any of its other clients from receiving favorable treatment in accessing investment opportunities over any other account. These allocation policies may be amended by our Manager at any time without our consent. To the extent our Manager s or our business evolves in such a way as to give rise to conflicts not currently addressed by our Manager s allocation policies, our Manager may need to refine its policies to address such situation. Our independent directors will review our Manager s compliance with its allocation policies. In addition, to avoid any actual or perceived conflicts of interest with our Manager, a majority of our independent directors will be required to approve an investment in any security structured or issued by an entity managed by our Manager or its affiliates, or any purchase or sale of our assets by or to our Manager or its affiliates or to an entity managed by our Manager or its affiliates.

We do not have a policy that expressly prohibits our directors, officers, security holders or affiliates from engaging for their own account in business activities of the types conducted by us. However, subject to Invesco s allocation policy, our code of business conduct and ethics contains a conflicts of interest policy that prohibits our directors, officers and personnel, as well as employees of our Manager who provide services to us, from engaging in any transaction that involves an actual conflict of interest with us.

Operating and Regulatory Structure

REIT Qualification

We intend to elect to qualify as a REIT under Sections 856 through 859 of the Internal Revenue Code commencing with our taxable year ending on December 31, 2009. Our qualification as a REIT depends upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares. We believe that we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code, and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT.

So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on our net taxable income we distribute currently to our stockholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income or property.

1940 Act Exemption

We intend to conduct our operations so that we are not required to register as an investment company under the 1940 Act. Section 3(a)(1)(A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer s total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis. Excluded from the term investment securities, among other things, are U.S. Government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the 1940 Act. The company is organized as a holding company that conducts its businesses primarily through the operating partnership. Both the company and the operating partnership intend to conduct their operations so that they do not come within the definition of an investment company because less than 40% of the value of their total assets on an unconsolidated basis will consist of investment securities. The securities issued to our operating partnership by any wholly-owned or majority-owned subsidiaries that we may form in the future that are excepted from the definition of investment company based on Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities the operating partnership may own, may not have a value in excess of 40% of the value of the operating partnership s total assets on an unconsolidated basis. We will monitor our holdings to ensure continuing and ongoing compliance with this test. In addition, we believe neither the company nor the operating partnership will be considered an investment company under Section 3(a)(1)(A) of the 1940 Act because it will not engage primarily or hold itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, through the operating partnership s wholly-owned or majority-owned subsidiaries, the company and the operating partnership are primarily engaged in the non-investment company businesses of these subsidiaries.

If the value of our operating partnership s investments in its subsidiaries that are excepted from the definition of investment company by Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities it owns, exceeds 40% of its total assets on an unconsolidated basis, or if one or more of such subsidiaries fail to maintain an exception or exemption from the 1940 Act, we may have to register under the 1940 Act and could become subject to substantial regulation with respect to our capital structure (including our ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, and other matters.

We expect IAS Asset I LLC to qualify for an exemption from registration under the 1940 Act as an investment company pursuant to Section 3(c)(5)(C) of the 1940 Act, which is available for entities primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. In addition, certain of the operating partnership s other subsidiaries that we may form in the future also may qualify for the Section 3(c)(5)(C) exemption. This exemption generally means that at least 55% of such subsidiaries portfolios must be comprised of qualifying assets and 80% of each of their portfolios must be comprised of qualifying assets and real estate-related assets under the 1940 Act. Qualifying assets for this purpose include mortgage loans and other assets, such as whole pool Agency MBS that the SEC staff in various no-action letters has determined are the functional equivalent of mortgage loans for the purposes of the 1940 Act. Although we intend to monitor our portfolio periodically and prior to each investment acquisition, there can be no assurance that we will be able to maintain this exemption from registration for each of these subsidiaries.

Qualification for exemption from registration under the 1940 Act will limit our ability to make certain investments. For example, these restrictions will limit the ability of our subsidiaries to invest directly in mortgage-backed securities that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches

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of securitizations and certain asset-backed securities, or ABS, and real estate companies or in assets not related to real estate.

Restrictions on Ownership of Our Common Stock

To assist us in complying with the limitations on the concentration of ownership of a REIT imposed by the Internal Revenue Code, our charter prohibits, with certain exceptions, any stockholder from beneficially or constructively owning, applying certain attribution rules under the Internal Revenue Code, more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock, or 9.8% by value or number of shares, whichever is more restrictive, of our outstanding capital stock. Our board of directors may, in its sole discretion, waive the 9.8% ownership limit with respect to a particular stockholder if it is presented with evidence satisfactory to it that such ownership will not then or in the future jeopardize our qualification as a REIT. Our charter also prohibits any person from, among other things:

- beneficially or constructively owning shares of our capital stock that would result in our being closely held under Section 856(h) of the Internal Revenue Code, or otherwise cause us to fail to qualify as a REIT; and
- transferring shares of our capital stock if such transfer would result in our capital stock being owned by fewer than 100 persons.

In addition, our charter provides that any ownership or purported transfer of our capital stock in violation of the foregoing restrictions will result in the shares so owned or transferred being automatically transferred to a charitable trust for the benefit of a charitable beneficiary, and the purported owner or transferee acquiring no rights in such shares. If a transfer to a charitable trust would be ineffective for any reason to prevent a violation of the restriction, the transfer resulting in such violation will be void from the time of such purported transfer.

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THE OFFERING

Common stock offered by us	shares (plus up to an additional shares of our common stock that we may issue and sell upon the exercise of the underwriters over-allotment option).
Common stock to be outstanding after this offering	shares.(1)
Use of proceeds	We intend to invest the net proceeds of this offering and the concurrent private placement of common stock and OP units to the Invesco Purchaser in Agency MBS. Until appropriate investments can be identified, our Manager may invest these funds in interest-bearing short-term investments, including money market accounts and/or funds, that are consistent with our intention to qualify as a REIT. These initial investments are expected to provide a lower net return than we will seek to achieve from investments in our targeted investments in Agency MBS. See Use of Proceeds.
Distribution policy	We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. We generally intend over time to pay quarterly dividends in an amount equal to our net taxable income, excluding net capital gains. We plan to pay our first dividend in respect of the period from the closing of this offering through , 2009 which may be prior to the time that we have fully invested the net proceeds from this offering in our targeted investments in Agency MBS.
	Any distributions we make will be at the discretion of our board of directors and will depend upon, among other things, our actual results of operations. These results and our ability to pay distributions will be affected by various factors, including the net interest and other income from our portfolio, our operating expenses and any other expenditures. For more information, see Distribution Policy.
Proposed NYSE symbol	IVR
Ownership and transfer restrictions	To assist us in complying with limitations on the concentration of ownership of a REIT imposed by the Internal Revenue Code, our charter generally prohibits, among other prohibitions, any stockholder from beneficially or constructively owning more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock, or 9.8% by value or number of shares,

whichever is more restrictive, of our outstanding capital stock. See Description of Capital Stock Restrictions on Ownership and Transfer.

Risk factors

Investing in our common stock involves a high degree of risk. You should carefully read and consider the information set forth under the heading Risk Factors beginning on page 16 of this prospectus and all other information in this prospectus before investing in our common stock.

(1) Includes shares of our common stock to be sold to the Invesco Purchaser in a concurrent private placement. Excludes (i) shares of our common stock that we may issue and sell upon the exercise of the underwriters over-allotment option in full, (ii) shares of our restricted common stock to be granted to our independent directors under our equity incentive plan concurrently with this offering, and (iii) shares that may be issued by us upon a redemption of the OP units to be owned by the Invesco Purchaser upon completion of this offering.

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Our Corporate Information

Our principal executive offices are located at 1555 Peachtree Street, NE, Atlanta, Georgia 30309. Our telephone number is (404) 892-0896. Our website is www.invescoagencysecurities.com. The contents of our website are not a part of this prospectus. The information on our website is not intended to form a part of or be incorporated by reference into this prospectus.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors and all other information contained in this prospectus before purchasing our common stock. If any of the following risks occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you may lose some or all of your investment.

Risks Related to Our Relationship With Our Manager

We are dependent on our Manager and its key personnel for our success. In particular, we intend to rely on financing opportunities that will be facilitated and/or provided by Invesco Aim Advisors, an affiliate of our Manager.

We have no separate facilities and are completely reliant on our Manager. We do not expect to have any employees. Our executive officers are employees of Invesco. Our Manager has significant discretion as to the implementation of our investment and operating policies and strategies. Accordingly, we believe that our success will depend to a significant extent upon the efforts, experience, diligence, skill and network of business contacts of the executive officers and key personnel of our Manager. The executive officers and key personnel of our Manager will evaluate, negotiate, close and monitor our investments; therefore, our success will depend on their continued service. The departure of any of the executive officers or key personnel of our Manager could have a material adverse effect on our performance. In addition, we offer no assurance that our Manager will remain our investment manager or that we will continue to have access to our Manager s principals and professionals. The initial term of our management agreement with our Manager only extends until the second anniversary of the closing of this offering, with automatic one-year renewals thereafter. If the management agreement is terminated and no suitable replacement is found to manage us, we may not be able to execute our business plan. Moreover, our Manager is not obligated to dedicate certain of its personnel exclusively to us nor is it obligated to dedicate any specific portion of its time to our business, and none of our Manager s personnel are contractually dedicated to us under our management agreement with our Manager.

Furthermore, our Manager is in the process of securing commitments from the counterparties to repurchase agreements with Invesco Aim Advisors, an affiliate of our Manager and a sub-adviser to us, for us to borrow from such counterparties under Invesco Aim Advisors existing repurchase agreements in order to finance our acquisitions of Agency MBS. However, if the management agreement is terminated, we cannot assure you that we would continue to have access to these sources of financing for our investments.

Our Manager has no experience operating a REIT and we cannot assure you that our Manager s past experience will be sufficient to successfully manage our business as a REIT.

Our Manager has never operated a REIT and our management has no experience in complying with the income, asset, and other limitations imposed by the REIT provisions of the Internal Revenue Code. The REIT provisions of the Internal Revenue Code are complex, and any failure to comply with those provisions in a timely manner could prevent us from qualifying as a REIT or force us to pay unexpected taxes and penalties. In such event, our net income would be reduced and we could incur a loss.

There are conflicts of interest in our relationship with our Manager and Invesco, which could result in decisions that are not in the best interests of our stockholders.

We are subject to conflicts of interest arising out of our relationship with Invesco and our Manager. Specifically, each of our officers and two of our directors, Mr. Armour and Ms. Dunn Kelley is an employee of Invesco. Our Manager and our executive officers may have conflicts between their duties to us and their duties to, and interests in, Invesco. Our Manager is not required to devote a specific amount of time to our operations. There may also be conflicts in allocating investments and financing opportunities which are suitable for us, Invesco and other clients of Invesco. Our Manager has investment and financing allocation policies that are intended to enable each of its clients to share equitably in all investment and financing opportunities that may be suitable for us and such other clients. Therefore, we may compete with Invesco and other clients of Invesco for investment or financing opportunities sourced by our Manager and, as a result, we may either not be presented with the opportunity or have to compete with Invesco or other clients of our Manager or Invesco to acquire these investments or have access to these sources of financing. Our Manager and our executive officers may choose to allocate favorable investments to Invesco or other clients of Invesco instead of to us. Further, at times when there are turbulent conditions in the mortgage markets or distress in the credit markets or other times when we will need focused support and assistance from our Manager, Invesco or entities for which our Manager also acts as an investment manager will likewise require greater focus and attention, placing our Manager s resources in high demand. In such situations, we may not receive the level of support and assistance that we may receive if we were internally managed or if our Manager did not act as a manager for other entities. There is no assurance that our Manager s allocation policies that address some of the conflicts relating to our access to investment and financing sources, which are described under Management Conflicts of Interest, will be adequate to address all of the conflicts that may arise.

We will pay our Manager substantial management fees regardless of the performance of our portfolio. Our Manager s entitlement to a management fee, which is not based upon performance metrics or goals, might reduce its incentive to devote its time and effort to seeking investments that provide attractive risk-adjusted returns for our portfolio. This in turn could hurt both our ability to make distributions to our stockholders and the market price of our common stock.

Concurrently with the completion of this offering, we will conduct a private placement in which we will sell to the Invesco Purchaser shares of our common stock and OP units, in each case at the price per share in this offering, for an aggregate of $ million. Assuming that all OP units are redeemed for an equivalent number of shares of our common stock, the Invesco Purchaser would beneficially own % of our outstanding common stock upon completion of this offering and the concurrent private placement (or % if the underwriters fully exercise their option to purchase additional shares). The Invesco Purchaser will agree that, for a period of one year after the date of this prospectus, it will not, without the prior written consent of Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. Incorporated, dispose of or hedge any of the shares of our common stock or OP units that it purchases in the concurrent private placement, subject to extension in certain circumstances. The Invesco Purchaser may sell any of these securities at any time following the expiration of this one-year lock-up period. To the extent the Invesco Purchaser sells some of these Securities, its interests may be less aligned with our interests.

The management agreement with our Manager was not negotiated on an arm s-length basis and may not be as favorable to us as if it had been negotiated with an unaffiliated third party and may be costly and difficult to terminate.

Our executive officers and two of our five directors are employees of Invesco. Our management agreement with our Manager was negotiated between related parties and its terms, including fees payable, may not be as favorable to us as if it had been negotiated with an unaffiliated third party.

Termination of the management agreement with our Manager without cause is difficult and costly. Our independent directors will review our Manager s performance and the management fees annually and, following the initial two-year term, the management agreement may be terminated annually upon the affirmative vote of at least two-thirds of our independent directors based upon: (1) our Manager s unsatisfactory performance that is materially detrimental to us, or (2) a determination that the management fees payable to our Manager are not fair, subject to our Manager s right to prevent termination based on unfair fees by accepting a reduction of management fees agreed to by at least two-thirds of our independent directors. Our Manager will be provided 180 days prior notice of any such termination. Additionally, upon such a termination, the management agreement provides that we will pay our Manager a termination fee equal to three times the sum of the average annual management fee received by our Manager during the prior 24-month period before such termination, calculated as of the end of the most recently completed fiscal quarter. These provisions may increase the cost to us of terminating the management agreement and adversely affect our ability to terminate our Manager without cause.

Our Manager is only contractually committed to serve us until the second anniversary of the closing of this offering. Thereafter, the management agreement is renewable for one-year terms; provided, however, that our Manager may terminate the management agreement annually upon 180 days prior notice. If the management agreement is terminated and no suitable replacement is found to manage us, we may not be able to execute our business plan.

Pursuant to the management agreement, our Manager will not assume any responsibility other than to render the services called for thereunder and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Our Manager maintains a contractual as opposed to a fiduciary relationship with us. Under the terms of the management agreement, our Manager, its officers, stockholders, members, managers, directors, personnel, any person controlling or controlled by our Manager and any person providing sub-advisory services to our Manager will not be liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary s stockholders or partners for acts or omissions performed in accordance with and pursuant to the management agreement, except because of acts constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their duties under the management agreement. In addition, we have agreed to indemnify our Manager, its officers, stockholders, members, managers, directors, personnel, any person controlling or controlled by our Manager and any person providing sub-advisory services to our Manager with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of our Manager not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of duties, performed in good faith in accordance with and pursuant to the management agreement.

Our board of directors has approved very broad investment guidelines for our Manager and will not approve each investment and financing decision made by our Manager.

Our Manager will be authorized to follow very broad investment guidelines. Our board of directors will periodically review our investment guidelines and our investment portfolio but will not, and will not be required to, review all of our proposed investments, except that an investment in a security structured or issued by an entity managed by Invesco must be approved by a majority of our independent directors prior to such investment. In addition, in conducting periodic reviews, our board of directors may rely primarily on information provided to them by our Manager. Furthermore, our Manager may use complex strategies, and transactions entered into by our Manager may be costly, difficult or impossible to unwind by the time they are reviewed by our board of directors. Our Manager will have great latitude within the broad parameters of our investment guidelines in determining the types of Agency MBS it may decide are attractive investments for us, which could result in investment returns that are substantially below expectations or that result in losses, which would materially and adversely affect our business operations and results. Further, decisions made and investments and financing arrangements entered into by our Manager may not fully reflect the best interests of our stockholders.

Risks Related to Our Company

We may change any of our strategies, policies or procedures without stockholder consent.

We may change any of our strategies, policies or procedures with respect to investments, acquisitions, growth, operations, indebtedness, capitalization and distributions at any time without the consent of our stockholders, which could result in an investment portfolio with a different risk profile. A change in our investment strategy may increase our exposure to interest rate risk, default risk and real estate market fluctuations. Furthermore, a change in our asset allocation could result in our making investments in asset categories different from those described in this prospectus. These changes could adversely affect our financial condition, results of operations, the market price of our common stock and our ability to make distributions to our stockholders.

We have no operating history and may not be able to successfully operate our business or generate sufficient revenue to make or sustain distributions to our stockholders.

We were organized in June 2008 and have no operating history. We have no assets and will commence operations only upon completion of this offering. We cannot assure you that we will be able to operate our business successfully or implement our operating policies and strategies as described in this prospectus. The results of our operations depend on several factors, including the availability of opportunities for the acquisition of assets, the level and volatility of interest rates, the availability of adequate short and long-term financing, conditions in the financial markets and economic conditions.

If the U.S. Government s recent actions with respect to Fannie Mae and Freddie Mac are inadequate or ineffective, our ability to acquire Agency MBS at attractive prices and/or returns, or at all, may be adversely affected.

In response to general market instability and, more specifically, the financial condition of Fannie Mae and Freddie Mac, on July 30, 2008, the Housing and Economic Recovery Act of 2008 established a new regulator for Fannie Mae and Freddie Mac, the FHFA. On September 7, 2008, the U.S. Treasury, the FHFA, and the U.S. Federal Reserve announced a comprehensive action plan to help stabilize the financial markets, support the availability of mortgage finance and protect taxpayers. Under this plan, among other things, the FHFA has been appointed as conservator of both Fannie Mae and Freddie Mac, allowing the FHFA to control the actions of the two GSEs, without forcing them to liquidate, which would be the case under receivership. Importantly, the primary focus of the plan is to increase the availability of mortgage financing by allowing these GSEs to continue to grow their guarantee business without limit, while limiting net purchase of MBS to a modest amount through the end of 2009. Beginning in 2010, these GSEs will gradually reduce their portfolios. In addition, in an effort to further stabilize the U.S. mortgage market, the U.S. Treasury took three further actions. First, it has entered into a preferred stock purchase agreement with each of the GSEs, pursuant to which $100 billion will be available to each entity. Second, it has established a new secured credit facility, the GSECF, available to each of Fannie Mae and Freddie Mac (as well as Federal Home Loan Banks) through December 31, 2009, when other funding sources are unavailable. Third, it has established an Agency MBS purchase program, under which the U.S. Treasury may purchase Agency MBS in the open market. This latter program will also expire on December 31, 2009. Although the U.S. Government has committed capital to Fannie Mae and Freddie Mac and taken other stabilizing measures, there can be no assurance that these actions will be adequate for their needs. If the U.S. Government s recent actions with respect to Fannie Mae and Freddie Mac are inadequate or ineffective, our ability to acquire Agency MBS at attractive prices and/or returns, or at all, may be adversely affected.

There can be no assurance that the actions taken by the U.S. and foreign governments, central banks and other governmental and regulatory bodies for the purpose of seeking to stabilize the financial markets will achieve the intended effect or benefit to our business and further government or market developments could adversely affect us.

In response to the financial issues affecting the banking system and financial markets and going concern threats to investment banks and other financial institutions, on October 3, 2008, the U.S. Congress enacted the EESA. The EESA provides the U.S. Secretary of the Treasury with the authority to establish TARP to purchase from financial institutions up to $700 billion of residential or commercial mortgages and any securities, obligations or other instruments that are based on or related to such mortgages, that in each case was originated or issued on or before March 14, 2008, as well as any other financial instrument that the Secretary of the U.S. Treasury, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, determines the purchase of which is necessary to promote financial market stability, upon transmittal of such determination, in writing, to the appropriate committees of the U.S. Congress. The EESA also provides for a program that would allow companies to insure their troubled assets, including MBS.

On October 14, 2008, the U.S. Treasury announced the CPP, which was implemented under authority provided in the EESA. Under the CPP, the U.S. Treasury will purchase up to $250 billion of senior preferred shares in qualifying U.S. controlled banks, savings associations, and certain bank and savings and loan holding companies engaged only in financial activities. In order to participate in the first phase that was directed to publicly-traded financial institutions, an application was required to have been submitted by November 14, 2008. Nine of the largest banks in the United States, as well as other financial institutions, accepted investments under the CPP during the first phase. In the second phase, which the U.S. Treasury implemented on November 17, 2008 and which required an application to be submitted by December 8, 2008, privately-held financial institutions were permitted to apply. The U.S. Treasury also is considering the expansion of the CPP to non-financial institutions, including life or other insurance companies.

On July 30, 2008, the H4H Act was signed into law. The H4H Act created a new, temporary, voluntary program within the FHA to back FHA-insured mortgages to distressed borrowers. The Hope for Homeowners program, which is effective from October 1, 2008 through September 30, 2011, will enable certain distressed borrowers to refinance their mortgages into FHA-insured loans.

Ginnie Mae, which guarantees the payment of principal and interest on Hope for Homeowners MBS, requires that all loans under the H4H Act must be pooled only under the Ginnie Mae II program s multiple issuer type, MFS. Ginnie Mae will accept loan packages under the H4H Act to be pooled in MFS securities with a November 1, 2008 issue date and thereafter.

We believe that by providing banks with relatively low cost capital infusions pursuant to the EESA and the CPP, the functioning of financial markets will improve, as banks make loans supported by new capital infusions. We further believe that there is a reasonable likelihood that banks will deploy at least a portion of the capital that they receive in the Agency MBS market, resulting in narrower MBS spreads. Narrower spreads will likely be offset, however, by more attractive repurchase financing terms, resulting in attractive net interest margins for our investments.

As the banks overall capital positions improve because of capital infusions under the CPP, we believe that they will seek to once again deploy capital through various lending channels, including repurchase lending.

However, there can be no assurance that the EESA will have a beneficial impact on the financial markets, including on current levels of volatility. To the extent the market does not respond favorably to TARP or CPP initiatives or TARP or CPP initiatives do not function as intended, our business may not receive the anticipated positive impact from the legislation. We cannot predict whether or when TARP or CPP will have any impact and to what extent it will affect our business, results of operations and financial condition.

We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.

Our business is highly dependent on communications and information systems of Invesco. Any failure or interruption of Invesco s systems could cause delays or other problems in our securities trading activities, which could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

Maintenance of our 1940 Act exemption imposes limits on our operations.

The company intends to conduct its operations so as not to become regulated as an investment company under the 1940 Act. Because the company is a holding company that will conduct its businesses through the operating partnership and its wholly-owned or majority-owned subsidiaries, the securities issued by these subsidiaries that are excepted from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, together with any other investment securities the operating partnership may own, may not have a combined value in excess of 40% of the value of the operating partnership s total assets on an unconsolidated basis. This requirement limits the types of businesses in which we may engage through our subsidiaries. IAS Asset I LLC and certain of the operating partnership s other subsidiaries that we may form in the future intend to rely upon the exemption from registration as an investment company under the 1940 Act pursuant to Section 3(c)(5)(C) of the 1940 Act, which is available for entities primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. This exemption generally means that at least 55% of our subsidiaries portfolios must be comprised of qualifying assets and 80% of each of their portfolios must be comprised of qualifying assets and real estate-related assets under the 1940 Act. There can be no assurance that the laws and regulations governing REITs, including the Division of Investment Management of the SEC, providing more specific or different guidance regarding the treatment of assets as qualifying assets or real estate-related assets, will not change in a manner that adversely affects our operations. If the company, the operating partnership or its subsidiaries fail to maintain an exception or exemption from the 1940 Act, we could, among other things, be required either to (a) change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company, either of which could negatively affect the value of our common stock, the sustainability of our business model, and our ability to make distributions have an adverse effect on our business and the market price for our shares of common stock.

Risks Related to Financing and Hedging

We intend to use leverage for the acquisition of our investments through borrowings under repurchase agreements, which may adversely affect the return on our investments and may reduce cash available for distribution to our stockholders, as well as increase losses when economic conditions are unfavorable. We are not limited in the amount of leverage we may use.

We intend to leverage the acquisition of our assets through borrowings under repurchase agreements. Although we are not required to maintain any particular assets-to-equity leverage ratio, the amount of leverage we will deploy for particular assets will depend upon our Manager s assessment of the risks of those assets. Although we are not limited in the amount of leverage we may use, we expect that we will deploy, on a debt-to-equity basis, from six to ten times leverage on our Agency MBS assets. The percentage of leverage will vary over time depending on our ability to enter into repurchase agreements, available credit limits and financing rates, type and/or amount of collateral required to be pledged and our assessment of the appropriate amount of leverage for the particular assets we are funding.

Market conditions, which are likely to change over time, could cause one or more of our potential lenders to be unwilling or unable to provide us with financing or to increase the costs of that financing. Current market conditions have affected different types of financing for mortgage-related assets to varying degrees, with some sources generally being unavailable, others being available but at a higher cost, while others being largely unaffected. For example, financing rates and advance rates, or haircut levels, with respect to repurchase agreements have increased. Repurchase agreement counterparties have taken these steps in order to compensate themselves for a perceived increased risk due to the illiquidity of the underlying collateral. In some cases, margin calls have forced borrowers to liquidate collateral in order to meet the capital requirements of these margin calls, resulting in losses.

Our return on our assets and cash available for distribution to our stockholders may be reduced to the extent that changes in market conditions prevent us from leveraging our investments or cause the cost of our financing to increase relative to the income that can be derived from the assets acquired. Our financing costs will reduce cash available for distributions to stockholders. We may not be able to meet our financing obligations and, to the extent that we cannot, we risk the loss of some or all of our assets to liquidation or sale to satisfy the obligations. A decrease in the value of our Agency MBS assets that are subject to repurchase agreement financing may lead to margin calls which we will have to satisfy. We may not have the funds available to satisfy any such margin calls and may be forced to sell Agency MBS at significantly depressed prices due to market conditions or otherwise, which may result in losses. The satisfaction of such margin calls may reduce cash flow available for distribution to our stockholders. Any reduction in distributions to our stockholders may cause the value of our common stock to decline.

We will depend on repurchase agreement financing to execute our business plan, and our inability to access funding could have a material adverse effect on our results of operations, financial condition and business.

We use repurchase agreement financing as a strategy to increase our return on investments. However, we may not be able to achieve our desired leverage ratio for a number of reasons, including if the following events occur:

- our lenders do not make repurchase agreement financing available to us at acceptable rates;
- certain of our lenders exit the repurchase market;
- our lenders require that we pledge additional collateral to cover our borrowings, which we may be unable to do; or
- we determine that the leverage would expose us to excessive risk.

Our ability to fund our Agency MBS depends to a large extent upon our ability to secure repurchase agreement financing on acceptable terms. Although our Manager, through its affiliate and our sub-adviser, Invesco Aim Advisors intends to arrange repurchase agreement financing for us with a number of counterparties, during certain periods of the credit cycle, lenders may curtail their willingness to provide such financing. In addition, we may be required to enter into reverse repurchase financing arrangements for which neither we nor Invesco Aim Advisors has limited experience. If we are not able to renew our then existing financing or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under any of these facilities, we may have to curtail our asset acquisition activities and/or dispose of assets. In addition, we may compete with Invesco or other clients of Invesco for financing opportunities facilitated and/or provided by Invesco Aim Advisors, which could also affect our ability to access funding.

It is possible that the lenders that will provide us with financing could experience changes in their ability to advance funds to us, independent of our performance or the performance of our investments. If one or more major market participants exits the business, it could adversely affect the marketability of all fixed-income securities, and this could negatively impact the value of our investments, thus reducing our net book value. Furthermore, if many of our potential lenders are unwilling or unable to provide us with financing, we could be forced to sell our investments at an inopportune time when prices are depressed. In addition, if the regulatory capital requirements imposed on our lenders change, they may be required to significantly increase the cost of the financing that they provide to us. Our lenders also may revise their eligibility requirements for the types of investments they are willing to finance or the terms of such financings, based on, among other factors, the regulatory environment and their management of perceived risk, particularly with respect to assignee liability. Moreover, the amount of financing we will receive under our repurchase agreements will be directly related to the lenders valuation of the Agency MBS that secure the outstanding borrowings. Typically repurchase financing arrangements permit the lender the absolute right to reevaluate the market value of the assets that secure outstanding borrowings at any time. If a lender determines that the value of the assets has decreased, it has the right to initiate a margin call, requiring the borrower to transfer additional assets to the lender without any additional advance of funds, repay a portion of the outstanding borrowings or sell the assets securing the outstanding borrowings. To the extent we are forced to sell assets securing borrowings under our repurchase agreements given market conditions, we may be selling at the same time as others facing similar pressures, which could exacerbate a difficult market environment and which could result in our incurring significantly greater losses on our sale of such assets. In an extreme case of market duress, a market may not even be present for certain of our Agency MBS at any price.

The current dislocations in the residential mortgage sector and credit markets has caused many lenders to tighten their lending standards, reduce their lending capacity or exit the market altogether. Further contraction among lenders, insolvency of lenders or other general market disruptions could adversely affect one or more of our potential lenders and could cause one or more of our potential lenders to be unwilling or unable to provide us with financing on attractive terms or at all. This could potentially increase our financing costs and reduce our access to liquidity. If one or more major market participants fails, it could negatively impact the marketability of all fixed-income securities, including our Agency MBS, and this could negatively impact the value of the assets we acquire, thus reducing our net book value. Furthermore, because we rely primarily on short-term borrowings, our ability to achieve our investment objective depends not only on our ability to borrow money in sufficient amounts and on attractive terms, but also on our ability to renew or replace on a continuous basis our maturing short-term borrowings. If we are not able to renew or replace maturing borrowings, we could be forced to sell our Agency MBS at an inopportune time when prices are depressed.

As a result of recent market events, including the contraction among and failure of certain lenders, it may be more difficult for us to secure financing.

Our results of operations are materially affected by conditions in the financial markets and the economy generally. Recently, concerns over inflation, energy price volatility, geopolitical issues, unemployment, the availability and cost of credit, the mortgage market and a declining real estate market have contributed to increased volatility and diminished expectations for the economy and markets.

Dramatic declines in the housing market, with decreasing home prices and increasing foreclosures and unemployment, have resulted in significant asset write-downs by financial institutions, which have caused many financial institutions to seek additional capital, to merge with other institutions and, in some cases, to fail. We rely on the availability of financing to acquire Agency MBS on a leveraged basis. Institutions from which we seek to obtain financing may have owned or financed residential mortgage loans, real estate-related securities and real estate loans which have declined in value and caused losses as a result of the recent downturn in the markets. Many lenders and institutional investors have reduced and, in some cases, ceased to provide funding to borrowers, including other financial institutions. If these conditions persist, these institutions may become insolvent. As a result of recent market events, it may be more difficult for us to secure financing as there are fewer institutional lenders and those remaining lenders have tightened their lending standards and have done so in a manner that now distinguishes between types of Agency MBS. For example, during the month of March 2008, lenders generally increased haircuts (the difference between the cash we receive from the counterparty when we initially sell the securities to the counterparty less than the value of those securities) substantially on Agency MBS secured by hybrid ARMs, and also substantially increased haircuts on CMOs guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae, or Agency CMOs, largely dependent upon cash flow structure. A material increase in haircuts on these securities would likely negatively affect our profitability, liquidity, and the results of operations.

Our liquidity may also be adversely affected by margin calls under repurchase agreements because we will be dependent in part on the lenders valuation of the collateral securing the financing. Any such margin call could harm our liquidity, results of operation, and financial condition. Additionally, in order to obtain cash to satisfy a margin call, we may be required to liquidate assets at a disadvantageous time, which could cause us to incur further losses and adversely affect our results of operations and financial condition.

As a result of these events, it may be more difficult for us to obtain financing on attractive terms, or at all, and our financial position and results of operations could be adversely affected.

The repurchase agreements that we will use to finance our investments may require us to provide additional collateral and may restrict us from leveraging our assets as fully as desired.

We intend to use repurchase agreements to finance our investments. If the market value of the Agency MBS pledged or sold by us to a financing institution decline in value, we may be required by the financing institution to provide additional collateral or pay down a portion of the funds advanced, but we may not have the funds available to do so, which could result in defaults. Posting additional collateral to support our credit will reduce our liquidity and limit our ability to leverage our assets, which could adversely affect our business. In the event we do not have sufficient liquidity to meet such requirements, financing institutions can accelerate repayment of our indebtedness, increase interest rates, liquidate our collateral or terminate our ability to borrow. Such a situation would likely result in a rapid deterioration of our financial condition and possibly necessitate a filing for bankruptcy protection.

Further, financial institutions providing the repurchase facilities may require us to maintain a certain amount of cash uninvested or to set aside non-levered assets sufficient to maintain a specified liquidity position which would allow us to satisfy our collateral obligations. As a result, we may not be able to leverage our assets as fully as we would choose, which could reduce our return on equity. If we are unable to meet these collateral obligations, our financial condition could deteriorate rapidly.

Lenders may require us to enter into restrictive covenants relating to our operations.

When we obtain financing, lenders could impose restrictions on us that would affect our ability to incur additional debt, our capability to make distributions to stockholders and our flexibility to determine our operating policies. Loan documents we execute may contain negative covenants that limit, among other things, our ability to repurchase stock, distribute more than a certain amount of our funds from operations, and employ leverage beyond certain amounts.

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If a counterparty to our repurchase transactions defaults on its obligation to resell the underlying security back to us at the end of the transaction term, or if the value of the underlying security has declined as of the end of that term, or if we default on our obligations under the repurchase agreement, we will lose money on our repurchase transactions.

When we engage in repurchase transactions, we generally sell securities to lenders (repurchase agreement counterparties) and receive cash from these lenders. The lenders are obligated to resell the same securities back to us at the end of the term of the transaction. Because the cash we receive from the lender when we initially sell the securities to the lender is less than the value of those securities (this difference is the haircut), if the lender defaults on its obligation to resell the same securities back to us we may incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). We would also lose money on a repurchase transaction if the value of the underlying securities has declined as of the end of the transaction term, as we would have to repurchase the securities for their initial value but would receive securities worth less than that amount. Further, if we default on one of our obligations under a repurchase transaction, the lender can terminate the transaction and cease entering into any other repurchase transactions with us. We expect our repurchase agreements will contain cross-default provisions, so that if a default occurs under any one agreement, the lenders under our other agreements could also declare a default. Any losses we incur on our repurchase transactions could adversely affect our earnings and thus our cash available for distribution to our stockholders.

An increase in our borrowing costs relative to the interest we receive on investments in Agency MBS may adversely affect our profitability, and our cash available for distribution to our stockholders.

As our repurchase agreements mature, we will be required either to enter into new borrowings or to sell certain of our investments. An increase in short-term interest rates at the time that we seek to enter into new borrowings would reduce the spread between our returns on our assets and the cost of our borrowings. This would adversely affect our returns on our assets, which might reduce earnings and, in turn, cash available for distribution to our stockholders.

Our use of repurchase agreements to finance our investments may give our lenders greater rights in the event that either we or a lender files for bankruptcy.

Our borrowings under repurchase agreements may qualify for special treatment under the U.S. Bankruptcy Code, giving our lenders the ability to avoid the automatic stay provisions of the code and to take possession of and liquidate the assets that we have pledged under their repurchase agreements without delay in the event that we file for bankruptcy. Furthermore, the special treatment of repurchase agreements under the U.S. Bankruptcy Code may make it difficult for us to recover our pledged assets in the event that a lender party to such agreement files for bankruptcy. Therefore, our use of repurchase agreements to finance our investments exposes our pledged assets to risk in the event of a bankruptcy filing by either a lender or us.

Changes in accounting treatment may adversely affect our reported profitability.

In February 2008, the Financial Accounting Standards Board, or FASB, issued final guidance regarding the accounting and financial statement presentation for transactions that involve the acquisition of Agency MBS from a counterparty and the subsequent financing of these securities through repurchase agreements with the same counterparty. We will evaluate our position based on the final guidance issued by FASB. If we do not meet the criteria under the final guidance to account for the transactions on a gross basis, our accounting treatment would not affect the economics of these transactions, but would affect how these transactions are reported on our financial statements. If we are not able to comply with the criteria under this final guidance for same party transactions we would be precluded from presenting Agency MBS and the related financings, as well as the related interest income and interest expense, on a gross basis on our financial statements. Instead, we would be required to account for the purchase commitment and related repurchase agreement on a net basis and record a forward commitment to purchase Agency MBS as a derivative instrument. Such forward commitments would be recorded at fair value with subsequent changes in fair value recognized in earnings. Additionally, we would record the cash portion of our investment in Agency MBS as a mortgage related receivable from the counterparty on our balance sheet. Although we would not expect this change in presentation to have a material impact on our net income, it could have an adverse impact on our operations. It could have an impact on our ability to include certain Agency MBS purchased and simultaneously financed from the same counterparty as qualifying real estate interests or real estate-related assets used to qualify under the exemption to not have to register as an investment company under the 1940 Act. It could also limit our investment opportunities as we may need to limit our purchases of Agency MBS that are simultaneously financed with the same counterparty.

We may enter into hedging transactions that could expose us to contingent liabilities in the future.

Subject to maintaining our qualification as a REIT, part of our investment strategy will involve entering into hedging transactions that could require us to fund cash payments in certain circumstances (such as the early termination of the hedging instrument caused by an event of default or other early termination event, or the decision by a counterparty to request margin securities it is contractually owed under the terms of the hedging instrument). The amount due would be equal to the unrealized loss of the open swap positions with the respective counterparty and could also include other fees and charges. These economic losses will be reflected in our results of operations,

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and our ability to fund these obligations will depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could adversely impact our financial condition.

Hedging against interest rate exposure may adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

Subject to maintaining our qualification as a REIT, we intend to pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates. Our hedging activity will vary in scope based on the level and volatility of interest rates, the type of assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability;
- the amount of income that a REIT may earn from hedging transactions (other than hedging transactions that satisfy certain requirements of the Internal Revenue Code or that are done through a TRS) to offset interest rate losses is limited by U.S. federal tax provisions governing REITs;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay.

Our hedging transactions, which are intended to limit losses, may actually adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

In addition, hedging instruments involve risk since they often are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U.S. or foreign governmental authorities. Consequently, there are no requirements with respect to record keeping, financial responsibility or segregation of customer funds and positions. Furthermore, the enforceability of agreements underlying hedging transactions may depend on compliance with applicable statutory and commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. The business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in its default. Default by a party with whom we enter into a hedging transaction may result in the loss of unrealized profits and force us to cover our commitments, if any, at the then current market price. Although generally we will seek to reserve the right to terminate our hedging positions, it may not always be possible to dispose of or close out a hedging position without the consent of the hedging counterparty and we may not be able to enter into an offsetting contract in order to cover our risk. We cannot assure you that a liquid secondary market will exist for hedging instruments purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in losses.

We may fail to qualify for hedge accounting treatment.

We intend to record derivative and hedging transactions in accordance with Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, or SFAS 133. Under these standards, we may fail to qualify for hedge accounting treatment for a number of reasons, including if we use instruments that do not meet the SFAS 133 definition of a derivative (such as short sales), we fail to satisfy SFAS 133 hedge documentation and hedge effectiveness assessment requirements or our instruments are not highly effective. If we fail to qualify for hedge accounting treatment, our operating results may suffer because losses on the derivatives that we enter into may not be offset by a change in the fair value of the related hedged transaction.

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Risks Related to Our Investments

We have not yet identified any specific investment in Agency MBS.

We have not yet identified any specific investments for our portfolio and, thus, you will not be able to evaluate any proposed investments before purchasing shares of our common stock. Additionally, our investments will be selected by our Manager and our stockholders will not have input into such investment decisions. Both of these factors will increase the uncertainty, and thus the risk, of investing in shares of our common stock.

Until appropriate investments can be identified, our Manager may invest the net proceeds of this offering and the concurrent private offering in interest-bearing short-term investments, including money market accounts and/or funds, that are consistent with our intention to qualify as a REIT. These investments are expected to provide a lower net return than we will seek to achieve from investments in Agency MBS. We expect to reallocate a portion of the net proceeds from these offerings into a portfolio of Agency MBS within three months, subject to the availability of appropriate investment opportunities. Our Manager intends to conduct due diligence with respect to each investment and suitable investment opportunities may not be immediately available. Even if opportunities are available, there can be no assurance that our Manager s due diligence processes will uncover all relevant facts or that any investment will be successful.

We may allocate the net proceeds from this offering and the concurrent private placement to investments with which you may not agree.

You will be unable to evaluate the manner in which the net proceeds of these offerings will be invested or the economic merit of our expected investments and, as a result, we may use the net proceeds from these offerings to invest in investments with which you may not agree. The failure of our management to apply these proceeds effectively or find investments that meet our investment criteria in sufficient time or on acceptable terms could result in unfavorable returns, could cause a material adverse effect on our business, financial condition, liquidity, results of operations and ability to make distributions to our stockholders, and could cause the value of our common stock to decline.

Because assets we expect to acquire may experience periods of illiquidity, we may lose profits or be prevented from earning capital gains if we cannot sell mortgage-related assets at an opportune time.

We bear the risk of being unable to dispose of our Agency MBS at advantageous times or in a timely manner because mortgage-related assets generally experience periods of illiquidity, including the recent period of delinquencies and defaults with respect to residential mortgage loans. The lack of liquidity may result from the absence of a willing buyer or an established market for these assets, as well as legal or contractual restrictions on resale or the unavailability of financing for these assets. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which may cause us to incur losses.

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

We may invest in Agency MBS that are not publicly traded. A portion of these securities may be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly-traded securities. 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. Further, we may face other restrictions on our ability to liquidate an investment in a business entity to the extent that we or our Manager has or could be attributed with material, non-public information regarding such business entity. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which could adversely affect our results of operations and financial condition.

Our investments may be concentrated and will be subject to risk of default.

While we intend to diversify our portfolio of investments in the manner described in this prospectus, we are not required to observe specific diversification criteria, except as may be set forth in the investment guidelines adopted by our board of directors. Therefore, our investments in Agency MBS may at times be concentrated in certain property types that are subject to higher risk of foreclosure, or secured by properties concentrated in a limited number of geographic locations. To the extent that our portfolio is concentrated in any one region or type of security, downturns relating generally to such region or type of security may result in defaults on a number of our investments within a short time period, which may reduce our net income and the value of our common stock and accordingly reduce our ability to pay dividends to our stockholders.

Continued adverse developments in the broader residential mortgage market may adversely affect the value of the Agency MBS in which we intend to invest.

During the past year, the residential mortgage market in the United States has experienced a variety of difficulties and changed economic conditions, including recent increases in defaults, credit losses and liquidity concerns. Over the last few months, news of security liquidations has increased the volatility of many financial assets, including agency securities and other high-quality residential MBS, or RMBS, assets. RMBS that originated in 2006 and 2007 have experienced a higher and earlier than expected rate of delinquencies. Additionally, other, earlier vintages of RMBS, may not be performing as expected. Many RMBS have been downgraded by the rating agencies during the past year and the rating agencies may in the future downgrade RMBS. The increase in delinquencies described above has not been limited to subprime mortgage loans, which are made to borrowers with impaired credit. The increase in delinquencies has also affected Alt-A mortgage loans, which are made to borrowers with limited documentation, and also prime mortgage loans, which are made to borrowers with excellent credit who provide full documentation. As a result, values for RMBS assets, including some agency securities and other AAA-rated RMBS assets, were negatively impacted. Further increased volatility and deterioration in the broader residential mortgage and RMBS markets may adversely affect the performance and market value of the agency securities in which we intend to invest.

During the past year, housing prices and appraisal values in many states have declined or stopped appreciating after extended periods of significant appreciation. A continued decline or an extended flattening of those values may result in additional increases in delinquencies and losses on residential mortgage loans generally, particularly with respect to second homes and investor properties and with respect to any residential mortgage loans whose aggregate loan amounts (including any subordinate liens) are close to or greater than the related property values.

Another factor that may in the future contribute to higher delinquency rates is the potential increase in monthly payments on ARMs. Borrowers with ARMs may be exposed to increased monthly payments if the related mortgage interest rate adjusts upward from the initial fixed rate or a low introductory rate, as applicable, in effect during the initial period of the mortgage loan to the rate computed in accordance with the applicable index and margin. This increase in borrowers monthly payments, together with any increase in prevailing market interest rates, after the initial fixed-rate period, may result in significantly increased monthly payments for borrowers with ARMs and an increase in default on their obligations.

Current market conditions may impair borrowers ability to refinance or sell their properties, which may contribute to higher delinquency and default rates. Borrowers seeking to avoid increased monthly payments by refinancing may no longer be able to find available replacement loans at comparably low interest rates. A decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. Borrowers who intended to sell their homes or refinance their existing mortgage loans on or before the expiration of the fixed-rate periods on their mortgage loans may find that they cannot sell their property for an amount equal to or greater than the unpaid principal balance of their loans or obtain new financing at lower rates. In addition, some mortgage loans may include prepayment premiums that may further inhibit refinancing.

We intend to invest the net proceeds of this offering in Agency MBS. Fannie Mae, Freddie Mac or Ginnie Mae guarantee the interest and principal payments on the securities we intend to purchase even if the borrowers of the underlying mortgages default on their payments. We will need to rely on our Agency MBS as collateral for our financings. Any decline in their value, or perceived market uncertainty about their value, would likely make it difficult for us to obtain financing on attractive terms or at all, or maintain our compliance with terms of any financing arrangements already in place. The agency securities we intend to acquire will be classified for accounting purposes as available-for-sale. All assets classified as available-for-sale will be reported at fair value, based on market prices from third-party sources, 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 temporary, such decline will reduce earnings. If market conditions result in a decline in the value of our agency securities, our financial position and results of operations could be adversely affected.

Continued adverse developments in the residential mortgage market, including recent increases in defaults, credit losses and liquidity concerns, could make it difficult for us to borrow money to acquire agency securities on a

leveraged basis, on attractive terms or at all, which could adversely affect our profitability.

We intend to rely on the availability of financing to acquire Agency MBS on a leveraged basis. Since mid-2008, there have been several announcements of proposed mergers, acquisitions or bankruptcies of investment banks and commercial banks that have historically acted as repurchase agreement counterparties. This has resulted in a fewer number of potential repurchase agreement counterparties operating in the market. In addition, many 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. Institutions from which we will seek to obtain financing may have owned or financed RMBS which have declined in value and caused them to suffer losses, enter bankruptcy proceedings, further tighten their lending standards or increase the amount of equity capital or haircut required to obtain financing. These difficulties have resulted in part from declining markets for their mortgage loans as well as from claims for repurchases of mortgage loans previously sold under provisions that require repurchase in the event of early payment defaults or for breaches of representations regarding loan quality. In addition, a rising interest rate environment and declining real estate values may decrease the number of borrowers seeking or able to refinance their mortgage loans, which would result in a decrease in overall originations. The general market conditions discussed above may make it difficult or more expensive for us to obtain financing on attractive terms or at all, and our profitability may be adversely affected if we were unable to obtain cost-effective financing for our investments.

We operate in a highly competitive market for investment opportunities and competition may limit our ability to acquire desirable investments in Agency MBS.

We operate in a highly competitive market for investment opportunities. Our profitability depends, in large part, on our ability to acquire Agency MBS at attractive prices. In acquiring Agency MBS, we will compete with a variety of institutional investors, including other REITs, specialty finance companies, public and private funds (including other funds managed by Invesco), commercial and investment banks, commercial finance and insurance companies and other financial institutions. Many of our competitors are substantially larger and have considerably greater financial, technical, marketing and other resources than we do. Several other REITs have recently raised, or are expected to raise, significant amounts of capital, and may have investment objectives that overlap with ours, which may create additional competition for investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. Many of our competitors are not subject to the operating constraints associated with REIT tax compliance or maintenance of an exemption from the 1940 Act. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, competition for investments in Agency MBS may lead to the price of such assets increasing, which may further limit our ability to generate desired returns. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, desirable investments in Agency MBS may be limited in the future and we may not be able to take advantage of attractive investment opportunities from time to time, as we can provide no assurance that we will be able to identify and make investments that are consistent with our investment objectives.

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Increases in interest rates could adversely affect the value of our investments and cause our interest expense to increase, which could result in reduced earnings or losses and negatively affect our profitability as well as the cash available for distribution to our stockholders.

We expect to invest in Agency MBS. In a normal yield curve environment, an investment in Agency MBS will generally decline in value if long-term interest rates increase. Declines in market value may ultimately reduce earnings or result in losses to us, which may negatively affect cash available for distribution to our stockholders.

A significant risk associated with Agency MBS is the risk that both long-term and short-term interest rates will increase significantly. If long-term rates increased significantly, the market value of these investments would decline, and the duration and weighted average life of the investments would increase. We could realize a loss if the securities were sold. At the same time, an increase in short-term interest rates would increase the amount of interest owed on the repurchase agreements we may enter into to finance the purchase of these securities.

Market values of our investments may decline without any general increase in interest rates for a number of reasons, such as increases or expected increases in defaults, or increases or expected increases in voluntary prepayments for those investments that are subject to prepayment risk or widening of credit spreads.

In addition, in a period of rising interest rates, our operating results will depend in large part on the difference between the income from our assets and financing costs. We anticipate that, in most cases, the income from such assets will respond more slowly to interest rate fluctuations than the cost of our borrowings. Consequently, changes in interest rates, particularly short-term interest rates, may significantly influence our net income. Increases in these rates will tend to decrease our net income and market value of our assets.

An increase in interest rates may cause a decrease in the volume of newly-issued Agency MBS which could adversely affect our ability to acquire Agency MBS that satisfy our investment objectives and to generate income and pay dividends.

Rising interest rates generally reduce the demand for consumer credit, including mortgage loans, due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated may affect the volume of Agency securities available to us, which could adversely affect our ability to acquire assets that satisfy our investment objectives. Rising interest rates may also cause Agency MBS that were issued prior to an interest rate increase to provide yields that are below prevailing market interest rates. If rising interest rates cause us to be unable to acquire a sufficient volume of Agency MBS with a yield that is above our borrowing cost, our ability to satisfy our investment objectives and to generate income and pay dividends may be materially and adversely affected.

The relationship between short-term and longer-term interest rates is often referred to as the yield curve. Ordinarily, short-term interest rates are lower than longer-term interest rates. If short-term interest rates rise disproportionately relative to longer-term interest rates (a flattening of the yield curve), our borrowing costs may increase more rapidly than the interest income earned on our assets. Because we expect our investments, on average, generally will bear interest based on longer-term rates than our borrowings, a flattening of the yield curve would tend to decrease our net income and the market value of our net assets. Additionally, to the extent cash flows from investments that return scheduled and unscheduled principal are reinvested, the spread between the yields on the new investments and available borrowing rates may decline, which would likely decrease our net income. It is also possible that short-term interest rates may exceed longer-term interest rates (a yield curve inversion), in which event our borrowing costs may exceed our interest income and we could incur operating losses.

Interest rate fluctuations may adversely affect the level of our net income and the value of our assets and common stock.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Interest rate fluctuations present a variety of risks, including the risk of a narrowing of the difference between asset yields and borrowing rates, flattening or inversion of the yield curve and fluctuating prepayment rates, and may adversely affect our income and the value of our assets and common stock.

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Interest rate mismatches between our Agency MBS backed by ARMs or hybrid ARMs and our borrowings used to fund our purchases of these assets may reduce our net interest income and cause us to suffer a loss during periods of rising interest rates.

We expect to fund most of our investments in Agency MBS with borrowings that have interest rates that adjust more frequently than the interest rate indices and repricing terms of our Agency MBS backed by ARMs or hybrid ARMs. Accordingly, if short-term interest rates increase, our borrowing costs may increase faster than the interest rates on our Agency MBS backed by ARMs or hybrid ARMs adjust. As a result, in a period of rising interest rates, we could experience a decrease in net income or a net loss.

In most cases, the interest rate indices and repricing terms of our Agency MBS backed by ARMs or hybrid ARMs and our borrowings will not be identical, thereby potentially creating an interest rate mismatch between our investments and our borrowings. While the historical spread between relevant short-term interest rate indices has been relatively stable, there have been periods when the spread between these indices was volatile. During periods of changing interest rates, these interest rate index mismatches could reduce our net income or produce a net loss, and adversely affect the level of our dividends and the market price of our common stock.

In addition, Agency MBS backed by ARMs or hybrid ARMs will typically be subject to periodic interest rate caps, which limit the amount an interest rate can increase during any given period, or lifetime interest rate caps, which limit the amount an interest rate can increase through the maturity of the Agency MBS. However, our borrowings under repurchase agreements typically will not be subject to similar restrictions. Accordingly, in a period of rapidly increasing interest rates, the interest rates paid on our borrowings could increase without limitation while caps could limit the interest rates on these types of Agency MBS. This problem is magnified for Agency MBS backed by ARMs or hybrid ARMs that are not fully indexed. Further, some Agency MBS backed by ARMs or hybrid ARMs may be subject to periodic payment caps that result in a portion of the interest being deferred and added to the principal outstanding. As a result, we may receive less cash income on these types of Agency MBS than we need to pay interest on our related borrowings. These factors could reduce our net interest income and cause us to suffer a loss during periods of rising interest rates.

Because we may acquire fixed-rate securities, an increase in interest rates on our borrowings may adversely affect our book value.

Increases in interest rates may negatively affect the market value of our agency securities. Any fixed-rate securities we invest in generally will be more negatively affected by these increases than adjustable-rate securities. In accordance with accounting rules, we will be required to reduce our stockholders equity, or book value, by the amount of any decrease in the market value of our agency securities that are classified for accounting purposes as available-for-sale. We will be required to evaluate our agency securities on a quarterly basis to determine their fair value by using third party bid price indications provided by dealers who make markets in these securities or by third-party pricing services. If the fair value of a security is not available from a dealer or third-party pricing service, we will estimate the fair value of the security using a variety of methods including, but not limited to, discounted cash flow analysis, matrix pricing, option-adjusted spread models and fundamental analysis. Aggregate characteristics taken into consideration include, but are not limited to, type of collateral, index, margin, periodic cap, lifetime cap, underwriting standards, age and delinquency experience. However, the fair value reflects estimates and may not be indicative of the amounts we would receive in a current market exchange. If we determine that an agency security is other-than-temporarily impaired, we would be required to reduce the value of such agency security on our balance sheet by recording an impairment charge in our income statement and our stockholders equity would be correspondingly reduced. Reductions in stockholders equity decrease the amounts we may borrow to purchase additional agency securities, which could restrict our ability to increase our net income.

We may experience a decline in the market value of our assets.

A decline in the market value of our Agency MBS or other assets in which we intend to invest may require us to recognize an other-than-temporary impairment against such assets under GAAP if we were to determine that, with respect to any assets in unrealized loss positions, we do not have the ability and intent to hold such assets to maturity or for a period of time sufficient to allow for recovery to the amortized cost of such assets. If such a determination were to be made, we would recognize unrealized losses through earnings and write down the amortized cost of such assets to a new cost basis, based on the fair market value of such assets on the date they are considered to be other-than-temporarily impaired. Such impairment charges reflect non-cash losses at the time of recognition; subsequent disposition or sale of such assets could further affect our future losses or gains, as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale.

Some of our portfolio investments will be recorded at fair value and, as a result, there will be uncertainty as to the value of these investments.

Some of our portfolio investments will be in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. We will value these investments quarterly at fair value, as determined in accordance with Statement of Financial Accounting Standards, or SFAS, No. 157, Fair Value Measurements, or SFAS 157, which may include unobservable inputs. Because such valuations are subjective, the fair value of certain of our assets may fluctuate over short periods of time and our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. The value of our common stock could be adversely affected if our determinations regarding the fair value of these investments were materially higher than the values that we ultimately realize upon their disposal.

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Prepayment rates may adversely affect the value of our investment portfolio.

Pools of residential mortgage loans underlie the Agency MBS that we will acquire. In the case of residential mortgage loans, there are seldom any restrictions on borrowers abilities to prepay their loans. We will generally receive payments from principal payments that are made on these underlying mortgage loans. When borrowers prepay their mortgage loans faster than expected, this results in prepayments that are faster than expected on the Agency MBS. Faster than expected prepayments could adversely affect our profitability, including in the following ways:

- We may purchase Agency MBS that have a higher interest rate than the market interest rate at the time. In exchange for this higher interest rate, we may pay a premium over the par value to acquire the security. In accordance with GAAP, we may amortize this premium over the estimated term of the mortgage-backed security. If the mortgage-backed security is prepaid in whole or in part prior to its maturity date, however, we may be required to expense the premium that was prepaid at the time of the prepayment.
- We anticipate that a substantial portion of our adjustable-rate Agency MBS may bear interest rates that are lower than their fully indexed rates, which are equivalent to the applicable index rate plus a margin. If an adjustable-rate Agency MBS is prepaid prior to or soon after the time of adjustment to a fully-indexed rate, we will have held that Agency MBS while it was least profitable and lost the opportunity to receive interest at the fully indexed rate over the remainder of its expected life.
- If we are unable to acquire new Agency MBS similar to the prepaid Agency MBS, our financial condition, results of operation and cash flow would suffer. Prepayment rates generally increase when interest rates fall and decrease when interest rates rise, but changes in prepayment rates are difficult to predict. Prepayment rates also may be affected by conditions in the housing and financial markets, general economic conditions and the relative interest rates on FRMs and ARMs.

While we will seek to minimize prepayment risk to the extent practical, in selecting investments we must balance prepayment risk against other risks and the potential returns of each investment. No strategy can completely insulate us from prepayment risk.

Recent market conditions may upset the historical relationship between interest rate changes and prepayment trends, which would make it more difficult for us to analyze our investment portfolio.

Our success depends on our ability to analyze the relationship of changing interest rates on prepayments of the mortgage loans that underlie our Agency MBS. Changes in interest rates and prepayments affect the market price of the Agency MBS that we intend to purchase and any Agency MBS that we hold at a given time. As part of our overall portfolio risk management, we will analyze interest rate changes and prepayment trends separately and collectively to assess their effects on our investment portfolio. In conducting our analysis, we will depend on certain assumptions based upon historical trends with respect to the relationship between interest rates and prepayments under normal market conditions. If the recent dislocations in the residential mortgage market or other developments change the way that prepayment trends have historically responded to interest rate changes, our ability to (i) assess the market value of our investment portfolio, (ii) implement our hedging strategies and (iii) implement techniques to reduce our prepayment rate volatility would be significantly affected, which could materially adversely affect our financial position and results of operations.

Agency MBS are subject to risks particular to investments secured by mortgage loans on residential real property.

Our investments in Agency MBS will be subject to the risks of delinquency, foreclosure and loss accompanying the underlying residential mortgage loans. The ability of a borrower to repay a mortgage loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors may impair borrowers abilities to repay their loans, including:

- acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured losses;
- acts of war or terrorism, including the consequences of terrorist attacks, such as those that occurred on September 11, 2001;
- adverse changes in national and local economic and market conditions;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- costs of remediation and liabilities associated with environmental conditions such as indoor mold; and

the potential for uninsured or under-insured property losses.

In the event of defaults on the residential mortgage loans that underlie our investments in Agency MBS and the exhaustion of any underlying or any additional credit support, we may not realize our anticipated return on our investments and we may incur a loss on these investments.

Mortgage loan modification programs and future legislative action may adversely affect the value of, and the returns, on the Agency MBS in which we intend to invest.

The U.S. Government, through the Federal Reserve, the FHA and the FDIC, commenced implementation of programs designed to provide homeowners with assistance in avoiding residential mortgage loan foreclosures. The programs may involve, among other things, the modification of mortgage loans to reduce the principal amount of the loans or the rate of interest payable on the loans, or to extend the payment terms of the loans. In addition, members of Congress have indicated support for additional legislative relief for homeowners, including an amendment of the bankruptcy laws to permit the modification of mortgage loans in bankruptcy proceedings. The servicer will have the authority to modify mortgage loans that are in default, or for which default is reasonably foreseeable, if such modifications are in the best interests of the holders of the mortgage securities and such modifications are done in accordance with the terms of the relevant agreements. Loan modifications are more likely to be used when borrowers are less able to refinance or sell their homes due to market conditions, and when the potential recovery from a foreclosure is reduced due to lower property values. A significant number of loan modifications could result in a significant reduction in cash flows to the holders of the mortgage securities on an ongoing basis. These loan modification programs, as well as future legislative or regulatory actions, including amendments to the bankruptcy laws, that result in the modification of outstanding mortgage loans may adversely affect the value of, and the returns on, the Agency MBS in which we intend to invest.

Risks Related to Our Common Stock

There is no public market for our common stock and a market may never develop, which could result in holders of our common stock being unable to monetize their investment.

Our shares of common stock are newly-issued securities for which there is no established trading market. We expect that our common stock will be approved for listing on the NYSE, but there can be no assurance that an active trading market for our common stock will develop. Accordingly, no assurance can be given as to the ability of our stockholders to sell their common stock or the price that our stockholders may obtain for their common stock.

Some of the factors that could negatively affect the market price of our common stock include:

- our actual or anticipated variations in our quarterly operating results;
- changes in our earnings estimates or publication of research reports about us or the real estate industry;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions to or departures of our Manager s key personnel;
- actions by our stockholders; and
- speculation in the press or investment community.

Market factors unrelated to our performance could also negatively impact the market price of our common stock. One of the factors that investors may consider in deciding whether to buy or sell our common stock is our distribution rate as a percentage of our stock price relative to market interest rates. If market interest rates increase, prospective investors may demand a higher distribution rate or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and conditions in the capital markets can affect the market value of our common stock. For instance, if interest rates rise, it is likely that the market price of our common stock will decrease as market rates on interest-bearing securities increase.

Common stock eligible for future sale may have adverse effects on our share price.

We are offering shares of our common stock as described in this prospectus. In addition, concurrently with the completion of this offering, we will conduct a private placement in which we will sell to the Invesco Purchaser shares of our common stock and OP units. Assuming that all OP units are redeemed for an equivalent number of shares of our common stock, the Invesco Purchaser would beneficially own % of our outstanding common stock upon completion of this offering and the concurrent private placement (or % if the underwriters fully exercise their option to purchase additional shares). Our equity incentive plan provides for grants of restricted common stock and other equity-based awards up to an aggregate of shares of our common stock. Each of our independent directors will be granted shares of our restricted common stock upon completion of this offering.

We, our Manager, each of our executive officers and directors and each officer of our Manager have agreed with the underwriters to a 180 day lock-up period (subject to extension in certain circumstances), meaning that, until the end of the 180 day lock-up period, we and they will not, subject to certain exceptions, sell or transfer any shares of common stock without the prior consent of Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. Incorporated, the representatives of the underwriters. The Invesco Purchaser will agree that, for a period of one year after the date of this prospectus, it will not, without the prior written consent of Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. Incorporated, dispose of or hedge any of the shares of our common stock or OP units that it purchases in the concurrent private placement, subject to extension in certain circumstances. The representatives of the underwriters may, in their sole discretion, at any time from time to time and without notice, waive the terms and conditions of the lock-up agreements to which they are a party. Additionally, the Invesco Purchaser has agreed with us to a further lock-up period that will expire at the earlier of (i) the date which is one year following the date of this prospectus or (ii) the termination of the management agreement. Assuming no exercise of the underwriters over-allotment option to purchase additional shares, approximately % of our shares of common stock are subject to lock-up agreements. When the lock-up periods expire, these shares of common stock will become eligible for sale, in some cases subject to the requirements of Rule 144 under the Securities Act of 1933, as amended (or the Securities Act), which are described under Shares Eligible for Future Sale.

We cannot predict the effect, if any, of future sales of our common stock, or the availability of shares for future sales, on the market price of our common stock. The market price of our common stock may decline significantly when the restrictions on resale by certain of our stockholders lapse. Sales of substantial amounts of common stock or the perception that such sales could occur may adversely affect the prevailing market price for our common stock.

Also, we may issue additional shares in subsequent public offerings or private placements to make new investments or for other purposes. We are not required to offer any such shares to existing stockholders on a preemptive basis. Therefore, it may not be possible for existing stockholders to participate in such future share issuances, which may dilute the existing stockholders interests in us.

We have not established a minimum distribution payment level and we cannot assure you of our ability to pay distributions in the future.

We intend to pay quarterly distributions and to make distributions to our stockholders in an amount such that we distribute all or substantially all of our REIT taxable income in each year, subject to certain adjustments. We have not established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in this prospectus. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, debt covenants, maintenance of our REIT qualification and other factors as our board of directors may deem relevant from time to time. We believe that a change in any one of the following factors could adversely affect our results of operations and impair our ability to pay distributions to our stockholders:

- the profitability of the investment of the net proceeds of this offering;
- our ability to make profitable investments;
- margin calls or other expenses that reduce our cash flow;
- defaults in our asset portfolio or decreases in the value of our portfolio; and
- the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates.

We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions in the future. In addition, some of our distributions may include a return in capital.

Investing in our common stock may involve a high degree of risk.

The investments we make in accordance with our investment objectives may result in a high amount of risk when compared to alternative investment options and volatility or loss of principal. Our investments may be highly speculative and aggressive, and therefore an investment in our common stock may not be suitable for someone with lower risk tolerance.

Future offerings of debt or equity securities, which would rank senior to our common stock, may adversely affect the market price of our common stock.

If we decide to issue debt or equity securities in the future, which would rank senior to our common stock, it is likely that they will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus holders of our common stock will bear the risk of our future offerings reducing the market price of our common stock and diluting the value of their stock holdings in us.

Risks Related to Our Organization and Structure

Certain provisions of Maryland law could inhibit changes in control.

Certain provisions of the Maryland General Corporation Law, or the MGCL, may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-prevailing market price of our common stock. We are subject to the business combination provisions of the MGCL that, subject to limitations, prohibit certain business combinations (including a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities) between us and an interested stockholder (defined generally as any person who beneficially owns 10% or more of our then outstanding voting capital stock or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding voting capital stock) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder. After the five-year prohibition, any business combination between us and an interested stockholder generally must be recommended by our board of directors and approved by the affirmative vote of at least (1) eighty percent of the votes entitled to be cast by holders of outstanding shares of our voting capital stock; and (2) two-thirds of the votes entitled to be cast by holders of voting capital stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder. These super-majority vote requirements do not apply if our common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares. These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a board of directors prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our board of directors has by resolution exempted business combinations between us and any other person, provided that such business combination is first approved by our board of directors (including a majority of our directors who are not affiliates or associates of such person).

The control share provisions of the MGCL provide that control shares of a Maryland corporation (defined as shares which, when aggregated with other shares controlled by the stockholder (except solely by virtue of a revocable proxy), entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a control share acquisition (defined as the direct or indirect acquisition of ownership or control of control shares) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquiror of control shares, our officers and our personnel who are also our directors. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

The unsolicited takeover provisions of the MGCL permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement takeover defenses, some of which (for example, a classified board) we do not yet have. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under the circumstances that otherwise could provide the holders of shares of common stock with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby we have elected to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our board of directors. See Certain Provisions of The Maryland General Corporation Law and Our Charter and Bylaws Business Combinations and Certain Provisions of The Maryland General Corporation Law and Our Charter and Bylaws Control Share Acquisitions.

Our authorized but unissued shares of common and preferred stock may prevent a change in our control.

Our charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our board of directors may, without stockholder approval, amend our charter to increase the aggregate number of our shares of stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued shares of common or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board may establish a series of shares of common or

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preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for our shares of common stock or otherwise be in the best interest of our stockholders.

We are the sole general partner of our operating partnership and could become liable for the debts and other obligations of our operating partnership beyond the amount of our initial expenditure.

We are the sole general partner of our operating partnership, IAS Operating Partnership LP, and upon the consummation of this offering will own % of the OP units in the operating partnership. As the sole general partner, we are liable for our operating partnership s debts and other obligations. Therefore, if our operating partnership is unable to pay its debts and other obligations, we will be liable for such debts and other obligations beyond the amount of our expenditure for ownership interests in our operating partnership. These obligations could include unforeseen contingent liabilities and could materially adversely affect our financial condition, operating results and ability to make distributions to our stockholders.

Ownership limitations may restrict change of control of business combination opportunities in which our stockholders might receive a premium for their shares.

In order for us to qualify as a REIT for each taxable year after 2008, no more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year. Individuals for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. To preserve our REIT qualification, our charter generally prohibits any person from directly or indirectly owning more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our capital stock or more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock.

This ownership limitation could have the effect of discouraging a takeover or other transaction in which holders of our common stock might receive a premium for their shares over the then prevailing market price or which holders might believe to be otherwise in their best interests.

Tax Risks

Your investment has various U.S. federal income tax risks.

This summary of certain tax risks is limited to the U.S. federal tax risks addressed below. Additional risks or issues may exist that are not addressed in this prospectus and that could affect the U.S. federal income tax treatment of us or our stockholders.

We strongly urge you to review carefully the discussion under U.S. Federal Income Tax Considerations and to seek advice based on your particular circumstances from an independent tax advisor concerning the effects of U.S. federal, state and local income tax law on an investment in our common stock and on your individual tax situation.

Our failure to qualify as a REIT would subject us to U.S. federal income tax and potentially increased state and local taxes, which would reduce the amount of cash available for distribution to our stockholders.

We have been organized and we intend to operate in a manner that will enable us to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2009. We have not requested and do not intend to request a ruling from the Internal Revenue Service, or the IRS, that we qualify as a REIT. The U.S. federal income tax laws governing REITs are complex. The complexity of these provisions and of the applicable U.S. Treasury Department regulations that have been promulgated under the Internal Revenue Code, or Treasury Regulations, is greater in the case of a REIT that, like us, holds its assets through a partnership, and judicial and administrative interpretations of the U.S. federal income tax laws governing REIT qualification are limited. To qualify as a REIT, we must meet, on an ongoing basis, various tests regarding the nature of our assets and our income, the ownership of our outstanding shares, and the amount of our distributions. Moreover, new legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT. Thus, while we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given that we will so qualify for any particular year. These considerations also might restrict the types of assets that we can acquire in the future.

If we fail to qualify as a REIT in any taxable year, and we do not qualify for certain statutory relief provisions, we would be required to pay U.S. federal income tax on our taxable income, and distributions to our stockholders would not be deductible by us in determining our taxable income. In such a case, we might need to borrow money or sell assets in order to pay our taxes. Our payment of income tax would decrease the amount of our income available for distribution to our stockholders. Furthermore, if we fail to maintain our qualification as a REIT, we no longer would be required to distribute substantially all of our net taxable income to our stockholders. In addition, unless we were eligible for certain statutory relief provisions, we could not re-elect to qualify as a REIT until the fifth calendar year following the year in which we failed to qualify.

Complying with REIT requirements may cause us to forego otherwise attractive investment opportunities or financing or hedging strategies.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy various tests regarding the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. To meet these tests, we may be required to forego investments we might otherwise make. We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may hinder our investment performance.

Complying with REIT requirements may force us to liquidate otherwise attractive investments.

To qualify as a REIT, we generally must ensure that at the end of each calendar quarter at least 75% of the value of our total assets consists of cash, cash items, government securities and qualified REIT real estate assets, including certain mortgage loans and mortgage-backed securities. The remainder of our investment in securities (other than government securities and qualifying real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualifying real estate assets) can consist of the securities of any one issuer, and no more than 25% of the value of our total securities can be represented by securities of one or more TRSs. See U.S. Federal Income Tax Considerations Asset Tests. If we fail to comply with these requirements at the end of any quarter, we must correct the failure within 30 days after the end of such calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate from our portfolio otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

Potential characterization of distributions or gain on sale may be treated as unrelated business taxable income to tax exempt investors.

If (1) all or a portion of our assets are subject to the rules relating to taxable mortgage pools, (2) we are a pension held REIT, (3) a tax exempt stockholder has incurred debt to purchase or hold our common stock, or (4) the residual REMIC interests we buy generate excess inclusion income, then a portion of the distributions to and, in the case of a stockholder described in clause (3), gains realized on the sale of common stock by such tax exempt stockholder may be subject to federal income tax as unrelated business taxable income under the Internal Revenue Code.

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Failure to make required distributions would subject us to tax, which would reduce the cash available for distribution to our stockholders.

To qualify as a REIT, we must distribute to our stockholders each calendar year at least 90% of our REIT taxable income (including certain items of non-cash income), determined without regard to the deduction for dividends paid and excluding net capital gain. To the extent that we satisfy the 90% distribution requirement, but distribute less than 100% of our taxable income, we will be subject to U.S. federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any calendar year are less than the sum of:

- 85% of our REIT ordinary income for that year;
- 95% of our REIT capital gain net income for that year; and
- any undistributed taxable income from prior years.

We intend to distribute our net taxable income to our stockholders in a manner intended to satisfy the 90% distribution requirement and to avoid both corporate income tax and the 4% nondeductible excise tax. However, there is no requirement that TRSs distribute their after tax net income to their parent REIT or their stockholders.

Our taxable income may substantially exceed our net income as determined based on GAAP, because, for example, realized capital losses will be deducted in determining our GAAP net income, but may not be deductible in computing our taxable income. In addition, we may invest in assets that generate taxable income in excess of economic income or in advance of the corresponding cash flow from the assets. To the extent that we generate such non-cash taxable income in a taxable year, we may incur corporate income tax and the 4% nondeductible excise tax on that income if we do not distribute such income to stockholders in that year. As a result of the foregoing, we may generate less cash flow than taxable income in a particular year. In that event, we may be required to use cash reserves, incur debt, or liquidate non-cash assets at rates or at times that we regard as unfavorable to satisfy the distribution requirement and to avoid corporate income tax and the 4% nondeductible excise tax in that year.

Our ownership of and relationship with any TRS which we may form or acquire following the completion of this offering will be limited, and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. Overall, no more than 25% of the value of a REIT s assets may consist of stock or securities of one or more TRSs. A TRS will pay federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm s length basis.

Any TRS that we may form following the completion of this offering would pay U.S. federal, state and local income tax on its taxable income, and its after tax net income would be available for distribution to us but would not be required to be distributed to us. We anticipate that the aggregate value of the TRS stock and securities owned by us will be less than 25% of the value of our total assets (including the TRS stock and securities). Furthermore, we will monitor the value of our investments in our TRSs to ensure compliance with the rule that no more than 25% of the value of our assets may consist of TRS stock and securities (which is applied at the end of each calendar quarter). In addition, we will scrutinize all of our transactions with TRSs to ensure that they are entered into on arm s length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the TRS limitations or to avoid application of the 100% excise tax discussed above.

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Liquidation of our assets may jeopardize our REIT qualification.

To qualify as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets in transactions that are considered to be prohibited transactions.

Characterization of the repurchase agreements we enter into to finance our investments as sales for tax purposes rather than as secured lending transactions would adversely affect our ability to qualify as a REIT.

We anticipate entering into repurchase agreements with a variety of counterparties to achieve our desired amount of leverage for the assets in which we intend to invest. When we enter into a repurchase agreement, we generally sell assets to our counterparty to the agreement and receive cash from the counterparty. The counterparty is obligated to resell the assets back to us at the end of the term of the transaction. We believe that for U.S. federal income tax purposes we will be treated as the owner of the assets that are the subject of repurchase agreements and that the repurchase agreements will be treated as secured lending transactions notwithstanding that such agreements may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could successfully assert that we did not own these assets during the term of the repurchase agreements, in which case we could fail to qualify as a REIT.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code limit our ability to hedge mortgage-backed securities and related borrowings. Under these provisions, our annual gross income from non-qualifying hedges, together with any other income not generated from qualifying real estate assets, cannot exceed 25% of our gross income (excluding for this purpose, gross income from qualified hedges). In addition, our aggregate gross income from non-qualifying hedges, fees, and certain other non qualifying sources cannot exceed 5% of our annual gross income. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through a TRS, which we may form following the completion of this offering. This could increase the cost of our hedging activities or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear.

Even if we qualify as a REIT, we may face tax liabilities that reduce our cash flow.

Even if we qualify as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, franchise, property and transfer taxes, including mortgage related taxes. See U.S. Federal Income Tax Considerations Taxation of REITs in General. In addition, any TRSs we own will be subject to U.S. federal, state, and local corporate taxes. In order to meet the REIT qualification requirements, or to avoid the imposition of a 100% tax that applies to certain gains derived by a REIT from sales of inventory or property held primarily for sale to customers in the ordinary course of business, we may hold some of our assets through taxable subsidiary corporations, including TRSs. Any taxes paid by such subsidiary corporations would decrease the cash available for distribution to our stockholders.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock.

At any time, the U.S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in, or any new, federal income tax law, regulation or administrative interpretation.

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Dividends payable by REITs do not qualify for the reduced tax rates.

Legislation enacted in 2003 generally reduces the maximum tax rate for dividends payable to domestic stockholders that are individuals, trusts and estates from 38.6% to 15% (through 2010). Dividends payable by REITs, however, are generally not eligible for the reduced rates. Although this legislation does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in stock of non REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

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FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this prospectus 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 or similar expressions, we intend to identify forward-looking sta
Statements regarding the following subjects, among others, may be forward-looking:

- our business and investment strategy;
- our projected operating results;
- our ability to obtain financing arrangements;
- general volatility of the securities markets in which we invest;
- our expected investments;
- interest rate mismatches between our Agency MBS and our borrowings used to fund such investments;
- changes in interest rates and the market value of our Agency MBS;
- changes in prepayment rates on our Agency MBS;
- effects of hedging instruments on our Agency MBS;
- rates of default or decreased recovery rates on our Agency MBS;
- the degree to which our hedging strategies may or may not protect us from interest rate volatility;
- changes in governmental regulations, tax law and rates and similar matters;
- our ability to maintain our qualification as a REIT for U.S. federal income tax purposes;
- our ability to maintain our exemption from registration under the 1940 Act;
- availability of investment opportunities in mortgage-related, 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, real estate values, the debt securities markets or the general economy; and
- use of the proceeds of this offering.

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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 in this prospectus under the headings Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business. 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 over time, and it is not possible 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.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from selling common stock in this offering will be approximately $ million, after deducting underwriting discounts and commissions and estimated offering expenses of approximately $ million (or, if the underwriters exercise their over-allotment option in full, approximately $ million, after deducting underwriting discounts and commissions and estimated offering expenses of approximately $ million). We estimate that the net proceeds we will receive in the concurrent private placement of our common stock and OP units to the Invesco Purchaser will be approximately $ million.

We plan to use all the net proceeds from this offering and the concurrent private placement to the Invesco Purchaser in conjunction with borrowings under our master repurchase agreements consistent with our leverage threshold to build a leveraged investment portfolio comprised of Agency MBS. Based on current market conditions, we expect that % of our initial leveraged investment portfolio will consist of ARM or hybrid ARM pass-through certificates and the remaining % will consist of a combination of (1) fixed-rate pass-through certificates and (2) CMOs. However, to the extent market conditions change, we may alter these allocation percentages.

We expect to deploy the net proceeds on a leveraged basis within days of the closing of this offering. Depending on the economic environment and our outlook for the mortgage market at the time we ultimately deploy the net proceeds on a leveraged basis, the percentage allocations of Agency MBS amongst mortgage pass-through certificates backed by FRMs, ARMs and hybrid ARMs and CMOs, within our initial leveraged investment portfolio may differ from the currently expected allocations described above. See Risk Factors and Forward-Looking Statements.

Depending on the availability of our targeted investments in Agency MBS within days following the closing of this offering, we may temporarily invest the net proceeds in readily marketable, short-term, interest-bearing investments, including money market accounts and/or funds, that are consistent with our intention to qualify as a REIT. These temporary investments are expected to provide a lower net return than we hope to achieve from our targeted investments in Agency MBS.

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DISTRIBUTION POLICY

We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. We generally intend over time to pay quarterly dividends in an amount equal to our net taxable income, excluding net capital gains. We plan to pay our first dividend in respect of the period from the closing of this offering through , 2009, which may be prior to the time that we have fully invested the net proceeds from this offering in Agency MBS.

To the extent that in respect of any calendar year, cash available for distribution is less than our net taxable income, we could be required to sell assets or borrow funds to make cash distributions or make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. In addition, prior to the time we have fully invested the net proceeds of this offering, we may fund our quarterly distributions out of such net proceeds. We will generally not be required to make distributions with respect to activities conducted through any TRS that we form following the completion of this offering. For more information, see U.S. Federal Income Tax Considerations Taxation of Our Company in General.

To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our net taxable income to holders of our common stock out of assets legally available therefor. Any distributions we make will be at the discretion of our board of directors and will depend upon our earnings and financial condition, debt covenants, funding or margin requirements under repurchase agreements, warehouse facilities or other secured and unsecured borrowing agreements, maintenance of our REIT qualification, applicable provisions of the MGCL, and such other factors as our board of directors deems relevant. Our earnings and financial condition will be affected by various factors, including the net interest and other income from our portfolio, our operating expenses and any other expenditures. For more information regarding risk factors that could materially adversely affect our earnings and financial condition, see Risk Factors.

We anticipate that our distributions generally will be taxable as ordinary income to our stockholders, although a portion of the distributions may be designated by us as qualified dividend income or capital gain or may constitute a return of capital. We will furnish annually to each of our stockholders a statement setting forth distributions paid during the preceding year and their characterization as ordinary income, return of capital, qualified dividend income or capital gain. For more information, see U.S. Federal Income Tax Considerations Taxation of Taxable U.S. Stockholders.

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CAPITALIZATION

The following table sets forth (1) our actual capitalization at August 31, 2008 and (2) our capitalization as adjusted to reflect the effect of the sale of our common stock in this offering at an assumed offering price of $ per share after deducting the underwriting discount and estimated organizational and offering expenses payable by us and the concurrent private placement to the Invesco Purchaser of $ million of our common stock and OP units at the assumed initial public offering price. You should read this table together with Use of Proceeds included elsewhere in this prospectus.

	As of , 2008	
	Actual	As Adjusted(1)
Stockholder s deficiency:		
Common stock, par value $0.01 per share; 100,000 shares authorized, 100 shares issued and outstanding, actual and 450,000,000 shares authorized and shares outstanding, as adjusted	$ 1	$
Preferred Stock, par value $0.01 per share; 50,000,000 shares authorized, 0 shares outstanding, actual and as adjusted		
Additional paid in capital	$ 999	
Accumulated deficit during development stage	(10,000)	
Total stockholder s deficiency	$ (9,000)	$

(1) Does not include the underwriters option to purchase up to additional shares.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the sections of this prospectus entitled Risk Factors, Forward-Looking Statements, Business and our audited balance sheet as of August 31, 2008 and the related notes thereto included elsewhere in this prospectus. This discussion contains forward-looking statements reflecting current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the section entitled Risk Factors and elsewhere in this prospectus.

Overview

We are a newly-formed Maryland company that will invest in mortgage-backed securities for which a U.S. Government agency such as Ginnie Mae or a federally chartered corporation such as Fannie Mae and Freddie Mac, guarantees payments of principal and interest on the securities. We refer to these securities as Agency MBS. Our Agency MBS investments will include mortgage pass-through securities and CMOs. We will be externally managed and advised by our Manager, an SEC-registered investment adviser and indirect wholly-owned subsidiary of Invesco. Invesco is a leading independent global investment management company with $409.6 billion in managed assets as of September 30, 2008, including approximately $9.8 billion of Agency MBS. We expect to conduct all of our operations through our operating partnership, of which we are the sole general partner.

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 will generate income principally from the spread between yields on our investments and our cost of borrowing, including hedging activities. Our Agency MBS investments will be collateralized by a variety of loans secured by residential real property, including FRMs, ARMs and hybrid mortgage loans. We intend to construct a diversified investment portfolio by focusing on security selection and the relative value of various sectors within the Agency MBS market. We intend to finance our investments through short-term borrowings structured as repurchase agreements. Our Manager is in the process of securing commitments for us with a number of repurchase agreement counterparties.

We will commence operations upon completion of this offering. We intend to elect and qualify to be taxed as a REIT, for U.S. federal income tax purposes, commencing with our taxable year ending December 31, 2009. We generally will not be subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our net taxable income to stockholders and maintain our intended qualification as a REIT. We also intend to operate our business in a manner that will permit us to maintain our exemption from registration under the 1940 Act.

Factors Impacting Our Operating Results

We expect that the results of our operations will be affected by a number of factors and primarily depend on, among other things, the level of our net interest income, the market value of our assets and the supply of, and demand for, Agency MBS in the marketplace. Our net interest income, which includes the amortization of purchase premiums and accretion of purchase discounts, varies primarily as a result of changes in market interest rates and prepayment speeds, as measured by the Constant Prepayment Rate, or CPR, on our Agency MBS assets. Interest rates and prepayment speeds vary according to the type of investment, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty.

Changes in Market Interest Rates

With respect to our proposed business operations, increases in interest rates, in general, may over time cause: (1) the interest expense associated with our borrowings to increase; (2) the value of our Agency MBS portfolio to decline; (3) coupons on our adjustable-rate and hybrid Agency MBS and mortgage loans to reset, although on a delayed basis, to higher interest rates; (4) prepayments on our Agency MBS to slow, thereby slowing

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the amortization of our purchase premiums and the accretion of our purchase discounts; and (5) to the extent we enter into interest rate swap agreements as part of our hedging strategy, the value of these agreements to increase. Conversely, decreases in interest rates, in general, may over time cause: (1) prepayments on our Agency MBS to increase, thereby accelerating the amortization of our purchase premiums and the accretion of our purchase discounts; (2) the interest expense associated with our borrowings to decrease; (3) the value of our Agency MBS to increase; (4) to the extent we enter into interest rate swap agreements as part of our hedging strategy, the value of these agreements to decrease; and (5) coupons on our adjustable-rate and hybrid MBS assets and mortgage loans to reset, although on a delayed basis, to lower interest rates.

Prepayment Speeds

Prepayment speeds vary according to interest rates, the type of investment, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty. We expect that over time our adjustable-rate and hybrid Agency MBS will experience higher prepayment rates than do fixed-rate Agency MBS, as we believe that homeowners with adjustable-rate and hybrid mortgage loans exhibit more rapid housing turnover levels or refinancing activity compared to fixed-rate borrowers.

Size of Investment Portfolio

The size of our investment portfolio, as measured by the aggregate principal balance of our mortgage related securities and the other assets we own is also a key revenue driver. Generally, as the size of our investment portfolio grows, the amount of interest income we receive increases. The larger investment portfolio, however, drives increased expenses as we incur additional interest expense to finance the purchase of our assets.

Since changes in interest rates may significantly affect our activities, our operating results depend, in large part, upon our ability to effectively manage interest rate risks and prepayment risks while maintaining our qualification as a REIT.

Spreads on Agency MBS

The spread between swap rates and Agency MBS has recently been volatile. Spreads on non-treasury, fixed income assets including Agency MBS have moved sharply wider due to the difficult credit conditions. The poor collateral performance of the sub-prime mortgage sector coupled with declining home prices have had a negative impact on investor confidence. As the prices of securitized assets have declined, a number of investors and a number of structured investment vehicles have faced margin calls from dealers and have been forced to sell assets in order to reduce leverage. The price volatility of these assets has also impacted lending terms in the repurchase market as counterparties have raised margin requirements to reflect the more difficult environment. The spread between the yield on our assets and our funding costs is an important factor in the performance of our business. Wider spreads imply greater income on new asset purchases but may have a negative impact on our stated book value. Wider spreads may also negatively impact asset prices. In an environment where spreads are widening, counterparties may require additional collateral to secure borrowings which may require us to reduce leverage by selling assets. Conversely, tighter spreads imply lower income on new asset purchases but may have a positive impact on our stated book value. Tighter spreads may have a positive impact on asset prices. In this case we may be able to reduce the amount of collateral required to secure borrowings.

Extension Risk

Our Manager will compute the projected weighted-average life of our investments based on assumptions regarding the rate at which the borrowers will prepay the underlying mortgages. In general, when we acquire a FRM or hybrid ARM security, we may, but are not required to, enter into an interest rate swap agreement or other hedging instrument that effectively fixes our borrowing costs for a period close to the anticipated average life of the fixed-rate portion of the related assets. This strategy is designed to protect us from rising interest rates because the borrowing costs are fixed for the duration of the fixed-rate portion of the related Agency MBS.

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However, if prepayment rates decrease in a rising interest rate environment, the life of the fixed-rate portion of the related assets could extend beyond the term of the swap agreement or other hedging instrument. This could have a negative impact on our results of operations, as borrowing costs would no longer be fixed after the end of the hedging instrument while the income earned on the hybrid ARM security would remain fixed. This situation may also cause the market value of our hybrid ARM security to decline, with little or no offsetting gain from the related hedging transactions. In extreme situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur losses.

Market Conditions

Concerns about increased mortgage delinquencies and foreclosures, declining home prices and rising unsold home inventory have caused many investors to question the underlying risk and value of mortgage-related assets across the ratings spectrum. Recently, commercial banks, investment banks and insurance companies have announced extensive losses from exposure to the U.S. mortgage market. These losses have reduced financial industry capital, leading to reduced liquidity. Market conditions, which are likely to change over time, could cause one or more of our potential lenders to be unwilling or unable to provide us with financing or to increase the costs of that financing. These factors have impacted investor perception of the risk associated with mortgage-related assets and have resulted in these types of assets trading at lower values. Because mortgage-related assets offer a cash return to investors, a decline in their value causes a corresponding increase in their available yields. Although investor perception of the risk associated with these assets has increased, higher yields in turn offer the potential for us to earn higher returns on our Agency MBS.

At the same time, current market conditions have also affected the cost and availability of financing. Current market conditions have affected different types of financing to varying degrees, with some sources generally being unavailable, others being available but at a high cost, while others being largely unaffected. For example, as a result of lenders requiring less risky and more secure borrowing arrangements, margin requirements and the availability of financing have been impacted for Agency MBS. The increase in margin requirements causes market participants to reduce their borrowings or to pledge additional collateral to keep their repurchase agreement financings in place. Many borrowers have been unable or unwilling to meet these increased margin requirements which has resulted in a significant increase compared to prior periods in forced sales of these assets by lenders and significant losses to their borrowers. In response to these unprecedented events, the U.S. Government has taken a number of actions to improve stability in the financial markets and encourage lending.

We believe that in spite of the difficult financing environment for mortgage-related assets, current market conditions offer potentially attractive spread investment opportunities for us due to balance sheet constraints of other market participants and the lower risk nature of Agency MBS compared to other credit assets, even in the face of a riskier and more volatile market environment, as the available yields from Agency MBS has increased more than related financing costs. We believe that the recent proposals by the U.S. Treasury, regarding Fannie Mae and Freddie Mac, affirm our contention that Agency MBS have diminished credit risk as compared to other mortgage-backed securities.

On July 30, 2008, the HERA established a new regulator for Fannie Mae and Freddie Mac, the FHFA. On September 7, 2008, the U.S. Treasury, the FHFA, and the U.S. Federal Reserve announced a comprehensive action plan to help stabilize the financial markets, support the availability of mortgage finance and protect taxpayers. Under this plan, among other things, the FHFA has been appointed as conservator of both Fannie Mae and Freddie Mac, allowing the FHFA to control the actions of the two GSEs, without forcing them to liquidate, which would be the case under receivership. Importantly, the primary focus of the plan is to increase the availability of mortgage financing by allowing these GSEs to continue to grow their guarantee business without limit, while limiting net purchase of Agency MBS to a modest amount through the end of 2009. Beginning in 2010, these GSEs will gradually reduce their Agency MBS portfolios. In addition, in an effort to further stabilize the U.S. mortgage market, the U.S. Treasury took three additional actions. First, it entered into a preferred stock purchase agreement with each of the GSEs, pursuant to which $100 billion will be available to each GSE. Second, it established a new secured credit facility, the GSECF, available to each of Fannie Mae and Freddie Mac (as well as Federal Home Loan Banks) through December 31, 2009, when other funding sources are unavailable. Third, it established an Agency MBS purchase program, under which the

U.S. Treasury may purchase Agency MBS in the open market. This latter program will also expire on December 31, 2009. Initially, Fannie Mae and Freddie Mac each issued $1.0 billion of senior preferred stock to the U.S. Treasury and warrants to purchase 79.9% of the fully-diluted common stock outstanding of each GSE at a nominal exercise price. Pursuant to these agreements, each of Fannie Mae s and Freddie Mac s mortgage and Agency MBS portfolio may not exceed $850 billion as of December 31, 2009, and will decline by 10% each year until such portfolio reaches $250 billion. After reporting a substantial loss in the third quarter of 2008, Freddie Mac requested a capital injection of $13.8 billion by the U.S. Treasury pursuant to its preferred stock purchase agreement. Although the U.S. Government has committed capital to Fannie Mae and Freddie Mac, there can be no assurance that these actions will be adequate for their needs. If these actions are inadequate, these GSEs could continue to suffer losses and could fail to honor their guarantees and other obligations which could materially adversely affect our business, operations and financial condition. See Risk Factors Risks Related to Our Company If the U.S. Government s recent actions with respect to Fannie Mae and Freddie Mac are inadequate or ineffective, our ability to acquire Agency MBS at attractive prices and/or returns, or at all, may be adversely affected.

The U.S. Treasury announced, on September 19, 2008, the establishment of a temporary guaranty program designed to stabilize the money market fund industry. The temporary measure will enable the Exchange Stabilization Fund, established in 1934 as part of the Gold Reserve Act, to insure the holdings of any publicly offered money market mutual fund for both retail and institutional clients. The current termination date for the guaranty program is April 30, 2009. The Secretary of the Treasury, however, may extend the guaranty program to September 18, 2009.

Money market funds are a vital source of short-term liquidity in the financial markets. Money market funds provide for repurchase agreement financing by lending cash versus collateral such as Treasuries, Agencies and Agency MBS for short periods of time. Pressure on asset prices in the credit markets has recently caused several money market funds to come under pressure from a pricing and redemption standpoint. This insurance program will help ease this pressure over time and should allow lending capacity offered by money market funds to return to more normal levels.

As we will rely on short-term borrowing in the form of repurchase agreements to fund the purchase of Agency MBS, we believe that this action should positively impact us by stabilizing a major source of our anticipated borrowings.

On October 3, 2008, the U.S. Congress enacted the EESA. The EESA provides the Secretary of the U.S. Treasury with the authority to establish TARP to purchase from financial institutions up to $700 billion of residential or commercial mortgages and any securities, obligations or other instruments that are based on or related to such mortgages, that in each case was originated or issued on or before March 14, 2008, as well as any other financial instrument that the Secretary of the U.S. Treasury, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, determines the purchase of which is necessary to promote financial market stability, upon transmittal of such determination, in writing, to the appropriate committees of the U.S. Congress. The EESA also provides for a program that would allow companies to insure their troubled assets, including Agency MBS.

On October 14, 2008, the U.S. Treasury announced the CPP, which was implemented under authority provided in the EESA. Under the CPP, the U.S. Treasury will purchase up to $250 billion of senior preferred shares in qualifying U.S. controlled banks, savings associations, and certain bank and savings and loan holding companies engaged only in financial activities. In order to participate in the first phase that was directed to publicly-traded financial institutions, an application was required to have been submitted by November 14, 2008. Nine of the largest banks in the United States, as well as other financial institutions, accepted investments under the CPP during the first phase. In the second phase, which the U.S. Treasury implemented on November 17, 2008 and which required an application to be submitted by December 8, 2008, privately-held financial institutions were permitted to apply. The U.S. Treasury also is considering the expansion of the CPP to non-financial institutions, including life or other insurance companies.

We believe that by providing banks with relatively low cost capital infusions pursuant to the EESA and the CPP, the functioning of financial markets will improve as banks make loans supported by new capital infusions. We further believe that there is a reasonable likelihood that banks will deploy at least a portion of the capital that they receive in the Agency MBS market, resulting in narrower Agency MBS spreads. Narrower spreads will likely be offset, however, by more attractive repurchase financing terms, resulting in attractive net interest margins for our investments.

As the banks overall capital positions improve because of capital infusions under the CPP, we believe that they will seek to once again deploy capital through various lending channels, including repurchase lending.

However, there can be no assurance that the EESA will have a beneficial impact on the financial markets, including on current levels of volatility. To the extent the market does not respond favorably to TARP or CPP initiatives or TARP or CPP initiatives do not function as intended, our business may not receive the anticipated positive impact from the legislation. We cannot predict whether or when TARP or CPP will have any impact and to what extent it will affect our business, results of operations and financial condition.

On July 30, 2008, the H4H Act was signed into law. The H4H Act created a new, temporary, voluntary program within the FHA to back FHA-insured mortgages to distressed borrowers. The Hope for Homeowners program, which is effective from October 1, 2008 through September 30, 2011, will enable certain distressed borrowers to refinance their mortgages into FHA-insured loans.

Ginnie Mae, which guarantees the payment of principal and interest on Hope for Homeowners MBS, requires that all loans under the H4H Act must be pooled only under the Ginnie Mae II program s multiple issuer type, MFS. Ginnie Mae will accept loan packages under the H4H Act to be pooled in MFS securities with a November 1, 2008 issue date and thereafter. If a loan in an existing or seasoned pool is refinanced under this program the prepayment speeds on existing pools may rise. Depending on whether or not the bond was purchased at a premium or discount the yield may be positively or negatively impacted. Furthermore, the coupons on new pools generated under this program based on refinanced loans may be lower potentially negatively impacting our yield on new opportunities.

During 2008, the Federal Reserve also initiated a number of other programs aimed at improving broader financial markets, such as establishing a $1.8 trillion commercial paper funding facility and a $200 billion facility to finance consumer asset-backed securities. In addition, in order to provide further liquidity to financial institutions, the Federal Reserve has provided primary dealers with access to the Federal Reserve s discount window and, in instances of distress, arranged financing for certain entities. For example, American International Group, a large insurance company, was forced to accept a loan of more than $100 billion from the Federal Reserve Bank of New York to avoid insolvency. We believe that programs have and will continue to improve short-term credit markets, including the repurchase financing market. Given the Federal Reserve s actions to date, we believe the Federal Reserve will remain committed to assuring that short-term credit markets function efficiently, which, in turn, will reduce our borrowing costs over time. The Federal Reserve programs are likely to result in both Agency MBS spreads tightening and improved liquidity in this market. The improved liquidity should increase the availability and attractiveness of repurchase financing, as banks become more comfortable with their ability to value and, in the event of default, efficiently liquidate collateral.

On November 25, 2008, the Federal Reserve announced that it will initiate a program to purchase $100 billion in direct obligations of Fannie Mae, Freddie Mac and the Federal Home Loan Banks and $500 billion in mortgage-backed securities backed by Fannie Mae, Freddie Mac and Ginnie Mae. The Federal Reserve stated that its actions are intended to reduce the cost and increase the availability of credit for the purchase of houses, which in turn should support housing markets and foster improved conditions in financial markets more generally. The purchases of direct obligations began during the first week of December 2008, and the purchases of Agency MBS are expected to begin shortly. The Federal Reserve s program to purchase Agency MBS could cause an increase in the price of Agency MBS, which would negatively impact the net interest margin with respect to Agency MBS we expect to purchase.

During 2008, the FDIC also initiated programs in an effort to restore confidence and functioning in the banking system and attempt to reduce foreclosures through loan modifications. To assist the banking system, the FDIC will now insure deposits up to $250,000 up from $100,000 through December 31, 2009, provide finite guarantees on qualified bank debt and, in limited cases, provide loan guarantees to certain financial institutions. Additionally, in an attempt to reduce foreclosures, the FDIC encouraged uniform guidelines for loan modifications, which include reduction of interest rate, extension of maturity and balance reductions.

We believe that market conditions will continue to impact our operating results and will cause us to adjust our investment and financing strategies over time as new opportunities emerge and risk profiles of our business change.

Critical Accounting Policies

Our financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, which requires the use of estimates and assumptions that involve the exercise of judgment and use of assumptions as to future uncertainties. In accordance with SEC guidance, the following discussion addresses the accounting policies that we will apply to us based on our expectation of our initial operations. Our most critical accounting policies will involve decisions and assessments that could affect our reported assets and liabilities, as well as our reported revenues and expenses. We believe that all of the decisions and assessments upon which our financial statements will be based will be reasonable at the time made and based upon information available to us at that time. We will rely on independent pricing of our assets at each quarter s end to arrive at what we believe to be reasonable estimates of fair market value. We have identified what we believe will be our most critical accounting policies to be the following:

Repurchase Agreements

We will finance the acquisition of Agency MBS for our investment portfolio through the use of repurchase agreements. Repurchase agreements will be treated as collateralized financing transactions and will be carried at their contractual amounts, including accrued interest, as specified in the respective agreements. Concurrently with the completion of this offering, we intend to enter into repurchase agreements with several counterparties.

In instances where we acquire Agency MBS through repurchase agreements with the same counterparty from whom the Agency MBS were purchased, we will account for the purchase commitment and repurchase agreement on a net basis and record a forward commitment to purchase Agency MBS as a derivative instrument if the transaction does not comply with the criteria in FASB Staff Position, or FSP, FAS 140-3, Accounting for Transfers of Financial Assets and Repurchase Financing Transactions, or FSP FAS 140-3, for gross presentation. If the transaction complies with the criteria for gross presentation in FSP FAS 140-3, we will record the assets and the related financing on a gross basis in our statements of financial condition, and the corresponding interest income and interest expense in our statements of operations and comprehensive income (loss). Such forward commitments are recorded at fair value with subsequent changes in fair value recognized in income. Additionally, we will record the cash portion of our investment in Agency MBS as a mortgage related receivable from the counterparty on our balance sheet.

We believe that our Manager and Invesco Aim Advisors have in place a documented process and a team of professionals who focus on mitigating counterparty risk. During these volatile times in which a number of repurchase agreement counterparties have either defaulted or ceased to exist, we feel that it is critical to have controls in place that address this recent disruption in the markets. All repurchase agreement counterparty approval requests must be submitted to the team of nine professionals at Invesco Aim Advisors and undergo a rigorous review and approval process to determine whether the proposed counterparty meets established criteria. All requests require significant support, including audited financial information and credit ratings of the potential counterparty. In addition, all approved counterparties are monitored on an ongoing basis by Invesco Aim Advisors credit team and, if they deem a credit situation to be deteriorating, they have the ability to restrict or terminate trading with this counterparty. We do not expect to enter into any hedging transactions to mitigate any risks associated with our repurchase agreement counterparties.

Loans and Securities Held for Investment

Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities, or SFAS 115, requires that at the time of purchase, we designate a security as either held-to-maturity, available-for-sale, or trading depending on our ability and intent to hold such security to maturity. Securities available-for-sale will be reported at fair value, while securities held-to-maturity will be reported at amortized cost. Although we generally intend to hold most of our Agency MBS until maturity, we may, from time to time, sell any of our Agency MBS as part of our overall management of our investment portfolio. Accordingly, we will be required to classify all of our securities as available-for-sale. All assets classified as available-for-sale will be reported at fair value, based on market prices from third-party sources when available, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders equity. We do not have an investment portfolio at this time.

We will evaluate securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. The determination of whether a security is other-than-temporarily impaired will involve judgments and assumptions based on subjective and objective factors. Consideration will be given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of recovery in fair value of the agency security, and (3) our intent and ability to retain our investment in the Agency MBS for a period of time sufficient to allow for any anticipated recovery in fair value. Investments with unrealized losses will not be considered other-than-temporarily impaired if we have the ability and intent to hold the investments for a period of time, to maturity if necessary, sufficient for a forecasted market price recovery up to or beyond the cost of the investments. Unrealized losses on securities that are considered other-than-temporary, as measured by the amount of the difference between the securities cost basis and its fair value, will be recognized in earnings as an unrealized loss and the cost basis of the securities will be adjusted.

Interest Income Recognition

Interest income on available-for-sale securities will be recognized over the life of the investment using the effective interest method. Interest income on mortgage-backed securities is recognized using the effective interest

method as described by SFAS 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases, or SFAS 91, for securities of high credit quality and Emerging Issues Task Force No. 99-20, Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets, or EITF 99-20, for all other securities.

Under SFAS 91 and EITF 99-20, management will estimate, at the time of purchase, the future expected cash flows and determine the effective interest rate based on these estimated cash flows and our purchase price. As needed, these estimated cash flows will be updated and a revised yield computed based on the current amortized cost of the investment. In estimating these cash flows, there will be a number of assumptions that will be subject to uncertainties and contingencies. These include the rate and timing of principal payments (including prepayments, repurchases, defaults and liquidations), the pass through or coupon rate and interest rate fluctuations. In addition, interest payment shortfalls due to delinquencies on the underlying mortgage loans have to be judgmentally estimated. These uncertainties and contingencies are difficult to predict and are subject to future events that may impact management s estimates and our interest income.

Security transactions will be recorded on the trade date. Realized gains and losses from security transactions will be determined based upon the specific identification method and recorded as gain (loss) on sale of available-for-sale securities and loans held for investment in the statement of income.

We will account for accretion of discounts or premiums on available-for-sale securities and real estate loans using the effective interest yield method. Such amounts will be included as a component of interest income in the income statement.

Accounting for Derivative Financial Instruments

Our policies permit us to enter into derivative contracts, including interest rate swaps, interest rate caps and interest rate floors, as a means of mitigating our interest rate risk. We intend to use interest rate derivative financial instruments to mitigate interest rate risk rather than to enhance returns.

We will account for derivative financial instruments in accordance with SFAS 133 Accounting for Derivative Instruments and Hedging Activities, or SFAS 133, as amended and interpreted. SFAS 133 requires an entity to recognize all derivatives as either assets or liabilities in the balance sheets and to measure those instruments at fair value. Additionally, the fair value adjustments will affect either other comprehensive income in stockholders equity until the hedged item is recognized in earnings or net income depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity.

In the normal course of business, we may use a variety of derivative financial instruments to manage, or hedge, interest rate risk. These derivative financial instruments must be effective in reducing our interest rate risk exposure in order to qualify for hedge accounting. When the terms of an underlying transaction are modified, or when the underlying hedged item ceases to exist, all changes in the fair value of the instrument are marked-to-market with changes in value included in net income for each period until the derivative instrument matures or is settled. Any derivative instrument used for risk management that does not meet the hedging criteria is marked-to-market with the changes in value included in net income.

Derivatives will be used for hedging purposes rather than speculation. We will rely on quotations from a third party to determine these fair values. If our hedging activities do not achieve our desired results, our reported earnings may be adversely affected.

Fair Value Measurements

The FASB issued SFAS No. 157, Fair Value Measurements, or SFAS 157. SFAS 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy (levels 1, 2, and 3, as defined). Additionally, companies are required to provide enhanced disclosure regarding instruments in the level 3 category (which require significant management judgment), including a reconciliation of the beginning and ending balances separately for each major category of assets and liabilities.

Additionally, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of SFAS No. 115, or SFAS 159. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting dates.

Income Taxes

We intend to elect and qualify to be taxed as a REIT, commencing with our taxable year ending December 31, 2009. Accordingly, we will generally not be subject to corporate U.S. federal or state income tax to the extent that we make qualifying distributions to our stockholders, and provided we satisfy on a continuing basis, through actual investment and operating results, the REIT requirements including certain asset, income, distribution and stock ownership tests. If we fail to qualify as a REIT, and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal, state and local income taxes and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year in which we lost our REIT qualification. Accordingly, our failure to qualify as a REIT could have a material adverse impact on our results of operations and amounts available for distribution to our stockholders.

The dividends paid deduction of a REIT for qualifying dividends to its stockholders is computed using our taxable income as opposed to net income reported on the financial statements. Taxable income, generally, will differ from net income reported on the financial statements because the determination of taxable income is based on tax provisions and not financial accounting principles.

We may elect to treat certain of our subsidiaries as TRSs. In general, a TRS of ours may hold assets and engage in activities that we cannot hold or engage in directly and generally may engage in any real estate or non-real estate-related business. A TRS is subject to U.S. federal, state and local corporate income taxes.

While a TRS will generate net income, a TRS can declare dividends to us which will be included in our taxable income and necessitate a distribution to our stockholders. Conversely, if we retain earnings at a TRS level, no distribution is required and we can increase book equity of the consolidated entity.

Share-Based Compensation

The Company will follow SFAS 123R, Share-Based Payments, or SFAS 123(R), with regard to its stock option plan. SFAS 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS 123 (R) requires that compensation cost relating to share-based payment transactions be recognized in financial statements. The cost is measured based on the fair value of the equity or liability instruments issued.

The Company intends to adopt a stock option plan under which its independent directors are eligible to receive annual nondiscretionary awards of nonqualified stock options. The board of directors may make appropriate adjustments to the number of shares available for awards and the terms of outstanding awards under the stock option plan to reflect any change in the Company s capital structure.

Recent Accounting Pronouncements

In March 2008, the FASB issued SFAS 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of SFAS 133, or SFAS 161. This new standard requires enhanced disclosures for derivative instruments, including those used in hedging activities. It is effective for fiscal years and interim periods beginning after November 15, 2008 and will be applicable to the Company in the first quarter of fiscal 2009. The Company is assessing the potential impact that the adoption of SFAS 161 may have on its financial statements.

The FASB issued FSP FAS 140-3 relating to SFAS 140, Accounting for Transfers of Financial Assets and Repurchase Financing Transactions, or SFAS 140, to address questions where assets purchased from a particular counterparty and financed through a repurchase agreement with the same counterparty can be considered and accounted for as separate transactions. Currently, we are still evaluating our ability to record such assets and the related financing on a gross basis in our statements of financial condition, and the corresponding interest income and interest expense in our statements of operations and comprehensive income (loss). For assets representing available-for-sale investment securities, as in our case, any change in fair value will be reported through other comprehensive income under SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, with the exception of impairment losses, which will be recorded in the statement of operations and comprehensive (loss) income as realized losses. FASB s staff position requires that all of the following criteria be met in order to continue the application of SFAS No. 140 as described above: (1) the initial transfer of and repurchase financing cannot be contractually contingent; (2) the repurchase financing entered into between the parties provides full recourse to the transferee and the repurchase price is fixed; (3) the financial asset has an active market and the transfer is executed at market rates; and (4) the repurchase agreement and financial asset do not mature simultaneously.

On October 10, 2008, FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active, or FSP 157-3, in response to the deterioration of the credit markets. This FSP provides guidance clarifying how SFAS 157 should be applied when valuing securities in markets that are not active. The guidance provides an illustrative example that applies the objectives and framework of SFAS 157, utilizing management s internal cash flow and discount rate assumptions when relevant observable data does not exist. It further clarifies how observable market information and market quotes should be considered when measuring fair value in an inactive market. It reaffirms the notion of fair value as an exit price as of the measurement date and that fair value analysis is a transactional process and should not be broadly applied to a group of assets. FSP 157-3 is effective upon issuance including prior periods for which financial statements have not been issued. FSP 157-3 does not have a material effect on the fair value of its assets as the Company intends to continue to hold assets that can be valued via level 1 and level 2 criteria, as defined under SFAS No. 157.

Pursuant to Section 133 of the EESA, the Securities and Exchange Commission, or SEC, has commenced a study of the impact of the fair value or mark-to-market accounting standards, including, but not limited to: (1) the effects of such accounting standards on a financial institution s balance sheet; (2) the impacts of such accounting on bank failures in 2008; (3) the impact of such standards on the quality of financial information available to investors; (4) the process used by the Financial Accounting Standards Board in developing accounting standards; (5) the advisability and feasibility of modification to such standards; and (6) alternative accounting standards to those provided in SFAS 157. The study, which is being conducted in consultation with the Secretary of the Treasury and the Board of Governors of the Federal Reserve System, is expected to be completed before the end of the 90-day period beginning on the date of the enactment of this Act, which is October 3, 2008.

On December 11, 2008, the FASB issued FSP 140-4 and FIN 46(R)-8, Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities. The FSP increases disclosures for public companies about securitizations, asset-backed financings and variable interest entities. The FSP is effective for reporting periods that end after December 15, 2008.

Results of Operations

As of the date of this prospectus, we have not commenced any significant operations because we are in our organization stage. We will not commence any significant operations until we have completed this offering. We are not aware of any material trends or uncertainties, other than economic conditions affecting mortgage loans, mortgage-backed securities and real estate, generally, that may reasonably be expected to have a material impact, favorable or unfavorable, on revenues or income from the acquisition of real estate-related investments, other than those referred to in this prospectus.

Liquidity and Capital Resources

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to pay dividends, fund investments and other general business needs. Our primary sources of funds for liquidity will consist of the net proceeds from this offering and the concurrent private placements, net cash provided by operating activities, cash from the several repurchase agreements we expect to establish concurrently with or shortly before the completion of this offering and other financing arrangements and future issuances of common equity, preferred equity, convertible securities, trust preferred and/or debt securities.

We anticipate that, upon repayment of each borrowing under a repurchase agreement, we will use the collateral immediately for borrowing under a new repurchase agreement. We have not at the present time entered into any commitment agreements under which the lender would be required to enter into new repurchase agreements during a specified period of time.

Under repurchase agreements, we may be required to pledge additional assets to our repurchase agreement counterparties (lenders) in the event the estimated fair value of the existing pledged collateral under such agreements declines and such lenders demand additional collateral, or a margin call, which may take the form of additional securities or cash. Generally, repurchase agreements contain a financing rate, term and trigger levels for margin calls and haircuts depending on the types of collateral and the counterparties involved. If the estimated fair value of investment securities increase due to changes in market interest rates or market factors, lenders may release collateral back to us. Specifically, margin calls result from a decline in the value of the investments securing our repurchase agreements, prepayments on the mortgages securing such investments and from changes in the estimated fair value of such investments generally due to principal reduction of such investments from scheduled amortization and resulting from changes in market interest rates and other market factors. Counterparties also may choose to increase haircuts based on credit evaluations of our company and/or the performance of the bonds in question. We believe that the current levels of haircuts are approximately 5% on fixed-rate Agency MBS that are mortgage pass-through certificates, approximately 5% to 7% on adjustable-rate or hybrid Agency MBS that are mortgage pass-through certificates and approximately 10% on Agency MBS that are CMOs. Trigger levels for margin calls generally vary from $250,000 to $1 million at the discretion of the counterparty. The recent disruptions in the financial and credit markets have resulted in increased volatility in these levels and we expect further changes as market conditions continue to change. Should prepayment speeds on the mortgages underlying our investments or market interest rates suddenly increase, margin calls on our repurchase agreements could result, causing an adverse change in our liquidity position.

Our Manager, through its affiliate and our sub-adviser, Invesco Aim Advisors, is in the process of securing commitments for us with several repurchase agreement counterparties. Invesco Aim Advisors has been active in the repurchase agreement lending market since 1980 and currently has master repurchase agreements in place with a number of counterparties. For the year ended December 31, 2007, Invesco Aim Advisors had provided borrowings to these counterparties amounting to average daily borrowings outstanding of approximately $21 billion, including approximately $4.9 billion by Agency MBS.

We believe these identified sources of funds will be adequate for purposes of meeting our short-term (within one year) liquidity and long-term liquidity needs. Our short-term and long-term liquidity needs include funding future investments, operating costs and distributions to our stockholders. Our ability to meet our long-term liquidity and capital resource requirements may be subject to additional financing. A number of financial institutions, including lenders with whom our Manager and Invesco Aim Advisors are speaking, have tightened their lending standards and reduced their lending overall. If we are unable to obtain or renew our sources of financing or unable to obtain them on attractive terms, it may have an adverse effect on our business and results of operations.

To qualify as a REIT, we must distribute annually at least 90% of our taxable income. These distribution requirements limit our ability to retain earnings and thereby replenish or increase capital for operations.

Contractual Obligations and Commitments

Prior to the completion of this offering, we will enter into a management agreement with our Manager. Our Manager will be entitled to receive a management fee and the reimbursement of certain expenses. The management fee will be calculated and payable quarterly in arrears in an amount equal to 1.50% of our stockholders equity up to $500 million and 1.25% of our stockholders equity in excess of $500 million, per annum, calculated and payable quarterly in arrears. Our Manager will use the proceeds from its management fee in part to pay compensation to its officers and personnel who, notwithstanding that certain of them also are our officers, will receive no cash compensation directly from us. In addition, we expect to enter into a license agreement with Invesco Holding Company Limited relating to the use of the Invesco name and logo.

Under our equity incentive plan, our board of directors is authorized to approve grants of equity-based awards to our directors and executive officers, our Manager, its personnel and its affiliates. To date, our board of directors has approved a grant of equity awards to our independent directors in an aggregate amount of shares of our common stock. See Management Equity Incentive Plan.

We expect to enter into certain contracts that may contain a variety of indemnification obligations, principally with brokers, underwriters and counterparties to repurchase agreements. The maximum potential future payment amount we could be required to pay under these indemnification obligations may be unlimited.

Off-Balance Sheet Arrangements

As of August 31, 2008, we had no off-balance sheet arrangements.

Dividends

We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income. We intend to pay regular quarterly dividends to our stockholders in an amount equal to our net taxable income. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our repurchase agreements and other debt payable. If our cash available for distribution is less than our net taxable income, we could be required to sell assets or borrow funds to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

Inflation

Virtually all of our assets and liabilities will be interest rate sensitive in nature. As a result, interest rates and other factors influence our performance far more so than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. Our financial statements are prepared in accordance with GAAP and our distributions will be determined by our board of directors consistent with our obligation to distribute to our stockholders at least 90% of our net taxable income on an annual basis in order to maintain our REIT qualification; in each case, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation.

Quantitative and Qualitative Disclosures About Market Risk

The primary components of our market risk are related to interest rate, prepayment and market value risk. While we do not seek to avoid risk completely, we believe the risk can be quantified from historical experience and seek to actively manage that risk, to earn sufficient compensation to justify taking those risks and to maintain capital levels consistent with the risks we undertake.

Interest Rate Risk

Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control.

We will be subject to interest rate risk in connection with our investments and our repurchase agreements. Our repurchase agreements will typically be of limited duration that are periodically refinanced at current market rates. We intend to mitigate this risk through utilization of derivative contracts, primarily interest rate swap agreements, interest rate caps and interest rate floors.

Interest Rate Effect on Net Interest Income

Our operating results will depend in large part on differences between the yields earned on our investments and our cost of borrowing and interest rate hedging activities. Most of our repurchase agreements will provide financing based on a floating rate of interest calculated on a fixed spread over LIBOR. The fixed spread will vary depending on the type of underlying asset which collateralizes the financing. Accordingly, the portion of our portfolio which consists of floating interest rate assets will be match-funded utilizing our expected sources of short-term financing, while our fixed interest rate assets will not be match-funded. During periods of rising interest rates, the borrowing costs associated with our investments tend to increase while the income earned on our fixed interest rate investments may remain substantially unchanged. This will result in a narrowing of the net interest spread between the related assets and borrowings and may even result in losses. Further, during this portion of the interest rate and credit cycles, defaults could increase and result in credit losses to us, which could adversely affect our liquidity and operating results. Such delinquencies or defaults could also have an adverse effect on the spread between interest-earning assets and interest-bearing liabilities.

Hedging techniques are partly based on assumed levels of prepayments of our Agency MBS. If prepayments are slower or faster than assumed, the life of the Agency MBS will be longer or shorter, which would reduce the effectiveness of any hedging strategies we may use and may cause losses on such transactions. Hedging strategies involving the use of derivative securities are highly complex and may produce volatile returns.

Interest Rate Effects on Fair Value

Another component of interest rate risk is the effect changes in interest rates will have on the market value of the assets we acquire. We will face the risk that the market value of our assets will increase or decrease at different rates than that of our liabilities, including our hedging instruments.

We will primarily assess our interest rate risk by estimating the duration of our assets and the duration of our liabilities. Duration essentially measures the market price volatility of financial instruments as interest rates change. We generally calculate duration using various financial models and empirical data. Different models and methodologies can produce different duration numbers for the same securities.

It is important to note that the impact of changing interest rates on fair value can change significantly when interest rates change materially. Therefore, the volatility in the fair value of our assets could increase significantly when interest rates change materially. In addition, other factors impact the fair value of our interest rate-sensitive investments and hedging instruments, such as the shape of the yield curve, market expectations as to future interest rate changes and other market conditions. Accordingly, changes in actual interest rates may have a material adverse effect on us.

Prepayment Risk

As we receive prepayments of principal on these investments, premiums paid on such investments will be amortized against interest income. In general, an increase in prepayment rates will accelerate the amortization of

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purchase premiums, thereby reducing the interest income earned on the investments. Conversely, discounts on such investments are accreted into interest income. In general, an increase in prepayment rates will accelerate the accretion of purchase discounts, thereby increasing the interest income earned on the investments.

Extension Risk

Our Manager will compute the projected weighted-average life of our investments based on assumptions regarding the rate at which the borrowers will prepay the underlying mortgages. In general, when a fixed-rate or hybrid adjustable-rate security are acquired with borrowings, we may, but are not required to, enter into an interest rate swap agreement or other hedging instrument that effectively fixes our borrowing costs for a period close to the anticipated average life of the fixed-rate portion of the related assets. This strategy is designed to protect us from rising interest rates because the borrowing costs are fixed for the duration of the fixed-rate portion of the related Agency MBS.

However, if prepayment rates decrease in a rising interest rate environment, the life of the fixed-rate portion of the related assets could extend beyond the term of the swap agreement or other hedging instrument. This could have a negative impact on our results from operations, as borrowing costs would no longer be fixed after the end of the hedging instrument while the income earned on the hybrid adjustable-rate assets would remain fixed. This situation may also cause the market value of our hybrid adjustable-rate assets to decline, with little or no offsetting gain from the related hedging transactions. In extreme situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur losses.

Market Risk

Market Value Risk

Our available-for-sale securities will be reflected at their estimated fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income pursuant to SFAS 115, Accounting for Certain Investments in Debt and Equity Securities. The estimated fair value of these securities fluctuates primarily due to changes in interest rates and other factors. Generally, in a rising interest rate environment, the estimated fair value of these securities would be expected to decrease; conversely, in a decreasing interest rate environment, the estimated fair value of these securities would be expected to increase.

Real Estate Risk

Residential property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing); changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay our loans, which could also cause us to suffer losses.

Risk Management

To the extent consistent with maintaining our REIT qualification, we will seek to manage risk exposure to protect our investment portfolio against the effects of major interest rate changes. We generally seek to manage this risk by:

- monitoring and adjusting, if necessary, the reset index and interest rate related to our Agency MBS and our financings;

- attempting to structure our financing agreements to have a range of different maturities, terms, amortizations and interest rate adjustment periods;

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using hedging instruments, primarily interest rate swap agreements but also financial futures, options, interest rate cap agreements, floors and forward sales to adjust the interest rate sensitivity of our Agency MBS and our borrowings; and

actively managing, on an aggregate basis, the interest rate indices, interest rate adjustment periods, and gross reset margins of our Agency MBS and the interest rate indices and adjustment periods of our financings.

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BUSINESS

Our Company

We are a newly-formed Maryland company that will invest in mortgage-backed securities for which a U.S. Government agency such as Ginnie Mae or a federally chartered corporation such as Fannie Mae or Freddie Mac, guarantees payments of principal and interest on the securities. We refer to these securities as Agency MBS. Our Agency MBS investments will include mortgage pass-through securities and CMOs. We will be externally managed and advised by our Manager, an SEC-registered investment adviser and indirect wholly-owned subsidiary of Invesco. Invesco (NYSE: IVZ) is a leading independent global investment management company with $409.6 billion in managed assets as of September 30, 2008, including approximately $9.8 billion of Agency MBS. We expect to conduct all of our operations through our operating partnership, of which we are the sole general partner.

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 will generate income principally from the spread between yields on our investments and our cost of borrowing, including hedging activities. Our Agency MBS investments will be collateralized by a variety of loans secured by residential real property, including FRMs, ARMs and hybrid mortgage loans. We intend to construct a diversified investment portfolio by focusing on security selection and the relative value of various sectors within the Agency MBS market. We intend to finance our investments through short-term borrowings structured as repurchase agreements. Our Manager is in the process of securing commitments for us with a number of repurchase agreement counterparties.

We will commence operations upon completion of this offering. We intend to elect and qualify to be taxed as a REIT, for U.S. federal income tax purposes, commencing with our taxable year ending December 31, 2009. We generally will not be subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our net taxable income to stockholders and maintain our intended qualification as a REIT. We also intend to operate our business in a manner that will permit us to maintain our exemption from registration under the 1940 Act.

Our Manager

We will be externally managed and advised by our Manager, an indirect and wholly-owned subsidiary of Invesco, which, as of September 30, 2008, managed $409.6 billion of assets divided among its investment centers as indicated in the table below:

Investment Center	Approximate Assets under Management (in billions)
Invesco Worldwide Fixed Income	$ 149.2
Invesco Perpetual	62.3
Invesco Aim	53.1
Invesco Trimark	26.7
Invesco Real Estate	26.1
Invesco Quantitative Strategies	24.5
Invesco Asia-Pacific	17.1
Atlantic Trust	15.2
Invesco PowerShares	12.3
Invesco Global Equity	10.3
WL Ross & Co.	6.8
Invesco Multiple-Asset Strategies	3.9
Invesco Private Capital	2.1

Our Manager s world wide fixed income capabilities by category and approximate assets under management (in billions) is set forth below.

Cash Management ($80.2 AUM)	**Stable Value ($30.7 AUM)**	**Broad Fixed Income ($25.5 AUM)**	**Alternatives ($12.8 AUM)**
Taxable, tax free and	Diversified and cost-effective	Core, core plus, intermediate	Senior secured bank loans,
government money	approach utilizing	MBS/ABS, investment grade,	structured securities,
market products	commingled funds	high yield, emerging markets,	credit default swaps
US dollar, Canadian	Unique in offering	municipals	Credit opportunity funds
dollar	multi-manager product	Global, non-US dollar, European	Collateralized debt obligations

Pursuant to the terms of the management agreement, our Manager will provide us with our management team, including our officers, along with appropriate support personnel. Each of our officers is an employee of Invesco. We do not expect to have any employees. Our Manager is not obligated to dedicate any of its employees exclusively to us, nor is our Manager or its employees obligated to dedicate any specific portion of its or their time to our business. 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.

Our Manager s investment professionals have extensive experience in performing advisory services for funds, other investment vehicles, and other managed and discretionary accounts that focus on investing in Agency MBS. As of September 30, 2008, our Manager managed approximately $18.3 billion of structured securities, consisting of approximately $9.8 billion of Agency MBS, $3.9 billion of ABS, $2.7 billion of non-Agency MBS and $1.9 billion of CMBS. Approximately 78% of our Manager s existing Agency MBS portfolio is collateralized by FRMs and approximately 22% is collateralized by ARMs. We expect that our Manager will continue to manage its existing Agency MBS portfolio and provide management services to its other clients, including affiliates of Invesco. Neither our Manager nor Invesco has previously managed or advised a public REIT.

We expect to benefit from our Manager s portfolio management, finance and administration functions, which address legal, compliance, investor relations and operational matters, trade allocation and execution, securities valuation, risk management and information technologies in connection with the performance of its duties.

Concurrently with the completion of this offering, we will conduct a private placement in which we will sell to the Invesco Purchaser shares of our common stock and OP units, in each case at the price per share in this offering, for an aggregate of $ million. Upon completion of this offering and the concurrent private placement, the Invesco Purchaser will beneficially own % of our outstanding common stock (or % if the underwriters fully exercise their option to purchase additional shares.) Assuming that all OP units are redeemed for an equivalent number of shares of our common stock, the Invesco Purchaser would beneficially own % of our outstanding common stock upon completion of this offering and the concurrent private placement (or % if the underwriters fully exercise their option to purchase additional shares).

The Invesco Purchaser will agree that, for a period of one year after the date of this prospectus, it will not, without the prior written consent of Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. Incorporated, dispose of or hedge any of the shares of our common stock or OP units that it purchases in the concurrent private placement, subject to certain exceptions and extension in certain circumstances as described elsewhere in this prospectus.

Invesco Aim Advisors, an affiliate of our Manager, will serve as our sub-adviser. Invesco Aim Advisors will provide input on overall trends in short-term financing markets, make specific recommendations regarding financing of Agency MBS and provide execution services to us. We do not expect our Manager to provide these services to us directly. We will reimburse our Manager for the fees charged by Invesco Aim Advisors pursuant to the expense reimbursement provisions of the management agreement. We expect that the fees charged by Invesco Aim Advisors to our Manager will be substantially similar to the fees Invesco Aim Advisors charges to its other clients for similar services.

About Invesco

Invesco is one of the largest independent global investment management firms with offices worldwide. As of September 30, 2008, Invesco had 5,354 employees, the majority of whom were located in North America. Invesco operates under the Invesco Aim, AIM Trimark, Atlantic Trust, Invesco, Invesco Perpetual, Invesco PowerShares, and WL Ross & Co brands.

Our Competitive Advantages

We believe that our competitive advantages include the following:

Significant Experience of Our Manager

The senior management team of our Manager has a long track record and broad experience in managing mortgage-related assets through a variety of credit and interest rate environments and has demonstrated the ability to generate attractive risk-adjusted returns under different market conditions and cycles. As of September 30, 2008, our Manager managed approximately $18.3 billion of structured securities, consisting of approximately $9.8 billion of Agency MBS, $3.9 billion of ABS, $2.7 billion of non-Agency MBS and $1.9 billion of CMBS. Approximately 78% of our Manager s existing Agency MBS portfolio is collateralized by FRMs and approximately 22% is collateralized by ARMs. We expect that our Manager will continue to manage its existing Agency MBS portfolio and provide management services to its other clients, including affiliates of Invesco. Our Manager s dedicated investment team of 13 professionals has extensive experience analyzing and investing in portfolios of structured securities, including Agency MBS. In addition, an Investment Committee which has a long history of investing in structured securities, including Agency MBS, will oversee our investments and compliance with our investment guidelines. We expect to benefit from this varied expertise, and believe that our Manager s investment team provides us with a competitive advantage relative to companies investing in Agency MBS that have management teams with less experience.

Access to Extensive Repurchase Agreement Financing and Other Strategic Relationships

An affiliate of our Manager and a sub-adviser to us, Invesco Aim Advisors, has been active in the repurchase agreement lending market since 1980 and currently has master repurchase agreements in place with a number of counterparties. For the year ended December 31, 2007, Invesco Aim Advisors had provided financing to these counterparties amounting to average daily borrowings outstanding of approximately $21 billion, including approximately $4.9 billion of Agency MBS. Our Manager is in the process of securing commitments from the counterparties to these repurchase agreements to allow us to borrow from them pursuant to Invesco Aim Advisors existing repurchase agreements.

We believe that our Manager and Invesco Aim Advisors have in place a documented process and a team of professionals who focus on mitigating counterparty risk. During these volatile times in which a number of repurchase agreement counterparties have either defaulted or ceased to exist, we feel that it is critical to have controls in place that address this recent disruption in the markets. All repurchase agreement counterparty approval requests must be submitted to the team of nine professionals at Invesco Aim Advisors and undergo a rigorous review and approval process to determine whether the proposed counterparty meets established criteria. All requests require significant support, including audited financial information and credit ratings of the potential counterparty. In addition, all approved counterparties are monitored on an ongoing basis by Invesco Aim Advisors credit team and, if they deem a credit situation to be deteriorating, they have the ability to restrict or terminate trading with this counterparty. We do not expect to enter into any hedging transactions to mitigate any risks associated with our repurchase agreement counterparties.

Our Manager and its affiliates maintain extensive long-term relationships with other financial intermediaries, including primary dealers, leading investment banks, brokerage firms, leading mortgage originators and commercial banks. We believe these relationships will enhance our ability to source, finance and hedge investment opportunities and, thus, enable us to grow in various credit and interest rate environments. In addition, we believe our Manager s and its affiliates contacts with numerous investment grade derivative and lending counterparties will assist us in implementing our financing and hedging strategies.

Disciplined Investment Approach

We will seek to maximize our risk-adjusted returns through our Manager s disciplined investment approach, which relies on rigorous quantitative and qualitative analysis. Our Manager will monitor our overall

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portfolio risk and evaluate the characteristics of our investments in Agency MBS including, but not limited to, loan balance distribution, geographic concentration, property type, occupancy, periodic and lifetime interest rate cap, weighted-average loan-to-value and weighted average credit score. As a newly organized company with no historical investments, we will build an initial portfolio consisting of currently priced assets and therefore we will likely not be negatively impacted by the recent price declines experienced by many Agency MBS portfolios. We believe this strategy and our commitment to capital preservation will provide us with a competitive advantage when operating in a variety of market conditions.

Access to Our Manager s Sophisticated Analytical Tools, Infrastructure and Expertise

We will utilize our Manager s proprietary and third-party mortgage-related security and portfolio management tools to seek to generate an attractive net interest margin from our portfolio. We intend to focus on in-depth analysis of the numerous factors that influence Agency MBS including: (1) fundamental market and sector review; (2) rigorous cash flow analysis; (3) disciplined security selection; (4) controlled risk exposure; and (5) prudent balance sheet management. In addition, we will utilize these tools to guide the hedging strategies developed by our Manager to the extent consistent with satisfying the requirements for qualification as a REIT. Through the use of the tools described above, we will analyze factors that affect the rate at which mortgage prepayments occur, including changes in the level of interest rates, directional trends in housing prices, general economic conditions, the locations of the properties securing the mortgage loans and other social and demographic conditions in order to acquire Agency MBS that we believe are undervalued. We believe that sophisticated analysis of both macro and micro economic factors will enable us to manage cash flow and distributions while preserving capital. In addition, Invesco s proprietary Q-Tech investment platform, a unique quality control tool that allows our Manager to track, evaluate and communicate each investment decision in real time, will facilitate our Manager s ability to make well-informed and disciplined portfolio management decisions.

Our Manager has created and maintains analytical and portfolio management capabilities to aid in security selection and risk management. We intend to capitalize on the market knowledge and ready access to data across the MBS markets that our Manager and its affiliates obtain through their established platform. We will also benefit from our Manager s comprehensive finance and administrative infrastructure, including its risk management and financial reporting operations, as well as its business development, legal and compliance teams.

Alignment of Invesco and Our Manager s Interests

Concurrently with the completion of this offering, we will conduct a private placement in which we will sell to the Invesco Purchaser shares of our common stock and OP units, in each case at the price per share in this offering, for an aggregate of $ million. Assuming that all OP units are redeemed for an equivalent number of shares of our common stock, the Invesco Purchaser would beneficially own % of our outstanding common stock upon completion of this offering and the concurrent private placement (or % if the underwriters fully exercise their option to purchase additional shares). We believe that the significant ownership of our common stock by the Invesco Purchaser will align Invesco and our Manager s interests with our interests.

Attractive Risk Profile

We believe that Agency MBS offer attractive returns with minimal credit risk due to the fact that the principal and interest payments on these securities are guaranteed by a U.S. Government agency or a federally chartered corporation. We believe that the liquid nature of Agency MBS and their guarantees enable lenders to provide favorable financing terms relative to other types of mortgage-related investments.

Tax Advantages of REIT Qualification

Assuming that we meet, on a continuing basis, various qualification requirements imposed upon REITs by the Internal Revenue Code, we will generally be entitled to a deduction for dividends that we pay and, therefore, will not be subject to U.S. federal corporate income tax on our net income that is distributed currently to our shareholders. This treatment substantially eliminates the double taxation at the corporate and stockholder levels that results generally from investment in a corporation.

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Recent Regulatory Developments

Since mid-2007, the residential housing and mortgage markets in the United States have experienced a variety of difficulties including loan defaults, credit losses and reduced liquidity. As a result, many lenders have tightened their lending standards, reduced lending capacity, liquidated significant portfolios or exited the market altogether, and therefore, financing with attractive terms is generally unavailable. In response to these unprecedented events, the U.S. Government has taken a number of actions to improve stability in the financial markets and encourage lending.

Housing and Economic Recovery Act of 2008

In response to general market instability and, more specifically, the financial conditions of Fannie Mae and Freddie Mac, on July 30, 2008, the HERA established a new regulator for Fannie Mae and Freddie Mac, the FHFA. On September 7, 2008, the U.S. Treasury, the FHFA, and the U.S. Federal Reserve announced a comprehensive action plan to help stabilize the financial markets, support the availability of mortgage finance and protect taxpayers. Under this plan, among other things, the FHFA has been appointed as conservator of both Fannie Mae and Freddie Mac, allowing the FHFA to control the actions of the two GSEs, without forcing them to liquidate, which would be the case under receivership. Importantly, the primary focus of the plan is to increase the availability of mortgage financing by allowing these GSEs to continue to grow their guarantee business without limit, while limiting net purchase of Agency MBS to a modest amount through the end of 2009. Beginning in 2010, these GSEs will gradually reduce their Agency MBS portfolios. In addition, in an effort to further stabilize the U.S. mortgage market, the U.S. Treasury took three additional actions. First, it entered into a preferred stock purchase agreement with each of the GSEs, pursuant to which $100 billion will be available to each GSE. Second, it established a new secured credit facility, the GSECF, available to each of Fannie Mae and Freddie Mac (as well as Federal Home Loan Banks) through December 31, 2009, when other funding sources are unavailable. Third, it established an Agency MBS purchase program, under which the U.S. Treasury may purchase Agency MBS in the open market. This latter program will also expire on December 31, 2009. Initially, Fannie Mae and Freddie Mac each issued $1.0 billion of senior preferred stock to the U.S. Treasury and warrants to purchase 79.9% of the fully-diluted common stock outstanding of each GSE at a nominal exercise price. Pursuant to these agreements, each of Fannie Mae s and Freddie Mac s mortgage and Agency MBS portfolio may not exceed $850 billion as of December 31, 2009, and will decline by 10% each year until such portfolio reaches $250 billion. After reporting a substantial loss in the third quarter of 2008, Freddie Mac requested a capital injection of $13.8 billion by the U.S. Treasury pursuant to its preferred stock purchase agreement. Although the U.S. Government has committed capital to Fannie Mae and Freddie Mac, there can be no assurance that these actions will be adequate for their needs. If these actions are inadequate, these GSEs could continue to suffer losses and could fail to honor their guarantees and other obligations which could materially adversely affect our business, operations and financial condition. See Risk Factors Risks Related to Our Company If the U.S. Government s recent actions with respect to Fannie Mae and Freddie Mac are inadequate or ineffective, our ability to acquire Agency MBS at attractive prices and/or returns, or at all, may be adversely affected.

Guaranty Program for Money Market Funds

The U.S. Treasury announced, on September 19, 2008, the establishment of a temporary guaranty program designed to stabilize the money market fund industry. The temporary measure will enable the Exchange Stabilization Fund, established in 1934 as part of the Gold Reserve Act, to insure the holdings of any publicly offered money market mutual fund for both retail and institutional clients. The current termination date for the guaranty program is April 30, 2009. The Secretary of the Treasury, however, may extend the guaranty program to September 18, 2009.

Money market funds are a vital source of short-term liquidity in the financial markets. Money market funds provide for repurchase agreement financing by lending cash versus collateral such as Treasuries, Agencies and Agency MBS for short periods of time. Pressure on asset prices in the credit markets has recently caused several money market funds to come under pressure from a pricing and redemption standpoint. This insurance program will help ease this pressure over time and should allow lending capacity offered by money market funds to return to more normal levels.

As we will rely on short-term borrowing in the form of repurchase agreements to fund the purchase of Agency MBS, we believe that this action should positively impact us by stabilizing a major source of our anticipated borrowings.

Emergency Economic Stabilization Act of 2008 and Capital Purchase Program

On October 3, 2008, the U.S. Congress enacted the EESA. The EESA provides the Secretary of the U.S. Treasury with the authority to establish TARP to purchase from financial institutions up to $700 billion of residential or commercial mortgages and any securities, obligations or other instruments that are based on or related to such mortgages, that in each case was originated or issued on or before March 14, 2008, as well as any other financial instrument that the Secretary of the U.S. Treasury, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, determines the purchase of which is necessary to promote financial market stability, upon transmittal of such determination, in writing, to the appropriate committees of the U.S. Congress. The EESA also provides for a program that would allow companies to insure their troubled assets, including Agency MBS.

On October 14, 2008, the U.S. Treasury announced the CPP, which was implemented under authority provided in the EESA. Under the CPP, the U.S. Treasury will purchase up to $250 billion of senior preferred shares in qualifying U.S. controlled banks, savings associations, and certain bank and savings and loan holding companies engaged only in financial activities. In order to participate in the first phase that was directed to publicly-traded financial institutions, an application was required to have been submitted by November 14, 2008. Nine of the largest banks in the United States, as well as other financial institutions, accepted investments under the CPP during the first phase. In the second phase, which the U.S. Treasury implemented on November 17, 2008 and which required an application to be submitted by December 8, 2008, privately-held financial institutions were permitted to apply. The U.S. Treasury also is considering the expansion of the CPP to non-financial institutions, including life or other insurance companies.

We believe that by providing banks with relatively low cost capital infusions pursuant to the EESA and the CPP, the functioning of financial markets will improve as banks make loans supported by new capital infusions. We further believe that there is a reasonable likelihood that banks will deploy at least a portion of the capital that they receive in the Agency MBS market, resulting in narrower Agency MBS spreads. Narrower spreads will likely be offset, however, by more attractive repurchase financing terms, resulting in attractive net interest margins for our investments.

As the banks overall capital positions improve because of capital infusions under the CPP, we believe that they will seek to once again deploy capital through various lending channels, including repurchase lending.

However, there can be no assurance that the EESA will have a beneficial impact on the financial markets, including on current levels of volatility. To the extent the market does not respond favorably to TARP or CPP initiatives or TARP or CPP initiatives do not function as intended, our business may not receive the anticipated positive impact from the legislation. We cannot predict whether or when TARP or CPP will have any impact and to what extent it will affect our business, results of operations and financial condition.

Hope for Homeowners Act of 2008

On July 30, 2008, the H4H Act was signed into law. The H4H Act created a new, temporary, voluntary program within the FHA to back FHA-insured mortgages to distressed borrowers. The Hope for Homeowners program, which is effective from October 1, 2008 through September 30, 2011, will enable certain distressed borrowers to refinance their mortgages into FHA-insured loans.

Ginnie Mae, which guarantees the payment of principal and interest on Hope for Homeowners MBS, requires that all loans under the H4H Act must be pooled only under the Ginnie Mae II program s multiple issuer type, MFS. Ginnie Mae will accept loan packages under the H4H Act to be pooled in MFS securities with a November 1, 2008 issue date and thereafter. If a loan in an existing or seasoned pool is refinanced under this program the prepayment speeds on existing pools may rise. Depending on whether or not the bond was purchased at a premium or discount, the yield may be positively or negatively impacted. Furthermore, the coupons on new pools generated under this program based on refinanced loans may be lower potentially negatively impacting our yield on new opportunities.

Other Initiatives

Federal Reserve

During 2008, the Federal Reserve also initiated a number of other programs aimed at improving broader financial markets, such as establishing a $1.8 trillion commercial paper funding facility and a $200 billion facility to finance consumer asset-backed securities. In addition, in order to provide further liquidity to financial institutions, the Federal Reserve has provided primary dealers with access to the Federal Reserve s discount window and, in instances of distress, arranged financing for certain entities. For example, American International Group, a large insurance company, was forced to accept a loan of more than $100 billion from the Federal Reserve Bank of New York to avoid insolvency. We believe that programs have and will continue to improve short-term credit markets, including the repurchase financing market. Given the Federal Reserve s actions to date, we believe the Federal Reserve will remain committed to assuring that short-term credit markets function efficiently, which, in turn, will reduce our borrowing costs over time. The Federal Reserve programs are likely to result in both Agency MBS spreads tightening and improved liquidity in this market. The improved liquidity should increase the availability and attractiveness of repurchase financing, as banks become more comfortable with their ability to value and, in the event of default, efficiently liquidate collateral.

On November 25, 2008, the Federal Reserve announced that it will initiate a program to purchase $100 billion in direct obligations of Fannie Mae, Freddie Mac and the Federal Home Loan Banks and $500 billion in mortgage-backed securities backed by Fannie Mae, Freddie Mac and Ginnie Mae. The Federal Reserve stated that its actions are intended to reduce the cost and increase the availability of credit for the purchase of houses, which in turn should support housing markets and foster improved conditions in financial markets more generally. The purchases of direct obligations began during the first week of December 2008, and the purchases of Agency MBS are expected to begin shortly. The Federal Reserve s program to purchase Agency MBS could cause an increase in the price of Agency MBS, which would negatively impact the net interest margin with respect to Agency MBS we expect to purchase.

FDIC

During 2008, the FDIC also initiated programs in an effort to restore confidence and functioning in the banking system and attempt to reduce foreclosures through loan modifications. To assist the banking system, the FDIC will now insure deposits up to $250,000 up from $100,000 through December 31, 2009, provide finite guarantees on qualified bank debt and, in limited cases, provide loan guarantees to certain financial institutions. Additionally, in an attempt to reduce foreclosures, the FDIC encouraged uniform guidelines for loan modifications, which include reduction of interest rate, extension of maturity and balance reductions.

Our Investment Strategy

We will rely on our Manager s expertise in identifying assets within our target asset class of Agency MBS. Our Manager s investment team has a strong focus on security selection and the relative value of various sectors within the agency mortgage market. We expect that the investment team will make investment decisions on our behalf, which will incorporate their views on the economic environment and the outlook for the mortgage market, including relative valuation, supply and demand trends, the level of interest rates, the shape of the yield curve, prepayment rates, and financing and liquidity, subject to maintaining our REIT qualification and our exemption from registration under the 1940 Act.

Our investment strategy is designed to enable us to:

- build an investment portfolio consisting of Agency MBS that seeks to generate attractive returns while having a moderate risk profile;
- manage financing, interest and prepayment rate risks;
- capitalize on discrepancies in the relative valuations in the Agency MBS market;
- provide regular quarterly distributions to stockholders;
- qualify as a REIT; and
- remain exempt from the requirements of the 1940 Act.

We may change our investment strategy and policies without a vote of our stockholders.

We intend to elect and qualify to be taxed as a REIT 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. See Operating and Regulatory Structure. Subject to maintaining our REIT qualification and our 1940 Act exemption, we do not have any limitations on the amounts we may invest in our targeted asset class.

Investment Portfolio

We will target investments in mortgage pass-through certificates and CMOs for which the principal and interest payments are guaranteed by a U.S. Government agency or a federally chartered corporation. Each of these types of Agency MBS is described below.

Mortgage Pass-Through Certificates. Single-family residential mortgage pass-through certificates are securities representing interests in pools of mortgage loans secured by residential real property where payments of both interest and principal, plus pre-paid principal, on the securities are made monthly to holders of the securities, in effect passing through monthly

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payments made by the individual borrowers on the mortgage loans that underlie the securities, net of fees paid to the issuer/guarantor and servicers of the securities.

CMOs. CMOs are securities which are structured from U.S. Government agency or federally chartered corporation-backed mortgage pass-through certificates. CMOs receive monthly payments of principal and interest. CMOs divide the cash flows which come from the underlying mortgage pass-through certificates into different classes of securities. CMOs can have different maturities and different weighted average lives than the underlying mortgage pass-through certificates. CMOs can re-distribute the risk characteristics of mortgage pass-through certificates to better satisfy the demands of various investor types. These risk characteristics would include average life variability, prepayments, volatility, floating versus fixed interest rate and payment and interest rate risk.

Agency MBS differ from other forms of traditional debt securities, which normally provide for periodic payments of interest in fixed amounts with principal payments at maturity or on specified call dates. Instead, Agency MBS provide for monthly payments, which consist of both principal and interest. In effect, these payments are a pass-through of scheduled and prepaid principal payments and the monthly interest made by the individual borrowers on the mortgage loans, net of any fees paid to the issuers, servicers or guarantors of the securities.

The principal may be prepaid at any time due to prepayments on the underlying mortgage loans or other assets. These differences can result in significantly greater price and yield volatility than is the case with traditional fixed-income securities.

Various factors affect the rate at which mortgage prepayments occur, including changes in the level and directional trends in housing prices, interest rates, general economic conditions, the age of the mortgage loan, the location of the property and other social and demographic conditions. Generally, prepayments on agency securities increase during periods of falling mortgage interest rates and decrease during periods of rising mortgage interest rates. However, this may not always be the case. We may reinvest principal repayments at a yield that is higher or lower than the yield on the repaid investment, thus affecting our net interest income by altering the average yield on our assets.

However, when interest rates are declining, the value of Agency MBS with prepayment options may not increase as much as other fixed income securities. The rate of prepayments on underlying mortgages will affect the price and volatility of Agency MBS and may have the effect of shortening or extending the duration of the security beyond what was anticipated at the time of purchase. When interest rates rise, our holdings of Agency MBS may experience reduced returns if the owners of the underlying mortgages pay off their mortgages slower than anticipated. This is generally referred to as extension risk.

Payments of principal and interest on Agency MBS, although not the market value of the securities themselves, may be guaranteed by the full faith and credit of the United States, such as those issued by Ginnie Mae, or by a federally chartered corporation, such as Fannie Mae or Freddie Mac. See Freddie Mac Gold Certificates, Fannie Mae Certificates and Ginnie Mae Certificates.

The types of Agency MBS described above are collateralized by either FRMs, ARMs, or hybrid ARMs. Hybrid ARMs are mortgage loans that have interest rates that are fixed for an initial period (typically three, five, seven or ten years) and thereafter reset at regular intervals subject to interest rate caps. Our allocation between securities collateralized by FRMs, ARMs or hybrid ARMs will depend on various factors including, but not limited to, relative value, expected future prepayment trends, supply and demand, costs of hedging, costs of financing, expected future interest rate volatility and the overall shape of the U.S. Treasury and interest rate swap yield curves. We intend to take these factors into account when we make investments.

In the future we may also invest in debentures that are issued and guaranteed by Freddie Mac or Fannie Mae or mortgage-backed securities the collateral of which is guaranteed by Ginnie Mae, Freddie Mac, Fannie Mae or another federally chartered corporation.

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The types of mortgage pass-through certificates in which we intend to invest or which comprise CMOs in which we intend to invest, are described below.

Freddie Mac Gold Certificates

Freddie Mac is a shareholder-owned, federally-chartered corporation created pursuant to an act of Congress on July 24, 1970. The principal activity of Freddie Mac currently consists of the purchase of mortgage loans or participation interests in mortgage loans and the resale of the loans and participations in the form of guaranteed mortgage-backed securities. Freddie Mac guarantees to each holder of Freddie Mac gold certificates the timely payment of interest at the applicable pass-through rate and principal on the holder s pro rata share of the unpaid principal balance of the related mortgage loans. The obligations of Freddie Mac under its guarantees are solely those of Freddie Mac and are not backed by the full faith and credit of the United States. If Freddie Mac were unable to satisfy these obligations, distributions to holders of Freddie Mac certificates would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, defaults and delinquencies on the underlying mortgage loans would adversely affect monthly distributions to holders of Freddie Mac certificates.

Freddie Mac gold certificates are backed by pools of single-family mortgage loans or multi-family mortgage loans. These underlying mortgage loans may have original terms to maturity of up to 40 years. Freddie Mac certificates may be issued under cash programs (composed of mortgage loans purchased from a number of sellers) or guarantor programs (composed of mortgage loans acquired from one seller in exchange for certificates representing interests in the mortgage loans purchased).

Fannie Mae Certificates

Fannie Mae is a shareholder-owned, federally-chartered corporation organized and existing under the Federal National Mortgage Association Charter Act, created in 1938 and rechartered in 1968 by Congress as a stockholder-owned company. Fannie Mae provides funds to the mortgage market primarily by purchasing home mortgage loans from local lenders, thereby replenishing their funds for additional lending. Fannie Mae guarantees to the registered holder of a certificate that it will distribute amounts representing scheduled principal and interest on the mortgage loans in the pool underlying the Fannie Mae certificate, whether or not received, and the full principal amount of any such mortgage loan foreclosed or otherwise finally liquidated, whether or not the principal amount is actually received. The obligations of Fannie Mae under its guarantees are solely those of Fannie Mae and are not backed by the full faith and credit of the United States. If Fannie Mae were unable to satisfy its obligations, distributions to holders of Fannie Mae certificates would consist solely of payments and other recoveries on the underlying mortgage loans and, accordingly, defaults and delinquencies on the underlying mortgage loans would adversely affect monthly distributions to holders of Fannie Mae.

Fannie Mae certificates may be backed by pools of single-family or multi-family mortgage loans. The original term to maturity of any such mortgage loan generally does not exceed 40 years. Fannie Mae certificates may pay interest at a fixed rate or an adjustable rate. Each series of Fannie Mae ARM certificates bears an initial interest rate and margin tied to an index based on all loans in the related pool, less a fixed percentage representing servicing compensation and Fannie Mae s guarantee fee. The specified index used in different series has included the U.S. Treasury Index, the 11th District Cost of Funds Index published by the Federal Home Loan Bank of San Francisco, LIBOR and other indices. Interest rates paid on fully-indexed Fannie Mae ARM certificates equal the applicable index rate plus a specified number of percentage points. The majority of series of Fannie Mae ARM certificates issued to date have evidenced pools of mortgage loans with monthly, semi-annual or annual interest rate adjustments. Adjustments in the interest rates paid are generally limited to an annual increase or decrease of either 1.00% or 2.00% and to a lifetime cap of 5.00% or 6.00% over the initial interest rate.

Ginnie Mae Certificates

Ginnie Mae is a wholly-owned corporate instrumentality of the United States within HUD. The National Housing Act of 1934 authorizes Ginnie Mae to guarantee the timely payment of the principal of and interest on certificates which represent an interest in a pool of mortgages insured by the FHA or partially guaranteed by the Department of Veterans Affairs and other loans eligible for inclusion in mortgage pools underlying Ginnie Mae certificates. Section 306(g) of the Housing Act provides that the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty by Ginnie Mae.

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At present, most Ginnie Mae certificates are backed by single-family mortgage loans. The interest rate paid on Ginnie Mae certificates may be a fixed rate or an adjustable rate. The interest rate on Ginnie Mae certificates issued under Ginnie Mae s standard ARM program adjusts annually in relation to the Treasury index. Adjustments in the interest rate are generally limited to an annual increase or decrease of 1.00% and to a lifetime cap of 5.00% over the initial coupon rate.

Investment Methods

We may, in the future, utilize to-be-announced forward contracts, or TBAs, in order to invest in agency securities. Pursuant to these TBAs, we would agree to purchase, for future delivery, agency securities with certain principal and interest terms and certain types of underlying collateral, but the particular agency securities to be delivered would not be identified until shortly before the TBA settlement date. Our ability to purchase agency securities through TBAs may be limited by the 75% asset test applicable to REITs. See U.S. Federal Income Tax Considerations Asset Tests and U.S. Federal Income Tax Considerations Gross Income Tests.

Investment Sourcing

We expect our Manager to take advantage of the broad network of relationships it and Invesco have established to identify investment opportunities. Our Manager and its affiliates have extensive long-term relationships with financial intermediaries, including primary dealers, leading investment banks, brokerage firms, leading mortgage originators and commercial banks.

Investing in, and sourcing financing for, Agency MBS is highly competitive. Although our Manager competes with many other investment managers for profitable investment opportunities in fixed-income asset classes and related investment opportunities and sources of financing, we believe that a combination of our Manager s experience, together with the vast resources and relationships of Invesco, provide us with a significant advantage in identifying and capitalizing on attractive opportunities.

Investment Guidelines

Our board of directors has adopted the following investment guidelines:

- no investment shall be made that would cause us to fail to qualify as a REIT for federal income tax purposes;
- no investment shall be made that would cause us to be regulated as an investment company under the 1940 Act;
- our assets will be invested in Agency MBS; and
- until appropriate investments can be identified, our Manager may invest the proceeds of this and any future offerings in interest-bearing, short-term investments, including money market accounts and/or funds, that are consistent with our intention to qualify as a REIT.

These investment guidelines may be changed from time to time by our board of directors without the approval of our stockholders.

Investment Committee

Our Manager has an Investment Committee comprised of its officers and investment professionals. The Investment Committee will periodically review our investment portfolio and its compliance with our investment policies and procedures, including these investment guidelines, and provide to our board of directors an investment report at the end of each quarter in conjunction with its review of our quarterly results. From time to time, as it deems appropriate or necessary, our board of directors also will review our investment portfolio and its compliance with our investment policies and procedures, including these investment guidelines. For a description of the members comprising the Investment Committee, see Our Manager and The Management Agreement Investment Committee, and Management.

Investment Process

We expect our investment process will benefit from our Manager s resources and professionals. Moreover our Manager s Investment Committee will oversee our investment guidelines and will meet periodically, at least every quarter, to discuss investment opportunities.

The investment team has a strong focus on security selection and on the relative value of various sectors within the Agency MBS market. Our Manager will utilize this expertise to build a diversified portfolio of Agency MBS. Our Manager will incorporate its views on the economic environment and the outlook for the mortgage market including relative valuation, supply and demand trends, the level of interest rates, the shape of the yield curve, prepayment rates, financing and liquidity.

Our investment process will include sourcing and screening of investment opportunities, assessing investment suitability, conducting interest rate and prepayment analysis, evaluating cash flow and collateral performance, reviewing legal structure and servicer and originator information and investment structuring, as appropriate, to seek an attractive return commensurate with the risk we are bearing. Upon identification of an investment opportunity, the investment will be screened and monitored by our Manager to determine its impact on maintaining our REIT qualification and our exemption from registration under the 1940 Act. We will seek to make investments in sectors where our Manager has strong core competencies and where we believe market risk and expected performance can be reasonably quantified.

Our Manager evaluates each one of our investment opportunities based on its expected risk-adjusted return relative to the returns available from other, comparable investments. In addition, we evaluate new opportunities based on their relative expected returns compared to our comparable securities held in our portfolio. The terms of any leverage available to us for use in funding an investment purchase are also taken into consideration, as are any risks posed by illiquidity or correlations with other securities in the portfolio.

Our Financing Strategy

We intend to employ prudent leverage to increase potential returns to our stockholders and to fund the acquisition of Agency MBS. Our income will be generated primarily by the difference, or net spread, between the income we earn on our investments in Agency MBS and the cost of our financing and hedging activities. Although we are not required to maintain any particular leverage ratio, the amount of leverage we will deploy for particular investments in Agency MBS will depend upon our Manager s assessment of a variety of factors, which may include, the anticipated liquidity and price volatility of the assets in our investment portfolio, the gap between the duration of our assets and liabilities including hedges, the availability and cost of financing the assets, our opinion of the creditworthiness of our financing counterparties, the health of the U.S. economy and housing-related markets, our outlook for the level, slope, and volatility of interest rates, and our outlook for asset spreads relative to the LIBOR curve. We expect that we will deploy, on a debt-to-equity basis, from six to ten times leverage on our Agency MBS.

Our financing strategy will depend on market conditions and our Manager s outlook for short-term interest rates.

We expect to finance our investments through short-term borrowings structured as repurchase agreements. Repurchase agreements are financings pursuant to which we will sell our Agency MBS to the repurchase agreement counterparty, the buyer, for an agreed upon price with the obligation to repurchase these assets from the buyer at a future date and at a price higher than the original purchase price. The amount of financing we will receive under a repurchase agreement is limited to a specified percentage of the estimated market value of the assets we sell to the buyer. The difference between the sale price and repurchase price is the cost, or interest expense, of financing under a repurchase agreement.

Our Manager, through its affiliate and our sub-adviser, Invesco Aim Advisors, is in the process of securing commitments for us with several repurchase agreement counterparties. Invesco Aim Advisors has been active in the repurchase agreement lending market since 1980 and currently has master repurchase agreements in place with a number of counterparties. For the year ended December 31, 2007, Invesco Aim Advisors had provided borrowings to these counterparties amounting to average daily borrowings outstanding of approximately $21 billion, including approximately $4.9 billion by Agency MBS.

We plan to leverage our Manager s and its affiliates existing relationships with financial intermediaries, including primary dealers, leading investment banks, brokerage firms, commercial banks and other repurchase agreement counterparties to execute agreements concurrently with or shortly after the closing of this offering.

Our investments will serve as collateral for our financings. Any decline in their value, or perceived market uncertainty about their value, would likely make it difficult for us to obtain financing on attractive terms or at all, or maintain our compliance with terms of any financing arrangements already in place. If market conditions result in a decline in the value of our Agency MBS, our financial position and results of operations could be adversely affected. Current events in the capital markets have proven to be a challenge for entities that rely on the capital markets to finance operations. The collateral required to fund positions has increased, as has the cost of borrowing. The largest increases in haircuts (the difference between the cash we receive from the counterparty when we initially sell the securities to the counterparty less the value of the securities) and borrowing costs have occurred in the non-Agency MBS sector. Haircuts and borrowing rates have also increased in the Agency MBS sector, although they remain lower than in the non-Agency MBS sector. As haircuts for an asset increase, the allowable leverage for that asset declines. Based on current market conditions, we intend to employ leverage below the maximum amount permitted by our repurchase agreements. Additionally, throughout the credit crisis repurchase agreements have remained available for Agency MBS. See Risk Factors Risks Related to Financing and Hedging We will depend on repurchase agreement financing to execute our business plan, and our inability to access funding could have a material adverse effect on our results of operations, financial condition and business.

To the extent that we invest in Agency MBS through TBAs in the future, we may enter into dollar roll transactions using TBAs in which we would sell a TBA and simultaneously purchase a similar, but not identical, TBA. Our ability to enter into dollar roll transactions with respect to TBAs may be limited by the 75% gross income test applicable to REITs. See U.S. Federal Income Tax Considerations Gross Income Tests.

Risk Management

As part of our risk management strategy, our Manager will actively manage the financing, interest rate, prepayment and convexity risks associated with holding a portfolio of Agency MBS.

Interest Rate Hedging

Subject to maintaining our qualification as a REIT, we intend to engage in a variety of interest rate management techniques that seek on one hand to mitigate the influence of interest rate changes on the values of some of our assets, and on the other hand help us achieve our risk management objective. Under the U.S. federal income tax laws applicable to REITs, we generally will be able to enter into certain transactions to hedge indebtedness that we may incur, or plan to incur, to acquire or carry real estate assets, although our total gross income from interest rate hedges that do not meet this requirement and other non-qualifying income must not exceed 25% of our gross income.

Subject to maintaining our qualification as a REIT, we intend to engage in a variety of interest rate management techniques that seek on one hand to mitigate the influence of interest rate changes on the values of some of our assets and on the other hand help us achieve our management objective. We intend to utilize derivative financial instruments, including, among others, puts and calls on securities or indices of securities, interest rate swaps, interest rate caps, interest rate swaptions, exchange-traded derivatives, U.S. Treasury securities and options on U.S. Treasury securities and interest rate floors to hedge all or a portion of the interest rate risk associated with the financing of our portfolio. Specifically, we will seek to hedge our exposure to potential interest rate mismatches between the interest we earn on our investments and our borrowing costs caused by fluctuations in short-term interest rates. In utilizing leverage and interest rate hedges, our objectives will be to improve risk-adjusted returns and, where possible, to lock in, on a long-term basis, a favorable spread between the yield on our assets and the cost of our financing. We will rely on our Manager s expertise to manage these risks on our behalf.

The U.S. federal income tax rules applicable to REITs, may require us to implement certain of these techniques through a TRS that is fully subject to U.S. federal corporate income taxation.

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Market Risk Management

Risk management is an integral component of our strategy to deliver returns to our stockholders. Because we will invest in Agency MBS, investment losses from prepayment, interest rate volatility or other risks can meaningfully reduce or eliminate our distributions to stockholders. In addition, because we will employ financial leverage in funding our portfolio, mismatches in the maturities of our assets and liabilities can create risk in the need to continually renew or otherwise refinance our liabilities. Our net interest margins will be dependent upon a positive spread between the returns on our asset portfolio and our overall cost of funding. To minimize the risks to our portfolio, we will actively employ portfolio-wide and security-specific risk measurement and management processes in our daily operations. Our Manager s risk management tools include software and services licensed or purchased from third parties, in addition to proprietary software and analytical methods developed by Invesco. There can be no guarantee that these tools will protect us from market risks.

Policies With Respect to Certain Other Activities

If our board of directors determines that additional funding is required, we may raise such funds through additional offerings of equity or debt securities or the retention of cash flow (subject to provisions in the Internal Revenue Code concerning distribution requirements and the taxability of undistributed REIT taxable income) or a combination of these methods. In the event that our board of directors determines to raise additional equity capital, it has the authority, without stockholder approval, to issue additional common stock or preferred stock in any manner and on such terms and for such consideration as it deems appropriate, at any time.

In addition, we may borrow money to finance the acquisition of investments. We intend to use traditional forms of financing, such as repurchase agreements. We also may utilize structured financing techniques to create attractively priced non-recourse financing at an all-in borrowing cost that is lower than that provided by traditional sources of financing and that provide long-term, floating rate financing. Our investment guidelines and our portfolio and leverage are periodically reviewed by our board of directors as part of their oversight of our Manager.

We engage in the purchase and sale of investments. We will not underwrite the securities of other issuers.

Our board of directors may change any of these policies without prior notice to you or a vote of our stockholders.

Operating and Regulatory Structure

REIT Qualification

We intend to elect to qualify as a REIT under Sections 856 through 859 of the Internal Revenue Code commencing with our taxable year ending on December 31, 2009. Our qualification as a REIT depends upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our shares. We believe that we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code, and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT.

So long as we qualify as a REIT, we generally will not be subject to U.S. federal income tax on our REIT taxable income we distribute currently to our stockholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income or property.

1940 Act Exemption

We intend to conduct our operations so that we are not required to register as an investment company under the 1940 Act. Section 3(a)(1)(A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer s total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis. Excluded from the term investment securities, among other things, are U.S. Government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the 1940 Act. The company is organized as a holding company that conducts its businesses primarily through the operating partnership. Both the company and the operating partnership intend to conduct their operations so that they do not come within the definition of an investment company because less than 40% of the value of their total assets on an unconsolidated basis will consist of investment securities. The securities issued to our operating partnership by any wholly-owned or majority-owned subsidiaries that we may form in the future that are excepted from the definition of investment company based on Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities the operating partnership may own, may not have a value in excess of 40% of the value of the operating partnership s total assets on an unconsolidated basis. We will monitor our holdings to ensure continuing and ongoing compliance with this test. In addition, we believe neither the company nor the operating partnership will be considered an investment company under Section 3(a)(1)(A) of the 1940 Act because it will not engage primarily or hold itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, through the operating partnership s wholly-owned or majority-owned subsidiaries, the company and the operating partnership are primarily engaged in the non-investment company businesses of these subsidiaries.

If the value of our operating partnership s investments in its subsidiaries that are excepted from the definition of investment company by Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities it owns, exceeds 40% of its total assets on an unconsolidated basis, or if one or more of such subsidiaries fail to maintain an exception or exemption from the 1940 Act, we may have to register under the 1940 Act and could become subject to substantial regulation with respect to our capital structure (including our ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, and other matters.

We expect IAS Asset I LLC to qualify for an exemption from registration under the 1940 Act as an investment company pursuant to Section 3(c)(5)(C) of the 1940 Act, which is available for entities primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. In addition, certain of the operating partnership s other subsidiaries that we may form in the future also may qualify for the Section 3(c)(5)(C) exemption. This exemption generally means that at least 55% of such subsidiaries portfolios must be comprised of qualifying assets and 80% of each of their portfolios must be comprised of qualifying assets and real estate-related assets under the 1940 Act. Qualifying assets for this purpose include mortgage loans and other assets, such as Agency MBS issued with respect to an underlying pool of mortgage loans in which we hold all the certificates issued by the pool that the SEC staff in various no-action letters has determined are the functional equivalent of mortgage loans for the purposes of the 1940 Act. Although we intend to monitor our portfolio periodically and prior to each acquisition, there can be no assurance that we will be able to maintain this exemption from registration for each of these subsidiaries.

Qualification for exemption from registration under the 1940 Act will limit our ability to make certain investments. For example, these restrictions will limit the ability of our subsidiaries to invest directly in mortgage-backed securities that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches of securitizations and certain ABS and real estate companies or in assets not related to real estate.

Competition

Our net income will depend, in large part, on our ability to acquire assets at favorable spreads over our borrowing costs. In acquiring Agency MBS, we will compete with other REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, financial institutions, governmental bodies and other entities. In addition, there are numerous REITs with similar asset acquisition objectives, including a number that have been recently formed, and others may be organized in the future. These other REITs will increase competition for the available supply of mortgage assets suitable for purchase. Many of our anticipated competitors are significantly larger than we are, have access to greater capital and other resources and may have other advantages over us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a

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wider variety of investments and establish more relationships than we can. Current market conditions may attract more competitors, which may increase the competition for sources of financing. An increase in the competition for sources of funding could adversely affect the availability and cost of financing, and thereby adversely affect the market price of our common stock.

In the face of this competition, we expect to have access to our Manager s professionals and their industry expertise, which may provide us with a competitive advantage and help us assess investment risks and determine appropriate pricing for certain potential investments. We expect that these relationships will enable us to compete more effectively for attractive investment opportunities. In addition, we believe that current market conditions may have adversely affected the financial condition of certain competitors. Thus, not having a legacy portfolio may also enable us to compete more effectively for attractive investment opportunities. However, we may not be able to achieve our business goals or expectations due to the competitive risks that we face. For additional information concerning these competitive risks, see Risk Factors Risks Related to Our Investments We operate in a highly competitive market for investment opportunities and competition may limit our ability to acquire desirable investments in Agency MBS.

Staffing

We will be managed by our Manager pursuant to the management agreement between our Manager and us. All of our officers are employees of Invesco. Upon completion of this offering, we will have officers but no employees. See Our Manager and The Management Agreement Management Agreement.

Legal Proceedings

Neither we nor, to our knowledge, our Manager is currently subject to any legal proceedings which we or our Manager consider to be material.

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MANAGEMENT

Our Directors, Director Nominees and Executive Officers

Upon completion of the offering, our board of directors will be comprised of five members. We have appointed two directors upon the expiration of their current terms at the annual meeting of our stockholders in 2009, our directors will each be elected to serve a term of one year. Our board of directors has determined that our director nominees satisfy the listing standards for independence of the NYSE. Our Bylaws provide that a majority of the entire board of directors may at any time increase or decrease the number of directors. However, unless our Bylaws are amended, the number of directors may never be less than the minimum number required by the MGCL nor more than 15.

The following sets forth certain information with respect to our directors, director nominees, executive officers and other key personnel:

Name	Age	Position Held with Us
G. Mark Armour	55	Director
Karen Dunn Kelley	48	Director
James S. Balloun	70	Director Nominee
John S. Day	59	Director Nominee
Neil Williams	72	Director Nominee
Richard J. King	49	President and Chief Executive Officer
John Anzalone	44	Chief Investment Officer
David A. Hartley	47	Chief Financial Officer
Robson J. Kuster	35	Head of Research
Jason Marshall	33	Portfolio Manager

Biographical Information

Set forth below is biographical information for our directors, director nominees and executive officers.

Directors and Director Nominees

G. Mark Armour, Chief Executive Officer, President and Director. Mr. Armour is the Chief Executive Officer, President and a Director of our Manager. Mr. Armour is also the Senior Managing Director and Head of Invesco s Worldwide Institutional business, positions he has held since January 2007. Previously, Mr. Armour served as the Head of Sales & Client Service for the Worldwide Institutional business. He was Chief Executive Officer of Invesco Australia from September 2002 until July 2006. Prior to joining Invesco, Mr. Armour held significant leadership roles in the funds management business, both in Australia and Hong Kong. He previously served as Chief Investment Officer for ANZ Investments and spent almost 20 years with the National Mutual/AXA Australia Group, where he was Chief Executive, and Funds Management from 1998 to 2000. Mr. Armour received a Bachelor of Economics, Honors from La Trobe University in Melbourne, Australia.

Karen Dunn Kelley, Chief Executive Officer of Invesco Worldwide Fixed Income. Ms. Dunn Kelley is the Chief Executive Officer of Invesco Worldwide Fixed Income, with responsibility for its fixed income and cash management business and is also a member of Invesco s Executive Management and Worldwide Institutional Strategy Committees. She is President and Principal Executive Officer of Short-Term Investments Trust and Aim Treasurer s Series Trust and serves on the board for the Short-Term Investments Company (Global Services) plc and Aim Global Management Company, Ltd. Ms. Dunn Kelley joined Invesco Aim Management Group, Inc. in 1989 as a money market Portfolio Manager. Ms. Dunn Kelley has been in the investment business since 1982. Ms. Dunn Kelley graduated magna cum laude with a Bachelor of Science degree from the Villanova University, College of Commerce and Finance.

James S. Balloun, Director Nominee. Mr. Balloun will serve as a non-executive director of our Company and as Chairman of the Compensation Committee. Mr. Balloun was previously the Chairman and Chief Executive Officer of Acuity Brands, Inc. from November 2001 until his retirement in September 2004 and was the Chairman, President and Chief Executive Officer of National Services Industries, Inc. prior to National Services Industries, Inc. s spin-off of Acuity Brands in November 2001. Prior to joining National Services Industries, Inc., Mr. Balloun was with McKinsey & Company, Inc. from 1965 to 1996. Mr. Balloun is on the Board of Directors of Radiant Systems, Inc. where he is the Chairman of the Nominating and Corporate Governance Committee, Enzymatic Deinking Technologies, LLC and Unisen/StarTrac. Mr. Balloun received his B.S. from Iowa State University and his M.B.A. from the Harvard Business School.

John S. Day, Director Nominee. Mr. Day will serve as a non-executive director of our Company and as Chairman of the Audit Committee. Mr. Day was previously with Deloitte & Touche LLP from 2002 until his retirement in December 2005. Prior to joining Deloitte & Touche LLP, Mr. Day was with Arthur Andersen LLP from 1976 to 2002. Mr. Day serves on the Board of Directors of Force Protection, Inc., where he is the Chairman of the Audit Committee, and Lenbrook Square Foundation, Inc. Mr. Day received his A.B. from the University of North Carolina and his M.B.A. from the Harvard Business School.

Neil Williams, Director Nominee. Mr. Williams will serve as a non-executive director of our Company and as Chairman of the Governance Committee. Mr. Williams was previously the general counsel of Invesco from October 1999 to December 2002. Mr. Williams was a partner of Alston & Bird LLP from 1965 to 1999 where he was managing partner from 1984 through 1996. Mr. Williams serves on the Board of Directors of Acuity Brands, Inc. where he is the Chairman of the Governance Committee and on the Board of Directors of Printpack, Inc. Mr. Williams received his B.A. in 1958 and his J.D. in 1961 from Duke University.

Executive Officers and Other Key Personnel

Richard J. King, CFA, President and Chief Executive Officer. Mr. King is our President and Chief Executive Officer. He is also a member of the Invesco Worldwide Fixed Income senior management team, and is the Head of Fixed Income Investment Louisville, contributing 24 years of fixed income investment expertise. Mr. King originally joined Invesco in 2000 and has held positions as Senior Portfolio Manager and Product Manager for Core and Core Plus, Head of the Structured Team, and Head of Portfolio Management, leading a team responsible for portfolio management of all investment-grade domestic fixed income portfolios. Prior to Invesco, Mr. King spent two years as Head of Fixed Income at Security Benefit, and ten years with Criterion Investment Management, where he served as Chairman of the Core Sector Group. He also served as Managing Director and Portfolio Manager with Bear Stearns Asset Management. Starting in 1984, he spent four years with Ohio PERS as an Investment Analyst, with the

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responsibility of analyzing and trading corporate bonds and mortgage-backed securities. Mr. King began his career in 1981, as an auditor and later CPA, for Touche Ross & Co. Mr. King received a Bachelor of Science degree in Business Administration from The Ohio State University. Mr. King is a Chartered Financial Analyst.

John M. Anzalone, CFA, Chief Investment Officer. Mr. Anzalone is our Chief Investment Officer. He is also a Senior Director and Head of Research & Trading, Mortgage-Backed Securities at Invesco. Mr. Anzalone joined Invesco s Fixed Income Division in 2002. As the Head of the MBS group, he is responsible for the application of investment strategy across portfolios consistent with client investment objectives and guidelines. Additionally, the MBS team is responsible for analyzing and implementing investment actions in the residential and commercial mortgage-backed securities sectors. Mr. Anzalone began his investment career in 1992 at Union Trust. In 1994 he moved to AgriBank, FCB, where he served as a Senior Trader for six years. Mr. Anzalone is also a former employee of Advantus Capital Management where he was a Senior Trader responsible for trading mortgage-backed, asset-backed and commercial mortgage securities. Mr. Anzalone received a Bachelor of Arts degree in Economics from the Hobart College and a Masters of Business Administration degree from the Simon School at the University of Rochester. Mr. Anzalone is a Chartered Financial Analyst.

David A. Hartley, Chief Financial Officer. See Our Manager and The Management Agreement Executive Officers of Our Manager for his biographical information.

Robson J. Kuster, CFA, Head of Research. Mr. Kuster is our Head of Research. He is also the Head of Structured Securities Research for Invesco Worldwide Fixed Income. Mr. Kuster is responsible for overseeing all structured securities positions across stable value and total return platforms and is supported by a team of seasoned analysts. Additionally, he is closely involved in all structured product development efforts. Mr. Kuster provides the bias decision for mortgage-backed securities and subordinate asset-backed securities which drive long-term positioning across all worldwide fixed income product lines. Prior to joining Invesco in 2002, Mr. Kuster served as a Credit Analyst with Bank One Capital Markets, which he joined in 2000. Mr. Kuster received a Bachelor of Arts degree in both Economics and American History from Cornell College and a Masters of Business Administration degree from DePaul University. Mr. Kuster is a Chartered Financial Analyst.

Jason Marshall, Portfolio Manager. Mr. Marshall is our Portfolio Manager. Mr. Marshall is also a Portfolio Manager on Invesco s structured team with a focus in the mortgage-backed sector. He is responsible for providing expertise for the mortgage-related focus products and working collectively with the structured team to implement strategies throughout the fixed income platform. Prior to joining Invesco, Mr. Marshall worked for PNC Financial Services Group, Inc., which he joined in 1997. He was most recently Vice President of Portfolio Management, responsible for the trading and strategic implementation of the firm s large mortgage-backed securities portfolio. Mr. Marshall received his Bachelor of Science degree in Finance from the Indiana University of Pennsylvania and a Masters of Business Administration degree with a concentration in Finance from Duquesne University.

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Corporate Governance Board of Directors and Committees

Our business is managed by our Manager, subject to the supervision and oversight of our board of directors, which has established investment guidelines for our Manager to follow in its day-to-day management of our business. A majority of our board of directors is independent, as determined by the requirements of the NYSE and the regulations of the SEC. Our directors keep informed about our business by attendance at meetings of our

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board and its committees and through supplemental reports and communications. Our independent directors meet regularly in executive sessions without the presence of our corporate officers or non-independent directors.

Upon completion of this offering, our board of directors will form an audit committee, a compensation committee and a nominating and corporate governance committee and adopt charters for each of these committees. Each of these committees will have three directors and will be composed exclusively of independent directors, as defined by the listing standards of the NYSE. Moreover, the compensation committee will be composed exclusively of individuals intended to be, to the extent provided by Rule 16b-3 of the Exchange Act, non-employee directors and will, at such times as we are subj