Apollo Commercial Real Estate Finance, Inc.
Form 424B5
October 04, 2018

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Filed Pursuant to Rule 424(b)(5)

Registration Statement No. 333-224695

Calculation of Registration Fee

Title of each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Note(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
5.375% Convertible Senior Notes due 2023	$230,000,000(1)(2)	98.5% of principal amount	$226,550,000	$27,457.86(3)
Common stock, $0.01 par value per share	(4)	(4)	(4)	(5)

(1) Equals the aggregate principal amount of 5.375% convertible senior notes due 2023 (the Notes) to be registered hereunder. These amounts are estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended (the Securities Act).

(2) Includes $30,000,000 in aggregate principal amount of Notes that may be offered and sold pursuant to the exercise in full of the underwriters option to purchase additional Notes.

(3) Calculated pursuant to Rule 457(o) and Rule 457(r) under the Securities Act. The fee payable in connection with the offering of Notes pursuant to this prospectus supplement has been paid in accordance with Rule 456(b) under the Securities Act.

(4) An indeterminate number of shares of Common Stock may be issued from time to time upon conversion of the Notes. The maximum conversion rate of the Notes is 53.5905 shares of common stock per $1,000 principal amount of Notes, subject to adjustments in the same manner as the conversion rate as described in the prospectus supplement under Description of Notes Conversion Rights Conversion Rate Adjustments. Pursuant to Rule 416 under the Securities Act, the amount of shares of common stock whose offer and sale is registered hereby includes an indeterminate number of shares of common stock that may be issued in connection with stock splits, stock dividends, or similar transactions.

(5) Pursuant to Rule 457(i) under the Securities Act, no separate registration fee is required for the shares of Common Stock underlying the Notes because no additional consideration is to be received in connection with the exercise of the conversion privilege.

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Prospectus Supplement

(To Prospectus dated May 4, 2018)

$200,000,000

5.375% CONVERTIBLE SENIOR NOTES DUE 2023

Interest payable April 15 and October 15

Issue Price: 98.5% plus accrued interest from, and including, October 5, 2018

We are offering $200,000,000 principal amount of our 5.375% convertible senior notes due 2023, or the notes. The notes will bear interest at a rate of 5.375% per year, payable semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2019. The notes will mature on October 15, 2023 unless earlier, redeemed, repurchased or converted.

Holders may convert all or any portion of their notes, in integral multiples of $1,000 principal amount, at their option, at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date, unless the notes have been previously redeemed or repurchased by us. The initial conversion rate for the notes is 48.7187 shares of our common stock, $0.01 par value per share, or the common stock, per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $20.53 per share of common stock), subject to adjustment as described in this prospectus supplement. In addition, following certain corporate events referred to herein as make-whole fundamental changes that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances as described under Description of Notes Conversion Rights Increase in Conversion Rate Upon Conversion Upon a Make-whole Fundamental Change.

Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. If we satisfy our conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of cash and shares of our common stock, the amount of cash and shares of common stock, if any, due upon conversion will be based on a daily conversion value calculated for each trading day in a 25 trading day observation period. See Description of Notes Conversion Rights Settlement upon Conversion.

Following certain corporate events referred to herein as fundamental changes, subject to certain conditions, holders may require us to repurchase for cash all or part of their notes in principal amounts of $1,000 or an integral multiple thereof. The fundamental change repurchase price generally will be equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

We may not redeem the notes prior to their maturity, except to the extent necessary to preserve our status as a real estate investment trust, or REIT, for U.S. federal income tax purposes, as further described in this prospectus supplement. No sinking fund will be provided for the notes.

The notes will be our senior unsecured obligations and will rank senior in right of payment to any of our existing and future indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment to any of our existing and future liabilities that are not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness, other liabilities (including trade payables) and (to the extent not held by us) preferred stock, if any, of our subsidiaries.

We do not intend to apply to have the notes listed or quoted on any securities exchange or automated dealer quotation system. Our common stock is listed on The New York Stock Exchange under the symbol ARI. The last reported sale price of our common stock on The New York Stock Exchange on October 2, 2018 was $18.66 per share.

See Risk Factors beginning on page S-12 of this prospectus supplement and on page 4 in our Annual Report on Form 10-K for the year ended December 31, 2017 for a discussion of important factors that you should consider before investing in the notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public offering price(1)	98.500%	$ 197,000,000
Underwriting discount	1.125%	$ 2,250,000
Proceeds to us, before expenses(1)	97.375%	$ 194,750,000

(1) The purchase price of the notes in this offering will include accrued interest from, and including, October 5, 2018. The table above does not reflect such accrued interest.

Interest on the notes will accrue from, and including, October 5, 2018.

The underwriters will have the option to purchase, within a period of 13 days beginning on, and including, the date the notes are first issued, up to an additional $30,000,000 principal amount of notes from us at the public offering price less the underwriting discount.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company on or about October 5, 2018.

Joint Book Running Managers

Goldman Sachs & Co. LLC **Deutsche Bank Securities** **J.P. Morgan**

October 2, 2018

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also updates information contained in the accompanying prospectus and the documents incorporated by reference into the prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. To the extent there is a conflict between the information contained in this prospectus supplement and the information contained in the accompanying prospectus, the information in this prospectus supplement shall control. In addition, any statement in a filing we make with the Securities and Exchange Commission, or the SEC, that adds to, updates or changes information contained in an earlier filing we made with the SEC shall be deemed to modify and supersede such information in the earlier filing.

You should read this document together with additional information described under the heading Where You Can Find More Information and Incorporation by Reference in this prospectus supplement. You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Neither we nor the underwriters have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information in this prospectus supplement and the accompanying prospectus, as well as the information we have previously filed with the SEC and incorporated by reference in this document, is accurate only as of its date or the dates which are specified in those documents.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this prospectus supplement within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. For these statements, we claim the protections of the safe harbor for forward-looking statements contained in such Sections. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control. 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, should, may or similar expressions, we intend to identify forward-looking statements. Statements regarding the following subjects, among others, may be forward-looking:

- the use of proceeds of this offering;
- market trends in our industry;
- interest rates;
- real estate values;
- the debt securities markets or the general economy;
- the demand for commercial real estate loans;
- our business and investment strategy;
- our operating results;
- actions and initiatives of the U.S. government and governments outside of the United States and changes to government policies and the execution and impact of these actions, initiatives and policies;
- the state of the economy generally or in specific geographic regions;
- economic trends and economic recoveries;

our ability to obtain and maintain financing arrangements, including secured debt arrangements and securitizations;

the availability of debt financing from traditional lenders;

the volume of short-term loan extensions;

the demand for new capital to replace maturing loans;

expected leverage;

general volatility of the securities markets in which we participate;

changes in the value of our assets;

the scope of our target assets;

interest rate mismatches between our target assets and any borrowings used to fund such assets;

changes in interest rates and the market value of our target assets;

changes in prepayment rates on our target assets;

effects of hedging instruments on our target assets;

rates of default or decreased recovery rates on our target assets;

the degree to which hedging strategies may or may not protect us from interest rate volatility;

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- impact of and changes in governmental regulations, tax law and rates, accounting, legal or regulatory issues or guidance and similar matters;
- our continued maintenance of our qualification as a REIT for U.S. federal income tax purposes;
- our continued exclusion from registration under the Investment Company Act of 1940, as amended, or the 1940 Act;
- the availability of opportunities to acquire commercial mortgage-related, real estate-related and other securities;
- the availability of qualified personnel;
- estimates relating to our ability to make distributions to our stockholders in the future;
- our present and potential future competition; and
- unexpected costs or unexpected liabilities, including those related to litigation.

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. Forward-looking statements are not predictions of future events. 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 Risk Factors beginning on page S-12 of this prospectus supplement and page 3 of the accompanying prospectus and set forth under the caption Item 1A. Risk Factors on page 4 in our Annual Report on Form 10-K for the year ended December 31, 2017 and our other filings under the Exchange Act (which are incorporated by reference into this prospectus supplement). These and other risks, uncertainties and factors, including those described in the annual, quarterly and current reports that we file with the SEC, could cause our actual results to differ materially from those included in any forward-looking statements we make. All forward-looking statements speak only as of the date they are made. New risks and uncertainties arise over time and it is not possible to predict those events or how they may affect us. Except as required by law, we are not obligated to, and we do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It does not contain all of the information that you should consider before investing in the notes. You should read carefully the more detailed information in this prospectus supplement and the accompanying prospectus, and the information incorporated by reference into this prospectus supplement and the accompanying prospectus. Unless the context requires otherwise, references in this prospectus supplement to the company, we, us, our or our company are to Apollo Commercial Real Estate Finance, Inc., a Maryland corporation, together with its consolidated subsidiaries; references in this prospectus supplement to Apollo refer to Apollo Global Management, LLC, a Delaware limited liability company, together with its subsidiaries; and references in this prospectus supplement to our Manager refer to ACREFI Management, LLC, a Delaware limited liability company and an indirect subsidiary of Apollo Global Management, LLC. Unless indicated otherwise, the information in this prospectus supplement assumes no exercise by the underwriters of their option to purchase additional notes.

Our Company

General

We are a Maryland corporation that has elected to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes. We primarily originate, acquire, invest in and manage performing commercial first mortgage loans, subordinate financings and other commercial real estate-related debt investments. We refer to the assets we target for acquisition as our target assets.

We are externally managed and advised by our Manager, an indirect subsidiary of Apollo, a leading global alternative investment manager with a contrarian and value-oriented investment approach in private equity, credit and real estate and with assets under management of approximately $269.5 billion as of June 30, 2018. Our Manager is led by an experienced team of senior real estate professionals who have significant expertise in underwriting and structuring commercial real estate financing transactions. We benefit from Apollo s global infrastructure and operating platform, through which we are able to source, evaluate and manage potential investments in our target assets.

Our principal business objective is to invest in our target assets in order to provide attractive risk adjusted returns to our stockholders over the long term, primarily through dividends and secondarily through capital appreciation.

We were organized in 2009 and have elected to be taxed as a REIT for U.S. federal income tax purposes, commencing with our taxable year ended December 31, 2009. We are generally not subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute our net taxable income to stockholders and satisfy certain other requirements that allow us to maintain our intended qualification as a REIT. We also intend to operate our business in a manner that will permit us to continue to remain excluded from registration as an investment company under the 1940 Act.

Our Corporate Information

Our principal executive offices are located at 9 West 57th Street, 43rd Floor, New York, New York 10019. Our telephone number is (212) 515-3200. Our website is *www.apolloreit.com*. The information on our website does not form a part of and is not incorporated by reference into this prospectus supplement or the accompanying prospectus.

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Recent Development

On August 2, 2018, we entered into privately negotiated exchange agreements, or the Exchange Agreements, with a limited number of holders of our outstanding 5.50% Convertible Senior Notes due 2019, or the 2019 notes, pursuant to which we agreed to exchange, or the Exchanges, approximately $206.2 million in aggregate principal amount of the 2019 notes, for an aggregate of (i) 10,020,328 newly issued shares of our common stock, or the Exchange Shares, plus (ii) approximately $39.3 million in cash, together with accrued and unpaid interest on the 2019 notes up to, but excluding, the settlement date, pursuant to a private placement in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended. We did not receive any proceeds from the issuance of the Exchange Shares.

The Exchanges settled on August 7, 2018. Following the Exchanges, approximately $48.6 million aggregate principal amount of the 2019 notes remains outstanding.

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THE OFFERING

The following is a brief summary of the terms of this offering and the notes. We provide the following summary solely for your convenience. This summary is not a complete description of this offering or the notes. You should read the full text and more specific details contained elsewhere in this prospectus supplement and the accompanying prospectus. For a more detailed description of the notes, see Description of Notes in this prospectus supplement and Description of Debt Securities in the accompanying prospectus. With respect to the terms of the notes on the cover page of this prospectus supplement, in this section and in the section entitled Description of Notes, the terms the Company, we, our, and us refer to Apollo Commercial Real Estate Finance, Inc. and not to any of its subsidiaries.

Issuer	Apollo Commercial Real Estate Finance, Inc., a Maryland corporation.
Securities	\$200.0 million principal amount of 5.375% convertible senior notes due 2023 (plus up to an additional \$30.0 million principal amount pursuant to the underwriters option to purchase additional notes).
Issue price	98.5% of the principal amount, plus accrued interest from and including, October 5, 2018.
Maturity date	October 15, 2023 unless earlier redeemed, repurchased or converted.
Interest rate	5.375% per year. Interest will accrue from, and including, October 5, 2018 and will be payable semi-annually in arrears on April 15, and October 15 of each year, beginning on April 15, 2019. We will pay additional interest, if any, at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under Description of Notes Events of Default.
Ranking	The notes will be our senior unsecured obligations and will rank:

- senior in right of payment to any of our existing and future indebtedness that is expressly subordinated in right of payment to the notes;
- equal in right of payment to any of our existing and future unsecured indebtedness that is not so subordinated;

- effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and

- structurally junior to all existing and future indebtedness, other liabilities (including trade payables) and (to the extent not held by us) preferred stock, if any, of our subsidiaries.

As of June 30, 2018, excluding our subsidiaries, we had no secured indebtedness and $600.0 million of senior unsecured indebtedness and our subsidiaries had $2.0 billion of indebtedness and other liabilities. After giving effect to the Exchanges as described under Recent Developments, on a pro forma basis, as of June 30, 2018, excluding our subsidiaries, we had no secured indebtedness and

	$394.0 million of senior unsecured indebtedness and our subsidiaries had $2.0 billion of indebtedness and other liabilities. We will incur an additional $200.0 million (or $230.0 million, if the underwriters fully exercise their option to purchase additional notes) principal amount of indebtedness in connection with this offering. See Capitalization.
	The indenture governing the notes does not limit the amount of debt that we or our subsidiaries may incur.
Conversion rights	Holders may convert all or any portion of their notes, in multiples of $1,000 principal amount, at their option, at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date, unless the notes have been previously purchased by us.
	The initial conversion rate for the notes is 48.7187 shares of our common stock per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $20.53 per share of our common stock), subject to adjustment as described in this prospectus supplement.
	Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. If we satisfy our conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of cash and shares of our common stock (excluding cash paid in lieu of any fractional share), the amount of cash and shares of our common stock, if any, due upon conversion will be based on a daily conversion value (as described herein) calculated for each trading day in a 25 trading day observation period (as described herein). See Description of Notes Conversion Rights Settlement Upon Conversion.
	In addition, following a make-whole fundamental change (as defined in this prospectus supplement under Description of Notes Conversion Rights Increase in Conversion Rate Upon Conversion Upon a Make-whole Fundamental Change) that occurs prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances. See Description of Notes Conversion Rights Increase in Conversion Rate Upon Conversion Upon a Make-whole Fundamental Change.
	You will not receive any additional cash payment or additional shares representing accrued and unpaid interest, if any, upon conversion of a note, except in limited circumstances. Instead, interest will be deemed to

be paid by the cash, shares of our common stock or a combination of cash and shares of our common stock paid or delivered, as the case may be, to you upon conversion of a note.

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	Any conversion of notes into shares of our common stock will be subject to certain ownership limitations more fully described in Description of Notes Restrictions on Ownership and Transfer of Stock; Limitation on Stock Issuable Upon Conversion.
Redemption of Notes to Preserve REIT Status	We may not redeem the notes prior to their maturity, except to the extent, and only to the extent, necessary to preserve our status as a REIT. If we determine that redeeming the notes is necessary to preserve our status as a REIT, then we may redeem all or part of the notes at a cash redemption price equal to the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.
No sinking fund	No sinking fund is provided for the notes, which means that we are not required to redeem or retire the notes periodically.
Fundamental change	Following a fundamental change (as defined in this prospectus supplement under Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes), subject to certain conditions, holders may require us to repurchase for cash all or part of their notes in principal amounts of $1,000 or an integral multiple thereof. The fundamental change repurchase price will generally be equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. See Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes.
Book-entry form	The notes will be issued in book-entry form and will be represented by one or more permanent global certificates deposited with, or on behalf of, The Depository Trust Company, or DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee, and any such interest may not be exchanged for certificated securities, except in limited circumstances.
No prior market	The notes are a new issue of securities with no established trading market. We have been advised by the representatives of the underwriters that certain underwriters intend to make a market in the notes, but they are not obligated to do so and may discontinue market making at any time without notice. Accordingly, we cannot assure you as to the development or liquidity of the trading market for the notes.

No listing	We do not intend to apply for listing of the notes on any securities exchange. Our common stock is listed on The New York Stock Exchange under the symbol ARI.

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Trustee, paying agent and conversion agent	Wells Fargo Bank, National Association.
U.S. federal income tax considerations	For certain material U.S. federal income tax considerations relating to the purchase, ownership and disposition of the notes and the shares of our common stock, if any, into which the notes are convertible, see Additional U.S. Federal Income Tax Considerations in this prospectus supplement and U.S. Federal Income Tax Considerations in the accompanying prospectus.
Use of proceeds	We intend to use the net proceeds from this offering for general corporate purposes, which may include the repurchase, redemption or exchange of our outstanding debt and equity securities from time to time, the acquisition or origination of our target assets, which include performing commercial first mortgage loans, subordinate financings, and other commercial real estate-related debt investments, and working capital. Pending such uses, we may use a portion of the net proceeds from this offering to temporarily reduce borrowings under our repurchase agreements. An affiliate of Goldman Sachs & Co. LLC, an underwriter in this offering, is the lender under our master repurchase and securities contract agreement with Goldman Sachs Bank USA, or the Goldman Facility. An affiliate of Deutsche Bank Securities Inc., an underwriter in this offering, is the lender under our master repurchase agreement with Deutsche Bank AG, Cayman Islands Branch, or the DB Facility. An affiliate of J.P. Morgan Securities LLC, an underwriter in this offering, is the lender under our master repurchase agreement with JPMorgan Chase Bank, N.A., or the JP Morgan Facility. We may use a portion of the net proceeds of this offering to repay amounts outstanding under the Goldman Facility, the DB Facility and/or the JP Morgan Facility. As such, affiliates of Goldman Sachs & Co. LLC, Deutsche Bank Securities Inc. and J.P. Morgan Securities LLC may receive a portion of the net proceeds of this offering to the extent the Goldman Facility, the DB Facility or the JP Morgan Facility are repaid. See Use of Proceeds.
Risk factors	See Risk Factors beginning on page S-12 and on page 4 in our Annual Report on Form 10-K for the year ended December 31, 2017 for a discussion of factors that should be considered before investing in the notes.
Restrictions on ownership and transfer of common stock	To assist us in complying with the limitations on the concentration of ownership of a REIT imposed by the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, among other purposes, our charter contains restrictions on the ownership and transfer of our stock. Our charter generally prohibits, among other prohibitions, any stockholder from beneficially or constructively owning more than 9.8%

in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock, or 9.8% in value or in

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number of shares, whichever is more restrictive, of the outstanding shares of all classes or series of our capital stock. Our board of directors has established exemptions from the common stock ownership limit that permit Apollo and certain of its affiliates collectively to hold up to 25% of our common stock and certain institutional investors, each together with certain of their specified affiliates, each collectively to hold up to 15% of our common stock. In addition, our charter contains various other restrictions on the ownership and transfer of our common stock. See Description of Notes Restrictions on Ownership and Transfer of Stock; Limitation on Stock Issuable Upon Conversion in this prospectus supplement and Restrictions on Ownership and Transfer in the accompanying prospectus. The indenture governing the notes will provide that, notwithstanding any other provision of the indenture or the notes, no holder of notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause a violation of the restrictions on ownership and transfer of our stock set forth in our charter. Any purported delivery of shares of our common stock upon conversion of notes will be void and have no effect to the extent (but only to the extent) that such delivery would result in a violation of the restrictions on ownership and transfer of our stock set forth in our charter.

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RISK FACTORS

Investing in the notes being offered by this prospectus supplement and the accompanying prospectus involves a high degree of risk. Before deciding whether to invest in the notes, you should consider carefully the risk factors related to the notes and this offering described below and the other risk factors incorporated herein by reference to our Annual Report on Form 10-K for the year ended December 31, 2017. If any of these risks actually occurs, it may materially harm our business, financial condition, operating results or cash flow. As a result, the market price of our common stock and, in turn, the trading price of the notes could decline, and you could lose part or all of your investment. Additional risks and uncertainties that are not yet identified or that we think are immaterial may also materially harm our business, operating results and financial condition and could result in a complete loss of your investment.

Risks Related to the Notes and this Offering

The notes are effectively subordinated to any of our existing and future secured debt and structurally subordinated to the liabilities of our subsidiaries.

The notes will be our general unsecured obligations and will rank equal in right of payment with any other senior unsecured indebtedness we incur and senior in right of payment to any existing and future indebtedness that is contractually subordinated to the notes. The notes, however, will be effectively subordinated to our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness and structurally subordinated to all existing and future indebtedness, other liabilities (including trade payables) and (to the extent not held by us) preferred stock, if any, of our subsidiaries. As of June 30, 2018, excluding our subsidiaries, we had no secured indebtedness and $600.0 million of senior unsecured indebtedness, and our subsidiaries had $2.0 billion of indebtedness and other liabilities. After giving effect to the Exchanges as described under Recent Developments, on a pro forma basis, as of June 30, 2018, excluding our subsidiaries, we had no secured indebtedness and $394.0 million of senior unsecured indebtedness, and our subsidiaries had $2.0 billion of indebtedness and other liabilities.

In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to us, we, as a common equity owner of such subsidiary, and, therefore, holders of our debt, including holders of the notes, will be subject to the prior claims of such subsidiary s creditors, including trade creditors and preferred equity holders. The provisions of the indenture governing the notes do not prohibit us from incurring additional secured indebtedness nor do they prohibit any of our subsidiaries from incurring additional indebtedness or issuing preferred stock in the future.

Our indebtedness and liabilities could limit cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to satisfy our obligations under the notes.

As of June 30, 2018, our total consolidated liabilities were approximately $2.6 billion. After giving effect to the Exchanges as described under Recent Developments, on a pro forma basis, as of June 30, 2018, our total consolidated liabilities were approximately $2.4 billion. We will incur an additional $200.0 million (or $230.0 million, if the underwriters fully exercise their option to purchase additional notes) principal amount of indebtedness in connection with this offering. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our business, results of operations and financial condition, including:

- increasing our vulnerability to adverse economic and industry conditions;

limiting our ability to obtain additional financing;

requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the amount of our cash flow available for other purposes;

limiting our flexibility in planning for, or reacting to, changes in our business;

dilution experienced by our existing stockholders as a result of the issuance of shares of common stock, if any, upon conversion of the notes offered hereby; and

placing us at a possible competitive disadvantage with less leveraged competitors and competitors that may have better access to capital resources.

We may not continue to maintain sufficient cash reserves, our business may not continue to generate cash flow from operations at levels sufficient to permit us to pay principal, premium, if any, and interest on our indebtedness, including the notes, and our cash needs may increase. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, or if we fail to comply with the various requirements of the notes or any other indebtedness then outstanding, we would be in default, which could permit the holders of the affected indebtedness to accelerate the maturity of such indebtedness and could cause defaults under our other indebtedness. Any default under the notes or any other indebtedness could have a material adverse effect on our business, results of operations and financial condition. For an additional discussion of our outstanding indebtedness, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources included in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, incorporated herein by reference.

We may not have the ability to raise the funds necessary to settle conversions of the notes in cash or to repurchase the notes for cash upon a fundamental change, and our future debt may contain limitations on our ability to repurchase the notes.

Holders of the notes will have the right to require us to repurchase their notes upon the occurrence of a fundamental change at a repurchase price generally equal to 100% of their principal amount, plus accrued and unpaid interest, if any, as described under Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes. In addition, upon conversion of the notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the notes being converted as described in under Description of Notes Conversion Rights Settlement Upon Conversion. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of the notes upon a fundamental change or to settle conversion of the notes in cash.

In addition, our ability to repurchase the notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase notes at a time when the repurchase is required by the indenture will constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our other indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the notes.

Management may invest or spend the proceeds of this offering in ways with which you may not agree and in ways that may not yield a return to our stockholders.

Management will retain broad discretion over the use of proceeds from this public offering. Stockholders and holders of the notes may not deem such uses desirable, and our use of the proceeds may not yield a significant return or any return at all for our stockholders. We intend to use the net proceeds from this offering for general corporate purposes, which may include the repurchase, redemption or exchange of our outstanding debt and equity securities from time to time, the acquisition or origination of our target assets, which include performing commercial first mortgage loans, subordinate financings and other commercial real estate-related debt investments, and working capital. Pending such uses, we may use a portion of the net proceeds from this offering to temporarily reduce borrowings under our repurchase agreements. An affiliate of Goldman Sachs & Co. LLC, an underwriter in this offering, is the lender under the Goldman Facility. An affiliate of Deutsche Bank

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Securities Inc., an underwriter in this offering, is the lender under the DB Facility. An affiliate of J.P. Morgan Securities LLC, an underwriter in this offering, is the lender under the JP Morgan Facility. We may use a portion of the net proceeds of this offering to repay amounts outstanding under the Goldman Facility, the DB Facility and/or the JP Morgan Facility. As such, affiliates of Goldman Sachs & Co. LLC, Deutsche Bank Securities Inc. and J.P. Morgan Securities LLC may receive a portion of the net proceeds of this offering to the extent the Goldman Facility, the DB Facility or the JP Morgan Facility are repaid. Because of the number and variability of factors that determine our use of the proceeds from this offering, our actual uses of the proceeds from this offering may vary substantially from our currently planned uses.

The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes is subject to adjustment for certain events, including, but not limited to, certain payments of dividends on our common stock above a specific threshold, the issuance of certain rights, options or warrants to holders of our common stock, subdivisions or combinations of our common stock, certain distributions of assets, debt securities, capital stock or cash to holders of our common stock and certain tender or exchange offers, as described under Description of Notes Conversion Rights Conversion Rate Adjustments. The conversion rate will not be adjusted for other events, such as a payment of dividends on our common stock below a specified threshold or an issuance of our common stock for cash, that may adversely affect the trading price of the notes and the market price of our common stock. An event may occur that is adverse to the interests of the holders of the notes and their value, but that does not result in an adjustment to the conversion rate.

Some significant restructuring transactions may not constitute fundamental changes, in which case we would not be obligated to offer to repurchase the notes.

Upon the occurrence of specified fundamental changes, you will have the option to require us to repurchase all or any portion of your notes as described in this prospectus supplement under Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes. However, the definition of fundamental change is limited to specified corporate events and may not include other events that might adversely affect our financial condition or the trading price of the notes. For example, events such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us may not constitute a fundamental change requiring us to repurchase the notes. The occurrence of any such events would not grant the holders of the notes the right to require us to repurchase the notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the trading price of the notes.

The adjustment to the conversion rate for notes converted in connection with make-whole fundamental changes may not adequately compensate holders for the lost option value of their notes as a result of any such transaction. In addition, the definition of a make-whole fundamental change is limited and may not protect you from losing some of the option value of your notes in the event of a variety of transactions that do not constitute a make-whole fundamental change.

If certain corporate events that constitute a make-whole fundamental change occur, under certain circumstances and subject to certain limitations, we will increase the conversion rate by a number of additional shares of our common stock. This increased conversion rate will apply only to holders who convert their notes in connection with any such transaction. The number of additional shares of our common stock will be determined based on the date on which the make-whole fundamental change transaction becomes effective and the price paid (or deemed paid) per share of our common stock in such transaction, as described in this prospectus under Description of Notes Conversion Rights Increase in Conversion Rate Upon Conversion Upon a Make-whole Fundamental Change. While the increase in the conversion rate is designed to compensate holders for the lost option value of the notes as a result of such transaction, the increase in the conversion rate is only an

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approximation of such lost value and may not adequately compensate holders for such loss. In addition, notwithstanding the foregoing, if the price paid (or deemed paid) for our common stock in any such transaction is greater than $22.00 per share or less than $18.66 per share (in each case, subject to adjustment in accordance with the indenture), then we will not be required to adjust the conversion rate if you convert your notes in connection with such transaction. Moreover, in no event will we increase the conversion rate pursuant to these provisions to an amount that exceeds 53.5905 shares per $1,000 principal amount of notes, subject to adjustment under certain circumstances.

Furthermore, the definition of make-whole fundamental change contained in the indenture is limited to certain enumerated transactions. As a result, the make-whole fundamental change provisions of the indenture will not afford protection to holders of the notes in the event that other transactions occur that could adversely affect the option value of the notes. For example, transactions, such as a spin-off or sale of a subsidiary with volatile earnin