

Invesco Mortgage Capital Inc.
Form S-11/A
May 08, 2009

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As filed with the Securities and Exchange Commission on May 8, 2009

Registration Statement No. 333-151665

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Amendment No. 5
to
FORM S-11
FOR REGISTRATION
UNDER
THE SECURITIES ACT OF 1933
OF CERTAIN REAL ESTATE COMPANIES**

Invesco Mortgage Capital 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:

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.

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.

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.

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

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 Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if a smaller reporting company)

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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EXPLANATORY NOTE

On May 8, 2009 Invesco Agency Securities Inc., a Maryland corporation, changed its name to Invesco Mortgage Capital Inc. by filing Articles of Amendment in accordance with Maryland law.

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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 , 2009
Shares
Invesco Mortgage Capital Inc.
Common Stock

Invesco Mortgage Capital Inc. is a newly organized Maryland corporation focused on investing in, financing and managing residential and commercial mortgage-backed securities and mortgage loans. We will seek to invest in residential mortgage-backed securities for which a U.S. Government agency or a federally chartered corporation guarantees payments of principal and interest on the securities. In addition, we expect to invest in residential mortgage-backed securities that are not issued or guaranteed by a U.S. Government agency, commercial mortgage-backed securities and mortgage loans. To the extent available to us, we may seek to finance our investments in these asset classes with financings under the U.S. Government's Public-Private Investment Program and the Term Asset-Backed Securities Lending Facility, or with private financing sources. 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 (NYSE: IVZ). Invesco Institutional (N.A.), Inc. will draw upon the expertise of Invesco Ltd.'s Worldwide Fixed Income investment team of 114 investment professionals operating in six cities, across four countries, with approximately \$150 billion in securities under management and Invesco Real Estate's 219 employees operating in 13 cities across eight countries with over \$22 billion in private and public real estate assets under management. In addition, our Manager will draw upon the mortgage market insights of WL Ross & Co. LLC, Invesco Ltd.'s distressed investment unit.

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. Our common stock has been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol IVR.

Concurrently with the completion of this offering, we will complete a private placement in which we will sell shares of our common stock to Invesco Ltd., through Invesco Institutional (N.A.), Inc., at \$ per share and units of limited partnership interest in our operating partnership to Invesco Ltd., through Invesco Investments (Bermuda) Ltd., a wholly-owned subsidiary of Invesco Ltd., at \$ per unit, for an aggregate investment equal to % of the gross proceeds raised in this offering, up to \$ million. We refer to Invesco Institutional (N.A.), Inc. and Invesco Investments (Bermuda) Ltd., collectively in this prospectus as the Invesco Purchaser. Upon completion of this offering and the concurrent private placement, Invesco Ltd., through Invesco Institutional (N.A.), Inc., 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, Invesco Ltd., through 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. Different ownership limits will apply to Invesco Ltd. and its direct and indirect subsidiaries, including but not limited to Invesco Institutional (N.A.), Inc. and Invesco Investments (Bermuda) Ltd. Different ownership limits will apply to Invesco Ltd. and its direct and indirect subsidiaries. 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 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

Barclays Capital

Keefe, Bruyette & Woods

Stifel Nicolaus

Jackson Securities

Siebert Capital Markets

The Williams Capital Group, L.P.

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.

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Table of Contents**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 Mortgage Capital 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 (1) the common stock to be sold in this offering is sold at \$ per share, (2) a \$ million investment will be made by the Invesco Purchaser in a private placement to be made concurrently with the completion of this offering, and (3) 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 corporation focused on investing in, financing and managing residential and commercial mortgage-backed securities and mortgage loans, which we collectively refer to as our target assets. We will seek to invest in residential mortgage-backed securities, or RMBS, 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 RMBS. We also expect to invest in RMBS that are not issued or guaranteed by a U.S. Government agency, or non-Agency RMBS, commercial mortgage-backed securities, or CMBS, and residential and commercial mortgage loans. To the extent available to us, we may seek to finance our non-Agency RMBS, CMBS and mortgage loan portfolios with financings under the U.S. Government's Public-Private Investment Program, or the PPIP, and the Term Asset-Backed Securities Lending Facility, or the TALF.

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), or Invesco. Invesco is a leading independent global investment management company with \$348.2 billion in assets under management as of March 31, 2009. Our Manager will draw upon the expertise of Invesco's Worldwide Fixed Income investment team of 114 investment professionals operating in six cities, across four countries, with approximately \$150 billion in securities under management and Invesco Real Estate's 219 employees operating in 13 cities across eight countries with over \$22 billion in private and public real estate assets under management. With over 25 years of experience, Invesco's teams of dedicated professionals have developed exceptional track records across multiple fixed income sectors and asset classes, including structured securities, such as RMBS, asset-backed securities, or ABS, CMBS, and leveraged loan portfolios. In addition, the investment team will draw upon the mortgage market insights of WL Ross & Co. LLC, or WL Ross, Invesco's distressed investment unit and an indirect, wholly-owned subsidiary of our Manager.

Our objective is to provide attractive risk adjusted returns to our investors over the long term, primarily through dividends and secondarily through capital appreciation. We intend to achieve this objective by selectively acquiring target assets to construct a diversified investment portfolio designed to produce attractive returns across a variety of market conditions and economic cycles. We intend to construct a diversified investment portfolio by focusing on security selection and the relative value of various sectors within the mortgage market. We intend to finance our Agency RMBS investments primarily through short-term borrowings structured as repurchase agreements. To date, we have signed master repurchase agreements with financial institutions, and we are in discussions with additional financial institutions for repurchase facilities. As described in more detail below, to the extent available to us, we may seek to finance our non-Agency RMBS, CMBS and mortgage loan portfolios with non-recourse term borrowing facilities and equity financing under the PPIP and the TALF, or with private financing.

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

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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. 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 Worldwide Fixed Income 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 and other RMBS as well as CMBS. As of March 31, 2009, our Manager managed approximately \$177.0 billion of fixed income and real estate investments, including approximately \$18.8 billion of structured securities, consisting of approximately \$11.0 billion of Agency RMBS, \$3.9 billion of ABS, \$2.0 billion of non-Agency RMBS and \$1.9 billion of CMBS. We expect that our Manager will continue to manage its existing 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 or managed RMBS or CMBS on a leveraged basis.

The Invesco WorldWide Fixed Income investment professionals will benefit from the insight and capabilities of Invesco's distressed investment subsidiary, WL Ross, and Invesco's real estate team.

Our Manager will draw upon the professional experience and knowledge of the investment team of its WL Ross subsidiary, gained through WL Ross' 30 years of investing in various distressed assets. WL Ross has sponsored and managed more than \$8.0 billion of distressed equity investments and has completed more than \$200 billion of workouts around the world. We will benefit from WL Ross' expertise in security selection, portfolio management, and portfolio oversight. When combined with our Manager's investment team's experience in fixed income investing, WL Ross's deep and broad asset management skills will allow us to draw upon extensive investment expertise in order to benefit our shareholders.

In addition, WL Ross-sponsored funds have expanded its position in the mortgage market through its 2007 investment in American Home Mortgage Servicing, Inc., or AHMSI, the largest independent sub-prime mortgage loan servicer in the United States with an approximate \$108 billion servicing portfolio and more than 565,000 mortgage loans across 50 states. As a major loan servicer, AHMSI has tremendous insights regarding mortgage market trends, including prepayment speeds, delinquency rates, default and severity information, which we intend to capitalize on when valuing our target assets. Furthermore, WL Ross sponsored funds have made a strategic investment in Assured Guaranty Ltd., or AGL, which provides credit enhancement products on debt securities issued in the public finance, structured finance and mortgage markets. As of March 31, 2009, AGL had net in-force direct financial guarantees on approximately \$ billion of non-Agency RMBS and CMBS.

Additionally, our Manager will be able to draw upon the experience and resources of Invesco's real estate team, comprised of approximately 124 investment professionals on the ground in key investment markets, which has an average of 15 years of direct real estate investing experience. Our Manager's real estate team will provide us with valuable insights, through its research and monitoring capabilities, on investments in residential and commercial properties. With the properties under management having an aggregate market value of approximately \$22.8 billion as of March 31, 2009, this team is a leader in the real estate marketplace.

Invesco Aim Advisors, Inc., or Invesco Aim Advisors, an affiliate of our Manager, will serve as our sub adviser pursuant to an agreement between our Manager and Invesco Aim Advisors. Invesco Aim Advisors will provide input on overall trends in short-term financing markets and make specific recommendations regarding financing of our Agency RMBS. We do not expect our Manager to provide these services to us directly. The fees charged by Invesco Aim Advisors shall be paid by our Manager and shall not constitute a reimbursable expense by our Manager under 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.

We also 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 complete a private placement in which we will sell _____ shares of our common stock to Invesco, through our Manager, at \$ _____ per share and _____ OP units to Invesco, through Invesco Investments (Bermuda) Ltd., at \$ _____ per unit for an aggregate investment equal to _____ % of the gross proceeds raised in this offering, up to \$ _____ million. Upon completion of this offering and the concurrent private placement, Invesco, through our Manager, 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, Invesco, through 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.

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About Invesco

Invesco is one of the largest independent global investment management firms with offices worldwide. As of March 31, 2009, Invesco had 5,122 employees, the majority of whom were located in North America. Invesco operates under the Invesco Aim Advisors, Invesco Trimark, Atlantic Trust, Invesco, Invesco Perpetual, Invesco PowerShares, and WL Ross brands.

Our Investment Strategy

We will rely on our Manager's expertise in identifying assets within our target assets. Our Manager's investment team has a strong focus on security selection and the relative value of various sectors within the mortgage markets. 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 markets, including relative valuation, supply and demand trends, the level of interest rates, the shape of the yield curve, prepayment rates, financing and liquidity, commercial and residential real estate prices, delinquencies, default rates, recovery of various sectors and vintage of collateral, subject to maintaining our REIT qualification and our exemption from registration under the 1940 Act.

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Our Target Assets

Our target asset classes and the principal assets we expect to acquire in each are as follows:

Asset Classes

Agency RMBS

Principal Assets

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. These mortgage pass-through certificates are guaranteed by a U.S. Government agency or federally chartered corporation.

Collateralized Mortgage Obligations. Collateralized mortgage obligations, or 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.

Non-Agency RMBS

RMBS that are not issued or guaranteed by a U.S. Government agency or federally chartered corporation, with an emphasis on securities that when originally issued were rated in the highest rating category by one or more of the nationally recognized statistical rating organizations.

CMBS

Fixed and floating rate commercial mortgage backed securities, with an emphasis on securities that when originally issued were rated in the highest rating category by one or more of the nationally recognized statistical rating organizations.

Residential Mortgage Loans

Prime Mortgage Loans. Prime mortgage loans are mortgage loans that conform to U.S. Government agency underwriting guidelines. Jumbo prime mortgage loans are mortgage loans that conform to U.S. Government agency underwriting guidelines except that the mortgage balance exceeds the maximum amount permitted by the guidelines.

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Asset Classes

Principal Assets

Alt-A Mortgage Loans. Alt-A mortgage loans are mortgage loans made to borrowers whose qualifying mortgage characteristics do not conform to U.S. Government agency underwriting guidelines, but whose borrower characteristics may. Generally, Alt-A loans allow homeowners to qualify for a mortgage loan with reduced or alternate forms of documentation.

Subprime Mortgage Loans. Subprime mortgage loans are loans that do not conform to U.S. Government agency underwriting guidelines.

Commercial Mortgage Loans

First or second lien loans, subordinate interests in first mortgages, or B-Notes, bridge loans to be used in the acquisition, construction or redevelopment of a property and mezzanine financings.

We initially expect to finance our investments in Agency MBS primarily through short-term borrowings structured as repurchase agreements. To the extent available to us, we may seek to finance our investments in non-Agency RMBS, CMBS and mortgage loan portfolios with non-recourse term borrowing facilities and equity financing under the PPIP and the TALF, or with private financing.

Our board of directors has adopted a set of investment guidelines that set out our target assets and other criteria to be used by our Manager to evaluate specific assets as well as our overall portfolio composition. Our Manager will make determinations as to the percentage of our assets that will be invested in each of our target assets. Our decisions will depend on prevailing market conditions and may change over time in response to opportunities available in different interest rate, economic and credit environments. As a result, we cannot predict the percentage of our assets that will be invested in any of our target asset classes at any given time. We may change our strategy and policies without a vote of our stockholders. We believe that the diversification of our portfolio of assets, our Manager's expertise among our target assets and flexibility of our strategy, combined with our Manager's and its affiliates' expertise, will enable us to achieve attractive risk-adjusted returns under a variety of market conditions and economic cycles.

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 investments will be in our target assets; 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

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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 our target assets. Our income will be generated primarily by the net spread between the income we earn on our investments in our target assets 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 our target assets 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 residential and commercial mortgage-related markets, our outlook for the level, slope, and volatility of interest rates, the credit quality of the loans we acquire, the collateral underlying our Agency RMBS, non-Agency RMBS and CMBS, and our outlook for asset spreads relative to the London Interbank Offered Rate, or LIBOR, curve.

We expect, initially, that we may deploy, on a debt-to-equity basis, up to seven to eight times leverage on our Agency RMBS assets. In addition, we do not expect under current market conditions to deploy leverage on our non-Agency RMBS, CMBS and mortgage loan assets, except in conjunction with financings that may be available to us under programs established by the U.S. Government. For these asset classes, we expect to use approximately to times leverage.

Subject to maintaining our qualification as a REIT for U.S. federal income tax purposes, we expect to use a number of sources to finance our investments. Initially, we expect our primary financing sources to include repurchase agreements and, to the extent available to us, financings under programs established by the U.S. Government such as the TALF and the PPIP or private financing sources, as described in more detail below.

Repurchase Agreements

Repurchase agreements are financings pursuant to which we will sell our target assets 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. Under repurchase agreement financing arrangements, the buyer, or lender, could require us to provide additional cash collateral, or a margin call, to re-establish the ratio of value of the collateral to the amount of borrowing.

The Term Asset-Backed Securities Lending Facility

On November 25, 2008, the U.S. Treasury and the Federal Reserve announced the creation of the TALF. Under the TALF, The Federal Reserve Bank of New York, or the FRBNY, provides non-recourse loans to borrowers to fund their purchase of eligible assets, which currently include certain ABS but not RMBS or CMBS. On March 23, 2009, the U.S. Treasury announced preliminary plans to expand the TALF to include non-Agency RMBS and CMBS. On May 1, 2009, the Federal Reserve provided more of the details as to how TALF is to be expanded to CMBS and explained that beginning in June 2009, up to \$100 billion of TALF loans will be available to finance purchases of CMBS created on or after January 1, 2009. We believe that the expansion of the TALF to include highly rated CMBS may provide us with attractively priced non-recourse term borrowings that we could use to purchase newly created CMBS that are eligible for funding under this program. However, the TALF has not yet been expanded to cover other legacy CMBS, including CMBS created prior to January 1, 2009. In addition, to date, neither the FRBNY nor the U.S. Treasury has announced how the TALF will be expanded to cover non-Agency RMBS. We believe that once so expanded, the TALF may provide us with attractively priced non-recourse term borrowing facilities that we can use to purchase legacy CMBS and RMBS. However, there can be no assurance that the TALF will be expanded to include these asset classes and, if so expanded, that we will be able to utilize it successfully or at all.

The Public-Private Investment Program

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On March 23, 2009, the U.S. Treasury, in conjunction with the Federal Deposit Insurance Corporation, or the FDIC, and the Federal Reserve, announced the creation of the PPIP. The PPIP is designed to encourage the transfer of certain illiquid legacy real estate-related assets off of the balance sheets of financial institutions, restarting the market for these assets and supporting the flow of credit and other capital into the broader economy. PPIPs under the Legacy Loan Program, or Legacy Loan PPIFs, will be established to purchase troubled loans from insured depository institutions and PPIPs under the Legacy Securities Program, or Legacy Securities PPIFs, will be established to purchase from financial institutions legacy non-Agency RMBS and CMBS that were originally AAA rated. Legacy Loan PPIFs and Legacy Securities PPIFs will have access to equity capital from the U.S. Treasury as well as debt financing provided or guaranteed by the U.S. Government. We anticipate being able to benefit from the financing available under this program primarily as an investor in one or more Legacy Securities PPIFs that will be established and managed by our Manager or one of its affiliates if their application to serve as one of the investment managers for the Legacy Securities Program is accepted by the U.S. Treasury, or in other Legacy Securities PPIFs established and managed by third parties.

Risk Management

As part of our risk management strategy, our Manager will actively manage the financing, interest rate, credit risk, prepayment and convexity (the measure of the sensitivity of the duration of a bond to changes in interest rates) risks associated with holding a portfolio of our target assets.

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 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.

Credit Risk

We believe our investment strategy will generally keep our credit losses and financing costs low. However, we retain the risk of potential credit losses on all of the residential and commercial mortgage loans, as well as the loans underlying the non-Agency RMBS and CMBS we hold. We seek to manage this risk through our pre-acquisition due diligence process and through use of non-recourse financing which limits our exposure to credit losses to the specific pool of mortgages that are subject to the non-recourse financing. In addition, with respect to any particular target asset, our Manager's investment team evaluates, among other things, relative valuation, supply and demand trends,

shape of yield curves, prepayment rates, delinquency and default rates, recovery of various sectors and vintage of collateral.

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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 residential and commercial 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 March 31, 2009, our Manager managed approximately \$177.0 billion of fixed income and real estate investments, including \$18.8 billion of structured securities, consisting of approximately \$11.0 billion of Agency RMBS, \$3.9 billion of ABS, \$2.0 billion of non-Agency RMBS and \$1.9 billion of CMBS. In addition, our Manager will benefit from the insight and capabilities of Invesco's distressed investment subsidiary, WL Ross, and Invesco's real estate team. Our Manager will draw upon the professional experience and knowledge of the investment team of its WL Ross subsidiary, gained through WL Ross's 30 years of investing in various distressed assets and benefit from WL Ross's expertise in security selection, portfolio management, and portfolio oversight. Our Manager also will be able to draw upon the experience and resources of Invesco's real estate team, comprised of approximately 124 investment professionals on the ground in key investment markets, which has an average of 10 years of direct real estate investing experience. Our Manager's real estate team will provide us with valuable insights, through its research and monitoring capabilities, on investments in residential and commercial properties. Through our Manager's WL Ross subsidiary and Invesco's real estate team we will also have access to broad and deep teams of experienced investment professionals in real estate and distressed investing. Through these teams, we will have real time access to research and data on the mortgage and real estate industries. Having in-house access to these resources and expertise provides us with a competitive advantage over other companies investing in our target assets who have less internal resources and expertise.

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. At March 31, 2009, Invesco Aim Advisors had provided repurchase agreement financing to these counterparties equal to approximately \$20.7 billion.

Invesco Aim Advisors has in place a documented process to mitigate counterparty risk. Our Manager, together with a dedicated team of professionals at Invesco Aim Advisors pursuant to a sub-advisory agreement between our Manager and Invesco Aim Advisors, follows this established process. 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. This process involves a credit analysis of each prospective counterparty to ensure that it meets Invesco Aim Advisors' internal credit risk requirements, a review of the counterparty's audited financial statements, credit ratings and clearing arrangements, and a regulatory background check. 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.

Extensive Strategic Relationships and Experience of our Manager and its Affiliates

Our Manager and its affiliates, including Invesco Aim Advisors, 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 the contacts our Manager and its affiliates (including Invesco Aim Advisors) have with numerous investment grade derivative and lending counterparties will assist us in implementing our financing and hedging strategies.

Table of Contents***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 our target assets including, but not limited to, loan balance distribution, geographic concentration, property type, occupancy, periodic and periodic interest rate caps, which limit the amount an interest rate can increase during any given period, or lifetime interest rate caps, weighted-average loan-to-value and weighted-average credit score. In addition, with respect to any particular target asset, our Manager's investment team evaluates, among other things, relative valuation, supply and demand trends, shape of yield curves, prepayment rates, delinquency and default rates recovery of various sectors and vintage of collateral. 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 mortgage 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 our target assets, 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. 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. In addition, we will use our proprietary technology management platform called QTechsm to monitor investment risk. QTechsm collects and stores real-time market data, and integrates markets performance with portfolio holdings and proprietary risk models to measure the risk positions in portfolios. This measurement system portrays overall portfolio risk and its sources. 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 residential and commercial real estate prices, general economic conditions, the locations of the properties securing the mortgage loans and other social and demographic conditions in order to acquire the target assets 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.

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 our target 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 complete a private placement in which we will sell shares of our common stock to Invesco, through our Manager, at \$ per share and OP units to Invesco, through Invesco Investments (Bermuda) Ltd., at \$ per unit, for an aggregate investment equal to % of the gross proceeds raised in this offering, up to \$ million. Upon completion of this offering and the concurrent private placement, Invesco, through our Manager, will beneficially own % of our 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, Invesco, through 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

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significant ownership of our common stock by Invesco, through the Invesco Purchaser, will align Invesco and our Manager's interests with our interests.

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 stockholders. This treatment substantially eliminates the double taxation at the corporate and stockholder levels that results generally from investment in a corporation.

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 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 addition, we intend to rely on our financing opportunities relating to our repurchase agreement financing that have been and will be facilitated and/or provided by Invesco Aim Advisors, an affiliate of our Manager.

Neither Invesco nor our Manager have any experience operating a REIT or managing a portfolio of our target assets on a leveraged basis and we cannot assure you that our Manager's past experience will be sufficient to successfully manage our business as a REIT with such a portfolio.

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.

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 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.

There can be no assurance that the actions of the U.S. Government, Federal Reserve, U.S. Treasury and other governmental and regulatory bodies for the purpose of stabilizing the financial markets, including the establishment of the TALF and the PPIP, or market response to those actions, will achieve the intended effect, and our business may not benefit from these actions and further government or market developments could adversely impact us.

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.

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

We expect to use leverage in executing our business strategy, which may adversely affect the return on our assets and may reduce cash available for distribution to our stockholders, as well as increase losses when economic conditions are unfavorable.

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We will depend on repurchase agreement financing to acquire Agency RMBS, and our inability to access this funding for our Agency RMBS could have a material adverse effect on our results of operations, financial condition and business.

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 non-governmental financing.

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

To the extent available to us, we may seek to finance our investments in non-Agency RMBS, CMBS and mortgage loan portfolio with equity and debt financing under U.S. government programs, and our inability to access this financing could have a material adverse effect on our results of operations, financial condition and business.

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

We have not yet identified any specific investments in our target asset classes.

Continued adverse developments in the residential and commercial mortgage markets, including recent increases in defaults, credit losses and liquidity concerns, could make it difficult for us to borrow money to acquire our target assets on a leveraged basis, on attractive terms or at all, which could adversely affect our profitability.

We may acquire non-Agency RMBS collateralized by subprime and Alt-A mortgage loans, which are subject to increased risks.

The mortgage loans that we will acquire, and the mortgage and other loans underlying the non-Agency RMBS and CMBS that we will acquire, are subject to defaults, foreclosure timeline extension, fraud and commercial and residential price depreciation, and unfavorable modification of loan principal amount, interest rate and amortization of principal, which could result in losses to us.

If our Manager overestimates the loss-adjusted yields of our CMBS investments, we may experience losses.

An increase in interest rates may cause a decrease in the volume of certain of our target assets which could adversely affect our ability to acquire target assets that satisfy our investment objectives and to generate income and pay dividends.

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 amount of cash available for distribution to our stockholders.

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

Our Structure

We were organized as a Maryland corporation on June 5, 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.

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

- (1) Assuming redemption of all OP units owned by the Invesco Investments (Bermuda) Ltd. 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 91.01%.

- (2) 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 may in the future organize special purpose subsidiaries that may borrow under the TALF. We anticipate that some of these subsidiaries may be organized to rely on the 1940 Act exemption provided to certain structured financing vehicles

by Rule 3a-7. We intend to conduct our operations so that the value of our operating partnership's investment in IAS I LLC, these special purpose subsidiaries, 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.

Table of Contents**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.

Invesco Aim Advisors will serve as our sub-adviser pursuant to an agreement between our Manager and Invesco Aim Advisors. Invesco Aim Advisors will provide input on overall trends in short-term financing markets and make specific recommendations regarding financing of Agency RMBS. We do not expect our Manager to provide these services to us directly. The fees charged by Invesco Aim Advisors shall be paid by our Manager and shall not constitute a reimbursable expense by our Manager under the management agreement.

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 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	Quarterly in cash

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 our independent directors. Our stockholders' equity, for purposes 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. In our management agreement, our Manager has agreed to waive any base management fee payable in respect of any equity investment we may decide to make in a Legacy Securities or Legacy Loan PPIF if managed by our Manager or any of its affiliates.

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. 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 or officers or any employees of our Manager. We do not expect to grant any awards under our equity incentive plan upon completion of this offering.

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, are employees 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

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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 March 31, 2009, Invesco had \$348.2 billion in managed assets and our Manager managed approximately \$177.0 billion of fixed income and real estate investments, including approximately \$18.8 billion of structured securities, consisting of approximately \$11.0 billion of Agency RMBS, \$2.0 billion of non-Agency RMBS and \$1.9 billion of CMBS and we will compete for investment opportunities directly with our Manager or other clients of our Manager or Invesco and its subsidiaries. A substantial number of separate accounts managed by our Manager had limited exposure to our target assets. 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 and its subsidiaries whose investment strategy is to invest substantially all of its capital in our target assets. Our Manager and Invesco Aim Advisors have an investment allocation policy in place that is intended to enable us to share equitably with the investment companies and institutional and separately managed accounts that effect securities transactions in fixed income securities for which our Manager and Invesco Aim Advisors are responsible in the selection of brokers, dealers and other trading counterparties. According 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. The investment allocation policy also requires a fair and equitable allocation of financing