

Apollo Commercial Real Estate Finance, Inc.

Form S-4

April 07, 2016

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As filed with the Securities and Exchange Commission on April 6, 2016

Registration No. 333-[ ]

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM S-4**

**REGISTRATION STATEMENT**

***UNDER***

***THE SECURITIES ACT OF 1933***

**APOLLO COMMERCIAL REAL ESTATE FINANCE, INC.**

**(Exact name of registrant as specified in its charter)**

**Maryland**  
**(State of Incorporation)**

**6798**  
**(Primary Standard Industrial**  
**Classification Code Number)**

**27-0467113**  
**(I.R.S. Employer**  
**Identification No.)**

**c/o Apollo Global Management, LLC**

**9 West 57<sup>th</sup> Street, 43rd Floor**

**New York, New York 10019**

**(212) 515-3200**

**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

**John J. Suydam, Esq.**

**Vice President & Secretary**

**ACREFI Management, LLC**

**9 West 57<sup>th</sup> Street, 43<sup>rd</sup> Floor**

**New York, New York 10019**

**(212) 515-3200**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

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**31 West 52nd Street**

**New York, New York 10019**

**(212) 878-8000**

**Approximate date of commencement of proposed sale of securities to the public: As soon as practicable after this Registration Statement is declared effective and all other conditions to the transactions described herein have been satisfied or waived.**

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, 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(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. "

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 small reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
 Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
 If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Issuer Third Party Tender Offer)

### CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee <sup>(5)</sup>
Common Stock, \$0.01 par value	13,400,000 shares <sup>(1)</sup>	N/A	\$187,133,126 <sup>(3)</sup>	\$18,844.31

8.00% Series C Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value, \$25.00 mandatory liquidation preference	6,900,000 shares <sup>(2)</sup>	N/A	\$155,250,000 <sup>(4)</sup>	\$15,633.68
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- (1) Represents the maximum number of shares of ARI common stock, \$0.01 par value per share ( ARI common stock ), to be issued in the First Merger described herein.
- (2) Represents the estimated maximum number of shares of ARI s 8.00% Series C Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value per share (the ARI Series C Preferred Stock ) to be issued in the Second Merger described herein. The number of shares of ARI Series C Preferred Stock is based on 6,900,000 shares of 8.00% Series A Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value per share (the AMTG Series A Preferred Stock ), the estimated maximum number of shares of AMTG Series A Preferred Stock that may be cancelled and exchanged in the Second Merger described herein.
- (3) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended (the Securities Act ). The proposed maximum aggregate offering price of the shares of ARI common stock was calculated as follows: (a) the product of (i) the maximum number of shares of AMTG common stock that may be exchanged in connection with the First Merger (based on 32,078,708 shares of AMTG common stock issued and outstanding as of April 1, 2016, including 195,920 AMTG restricted stock units issued and outstanding) and (ii) \$13.37 per share of AMTG common stock, the average of the high and low prices of a share of AMTG common stock as reported on the New York Stock Exchange on April 1, 2016, minus (b) \$241,759,200, the estimated aggregate amount of cash to be paid by ARI in the transactions described herein.
- (4) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act. The proposed maximum aggregate offering price of the shares of ARI Series C Preferred Stock was calculated as follows: the product of (i) the maximum number of shares of AMTG Series A Preferred Stock that may be exchanged in connection with the Second Merger (based on 6,900,000 shares of AMTG Series A Preferred Stock issued and outstanding as of April 1, 2016) and (ii) \$22.50 per share of AMTG Series A Preferred Stock, the average of the high and low prices of a share of AMTG Series A Preferred Stock as reported on the New York Stock Exchange on April 1, 2016.
- (5) Calculated in accordance with Rule 457 under the Securities Act by multiplying the proposed maximum aggregate offering price by 0.0001007.

**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 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this proxy statement/prospectus is not complete and may be changed. The registrant may not sell the securities described herein until the registration statement filed with the Securities and Exchange Commission is declared effective. This proxy statement/prospectus is not an offer to sell these securities or solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**PRELIMINARY SUBJECT TO COMPLETION DATED [ ], 2016**

**PROXY STATEMENT/PROSPECTUS**

To the Stockholders of Apollo Residential Mortgage, Inc.:

On February 26, 2016, Apollo Residential Mortgage, Inc., which we refer to as AMTG, and Apollo Commercial Real Estate Finance, Inc., which we refer to as ARI, entered into an Agreement and Plan of Merger, which we refer to as the merger agreement, pursuant to which (i) a subsidiary of ARI, which we refer to as Merger Sub, will merge with and into AMTG after which AMTG will become the surviving company and a direct subsidiary of ARI (the First Merger), and (ii) promptly following the effective time of the First Merger, AMTG will merge with and into ARI, after which AMTG will cease to exist (the Second Merger and, together with the First Merger, the mergers). The board of directors of AMTG, upon the unanimous recommendation of a special committee of the AMTG board of directors comprised solely of independent directors, has determined that the mergers and the merger agreement are advisable and in the best interests of AMTG and its stockholders and has approved the mergers and the merger agreement.

The obligations of ARI and AMTG to effect the mergers are subject to the satisfaction or waiver of certain customary conditions set forth in the merger agreement.

If the mergers are completed, each outstanding share of AMTG common stock will convert into the right to receive (i) [ ] shares of ARI common stock and (ii) \$[ ] in cash, without interest, which we collectively refer to as the merger consideration; provided, however, that the cash portion of the merger consideration may be subject to certain adjustments. As described in more detail in the attached proxy statement/prospectus, the cash portion of the merger consideration will be (i) increased in the event that the closing of the mergers does not occur on or prior to [ ], 2016 and (ii) reduced to the extent a dividend or other distribution to AMTG stockholders is declared or paid at any time following [ ], 2016 but with a record date prior to the closing of the mergers. The merger consideration will not be adjusted to reflect changes in the price of ARI common stock or the price of AMTG common stock. Based on the closing price of ARI common stock of \$[ ] on [ ], 2016, the latest practicable date before the mailing date of the accompanying proxy statement/prospectus, the merger consideration to be received by holders of AMTG common stock is valued at approximately \$[ ] per share of AMTG common stock. **The value of the merger consideration will fluctuate with changes in the market price of ARI common stock prior to the closing of the mergers. We urge you to obtain current market quotations for ARI common stock and AMTG common stock.**

Upon completion of the mergers, we estimate that the former holders of AMTG common stock will own approximately [ ]% of the issued and outstanding shares of ARI common stock.

In addition, if the mergers are completed, each outstanding share of 8.00% Series A Cumulative Redeemable Perpetual Preferred Stock of AMTG, \$0.01 par value per share (the AMTG Series A Preferred Stock ) will convert into the right to receive one newly issued share of ARI preferred stock, which ARI has classified and designated as 8.00% Series C Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value per share (the ARI Series C Preferred Stock ). The ARI Series C Preferred Stock will have preferences, rights and privileges substantially similar to the preferences, rights and privileges of the AMTG Series A Preferred Stock.

In connection with the proposed mergers, AMTG will hold a special meeting of its common stockholders (the AMTG special meeting ). At the AMTG special meeting, holders of AMTG common stock will be asked to consider and vote on a proposal (i) to approve the First Merger and the other transactions contemplated by the merger agreement, (ii) to approve one or more adjournments of the AMTG special meeting to another date, time or place, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, and (iii) to approve, on a non-binding, advisory basis, the merger-related compensation of AMTG's named executive officers (the Merger-Related Named Executive Officer Compensation Proposal ) as disclosed under the heading Merger-Related Executive Officer Compensation Proposal beginning on page 46 of this proxy statement/prospectus.

The AMTG Board has fixed the close of business on [ ], 2016 as the record date for the determination of AMTG common stockholders entitled to receive notice of, and to vote at, the AMTG special meeting and any adjournments or postponements of the AMTG special meeting. Approval of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of AMTG common stock. In addition, the closing of the mergers is conditioned upon the holders of at least a majority of the outstanding shares of AMTG common stock that are beneficially owned by persons unaffiliated with Apollo Global Management, LLC approving the proposal to approve the First Merger and the other transactions contemplated by the merger agreement.

**The board of directors of AMTG, upon the recommendation of a special committee of AMTG directors composed solely of independent directors, recommends that AMTG common stockholders vote FOR the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, FOR the proposal to approve one or more adjournments of the AMTG special meeting to another date, time or place, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, and FOR the Merger-Related Named Executive Officer Compensation Proposal.**

The accompanying proxy statement/prospectus contains important information about ARI, AMTG, the merger agreement, the mergers and the other transactions contemplated by the merger agreement, and the AMTG special meeting. The document serves as both a proxy statement with respect to the AMTG special meeting and a prospectus with respect to the issuance of ARI securities in connection with the mergers. **We encourage you to read the accompanying proxy statement/prospectus (and the documents incorporated by reference into the accompanying proxy statement/prospectus) carefully before voting, including the section entitled Risk Factors beginning on page 30.**

**Your vote is very important, regardless of the number of shares you own. Whether or not you plan to attend the AMTG special meeting please authorize a proxy to vote your shares as promptly as possible to make sure that your shares of AMTG common stock are represented at the AMTG special meeting.**

Sincerely,

Michael A. Commaroto

President and Chief Executive Officer

**Neither the Securities Exchange Commission nor any state securities commission has approved or disapproved of the transactions contemplated by the merger agreement or the securities to be issued under the accompanying proxy statement/prospectus, passed upon the merits or fairness of the transactions contemplated by the merger agreement or passed upon the adequacy or accuracy of the disclosures in this proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

The accompanying proxy statement/prospectus is dated [ ], 2016 and is first being mailed to stockholders of AMTG on or about [ ], 2016.

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Notice of Special Meeting of AMTG's Stockholders

**Apollo Residential Mortgage, Inc.**

9 West 57th Street, 43rd Floor

New York, New York 10019

(212) 515-3200

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON [ ], 2016**

To the Stockholders of Apollo Residential Mortgage, Inc.:

A special meeting of the stockholders (the AMTG special meeting) of Apollo Residential Mortgage, Inc., a Maryland corporation, which we refer to as AMTG, will be held at the offices of Latham & Watkins LLP, 885 Third Avenue, New York, New York, 10022, on [ ], 2016, commencing at 9:00 a.m., local time, for the following purposes:

1. to consider and vote on a proposal to approve the merger of Arrow Merger Sub, Inc., a wholly owned subsidiary of Apollo Commercial Real Estate Finance, Inc., a Maryland corporation, which we refer to as ARI, with and into AMTG (the First Merger) pursuant to the Agreement and Plan of Merger, dated February 26, 2016, as it may be amended from time to time, which we refer to as the merger agreement, by and among ARI, AMTG and Arrow Merger Sub, Inc. (a copy of the merger agreement is attached as Annex A to the proxy statement/prospectus accompanying this notice), and the other transactions contemplated by the merger agreement;
2. to consider and vote on a proposal to adjourn the AMTG special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement; and
3. to consider and vote on a proposal to approve, on a non-binding, advisory basis, the merger-related compensation of AMTG's named executive officers (the Merger-Related Named Executive Officer Compensation Proposal) as disclosed under the heading *Merger-Related Executive Officer Compensation Proposal* beginning on page 46 of this proxy statement/prospectus.

We do not expect to transact any other business at the AMTG special meeting. The board of directors of AMTG, which we refer to as the AMTG Board, has fixed the close of business on [ ], 2016 as the record date for determination of AMTG common stockholders entitled to receive notice of, and to vote at, the AMTG special meeting and any postponement or adjournment of the AMTG special meeting. Only holders of record of AMTG common stock at the close of business on the record date are entitled to receive notice of, and to vote at, the AMTG special meeting. Holders of record of AMTG Series A Preferred Stock at the close of business on the record date are entitled to notice of, but may not vote at, the AMTG special meeting. This notice to holders of record of AMTG Series A Preferred Stock also constitutes notice of the Second Merger (as defined below).

Approval of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of AMTG



common stock. In addition, the closing of the mergers is conditioned upon the holders of at least a majority of the outstanding shares of AMTG common stock that are beneficially owned by persons unaffiliated with Apollo Global Management, LLC approving the proposal to approve the First Merger and the other transactions contemplated by the merger agreement. Approval of the proposal to adjourn the AMTG special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement each requires the affirmative vote of a majority of the votes cast on such proposal. Approval of the Merger-Related Named Executive Officer Compensation Proposal requires the affirmative vote of a majority of the votes cast on such proposal. The AMTG stockholders' vote regarding the Merger-Related Named Executive Officer Compensation Proposal is an advisory vote and therefore is not binding on AMTG or the AMTG Board or the AMTG Special Committee.

Promptly after the completion of the First Merger, AMTG will merge with and into ARI, with ARI as the surviving entity in the merger (the Second Merger and, together with the First Merger, the mergers).

**The AMTG Board, acting upon the unanimous recommendation of the special committee of the AMTG Board, has unanimously, with the exception of Mark C. Biderman, who recused himself from deliberations relating to the mergers, (i) determined that the merger agreement, the mergers and the other transactions contemplated thereby are advisable and in the best interests of AMTG and its stockholders, and (ii) approved the merger agreement, the mergers and the other transactions contemplated thereby. The AMTG Board, acting upon the unanimous recommendation of the special committee of the AMTG Board, unanimously, with the exception of Mark C. Biderman, who recused himself from deliberations relating to the mergers, recommends that AMTG common stockholders vote FOR the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, and FOR the Merger-Related Named Executive Officer Compensation Proposal.**

### **YOUR VOTE IS IMPORTANT**

*Whether or not you plan to attend the AMTG special meeting, please authorize a proxy to vote your shares as promptly as possible.* If you hold your shares of AMTG common stock of record in your own name on the books of AMTG, then in order to authorize a proxy, complete, sign, date and mail your proxy card in the preaddressed postage-paid envelope provided or, if the option is available to you, call the toll-free telephone number listed on your proxy card or use the Internet as described in the instructions on the enclosed proxy card. Authorizing a proxy to vote your shares will assure that your vote is counted at the AMTG special meeting if you do not attend in person. If you hold your shares of AMTG common stock in street name through your broker or other nominee, only your broker or other nominee is entitled to vote your shares of AMTG common stock and the vote cannot be cast unless you provide instructions to your broker or other nominee on how to vote. In this regard, you should consult the voting instruction card provided by your broker or other nominee. Alternatively, you may obtain a legal proxy from your broker or other nominee and vote your shares in person at the AMTG special meeting, a process that may take several days. You should follow the directions provided by your broker or other nominee regarding how to instruct your broker or other nominee to vote your shares of AMTG common stock. You may revoke your proxy at any time before it is exercised at the AMTG special meeting. Please review the proxy statement/prospectus accompanying this notice for more complete information regarding the mergers and the AMTG special meeting.

By Order of the Board of Directors of AMTG

/s/ Gregory W. Hunt

Chief Financial Officer, Treasurer and Secretary

New York, New York

[ ], 2016

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**ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates by reference important business and financial information about ARI and AMTG from documents previously filed with the Securities and Exchange Commission ( SEC ) that are not included in or delivered with this proxy statement/prospectus. For a listing of the documents incorporated by reference into this proxy statement/prospectus, see *Where You Can Find More Information; Incorporation by Reference* on page 207. This information is available for you to review at the SEC's Public Reference Room located at 100 F Street, N.E., Room 1580, Washington, DC 20549. You may obtain these documents through the SEC website at <http://www.sec.gov>. Investors may also consult ARI's or AMTG's website for more information about ARI or AMTG, respectively. ARI's website is [www.apolloreit.com](http://www.apolloreit.com). AMTG's website is [www.apolloresidentialmortgage.com](http://www.apolloresidentialmortgage.com). Information included on these websites is not incorporated by reference into this proxy statement/prospectus.

You may also obtain these documents at no charge by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

Apollo Commercial Real Estate Finance, Inc.

Attention: Secretary

c/o Apollo Global Management, LLC

9 W. 57<sup>th</sup> Street, 43<sup>rd</sup> Floor

New York, NY 10019

Telephone: (212) 515-3200

Apollo Residential Mortgage, Inc.

Attention: Secretary

c/o Apollo Global Management, LLC

9 West 57<sup>th</sup> Street, 43<sup>rd</sup> Floor

New York, New York 10019

Telephone: (212) 515-3200

You may also obtain these documents at no charge by requesting them in writing or by telephone from AMTG's proxy solicitor [ ] at the address and telephone numbers below.

If you have questions or need assistance voting your shares please contact:

[ ]

[ ]

Call Collect: [ ]

Or

Toll-Free: [ ]

**To receive timely delivery of the requested documents in advance of the AMTG special meeting, you should make your request no later than [ ], 2016.**

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**ABOUT THIS DOCUMENT**

This proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed by ARI with the SEC, constitutes a prospectus of ARI for purposes of the Securities Act of 1933, as amended, which we refer to as the Securities Act, with respect to the ARI securities to be issued to holders of AMTG common stock and AMTG Series A Preferred Stock in connection with the mergers. This proxy statement/prospectus also constitutes a proxy statement of AMTG for purposes of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, and a notice of meeting with respect to the AMTG special meeting.

Information contained in this proxy statement/prospectus regarding ARI has been provided by ARI, and information contained in this proxy statement/prospectus regarding AMTG has been provided by AMTG.

You should rely only on the information contained in or incorporated by reference into this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in or incorporated by reference into this proxy statement/prospectus. This proxy statement/prospectus is dated [ ]. You should not assume that information contained in this proxy statement/prospectus is accurate as of any other date, nor should you assume that the information incorporated by reference into this proxy statement/prospectus is accurate as of any date other than the date of such incorporated document. Neither the mailing of this proxy statement/prospectus to AMTG stockholders nor the issuance by ARI of securities will create an implication to the contrary.

**This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction in which or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.**

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**Table of Contents****QUESTIONS AND ANSWERS ABOUT THE MERGERS AND THE SPECIAL MEETING**

*The following are answers to some questions that you may have regarding AMTG, ARI, the merger agreement, the mergers and other transactions contemplated by the merger agreement and the AMTG special meeting. ARI and AMTG urge you to read carefully this entire proxy statement/prospectus, including the Annexes, and the other documents to which this proxy statement/prospectus refers or incorporates by reference because the information in this section does not provide all the information that might be important to you. Unless stated otherwise, all references in this proxy statement/prospectus to ARI are to Apollo Commercial Real Estate Finance, Inc., a Maryland corporation; all references to AMTG are to Apollo Residential Mortgage, Inc., a Maryland corporation; and all references to Merger Sub are to Arrow Merger Sub, Inc., a Maryland corporation and a wholly owned subsidiary of ARI.*

**Q: What is the proposed transaction?**

A: ARI and AMTG have entered into a merger agreement pursuant to which (i) Merger Sub will merge with and into AMTG, with AMTG as the surviving entity in such merger (the First Merger), and (ii) promptly thereafter, AMTG will merge with and into ARI, with ARI as the surviving entity in such merger (the Second Merger and, together with the First Merger, the mergers).

The consideration payable to the AMTG common stockholders will consist of a combination of cash and ARI common stock, par value \$0.01 per share (ARI common stock). Each share of AMTG common stock, par value \$0.01 per share (AMTG common stock) outstanding as of immediately prior to the effective time of the First Merger will be converted into the right to receive (i) [ ] shares of ARI common stock (the Per Share Stock Consideration) and (ii) an amount of cash (the Per Share Cash Consideration) equal to (A) \$[ ] per share less (B) the per share amount of any dividend declared or paid by AMTG between [ ], 2016 and the consummation of the mergers, plus (C) in the event the consummation of the mergers does not occur by [ ], 2016, an amount of cash equal to \$[ ] per share per day from and including [ ], 2016, to but excluding the last business day before the consummation of the mergers. The Per Share Stock Consideration and the Per Share Cash Consideration are collectively referred to as the Per Common Share Merger Consideration.

Each outstanding share of 8.00% Series A Cumulative Redeemable Perpetual Preferred Stock of AMTG, par value \$0.01 per share (AMTG Series A Preferred Stock) will remain issued and outstanding as a result of the First Merger, and at the effective time of the Second Merger, will automatically be converted into the right to receive one newly issued share of 8.00% Series C Cumulative Redeemable Perpetual Preferred Stock of ARI, par value \$0.01 per share (ARI Series C Preferred Stock).

Immediately prior to the consummation of the First Merger, each outstanding share of restricted stock or restricted stock unit that settles for shares of AMTG common stock (collectively, the AMTG Restricted Shares) which was not then vested shall vest and be converted into the right to receive, with respect to the share of the AMTG common stock underlying such AMTG Restricted Share, the Per Common Share Merger Consideration. To review the description of the transaction in greater detail, see *The Mergers and Related Transactions The Mergers* beginning on page 48.

**Q: Why are ARI and AMTG proposing the mergers?**

A: The residential mortgage REIT sector has faced significant headwinds in recent years for a variety of reasons, including volatility in the fixed income markets, significant uncertainty regarding the outlook for interest rates and, more recently, widening spreads on RMBS. Also since 2013, AMTG's shares of common stock have traded at a substantial discount to AMTG's net asset value per share, which results in unsatisfactory returns to long-term stockholders and makes any equity capital raising activity dilutive. Because of these circumstances, since 2013 AMTG has been and continues to be unable to raise growth capital on acceptable terms, and accordingly, has been unable to increase its size and scale through capital market transactions. During the same period of time, ARI has performed better and has been able to achieve significant scale, with an equity capitalization of \$1.4 billion. The combination of ARI and AMTG is expected to benefit both sets of stockholders as it may enable ARI to raise capital accretively while also

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enabling AMTG's common stockholders to immediately receive a substantial premium to the stock's trading value on February 25, 2016 (the last trading day before the transactions were publicly announced) and participate in the potential future success of ARI following the closing of the mergers (the Combined Company). The Combined Company is expected to have increased liquidity and scale and will focus on investing in the commercial mortgage sector, which has performed significantly better than the residential mortgage sector. To review the reasons of the special committee of independent directors (the ARI Special Committee) of the board of directors of ARI (the ARI Board) and the special committee of independent directors (the AMTG Special Committee) of the board of directors of AMTG (the AMTG Board) in greater detail, see *The Mergers and Related Transactions AMTG's Reasons for the Transactions and Recommendation of AMTG's Board of Directors* beginning on page 60 and *The Mergers and Related Transactions ARI's Reasons for the Transactions* beginning on page 64.

### **Q: Why am I receiving this proxy statement/prospectus?**

A: The AMTG Board is using this proxy statement/prospectus to solicit proxies of holders of AMTG common stock in connection with the merger agreement and the mergers and to provide notice to holders of AMTG Series A Preferred Stock of the mergers though such holders are not entitled to vote on the mergers. In addition, ARI is using this proxy statement/prospectus as the prospectus by which ARI will register the ARI common stock and ARI Series C Preferred Stock to be issued to AMTG stockholders in the mergers.

In order to complete the mergers, holders of AMTG common stock must vote to approve the First Merger and the other transactions contemplated by the merger agreement.

AMTG will hold a special meeting of its stockholders (the AMTG special meeting) to obtain this approval. This proxy statement/prospectus contains important information about the mergers and the AMTG special meeting, and you should read it carefully. The enclosed materials allow holders of AMTG common stock to have their shares voted at the AMTG special meeting.

We encourage you to authorize a proxy to vote your shares of AMTG common stock as promptly as possible.

### **Q: When and where will the AMTG special meeting be held?**

A: The AMTG special meeting will be held at the offices of Latham & Watkins LLP, 885 Third Avenue, New York, New York 10022, on [ ], 2016, commencing at 9:00 a.m., local time.

### **Q: Who is entitled to vote at the AMTG special meeting?**

A: All holders of AMTG common stock of record (or their duly authorized proxy) as of the close of business on [ ], the record date for determining stockholders entitled to notice of and to vote at the AMTG special meeting, are entitled to receive notice of and to vote at the AMTG special meeting. As of the record date, there were [ ] shares of AMTG common stock outstanding and entitled to vote at the AMTG special meeting, held by approximately [ ] holders of record. Each share of AMTG common stock is entitled to one vote on each proposal presented at the

AMTG special meeting.

As of the record date, there were [ ] shares of AMTG Series A Preferred Stock outstanding, held by approximately [ ] holders of record. Holders of record of AMTG Series A Preferred Stock at the close of business on the record date are entitled to notice of, but may not vote at, the AMTG special meeting as well as notice of the Second Merger though they will not be entitled to vote in connection with the Second Merger.

**Q: What constitutes a quorum?**

A: AMTG's bylaws provide that the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast constitutes a quorum at a meeting of its stockholders.

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Shares that are voted and shares abstaining from voting are treated as being present at the AMTG special meeting for purposes of determining whether a quorum is present.

**Q: What vote is required to approve the proposals at the AMTG special meeting?**

A: Approval of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of AMTG common stock. In addition, the closing of the mergers is conditioned upon the holders of at least a majority of the outstanding shares of AMTG common stock that are beneficially owned by persons unaffiliated with Apollo Global Management, LLC ( Apollo ) approving the proposal to approve the First Merger and the other transactions contemplated by the merger agreement.

Approval of the proposal to adjourn the AMTG special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement requires the affirmative vote of a majority of the votes cast on such proposal.

Approval of the Merger-Related Named Executive Officer Compensation Proposal requires the affirmative vote of a majority of the votes cast on such proposal. The AMTG stockholders' vote regarding the Merger-Related Named Executive Officer Compensation Proposal is an advisory vote only and therefore is not binding on AMTG or the AMTG Board or the AMTG Special Committee.

**Your vote is important. We encourage you to authorize a proxy as promptly as possible.**

**Q: If my shares of AMTG common stock are held in street name by my broker or other nominee, will my broker or other nominee vote my shares of AMTG common stock for me?**

A: Under Rule 452 of the New York Stock Exchange (the NYSE ), brokers and other nominees are not permitted to vote on non-routine matters without instructions. The only proposals to be voted on at the AMTG special meeting are non-routine under Rule 452 of the NYSE and, accordingly, unless you instruct your broker or other nominee how to vote your shares of AMTG common stock, as applicable, your shares will NOT be voted. If you hold your shares in a stock brokerage account or if your shares are held by a bank or other nominee (that is, in street name), you must provide your broker or other nominee with instructions on how to vote your shares. Please follow the voting instructions provided by your broker or other nominee on the enclosed voting instruction card. You should also be aware that you may not vote shares of AMTG common stock held in street name by returning a proxy card directly to AMTG or by voting in person at the AMTG special meetings unless you provide a legal proxy, which you must obtain from your broker or other nominee.

**Q: What happens if I do not vote for a proposal?**

A: Abstentions will have the same effect as votes cast AGAINST the proposal to approve the First Merger and the other transactions contemplated by the merger agreement but will have no effect on the proposal to adjourn the



AMTG special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement or on the Merger-Related Named Executive Officer Compensation Proposal. Abstentions will be counted in determining the presence of a quorum.

There can be no broker non-votes at the AMTG special meeting, so failure to provide instructions to your broker or other nominee on how to vote will result in your shares not being counted as present at the AMTG special meeting and will have the same effect as votes cast AGAINST the proposal to approve the First Merger and the other transactions contemplated by the merger agreement but will have no effect on the proposal to adjourn the AMTG special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement or on the Merger-Related Named Executive Officer Compensation Proposal. A broker non-vote is a vote that is not cast on a non-routine matter because the shares entitled to cast the vote are held in street name, the broker lacks discretionary authority to vote the shares and the broker has not received voting instructions from the beneficial owner.

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**Q: If I am an AMTG common stockholder, should I send in my stock certificates with my proxy card?**

A: **NO.** Please **DO NOT** send your AMTG stock certificates with your proxy card. If the First Merger and the other transactions contemplated by the merger agreement are approved, you will be sent written instructions for exchanging your stock certificates.

**Q: What are the anticipated U.S. federal income tax consequences to me of the proposed mergers?**

A: AMTG stockholders should read the discussion under the heading *The Mergers and Related Transactions Material U.S. Federal Income Tax Considerations* beginning on page 106 of this proxy statement/prospectus and consult their tax advisors as to the U.S. federal income tax consequences of the mergers and of the acquisition, holding and disposition of ARI common stock and ARI Series C Preferred Stock received in the mergers, as well as the effects of state, local and non-U.S. tax laws.

**Q: Will I continue to receive distributions on my AMTG common stock?**

A: From [ ], 2016 until the closing of the mergers (or termination of the merger agreement), AMTG generally is prohibited by the merger agreement from paying dividends or other distributions to its common stockholders without the prior written consent of ARI. However, the merger agreement provides that AMTG may continue to pay dividends as necessary to maintain its qualification as a real estate investment trust ( REIT ) and avoid incurring certain taxes under the Internal Revenue Code of 1986, as amended (the Internal Revenue Code ). The Per Share Cash Consideration will be reduced to the extent a dividend or other distribution to AMTG stockholders is declared or paid at any time following [ ], 2016 but with a record date prior to the closing of the mergers.

**Q: Are AMTG stockholders entitled to appraisal rights?**

A: No. AMTG s charter provides that AMTG s stockholders shall not be entitled to exercise any rights of an objecting stockholder provided for under the Maryland General Corporation Law (the MGCL ) unless the AMTG Board, upon the affirmative vote of a majority of the AMTG Board, determines that such rights apply. The AMTG Board has not made (and is not permitted to make under the terms of the merger agreement) such determination.

**Q: How do the AMTG Special Committee and the AMTG Board recommend that AMTG common stockholders vote?**

A: AMTG delegated authority to the AMTG Special Committee to consider, analyze, review, evaluate, determine and recommend whether to pursue the mergers and related matters and if a determination to pursue the mergers and related matters was made, to negotiate the terms and conditions of such mergers and related matters.

The AMTG Board, acting upon the unanimous recommendation of the AMTG Special Committee, has unanimously, with the exception of Mark C. Biderman, who recused himself from deliberations relating to the mergers, (i) determined that the merger agreement, the mergers and the other transactions contemplated thereby are advisable and in the best interests of AMTG and its stockholders, and (ii) approved the merger agreement, the mergers and the other transactions contemplated by the merger agreement.

**The AMTG Board, acting upon the unanimous recommendation of the AMTG Special Committee, unanimously, with the exception of Mark C. Biderman, who recused himself from deliberations relating to the mergers, recommends that AMTG common stockholders vote FOR the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, FOR the proposal to adjourn the AMTG special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, and FOR the Merger-Related Named Executive Officer Compensation Proposal.** For a more complete description of the recommendation of the AMTG Special Committee and

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the AMTG Board, see *The Mergers and Related Transactions AMTG's Reasons for the Transactions and Recommendation of AMTG's Board of Directors* beginning on page 60.

**Q: Do any of AMTG's executive officers or directors have interests in the mergers that may differ from those of AMTG stockholders?**

A: AMTG's executive officers and directors have interests in the mergers that are different from, or in addition to, their interests as AMTG stockholders. The members of the AMTG Special Committee and the AMTG Board were aware of and considered these interests, among other matters, in evaluating the merger agreement and the mergers, and in recommending that AMTG common stockholders vote FOR the proposal to approve the First Merger and the other transactions contemplated by the merger agreement.

AMTG is managed by the AMTG Manager, an indirect subsidiary of Apollo. Certain of the members of the AMTG Board have relationships with Apollo as set forth below:

Michael A. Commaroto is the president and chief executive officer of ARM Manager, LLC (the AMTG Manager );

James E. Galowski is an employee of an affiliate of Apollo; and

Frederick N. Khedouri is an employee of an entity affiliated with Apollo.

In addition, (i) Mark C. Biderman is a member of both the AMTG Board and the ARI Board and has recused himself from all deliberations relating to the mergers and (ii) Hope S. Taitz is a member of both the AMTG Board and the board of directors of Athene Holding Ltd. (together with its subsidiaries, Athene ), an affiliate of Apollo and the parent company of Athene USA Corporation ( Athene USA ). Ms. Taitz is also a member of the conflicts committee of the board of directors of Athene Holding Ltd., but she was not a member of the special sub-committee of the conflicts committee that considered the transactions between ARI and Athene.

For a description of these interests, refer to the section entitled *The Mergers and Related Transactions Interests of AMTG's Directors and Officers in the Transaction* beginning on page 99.

**Q: What happens to AMTG's management agreement with the AMTG Manager if the mergers are consummated?**

A: AMTG's management agreement with AMTG Manager will continue in full force and effect until the consummation of the mergers, at which point the AMTG management agreement will be assigned to ARI. If the mergers are consummated, ACREFI Management, LLC (the ARI Manager ) has agreed, pursuant to a letter agreement between ARI and the ARI Manager, that any management fees paid by ARI to the AMTG Manager pursuant to the AMTG management agreement will offset, and therefore reduce (but not below zero), ARI's

obligation to pay corresponding management fees to the ARI Manager under ARI's management agreement. In addition, AMTG has entered into a letter agreement with the AMTG Manager, pursuant to which the AMTG Manager has agreed to perform such services as may be necessary to enable AMTG to consummate the mergers and other transactions contemplated by the merger agreement in accordance with the terms thereof, including assisting AMTG and its subsidiaries in performing and complying with AMTG's obligations under the merger agreement.

**Q: What do I need to do now?**

A: After you have carefully read this proxy statement/prospectus, please respond by completing, signing and dating your proxy card or voting instruction card and returning it in the enclosed preaddressed postage-paid envelope or, if available, by authorizing a proxy by one of the other methods specified in your proxy card or

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voting instruction card as promptly as possible so that your shares of AMTG common stock will be represented and voted at the AMTG special meeting.

For a description of these interests, refer to the section entitled *The Mergers and Related Transactions Interests of AMTG's Directors and Officers in the Transaction* beginning on page 99.

Please refer to your proxy card or voting instruction card forwarded by your broker or other nominee to see which voting options are available to you.

The method by which you authorize a proxy will in no way limit your right to vote at the AMTG special meeting if you later decide to attend the meeting in person. However, if your shares of AMTG common stock are held in the name of a broker or other nominee, you must obtain a legal proxy, executed in your favor, from your broker or other nominee, to be able to vote in person at the AMTG special meeting.

**Q: How will my proxy be voted?**

A: All shares of AMTG common stock entitled to vote and represented by properly completed proxies received prior to the AMTG special meeting, and not revoked, will be voted at the AMTG special meeting as instructed on the proxies. If you properly sign, date and return a proxy card, but do not indicate how your shares of AMTG common stock should be voted on a matter, the shares of AMTG common stock represented by your proxy will be voted as the AMTG Board recommends and therefore FOR the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, FOR the proposal to adjourn the AMTG special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, and FOR the Merger-Related Named Executive Officer Compensation Proposal. If you do not provide voting instructions to your broker or other nominee, your shares of AMTG common stock will NOT be voted at the meeting and will be considered broker non-votes.

**Q: May I revoke my proxy or change my vote after I have delivered my proxy?**

A: Yes. You may revoke your proxy or change your vote at any time before your proxy is exercised at the AMTG special meeting, as applicable. If you are a holder of record of AMTG common stock as of the close of business on the record date, you may do this in any of the three following ways:

by sending a written notice to the Secretary of AMTG at the address set forth below in time to be received before the AMTG special meeting stating that you are revoking your proxy;

by completing, signing and dating another proxy card and returning it by mail in time to be received before the AMTG special meeting or by authorizing a later dated proxy by the Internet or telephone in which case your later-dated proxy will be recorded and your earlier proxy revoked; or

by attending the AMTG special meeting and voting in person. Simply attending the AMTG special meeting without voting will not revoke your proxy or change your vote.

If your shares of AMTG common stock are held in an account at a broker or other nominee and you desire to change your vote or vote in person, you should contact your broker or other nominee for instructions on how to do so.

**Q: What happens if I sell my shares of AMTG common stock after the record date but before the AMTG special meeting?**

- A. The record date for the AMTG special meeting (the close of business on [ ], 2016) is earlier than the date of the AMTG special meeting and the date that the mergers are expected to be completed. If you sell or otherwise transfer your shares of AMTG common stock after the record date but before the date of the AMTG special meeting, you will retain your right to vote at the AMTG special meeting (unless otherwise

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agreed between you and the transferee). However, you will not have the right to receive the merger consideration to be received by AMTG's common stockholders in the First Merger. In order to receive the merger consideration, you must hold your shares of AMTG common stock through completion of the First Merger.

**Q: What should I do if I receive more than one set of voting materials for the AMTG special meeting?**

A: You may receive more than one set of voting materials for the AMTG special meeting, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold your shares of AMTG common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares of AMTG common stock. If you are a holder of record and your shares of AMTG common stock are registered in more than one name, you may receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive or, if available, please authorize your proxy by telephone or over the Internet.

**Q: Is completion of the mergers subject to any conditions?**

A: Yes. In addition to the approval of the First Merger and the other transactions contemplated by the merger agreement by the requisite holders of AMTG common stock, completion of the mergers requires the satisfaction or, to the extent permitted by applicable law, waiver of the other conditions specified in the merger agreement. For a more complete summary of the conditions that must be satisfied (or, to the extent permitted by applicable law, waived) prior to completion of the mergers, see *The Agreements Description of the Merger Agreement Conditions to Completion of the First Merger* beginning on page 152 of this proxy statement/prospectus.

**Q: When are the proposed mergers expected to be completed?**

A: AMTG and ARI are working towards completing the mergers promptly. AMTG and ARI currently expect to complete the mergers in the second half of 2016, subject to receipt of AMTG common stockholder approval and satisfaction of the other closing conditions. However, no assurance can be given as to when, or if, the mergers will occur.

**Q: What happens if the mergers are not completed?**

A: If the First Merger and the other transactions contemplated by the merger agreement are not approved by the AMTG common stockholders or if the mergers are not completed for any other reason, you will not receive any form of consideration in connection with the mergers. Instead, AMTG will remain an independent public company and its shares of common stock and AMTG Series A Preferred Stock will continue to be listed and traded on the NYSE. If the merger agreement is terminated under certain circumstances, AMTG may be required to pay ARI a termination payment of \$12,000,000 (or in certain circumstances, \$7,500,000) or to reimburse ARI in respect of certain expenses related to the mergers, as described under *The Agreements Description of the*



*Merger Agreement Termination of the Merger Agreement* beginning on page 154.

**Q: Does AMTG expect to hold its regularly scheduled 2016 annual meeting of stockholders?**

- A. If the mergers are consummated, AMTG will not hold its 2016 annual meeting of stockholders. If, however, the mergers are not consummated as contemplated by the merger agreement, AMTG will determine at a later date the time and place for its 2016 annual meeting of stockholders for, among other things, the election of directors.

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**Q: Who can answer my questions?**

A: If you have any questions about the mergers or how to authorize a proxy to vote your shares or need additional copies of this proxy statement/prospectus, the enclosed proxy card or voting instructions, you should contact:  
Apollo Residential Mortgage, Inc.

Attention: Secretary

9 West 57th Street, 43rd Floor

New York, New York 10019

(212) 515-3200

[www.apolloresidentialmortgage.com](http://www.apolloresidentialmortgage.com)

Proxy Solicitor:

[ ]

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**SUMMARY**

*The following summary highlights only selected information contained elsewhere in this proxy statement/prospectus and may not contain all the information that is important to you. Accordingly, you are encouraged to read this proxy statement/prospectus carefully and in its entirety, including its Annexes and the documents incorporated by reference into this proxy statement/prospectus. See the section entitled *Where You Can Find More Information; Incorporation by Reference* beginning on page 207.*

*References to **AMTG** or the **Company** are references to Apollo Residential Mortgage, Inc., a Maryland corporation. References to **ARI** are references to Apollo Commercial Real Estate Finance, Inc., a Maryland corporation. References to *we* or *our* and other first person references in this proxy statement/prospectus refer to both **AMTG** and **ARI**, before completion of the mergers. We sometimes refer to **ARI** following the closing of the mergers as the *Combined Company*.*

**Parties to the Transaction**

***Apollo Commercial Real Estate Finance, Inc. (See page 40)***

ARI is a Maryland corporation that was incorporated in 2009 and that has elected to be taxed as a REIT for U.S. federal income tax purposes. ARI generally is not subject to U.S. federal income taxes on its net taxable income to the extent that it annually distributes its net taxable income to stockholders and maintains its qualification as a REIT. ARI also operates its business in a manner intended to allow it to remain excluded from registration as an investment company under the Investment Company Act of 1940, as amended (the *1940 Act*). ARI primarily originates, acquires, invests in and manages performing first mortgage loans, subordinate financings, commercial mortgage-backed securities (*CMBS*) and other commercial real estate-related debt investments. These asset classes are referred to as ARI's target assets.

ARI is externally managed and advised by ACREFI Management, LLC (the *ARI Manager*), an indirect subsidiary of Apollo, which together with its subsidiaries, is a leading global alternative investment manager with a contrarian and value oriented investment approach in private equity, credit and real estate. The ARI Manager is led by an experienced team of senior real estate professionals who have significant experience in underwriting and structuring commercial real estate financing transactions. ARI benefits from Apollo's global infrastructure and operating platform, through which ARI is able to source, evaluate and manage potential investments in ARI's target assets. ARI does not have any employees; all of its officers are employees of the ARI Manager or one of its affiliates.

ARI's principal business objective is to make investments in its target assets in order to provide attractive risk adjusted returns to its stockholders over the long term, primarily through dividends and secondarily through capital appreciation.

***Arrow Merger Sub, Inc. (See page 40)***

Arrow Merger Sub, Inc., or *Merger Sub*, a direct wholly owned subsidiary of ARI, is a Maryland corporation formed on February 22, 2016 for the purpose of entering into the merger agreement. Pursuant to the First Merger (described below), Merger Sub will be merged with and into AMTG, with AMTG surviving as a subsidiary of ARI. Merger Sub has not conducted any activities other than those incidental to its formation and the matters contemplated by the merger agreement.

***Apollo Residential Mortgage, Inc. (See page 40)***

AMTG was incorporated in Maryland on March 15, 2011 and commenced operations on July 27, 2011. AMTG is structured as a holding company and conducts its business primarily through ARM Operating, LLC and its other

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operating subsidiaries. AMTG has elected to be taxed as a REIT for U.S. federal income tax purposes. AMTG generally is not subject to U.S. federal income taxes on its net taxable income to the extent that it annually distributes its net taxable income to stockholders and maintains its qualification as a REIT. AMTG also operates its business in a manner that it believes will allow it to remain excluded from registration as an investment company under the 1940 Act. AMTG is externally managed and advised by ARM Manager, LLC (the AMTG Manager and, together with the ARI Manager, the Managers), an indirect subsidiary of Apollo. AMTG does not have any employees; all of its officers are employees of the AMTG Manager.

At December 31, 2015, AMTG's portfolio was comprised of approximately \$3.4 billion of Agency RMBS (comprised of pass-through, interest-only ( IO ) and inverse interest-only ( Inverse IO ) securities), non-Agency RMBS, securitized mortgage loans, and other mortgage and mortgage related investment securities and other mortgage related investments. Agency when used herein refers to a federally chartered corporation, such as Fannie Mae or Freddie Mac, or an agency of the United States (or, U.S.) Government, such as Ginnie Mae or the U.S. Small Business Administration.

## **The Mergers**

ARI and AMTG have entered into a merger agreement pursuant to which (i) Merger Sub will merge with and into AMTG, with AMTG as the surviving entity in such merger, and (ii) promptly thereafter, AMTG will merge with and into ARI, with ARI as the surviving entity in such merger.

The consideration payable to the holders of AMTG common stock consists of a combination of cash and ARI common stock. Each share of AMTG common stock outstanding as of immediately prior to the effective time of the First Merger will be converted into the right to receive (i) the Per Share Stock Consideration and (ii) an amount of cash equal to (A) \$[ ] per share less (B) the per share amount of any dividend declared or paid by AMTG in respect of the AMTG common stock between [ ], 2016 and the consummation of the transaction, plus (C) in the event the consummation of the mergers does not occur by [ ], 2016 an amount of cash equal to \$[ ] per share per day from and including [ ], 2016, to but excluding the last business day before the consummation of the mergers.

Each outstanding share of AMTG Series A Preferred Stock will remain issued and outstanding as a result of the First Merger, and at the effective time of the Second Merger, will automatically be converted into the right to receive one newly issued share of ARI Series C Preferred Stock, having preferences, rights and privileges substantially similar to the preferences, rights and privileges of the AMTG Series A Preferred Stock.

Immediately prior to the consummation of the First Merger, each outstanding AMTG Restricted Share which was not then vested shall vest and be converted into the right to receive, with respect to the share of the AMTG common stock underlying such AMTG Restricted Share, the Per Common Share Merger Consideration.

## **AMTG Board Reasons & Recommendation**

The AMTG Board, acting upon the unanimous recommendation of the AMTG Special Committee, has unanimously, with the exception of Mark C. Biderman, who recused himself from all deliberations relating to the mergers, (i) determined that the merger agreement, the mergers and the other transactions contemplated by the merger agreement are advisable and in the best interests of AMTG and its stockholders, and (ii) approved the merger agreement, the mergers and the other transactions contemplated thereby.

**The AMTG Board, acting upon the unanimous recommendation of the AMTG Special Committee, unanimously, with the exception of Mark C. Biderman, who recused himself from all deliberations relating to**

**the mergers, recommends that AMTG common stockholders vote FOR the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, FOR the proposal to**

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**adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement and FOR the Merger-Related Named Executive Officer Compensation Proposal.**

**The AMTG Special Committee and the AMTG Board consulted with their respective advisors and considered many factors in making its determination, approvals and recommendation. For a discussion of these factors, see *The Mergers and Related Transactions AMTG s Reasons for the Transactions and Recommendation of AMTG s Board of Directors* beginning on page 60 of this proxy statement/prospectus.**

**ARI Board Reasons**

The ARI Board, acting upon the unanimous recommendation of the ARI Special Committee, unanimously, with the exception of Mark C. Biderman, who recused himself from all deliberations relating to the mergers, determined that the merger agreement, the mergers and the other transactions contemplated by the merger agreement, including the issuance of shares of ARI stock to AMTG stockholders in the mergers, are advisable and in the best interests of ARI and its stockholders.

In evaluating the mergers and the other transactions contemplated by the merger agreement, the ARI Special Committee and the ARI Board consulted with their respective advisors and considered many factors in making its determination. For a discussion of these factors, see *The Mergers and Related Transactions ARI s Reasons for the Transactions* beginning on page 64 of this proxy statement/prospectus.

**Opinion of the Financial Advisor to the AMTG Special Committee**

Morgan Stanley & Co. LLC, which is referred to as Morgan Stanley, was retained by the AMTG Special Committee to act as its financial advisor in connection with the mergers. On February 25, 2016, Morgan Stanley rendered its oral opinion, which was subsequently confirmed in writing, to the AMTG Special Committee to the effect that, as of that date and based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Morgan Stanley as set forth in the written opinion, the merger consideration to be received by the holders of shares of AMTG common stock (excluding shares of AMTG common stock (i) held by ARI or Merger Sub or (ii) held by any subsidiary of ARI, Merger Sub or AMTG) pursuant to the merger agreement was fair from a financial point of view to the holders of shares of AMTG common stock.

**The full text of the written opinion of Morgan Stanley, dated February 25, 2016, is attached as Annex G and is incorporated by reference into this proxy statement/prospectus in its entirety. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion. The summary of the opinion of Morgan Stanley in this proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. You are encouraged to, and should, read Morgan Stanley s opinion and the section below captioned *The Mergers and Related Transactions Opinion of the Financial Advisor to the AMTG Special Committee* summarizing Morgan Stanley s opinion carefully and in their entirety. Morgan Stanley s opinion was directed to the AMTG Special Committee, in its capacity as such, and addresses only the fairness from a financial point of view of the merger consideration to be received by the holders of shares of AMTG common stock (excluding shares of AMTG common stock (i) held by ARI or Merger Sub or (ii) held by any subsidiary of ARI, Merger Sub or AMTG) pursuant to the merger agreement, as of the date of the opinion, and does not address any other aspects or implications of the mergers. It was not intended to, and does not, constitute advice or a recommendation to any stockholder of AMTG as to how to vote at any stockholders meeting to be held in connection with the mergers or whether to take any other action with respect to the mergers.**





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### **Opinion of the Financial Advisor to the ARI Special Committee**

On February 25, 2016, Houlihan Lokey Capital, Inc., which we refer to as Houlihan Lokey, orally rendered its opinion to the ARI Special Committee (which was confirmed by delivery of Houlihan Lokey's written opinion, dated February 25, 2016, to the ARI Special Committee) as to the fairness, from a financial point of view and as of such date, to ARI of the Per Common Share Merger Consideration to be paid by ARI in the First Merger, which opinion was based on and subject to the procedures followed, assumptions made and limitations and qualifications on the review undertaken and other matters considered by Houlihan Lokey in connection with its opinion. For purposes of Houlihan Lokey's opinion, the term "Per Common Share Merger Consideration" refers to a pro rata portion of consideration consisting of cash and ARI common stock equal to 89.25% of the common equity book value of AMTG determined in accordance with the methodologies and a pricing date contemplated by the merger agreement.

**Houlihan Lokey's opinion was directed to the ARI Special Committee (in its capacity as such), only addressed the fairness, from a financial point of view and as of February 25, 2016, to ARI of the Per Common Share Merger Consideration to be paid by ARI in the First Merger and did not address any other portion, aspect or implication of the First Merger, the related transactions or otherwise or any other agreement, arrangement or understanding. The summary of Houlihan Lokey's opinion in this proxy statement/prospectus is qualified in its entirety by reference to the full text of its written opinion, which is attached as Annex H to this proxy statement/prospectus and describes the procedures followed, assumptions made and limitations and qualifications on the review undertaken and other matters considered by Houlihan Lokey in connection with its opinion. However, neither Houlihan Lokey's opinion nor the summary of its opinion and the related analyses set forth in this proxy statement/prospectus are intended to be, and do not constitute, advice or a recommendation to the ARI Special Committee, the ARI Board, any security holder or any other party as to how to act or vote with respect to any matter relating to the First Merger, any related transactions or otherwise. See *The Mergers and Related Transactions Opinion of the Financial Advisor to the ARI Special Committee*.**

### **Key Terms of the Merger Agreement**

#### ***Conditions to Closing of the Mergers (See page 152)***

The mergers cannot be consummated unless and until a number of customary conditions have been satisfied or waived, where legally permissible. These conditions include, among others:

approval of the First Merger and the other transactions contemplated by the merger agreement by the holders of a majority of the outstanding shares of AMTG common stock, including a majority of those shares that are beneficially owned by persons who are not affiliates of Apollo;

the Form S-4 registration statement, of which this proxy statement/prospectus is a part, having been declared effective and no stop order suspending the effectiveness of such Form S-4 having been issued and no proceeding to that effect having been commenced or threatened by the SEC;

the absence of any law, order or injunction issued by any governmental entity of competent jurisdiction or other legal restraint preventing, prohibiting or making illegal the consummation of the mergers or the other transactions contemplated by the merger agreement;

the accuracy of each party's representations and warranties in the merger agreement (subject to materiality standards);

performance by each party in all material respects of all obligations required to be performed or complied with by it under the merger agreement;

no material adverse effect with respect to either party shall have occurred;

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the receipt by each party of a tax opinion from such other party's counsel regarding such other party's qualification as a REIT;

ARI's receipt of good standing certificates in respect of AMTG and each of its subsidiaries; and

the shares of ARI common stock and ARI Series C Preferred Stock to be issued to AMTG stockholders in the mergers having been approved for listing on the NYSE, subject to official notice of issuance at or prior to the closing of the mergers, and the articles supplementary (the "Articles Supplementary") classifying the ARI Series C Preferred Stock to be issued in the mergers will have been filed with and accepted for record by the State Department of Assessments and Taxation of Maryland.

Neither AMTG nor ARI can give any assurance as to when or if all the conditions to the consummation of the mergers will be satisfied or waived or that the mergers will occur.

For more information regarding the conditions to the consummation of the mergers and a complete list of such conditions, see *The Agreements Description of the Merger Agreement Conditions to Completion of the First Merger* beginning on page 152.

***Go-Shop Period; No Shop Period; Change in Recommendation (See page 143)***

From the date of the merger agreement until 11:59 p.m. (Eastern Time) on April 1, 2016, which period we refer to as the go-shop period, AMTG and its subsidiaries and their respective representatives had the right to:

initiate, solicit, facilitate and encourage (publicly or otherwise) any inquiry or the making of any proposals or offers relating to certain acquisition proposals, including by providing access to non-public information relating to AMTG and its subsidiaries to any person or entity and their representatives pursuant to an acceptable confidentiality agreement with such person or entity, as long as AMTG promptly made available the same non-public information to ARI if such information was not previously made available to ARI; and

engage or enter into, continue or otherwise participate in discussions or negotiations with any person or entity and their representatives with respect to certain acquisition proposals or otherwise cooperate with or assist or participate in, or facilitate any such inquiries, proposals, discussions or negotiations or any effort or attempt to make any such acquisition proposals.

Upon the conclusion of the go-shop period, AMTG and its subsidiaries and their respective representatives were required to (i) immediately cease any solicitation activity with respect to any acquisition proposals or any discussions or negotiations with any person or entity (other than an excluded party (as defined in *The Agreements Description of the Merger Agreement Covenants and Agreements* beginning on page 140)) with respect to any acquisition proposals and (ii) request that each person or entity (other than an excluded party) promptly return to AMTG or its representatives any non-public information previously furnished to such person or entity by AMTG or its representatives and terminate access of any person or entity (other than an excluded party) to any electronic data room maintained by AMTG with respect to the mergers and the other transactions contemplated by the merger agreement.

As promptly as reasonably practicable, and in any event within three business days following the end of the go-shop period, AMTG was required to provide ARI with a written list identifying each excluded party, if any.

From and after 12:01 a.m. on April 2, 2016, AMTG is prohibited from furnishing non-public information to, engaging in discussions or negotiations with, or otherwise initiating or soliciting an Acquisition Proposal (as defined in *The Agreements Description of the Merger Agreement Covenants and Agreements* beginning on page 140) from, any person, in each case subject to certain limited exceptions necessary to comply with the duties of the AMTG Board. Prior to receiving AMTG common stockholder approval of the First Merger and the other transactions

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contemplated by the merger agreement, in the event that AMTG receives an unsolicited Acquisition Proposal not resulting from a violation of the merger agreement, AMTG may:

contact the person making such Acquisition Proposal solely to clarify the terms and conditions of the proposal;

provide non-public information and data concerning AMTG and its subsidiaries to the person making such proposal and such person's representatives and potential financing sources (subject to such person's execution of a confidentiality agreement prior to being provided with any such information); provided that AMTG makes all such non-public information and data available to ARI within twenty-four hours of providing it to such person; and

engage or participate in discussions or negotiations with such person, if the AMTG Board (or any committee thereof) has determined in good faith, after consulting with outside legal counsel and a nationally recognized third party financial advisor, that such proposal constitutes a Superior Proposal to the contemplated transaction or that such proposal would reasonably be likely to result in a Superior Proposal.

The merger agreement provides that the AMTG Board will not withdraw, withhold, qualify, amend or modify, in any manner adverse to ARI, the AMTG Board's recommendation that AMTG common stockholders approve the First Merger and the transactions contemplated by the merger agreement, or authorize, adopt, approve, recommend or otherwise declare advisable, or propose publicly to approve or recommend or enter into any alternative Acquisition Proposal.

Notwithstanding the above, subject to certain procedural requirements and limitations as provided for in the merger agreement and described under *The Agreements Description of the Merger Agreement Covenants and Agreements* beginning on page 140 of this proxy statement/prospectus, if AMTG receives a written unsolicited bona fide Acquisition Proposal or in response to an intervening event, the AMTG Board may effect a change of recommendation under certain circumstances.

For more information regarding the limitations on AMTG and the AMTG Board to consider other competing proposals and its ability to withdraw the AMTG Board recommendation, see *The Agreements Description of the Merger Agreement Covenants and Agreements* beginning on page 140.

***Termination of the Merger Agreement (See page 154)***

The merger agreement may be terminated at any time before the effective time of the First Merger by the mutual consent of ARI and AMTG in a written instrument, even after approval by AMTG common stockholders.

In addition, the merger agreement may also be terminated prior to the effective time of the First Merger by either AMTG or ARI under the following circumstances, each subject to certain exceptions:

the First Merger has not been consummated on or before August 26, 2016 (which may be extended to October 26, 2016 upon written notice by either AMTG or ARI, in the event that all of the conditions for the

closing of the mergers have been satisfied or waived but a governmental entity of competent jurisdiction has issued a law, order or injunction which prevents or prohibits the consummation of the mergers or the other transactions contemplated by the merger agreement);

the requisite stockholders of AMTG fail to approve the First Merger and the other transactions contemplated by the merger agreement at a duly convened special meeting;

a governmental entity of competent jurisdiction has issued a final, non-appealable law, order or injunction permanently restraining, enjoining or otherwise prohibiting the mergers (whether before or after the stockholders of AMTG approve the First Merger and the other transactions contemplated by the merger agreement); or

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there has been a breach by the other party of any of the covenants or agreements or any inaccuracy in any of the representations or warranties set forth in the merger agreement on the part of such other party, which breach cannot be or is not cured prior to the earlier of 30 days after written notice of the breach is given by the terminating party and the Outside Date.

The merger agreement may also be terminated by ARI prior to the approval of the First Merger by AMTG common stockholders, (i) if the AMTG Board has withdrawn or modified its recommendation to the AMTG common stockholders with respect to the First Merger, (ii) if the AMTG Board fails to reaffirm its recommendation to the AMTG common stockholders within 10 business days after (x) a competing proposal has been made public and (y) ARI has requested that the AMTG Board reaffirm its recommendation, or (iii) if AMTG has materially breached its obligations under non-solicitation provisions of the merger agreement.

The merger agreement may also be terminated by AMTG (i) at any time prior to the approval of the First Merger by AMTG common stockholders, in order to enter into an alternative acquisition agreement with respect to a competing proposal that the AMTG Board determines is more favorable to AMTG stockholders than the mergers; provided, that AMTG must substantially concurrently pay ARI the termination fee (described below) or (ii) if (x) all of the conditions to ARI's obligation to consummate the First Merger have been satisfied or waived, (y) AMTG has confirmed in writing to ARI that it is ready, willing and able to consummate the First Merger and (z) ARI fails to consummate the First Merger within four business days of the date the consummation of the First Merger otherwise should have occurred under the merger agreement.

For more information regarding the termination rights of ARI and AMTG to terminate the merger agreement, see *The Agreements Description of the Merger Agreement Termination of the Merger Agreement* beginning on page 154.

***Termination Fees and Expenses (See page 155)***

Generally, all fees and expenses incurred in connection with the mergers and the transactions contemplated by the merger agreement will be paid by the party incurring those fees and expenses; however, ARI and AMTG will share equally all expenses relating to the printing, filing and mailing of this proxy statement/prospectus and the registration statement on Form S-4 of which this forms a part and certain transfer taxes and other similar expenses.

In addition, if the merger agreement is terminated by AMTG in order to enter into an agreement with respect to a Superior Proposal (as defined in *The Agreements Description of the Merger Agreement Termination Fee and Expenses Payable by AMTG to ARI* beginning on page 155) or by ARI because AMTG makes an adverse change in recommendation, AMTG may be obligated to pay ARI a termination fee of up to \$12.0 million. In certain circumstances, if the AMTG common stockholders approve the First Merger at the AMTG special meeting, AMTG will reimburse ARI's out-of-pocket fees and expenses up to a maximum of \$6.0 million. For more information regarding payment of the termination fee and expenses payable by AMTG to ARI see *The Agreements Description of the Merger Agreement Termination Fee and Expenses Payable by AMTG to ARI* beginning on page 155.

***Listing of Newly Issued ARI Common Stock***

ARI is required to list the shares of ARI common stock that will be issued to holders of AMTG common stock in the First Merger on the NYSE, subject to official notice of issuance. For additional information on the listing of the shares of ARI common stock, see *The Mergers and Related Transactions Listing of Newly Issued ARI Common Stock* beginning on page 105.





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### **Listing of Newly Issued ARI Series C Preferred Stock**

ARI is required to list the shares of ARI Series C Preferred Stock that will be issued to holders of AMTG Series A Preferred Stock in connection with the Second Merger on the NYSE, subject to official notice of issuance. For additional information on the listing of the shares of ARI Series C Preferred Stock, see *The Mergers and Related Transactions Listing of Newly Issued ARI Series C Preferred Stock* beginning on page 106.

### **Delisting and Deregistration of AMTG Stock**

After the mergers are completed, AMTG common stock and AMTG Series A Preferred Stock will be delisted from the NYSE and deregistered under the Exchange Act, and AMTG will no longer file periodic reports with the SEC. For additional information on the delisting and deregistering of the AMTG common stock and AMTG Series A Preferred Stock, see *The Mergers and Related Transactions Delisting and Deregistration of AMTG Capital Stock* beginning on page 106.

### **Restriction on Sales of ARI Common Stock and ARI Series C Preferred Stock**

The shares of ARI common stock and ARI Series C Preferred Stock issued in the mergers will not be subject to any restrictions on transfers arising under the Securities Act, except for those shares issued to any holder of AMTG common stock or AMTG Series A Preferred Stock who may be deemed an affiliate of ARI after the completion of the mergers. The shares of ARI common stock and ARI Series C Preferred Stock issued in the mergers will be subject to restrictions on ownership and transfers set forth in ARI's charter, including the Articles Supplementary. For additional information on the restrictions on the ARI common stock and ARI preferred stock, see *The Mergers and Related Transactions Restriction on Sales of ARI Common Stock and Preferred Stock* beginning on page 106.

### **Material U.S. Federal Income Tax Consequences**

The receipt of the merger consideration in exchange for AMTG common stock or AMTG Series A Preferred Stock, as applicable, pursuant to the mergers will be a taxable transaction for U.S. federal income tax purposes. Generally, an AMTG common stockholder will recognize gain or loss for U.S. federal income tax purposes measured by the difference, if any, between (1) the amount of cash received and the fair market value of the ARI common stock received on the effective date of the First Merger and (2) such stockholder's adjusted tax basis in its AMTG common stock exchanged for such merger consideration. Generally, a holder of AMTG Series A Preferred Stock will recognize gain or loss for U.S. federal income tax purposes measured by the difference, if any, between (1) the fair market value of the ARI Series C Preferred Stock received on the effective date of the Second Merger and (2) such holder's adjusted tax basis in its AMTG Series A Preferred Stock exchanged for such merger consideration.

AMTG stockholders should read *The Mergers and Related Transactions Material U.S. Federal Income Tax Considerations* beginning on page 106 for a more complete discussion of the U.S. federal income tax consequences of the mergers and of the acquisition, holding and disposition of ARI common stock and ARI Series C Preferred Stock received in the mergers. Tax matters can be complicated and the tax consequences of the mergers to an AMTG stockholder will depend on such holder's particular circumstances. AMTG stockholders should consult their tax advisors to determine the particular tax consequences to them (including the application and effect of any state, local or non-U.S. income and other tax laws, and applicable reporting requirements) of the mergers.

### **Management and Board of the Combined Company**

The ARI Board immediately prior to the effective time of the Second Merger will serve as the board of directors of the Combined Company following the mergers, with Jeffrey M. Gault continuing to serve as the Chairman.

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The executive officers of ARI immediately prior to the effective time of the Second Merger will serve as the executive officers of the Combined Company, with Stuart A. Rothstein continuing to serve as President and Chief Executive Officer.

**Interests of AMTG's Directors and Officers in the Transaction**

Certain of AMTG's executive officers and directors may have interests in the transaction that are different from, or in addition to, those of AMTG's and ARI's stockholders generally. These interests may present such executive officers and directors with actual or potential conflicts of interest. The AMTG Board was aware of these interests during its deliberations on the merits of the transaction and in deciding to approve the merger agreement and the transactions contemplated thereby. For additional information on the interests of AMTG's directors and officers in the transaction, see *The Mergers and Related Transactions Interests of AMTG's Directors and Officers in the Transaction* beginning on page 99.

**Conversion of Outstanding Shares Pursuant to the First Merger**

Shares of AMTG common stock owned by executive officers and directors of AMTG will be converted into the right to receive the Per Common Share Merger Consideration on the same terms and conditions as the other stockholders of AMTG. As of [ ], 2016, the executive officers and directors of AMTG beneficially owned, in the aggregate, [ ] shares of AMTG common stock, excluding outstanding AMTG Restricted Shares. If all of the shares of AMTG common stock beneficially owned by the executive officers and directors of AMTG as of [ ], 2016 (other than AMTG Restricted Shares) were converted into the right to receive the Per Common Share Merger Consideration in the First Merger, then the executive officers and directors would receive, based on the closing price of ARI common stock on [ ], 2016, total consideration with an aggregate value of \$[ ].

**Treatment of AMTG Restricted Shares**

Under the merger agreement, immediately prior to the First Merger, each outstanding AMTG Restricted Share which was not then vested will vest and, upon consummation of the First Merger, will be converted into the right to receive the Per Common Share Merger Consideration, less applicable tax withholdings.

As a result of the transactions contemplated under the merger agreement, AMTG's directors and executive officers who hold AMTG Restricted Shares would receive the following consideration in connection with the accelerated vesting prior to the First Merger:

Name	AMTG Restricted Shares (#)	Cash Consideration (\$)	ARI Shares (#)	Aggregate Consideration (\$) <sup>(1)</sup>
Mark C. Biderman	[ ]	[ ]	[ ]	[ ]
Thomas D. Christopoul	[ ]	[ ]	[ ]	[ ]
Frederick J. Kleisner	[ ]	[ ]	[ ]	[ ]
Hope S. Taitz	[ ]	[ ]	[ ]	[ ]
Michael A. Commaroto <sup>(2)</sup>	[ ]	[ ]	[ ]	[ ]

(1)

Aggregate consideration determined by adding the cash consideration to the value of the shares of ARI common stock using the closing price of ARI common stock on [ ], 2016.

- (2) This amount includes 72,380 AMTG Restricted Shares which were granted to Mr. Commaroto following the execution of the merger agreement (on March 17, 2016). Consistent with the treatment of AMTG Restricted Shares described above, these AMTG Restricted Shares will vest and be converted into the Per Common Share Merger Consideration upon the consummation of the First Merger.

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### **Other Compensation Arrangements**

It is anticipated that Mr. Commaroto will enter into arrangements with the AMTG Manager that will provide for a retention bonus in the amount of \$[ ] and severance in the amount of \$[ ] in connection with his continuing to provide services for a specified period following the closing of the mergers and his anticipated termination of employment thereafter. The payments will be made by the AMTG Manager or one or more of its affiliates and, other than with respect to liabilities relating to AMTG Restricted Shares, AMTG will have no liability with respect to these arrangements. In addition, at the time of the execution of the merger agreement, Mr. Commaroto was granted ARI restricted stock units with respect to 30,900 shares of ARI common stock that vest based upon the achievement of certain conditions.

### **Section 16 Matters**

Pursuant to the merger agreement, AMTG is permitted to take all steps as may be required to cause to be exempt under Rule 16b-3 under the Exchange Act any dispositions of shares of AMTG common stock (including derivative securities with respect to such shares) that are treated as dispositions under Rule 16b-3 and result from the transactions contemplated under the merger agreement by each officer or director of AMTG who is or will be subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to AMTG.

### **Indemnification and Insurance**

For a period of 10 years after the effective time of the mergers, pursuant to the terms of the merger agreement and subject to certain limitations, the surviving entity will indemnify, defend and hold harmless among others, each individual covered by the AMTG governing documents or any indemnification or similar agreements, for actions at or prior to the effective time of the mergers, including with respect to the transactions contemplated by the merger agreement. In addition, pursuant to the terms of the merger agreement and subject to certain limitations, prior to the effective time of the mergers, AMTG may obtain and pay for a directors' and officers' liability insurance tail or runoff insurance program for a period of ten years after the closing date with respect to wrongful acts and/or omissions committed or allegedly committed at or prior to the time of the First Merger (such coverage shall have an aggregate coverage limit over the term of such policy in an amount not to exceed the annual aggregate coverage limit under AMTG's existing directors' and officers' liability policy, and in all other respects shall be comparable to such existing coverage); provided, however, that the annual cost of such program may not exceed 250% of the annual premiums paid as of the date of the merger agreement by AMTG for directors' and officers' liability insurance (such 250% amount, the Base Premium); provided, further, if such insurance coverage cannot be obtained at all, or can only be obtained at an annual cost in excess of the Base Premium, AMTG may purchase the most advantageous policies of tail or run-off directors' and officers' insurance obtainable for an annual cost equal to the Base Premium. If AMTG obtains such insurance policy prior to the effective time of the First Merger, ARI shall cause such policy to be maintained in full force and effect, for its full term, and shall honor its obligations thereunder. Some of the directors and executive officers of AMTG are entitled to certain contractual payments, benefits and incentive awards in connection with the mergers, as described below.

**For a description of these interests in greater detail, refer to the section entitled *The Mergers and Related Transactions Interests of AMTG's Directors and Officers in the Transaction* beginning on page 99.**

### **Interests of ARI's Directors and Officers in the Transaction**

Certain of ARI's executive officers and directors may have interests in the transaction that are different from, or in addition to, those of AMTG's and ARI's stockholders generally. These interests may present such executive officers

and directors with actual or potential conflicts of interest. The ARI Board was aware of these interests during its deliberations on the merits of the transaction and in deciding to approve the merger agreement and the

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other transactions contemplated thereby. For additional information on the interests of ARI's directors and officers in the transaction, see *The Mergers and Related Transactions Interests of ARI's Directors and Officers in the Transaction* beginning on page 103.

### **Accounting Treatment of the Transaction**

ARI prepares its financial statements in accordance with U.S. generally accepted accounting principles, which we refer to as GAAP. The mergers will be accounted for by applying the acquisition method. See *The Mergers and Related Transactions Accounting Treatment of the Transaction* beginning on page 105.

### **Voting by AMTG's Directors and Officers**

AMTG is making the statements included in this section solely for the purpose of complying with the disclosure requirements of Rule 13e-3 and related rules under the Exchange Act.

Under SEC rules, AMTG is required, to the extent known to AMTG after making reasonable inquiry, to state how any executive officer, director or affiliate of AMTG currently intends to vote its subject securities, within the meaning of Rule 13e-3, including any securities the person has proxy authority for and to state the reasons for such intended actions. Currently, there are no formal arrangements between AMTG and any of its executive officers, directors or affiliates relating to the manner in which such individuals in their capacity as AMTG common stockholders will vote for the First Merger and the other transactions contemplated by the merger agreement. After reasonable inquiry, AMTG has concluded that each executive officer, director or affiliate currently intends to vote its shares of AMTG common stock for the approval of the First Merger and the transactions contemplated by the merger agreement based on the factors considered by, and the analysis, discussion and resulting conclusions of, the AMTG Special Committee and the AMTG Board described in the section entitled *The Mergers and Related Transactions AMTG's Reasons for the Transactions and Recommendation of AMTG's Board of Directors* beginning on page 60 of this proxy statement/prospectus. In particular, the executive officers, directors or affiliates have based their consideration on the following factors, among others:

the fact that the merger agreement and the transactions contemplated thereby, including the mergers, were negotiated, determined to be advisable and in the best interests of AMTG and its stockholders, and approved by the AMTG Special Committee and the AMTG Board;

the fact that the value of the Per Common Share Merger Consideration as of [ ], 2016, which is [ ] (based on the closing price as of [ ], 2016 on the NYSE for a share of ARI common stock, represents approximately a [ ]% premium over the market closing price of \$[ ] on February 25, 2016, the last unaffected trading day prior to the announcement of the merger agreement;

the fact that the Per Common Share Merger Consideration and the other terms and conditions of the merger agreement resulted from arm's-length negotiations between the ARI Special Committee and the AMTG Special Committee;

the fact that the merger agreement permits AMTG, subject to specific limitations and requirements set forth therein, to actively solicit alternative acquisition proposals from third parties, and to furnish confidential information to, and engage in discussions or negotiations with, the person or parties making such acquisition proposal through April 1, 2016, and thereafter AMTG may consider and respond to an unsolicited third-party acquisition proposal, and continue to furnish confidential information to, and engage in discussions or negotiations with, the person or parties making such acquisition proposal prior to the time AMTG's common stockholders approve the proposal to approve the First Merger and the other transactions contemplated by the merger agreement;

the fact that the merger agreement permits the AMTG Board, subject to specific limitations and requirements set forth therein, to withdraw or change its recommendation that AMTG's common



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stockholders vote in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement and to terminate the merger agreement and accept a superior proposal, in each case prior to the time AMTG's common stockholders approve the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, subject to AMTG paying ARI a termination fee of \$7.5 million or, in certain circumstances, \$12.0 million; and

the fact that the First Merger is conditioned upon, among other matters, the AMTG stockholders' approval of the First Merger and the other transactions contemplated by the merger agreement by the affirmative vote of the holders of at least a majority of the outstanding shares of AMTG common stock entitled to vote on the First Merger, including the affirmative vote of the holders of at least a majority of the then outstanding shares of AMTG common stock that are beneficially owned by persons who are not affiliates of Apollo.

The foregoing discussion of the factors considered by executive officers, directors and affiliates of AMTG is not intended to be exhaustive but is believed to include all material factors considered by such holders of AMTG common stock in making a determination regarding whether to vote for the proposal to approve the First Merger and the other transactions contemplated by the merger agreement for the purpose of complying with the requirements of Rule 13e-3 and the related rules under the Exchange Act. Such executive officers, directors and affiliates did not find it practicable to, and did not, quantify or otherwise attach relative weights to the foregoing factors in reaching their position as to whether to vote in favor of the mergers. Rather, such executive officers, directors and affiliates made their decision whether to vote in favor of the mergers after considering all of the factors as a whole.

Approval of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of AMTG common stock. In addition, the closing of the mergers is conditioned upon the holders of at least a majority of the outstanding shares of AMTG common stock that are beneficially owned by persons unaffiliated with Apollo approving the proposal to approve the First Merger and the other transactions contemplated by the merger agreement. The executive officers, directors and affiliates discussed in this *Voting by AMTG's Directors and Officers* section will be not be entitled to vote as holders of outstanding shares of AMTG common stock that are beneficially owned by persons unaffiliated with Apollo.

### **Voting by Apollo Participants and ARI's Directors and Officers**

Certain of the Apollo Participants and certain of the directors and officers of ARI hold and are entitled to vote shares of the AMTG common stock at the AMTG special meeting. We believe that the Apollo Participants and such directors and officers of ARI intend to vote all of their shares of AMTG common stock FOR the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, FOR the proposal to approve one or more adjournments of the AMTG special meeting to another date, time or place, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, and FOR the Merger-Related Named Executive Officer Compensation Proposal. Notwithstanding the foregoing, the First Merger is conditioned upon, among other things, the affirmative vote of the holders of at least a majority of the outstanding shares of AMTG common stock. In addition, the closing of the mergers is conditioned upon the holders of at least a majority of the outstanding shares of AMTG common stock that are beneficially owned by persons unaffiliated with Apollo approving the proposal to approve the First Merger and the other transactions contemplated by the merger agreement. For additional information on the intended voting by the Apollo Participants and the directors and officers of ARI and the conditions to the First Merger, see *The Mergers and Related Transactions Voting by Apollo Participants and ARI's Directors and Officers* beginning on page 105 and *The Agreements Description of the Merger Agreement Conditions to Completion of the First Merger* beginning on page 152.



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### **Stockholder Appraisal Rights in the Mergers**

Holders of AMTG common stock and AMTG Series A Preferred Stock are not entitled to exercise appraisal, dissenters' or similar rights in connection with the mergers or the other transactions contemplated by the merger agreement. See *No Appraisal Rights* on page 206.

### **Comparison of Rights of AMTG Stockholders and ARI Stockholders**

If the mergers are consummated, stockholders of AMTG will become stockholders of the Combined Company. As a result, the rights of the former AMTG stockholders will be governed by the MGCL and the charter and bylaws of ARI, rather than the charter and bylaws of AMTG. For a summary of certain differences between the rights of AMTG stockholders and ARI stockholders, see *Comparison of Stockholder Rights* beginning on page 202.

### **Financing of the Mergers**

ARI's obligation to consummate the mergers is not conditioned upon ARI having received any financing. However, in connection with the merger agreement and the transactions contemplated thereby, ARI entered into a commitment letter (the *Bridge Loan Commitment Letter*) with Athene's subsidiary, Athene USA, dated February 26, 2016, pursuant to which Athene USA agreed to provide a senior secured term loan in an aggregate amount of up to \$200.0 million subject to certain adjustments (the *Bridge Loan*). At or prior to the consummation of the mergers, ARI expects to enter into definitive documentation for the Bridge Loan. ARI will have the option to draw on the bridge loan facility to fund a portion of the cash component of the merger consideration and to pay fees and expenses incurred in connection with the mergers. The amount drawn will depend on a number of factors. The Bridge Loan's stated maturity date will be the 364th day following the day on which the First Merger occurs. ARI will be required to use the net cash proceeds of the sale of assets under the asset purchase agreement (as defined in *Key Terms of the Asset Purchase Agreement* below) to repay the Bridge Loan. This requirement is anticipated to result in the entire repayment of the Bridge Loan prior to its stated maturity date.

For more information regarding the financing of the mergers, see *The Agreements Description of the Bridge Loan Commitment* beginning on page 161. We encourage you to carefully read the Bridge Loan Commitment Letter, a copy of which is attached as Annex C to this proxy statement/prospectus, in its entirety because it is the legal document governing the transactions contemplated thereby.

### **Key Terms of the Asset Purchase Agreement**

In connection with ARI's entry into the merger agreement, on February 26, 2016 ARI entered into an asset purchase and sale agreement (the *asset purchase agreement*) with Athene USA subsidiaries Athene Annuity & Life Assurance Company and Athene Annuity and Life Company (collectively, *Athene Annuity*), pursuant to which Athene Annuity has agreed to buy approximately \$1.2 billion of certain assets of AMTG, primarily consisting of non-Agency residential mortgage backed securities, immediately following the effectiveness of the First Merger, which we refer to as the asset sale transaction. In order to consummate the asset sale transaction, Athene Annuity is required to obtain certain approvals from its applicable state insurance regulators. A copy of the asset purchase agreement is attached as Annex B to this proxy statement/prospectus and incorporated herein by reference. For a summary of the material provisions of the asset purchase agreement, see *The Agreements Description of the Asset Purchase Agreement* beginning on page 157. We encourage you to carefully read the asset purchase agreement, a copy of which is attached as Annex B to this proxy statement/prospectus, in its entirety because it is the legal document governing the transactions contemplated thereby.



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**Table of Contents****Key Terms of the Stock Purchase Agreement**

On February 26, 2016 ARI also entered into a stock purchase agreement (referred to herein as the stock purchase agreement ) with Athene USA. Under the stock purchase agreement, during the first 30 trading days following the closing of the mergers (or, under certain circumstances, a later date as set forth in the stock purchase agreement), Athene USA agreed to purchase (or cause one or more of its subsidiaries to purchase) up to \$20 million (subject to reduction in certain circumstances) of shares of ARI common stock in the open market at the then-current market price if the quoted price per share of ARI common stock on the NYSE at any time during the 30-trading-day period is less than the per share value of the shares of ARI common stock issued to holders of AMTG common stock in the First Merger (which is fixed at \$16.75) and hold such shares for 180 days thereafter. Athene USA's commitment to purchase shares of ARI common stock is subject to certain limitations, restrictions and conditions, including that all purchases will be made only pursuant to a Rule 10b5-1 plan and in accordance with Rule 10b-18 under the Exchange Act and other restrictions imposed by applicable law. A copy of the stock purchase agreement is attached as Annex C to this proxy statement/prospectus and incorporated herein by reference. For a summary of the material provisions of the stock purchase agreement, see *The Agreements Description of the Stock Purchase Agreement* beginning on page 162. We encourage you to carefully read the stock purchase agreement, a copy of which is attached as C to this proxy statement/prospectus, in its entirety because it is the legal document governing the transactions contemplated thereby.

**Letter Agreements with the ARI Manager and the AMTG Manager**

On February 26, 2016, ARI entered into a letter agreement (referred herein as the ARI Manager letter agreement ) with the ARI Manager and ACREFI Operating, LLC, pursuant to which the ARI Manager agreed to perform such services and activities as may be necessary to enable ARI to consummate the mergers and the other transactions contemplated by the merger agreement in exchange for certain payments from ARI. On February 26, 2016, AMTG entered into a letter agreement (referred herein as the AMTG Manager letter agreement ) with the AMTG Manager and ARM Operating, LLC, pursuant to which the AMTG Manager agreed to perform such services and activities as may be necessary to enable AMTG to consummate the mergers and the other transactions contemplated by the merger agreement. The AMTG Manager letter agreement also contains provisions that will reduce the aggregate amounts of management fees that otherwise would be payable to the AMTG Manager and the ARI Manager after the consummation of the mergers. Copies of the ARI Manager letter agreement and the AMTG Manager letter agreement are attached as Annexes E and F, respectively, to this proxy statement/prospectus and incorporated herein by reference. For a summary of the material provisions of the ARI Manager letter agreement and the AMTG Manager letter agreement, see *The Agreements Description of Letter Agreements with the Managers* beginning on page 163.

**Relationships among Apollo, AMTG, ARI and Athene**

The ARI Manager and the AMTG Manager are the external managers of ARI and AMTG, respectively, pursuant to management agreements that provide for investment advisory services to be rendered to ARI and AMTG subject to the supervision of the respective boards of directors of ARI and AMTG. Each of the ARI Manager and the AMTG Manager is an indirect subsidiary of Apollo. As of [ ], 2016, certain affiliates of Apollo and the Apollo-affiliated directors and officers of ARI and AMTG collectively held [ ]% of the outstanding shares of ARI common stock and [ ]% of the outstanding shares of AMTG common stock.

Certain of the members of the AMTG Board have relationships with Apollo as set forth below:

Michael A. Commaroto is the president and chief executive officer of the AMTG Manager, an affiliate of Apollo;

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James E. Galowski is an employee of an affiliate of Apollo; and

Frederick N. Khedouri is an employee of an entity affiliated with Apollo.

In addition, (i) Mark C. Biderman is a member of both the AMTG Board and the ARI Board and has recused himself from all deliberations relating to the mergers and (ii) Hope S. Taitz is a member of both the AMTG Board and the board of directors of Athene Holding Ltd. Ms. Taitz is also a member of the conflicts committee of the board of directors of Athene Holding Ltd., but she was not a member of the special sub-committee of the conflicts committee that considered the transactions between ARI and Athene.

AMTG does not have any employees; all of its officers are employees of the AMTG Manager. ARI does not have any employees; all of its officers are employees of the ARI Manager.

Apollo is a significant shareholder of Athene Holding Ltd., through which Apollo holds approximately 45% of the total voting power of Athene Holding Ltd. Athene's invested assets are also managed by Athene Asset Management, L.P. (AAM), which is a subsidiary of Apollo. Certain of Athene Holding Ltd.'s directors are also employees of Apollo and directors of AAM, and Athene Holding Ltd.'s Chief Executive Officer is the Chief Executive Officer and an equity holder of AAM.

## **Litigation Related to the Mergers and Related Transactions**

After the announcement of the execution of the merger agreement, two putative class action lawsuits challenging the proposed merger, captioned *Aivasian v. Apollo Residential Mortgage, Inc., et al.*, No. 24-C-16-001532 and *Wiener v. Apollo Residential Mortgage, Inc., et al.*, No. 24-C-16-001837, were filed in the Circuit Court for Baltimore City, Maryland on March 7, 2016 and March 21, 2016, respectively. The complaints name as defendants AMTG, the AMTG Board, ARI, Merger Sub, and Apollo and allege, among other things, that the members of the AMTG Board breached their fiduciary duties to AMTG's stockholders. The complaints further allege, among other things, that the proposed merger involves inadequate consideration, was the result of an inadequate and conflicted sales process, and includes unreasonable deal protection devices that purportedly preclude competing offers. The complaints also allege that ARI, Merger Sub, and Apollo aided and abetted those alleged breaches of fiduciary duty. The complaints seek, among other things, certification of the proposed class, declaratory relief, preliminary and permanent injunctive relief, including enjoining or rescinding the mergers, unspecified damages, and an award of other unspecified attorneys' and other fees and costs. The defendants believe that the claims asserted in the complaints are without merit and intend to vigorously defend the lawsuits. See *Litigation Related to the Mergers and Related Transactions* on page 164.

**Table of Contents****SELECTED HISTORICAL FINANCIAL DATA****Selected Historical Consolidated Financial Data of AMTG**

All currency figures are presented in thousands, except per share amounts or as otherwise noted.

The selected financial data presented below has been derived from AMTG's audited consolidated financial statements. This information should be read in conjunction with Item 1, Item 7 and the audited consolidated financial statements and notes thereto included under Item 8 of AMTG's annual report on Form 10-K for the year ended December 31, 2015, which is incorporated herein by reference. See *Where You Can Find More Information; Incorporation By Reference* beginning on page 207.

	For the Year Ended December 31,				For the Period
	2015	2014	2013	2012	From July 27, 2011 Through December 31, 2011
<b>Operating Data:</b>					
Interest income	\$ 160,100	\$ 154,177	\$ 154,713	\$ 94,369	\$ 10,733
Interest expense	(32,358)	(30,386)	(27,602)	(14,631)	(1,138)
Net interest income	127,742	123,791	127,111	79,738	9,595
Realized gain/(loss) on sale of RMBS, net	16,998	(8,821)	(66,850)	39,817	885
Realized gain/loss on sale of other investments securities	102				
Other than temporary impairment recognized	(12,089)	(14,891)	(13,412)	(5,475)	(2,120)
Unrealized gain/(loss) on RMBS, net	(64,027)	102,942	(133,963)	105,877	4,602
Realized gain/(loss) on derivatives, net	(41,396)	(49,148)	9,203	(12,514)	(630)
Unrealized gain/(loss) on derivatives, net	(5,015)	(39,379)	50,373	(20,151)	(3,246)
Unrealized gain/(loss) on securitized mortgage loans, net	(1,958)	4,813	3,950		
Unrealized (loss) on mortgage loans, net		(9)			
Unrealized gain/(loss) on securitized debt, net	1,031	(124)	(954)		
Unrealized gain/(loss) on other investment securities	(6,376)	(96)	335		
Other, net	(123)	82	76	48	2
Operating expenses	(26,484)	(23,105)	(23,080)	(14,584)	(4,616)
Net income/(loss)	\$ (11,595)	\$ 96,055	\$ (47,211)	\$ 172,756	\$ 4,472
Preferred Stock dividends declared	(13,800)	(13,800)	(13,800)	(5,022)	



Net income/(loss) allocable to common stock and participating securities	\$ (25,395)	\$ 82,255	\$ (61,011)	\$ 167,734	\$ 4,472
Earnings/(loss) per common share basic and diluted	\$ (0.81)	\$ 2.55	\$ (2.02)	\$ 8.36	\$ 0.43
Dividends declared per share of common stock	\$ 1.92	\$ 1.71	\$ 2.20	\$ 3.40	\$ 0.30

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	December 31,				
	2015	2014	2013	2012	2011
<b>Balance Sheet Data (at period end):</b>					
Agency pass-through RMBS	\$ 1,800,250	\$ 2,243,946	\$ 2,219,334	\$ 3,572,168	\$ 1,112,459
Agency Inverse Floater securities	\$	\$ 5,094	\$	\$	\$
Agency IO securities	\$ 57,354	\$ 11,941	\$ 44,425	\$ 5,880	\$ 7,884
Agency Inverse IO securities	\$ 6,752	\$ 26,542	\$ 26,778	\$ 48,046	\$ 7,783
Non-Agency RMBS	\$ 1,197,226	\$ 1,468,109	\$ 1,212,789	\$ 605,197	\$ 112,346
Securitized mortgage loans	\$ 167,624	\$ 104,438	\$ 110,984	\$	\$
Other investment securities	\$ 166,190	\$ 34,228	\$ 11,515	\$	\$
Mortgage loans held at fair value	\$	\$ 14,120	\$	\$	\$
Other investments	\$ 45,233	\$ 40,561	\$	\$	\$
Derivative instruments assets	\$ 4,347	\$ 11,642	\$ 53,315	\$ 750	\$
Cash and cash equivalents	\$ 120,144	\$ 114,443	\$ 127,959	\$ 149,576	\$ 44,407
<b>Total Assets</b>	<b>\$ 3,663,025</b>	<b>\$ 4,348,053</b>	<b>\$ 3,911,576</b>	<b>\$ 4,487,921</b>	<b>\$ 1,416,927</b>
Borrowings under repurchase agreements	\$ 2,898,347	\$ 3,402,327	\$ 3,034,058	\$ 3,654,436	\$ 1,079,995
Non-recourse securitized debt	\$ 18,951	\$ 34,176	\$ 43,354	\$	\$
Derivative instruments liabilities	\$ 13,813	\$ 8,949	\$ 4,610	\$ 23,184	\$ 3,481
<b>Total Liabilities</b>	<b>\$ 2,968,162</b>	<b>\$ 3,562,101</b>	<b>\$ 3,153,975</b>	<b>\$ 3,771,138</b>	<b>\$ 1,212,341</b>
Preferred Stock, liquidation preference	\$ 172,500	\$ 172,500	\$ 172,500	\$ 172,500	\$
<b>Total Stockholders Equity</b>	<b>\$ 694,863</b>	<b>\$ 785,952</b>	<b>\$ 757,601</b>	<b>\$ 716,783</b>	<b>\$ 204,586</b>

**Selected Historical Consolidated Financial Data of ARI**

The selected financial data presented below has been derived from ARI's audited consolidated financial statements. This information should be read in conjunction with Item 1, Item 7 and the audited consolidated financial statements and notes thereto included under Item 8 of ARI's annual report on Form 10-K for the year ended December 31, 2015, which is incorporated herein by reference. See *Where You Can Find More Information; Incorporation By Reference* beginning on page 207.

	For the Year Ended December 31,				
	2015	2014	2013	2012	2011
<b>Operating Data:</b>					
Interest income	\$ 192,164	\$ 123,347	\$ 77,463	\$ 57,079	\$ 52,918
Interest expense	\$ (48,861)	\$ (26,541)	\$ (4,356)	\$ (8,402)	\$ (14,454)
Net interest margin	\$ 143,303	\$ 96,806	\$ 73,107	\$ 48,677	\$ 38,464
Operating expenses	\$ (26,111)	\$ (18,111)	\$ (17,575)	\$ (14,682)	\$ (10,380)
Income from unconsolidated joint venture	\$ 3,464	\$ (157)	\$	\$	\$
Interest on cash balances	\$ 1,239	\$ 34	\$ 20	\$ 7	\$ 13
Realized gain (loss) on sale of securities	\$ (443)	\$	\$	\$ 262	\$
Unrealized gain (loss) on securities	\$ (17,408)	\$ 4,147	\$ (3,065)	\$ 6,489	\$ 481
Foreign currency gain (loss)	\$ (4,894)	\$ (4,050)	\$	\$	\$
Loss on derivative instruments	\$ 4,106	\$ 4,070	\$ (2)	\$ (572)	\$ (2,696)
Net income (loss)	\$ 103,256	\$ 82,739	\$ 52,485	\$ 40,181	\$ 25,882
Preferred dividends	\$ (11,884)	\$ (7,440)	\$ (7,440)	\$ (3,079)	\$
	\$ 91,372	\$ 75,299	\$ 45,045	\$ 37,102	\$ 25,882

Net income (loss) available to common  
stockholders

Net income (loss) per share basic and diluted	\$ 1.54	\$ 1.72	\$ 1.26	\$ 1.64	\$ 1.35
Dividends declared per share	\$ 1.78	\$ 1.60	\$ 1.60	\$ 1.60	\$ 1.60

**Balance Sheet Data (at period end):**

Total assets	\$ 2,719,943	\$ 1,845,147	\$ 907,504	\$ 788,430	\$ 891,230
Total liabilities	\$ 1,344,519	\$ 990,078	\$ 224,548	\$ 241,506	\$ 554,252
Total stockholders equity	\$ 1,375,424	\$ 855,069	\$ 682,956	\$ 546,924	\$ 336,978

**Table of Contents****SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The following tables set forth for the year ended December 31, 2015 selected per share information for AMTG common stock on a historical basis and ARI common stock on a historical and pro forma combined basis after giving effect to the mergers using the acquisition method of accounting. Except for the historical information as of and for the year ended December 31, 2015, the information in the table is unaudited. You should read the tables below together with the historical consolidated financial statements and related notes of AMTG and ARI contained in their respective Annual Reports on Form 10-K for the year ended December 31, 2015, which are incorporated by reference into this proxy statement/prospectus. See *Where You Can Find More Information; Incorporation by Reference* beginning on page 207.

The ARI pro forma combined information shows the effect of the mergers from the perspective of an owner of ARI common stock and the information was computed by dividing pro forma book value and pro forma net income available to common stockholders by the pro forma number of ARI common shares outstanding. This computation does not include the benefit to AMTG stockholders of the cash component of the merger consideration.

	<b>Year Ended December 31, 2015</b>			
	<b>ARI</b>	<b>AMTG</b>	<b>Pro-forma Adjustments</b>	<b>ARI Pro- Forma</b>
<b>Operating Data:</b>				
Interest income	192,164	160,100	(78,544)	273,720
Interest expense	(48,861)	(32,358)	19,983	(61,236)
Net interest margin	143,303	127,742	(58,561)	212,484
Operating expenses	(26,111)	(26,484)		(52,595)
Income from unconsolidated joint venture	3,464			3,464
Interest on cash balances	1,239			1,239
Realized gain (loss) on sale of investments	(443)	17,100		16,657
Unrealized gain (loss) on investments	(17,408)	(71,330)	46,990	(41,748)
Foreign currency gain (loss)	(4,894)			(4,894)
Loss on derivative instruments	4,106	(46,411)		(42,305)
Other than temporary impairment recognized		(12,089)	9,031	(3,058)
Other, net		(123)		(123)
Net income (loss)	103,256	(11,595)	(2,539)	89,121
Preferred dividends	(11,884)	(13,800)		(25,684)
Net income (loss) available to common stockholders	91,372	(25,395)	(2,539)	63,437
Net income (loss) per share basic and diluted	1.54	(0.81)		0.87
Basic weighted average shares of common stock outstanding	58,674,046	31,954,000	13,400,000	72,074,046
	59,273,280	31,954,000	13,400,000	72,673,280

Diluted weighted average shares of common stock  
outstanding

**Balance Sheet Data (at period end):**

Total assets	2,719,943	3,663,025	(1,259,826)	5,123,142
Total liabilities	1,344,519	2,968,162	(983,951)	3,328,730
Total stockholders equity	1,375,424	694,863	(275,875)	1,794,412

**Table of Contents****COMPARATIVE PER SHARE DATA**

The unaudited pro forma per share data is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the transactions had been consummated at the beginning of the period presented, nor is it necessarily indicative of future operating results or financial position of the Combined Company. The pro forma adjustments are estimates based upon information and assumptions available at the time of the filing of this proxy statement/prospectus.

The pro forma net income per share includes the combined income from continuing operations of ARI and AMTG on a pro forma basis as if the transactions were consummated on January 1, 2015.

	ARI	AMTG	ARI Pro- Forma Combined
<b>As of December 31, 2015</b>			
Book value per common share	\$ 16.21	\$ 16.40	\$ 16.57
<b>For the Year ended December 31, 2015</b>			
Basic and diluted net income per share of common stock	\$ 1.54	\$ (0.81)	\$ 0.87
Cash dividends declared per common share	\$ 1.78	\$ 1.92	

**COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION****ARI's Market Price Data**

ARI common stock is listed on the NYSE under the symbol ARI. This table sets forth, for the periods indicated, the high and low sales prices per share of ARI common stock, as reported by the NYSE, and dividends declared per share of ARI common stock.

	Price Per Share of Common Stock		Dividends Declared Per Share <sup>(1)</sup>
	High	Low	
<b>2014</b>			
First Quarter	\$ 17.05	\$ 16.18	\$ 0.40
Second Quarter	\$ 17.18	\$ 16.22	\$ 0.40
Third Quarter	\$ 16.95	\$ 15.71	\$ 0.40
Fourth Quarter	\$ 17.04	\$ 15.62	\$ 0.40
<b>2015</b>			
First Quarter	\$ 17.73	\$ 16.25	\$ 0.44
Second Quarter	\$ 17.62	\$ 16.42	\$ 0.44
Third Quarter	\$ 17.24	\$ 12.92	\$ 0.44
Fourth Quarter	\$ 18.25	\$ 15.41	\$ 0.46

- (1) Common stock cash distributions currently are declared quarterly by ARI, based on financial results for the prior quarter.

**Table of Contents****AMTG's Market Price Data**

AMTG common stock is listed on the NYSE under the symbol AMTG. This table sets forth, for the periods indicated, the range of high and low sales prices per share of AMTG common stock as reported by the NYSE, and dividends declared per share of AMTG common stock.

	Price Per Share of Common Stock		Dividends Declared Per Share <sup>(1)</sup>
	High	Low	
<b>2014</b>			
First Quarter	\$ 17.50	\$ 14.66	\$ 0.40
Second Quarter	\$ 17.14	\$ 15.60	\$ 0.42
Third Quarter	\$ 17.00	\$ 15.41	\$ 0.44
Fourth Quarter	\$ 16.71	\$ 15.44	\$ 0.45
<b>2015</b>			
First Quarter	\$ 16.50	\$ 15.44	\$ 0.48
Second Quarter	\$ 16.18	\$ 14.65	\$ 0.48
Third Quarter	\$ 15.26	\$ 12.21	\$ 0.48
Fourth Quarter	\$ 13.41	\$ 11.34	\$ 0.48

(1) Common stock cash distributions currently are declared quarterly by AMTG, based on financial results for the prior months.

**Recent Closing Prices**

The table below sets forth the closing per share sales prices of ARI common stock and AMTG common stock as reported by the NYSE on February 25, 2016, the last full trading day before the public announcement of the execution of the merger agreement by ARI and AMTG, and on [ ], 2016, the latest practicable trading day before the date of this proxy statement/prospectus. The ARI pro forma equivalent closing share price is equal to (i) the cash consideration of \$[ ] plus (ii) the closing price of a share of ARI common stock on each such date multiplied by [ ] (the number of shares of ARI common stock to be received by holders of AMTG common stock as the Per Share Stock Consideration in the First Merger).

	ARI Common Stock	AMTG Common Stock	ARI Pro Forma Equivalent
February 25, 2016	\$ [ ]	\$ [ ]	\$ [ ]
[ ], 2016	\$ [ ]	\$ [ ]	\$ [ ]

The market price of ARI common stock and AMTG common stock will fluctuate between the date of this proxy statement/prospectus and the effective time of the First Merger. Because the number of shares of ARI common stock to be issued in the First Merger for each share of AMTG common stock is fixed in the merger agreement, the market value of ARI common stock to be received by holders of AMTG common stock in the First Merger may vary significantly from the prices shown in the table above.



Following the transaction, ARI common stock will continue to be listed on the NYSE and, until the completion of the First Merger, AMTG common stock will continue to be listed on NYSE.

**Table of Contents****RATIO OF EARNINGS TO COMBINED FIXED CHARGES & PREFERRED STOCK DIVIDENDS**

The following table sets forth ARI's ratios of earnings to fixed charges and earnings to combined fixed charges and preferred stock dividends for the periods indicated. The ratio of earnings to fixed charges was computed by dividing earnings by ARI's fixed charges, and ARI's ratio of earnings to combined fixed charges and preferred stock dividends was computed by dividing earnings by ARI's combined fixed charges and preferred stock dividends. For purposes of calculating this ratio, earnings include pre-tax income from continuing operations before extraordinary items plus fixed charges less interest capitalized and income from equity investments. Fixed charges consists of interest expense and interest capitalized. This ratio is calculated in accordance with accounting principles generally accepted in the United States.

	<b>For the Year Ended December 31,</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>AMTG</b>					
Consolidated ratio of earnings to combined fixed charges and preferred stock dividends:	0.75X	3.17X			
<b>ARI</b>					
Consolidated ratio of earnings to combined fixed charges:	2.91X	3.15X	11.56X	5.61X	2.66X
Consolidated ratio of earnings to combined fixed charges and preferred stock dividends:	2.52X	2.75X	4.86X	4.37X	2.66X

The following unaudited table sets forth the supplementary pro forma ratio of earnings to combined fixed charges and preferred share dividends of the Combined Company as defined in Item 503(d) of Regulation S-K for the periods indicated. For the purpose of computing the ratios below, earnings have been calculated based upon the pro forma financial statements provided in this document assuming the mergers had been completed as of January 1, 2015 by using the same methodology as described in calculating the ratios above.

The unaudited supplementary pro forma ratio of earnings to combined fixed charges and preferred share dividends are prepared for informational purposes only and are based on assumptions and estimates considered appropriate by the management of ARI and AMTG; however, they are not necessarily indicative of what the Combined Company's financial condition or results of operations actually would have been if the mergers had been consummated as of the dates indicated, nor do they purport to represent the ratio of earnings to combined fixed charges and preferred share dividends for future periods.

	<b>For the Year Ended December 31, 2015</b>
Supplementary pro forma consolidated ratio of earnings to combined fixed charges:	5.00X
Supplementary pro forma consolidated ratio of earnings to combined fixed charges and preferred stock dividends:	3.79X

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**RISK FACTORS**

**Risk Factors Relating to the Proposed Mergers**

*The directors and executive officers of AMTG may have interests relating to the mergers that differ in certain respects from the interests of the AMTG unaffiliated stockholders.*

In considering the recommendations of the AMTG Special Committee and AMTG Board to approve the First Merger and the other transactions contemplated by the merger agreement, you should consider that some of the directors and officers of AMTG may have interests that differ from, or are in addition to, interests of AMTG stockholders generally, including:

all of the directors and officers of AMTG will receive continued indemnification for their actions as directors and executive officers;

certain directors of AMTG, none of whom is a member of the AMTG Special Committee, are employees of affiliates of Apollo;

certain directors of AMTG, none of whom is a member of the AMTG Special Committee, also serve as directors of ARI and Athene Holding Ltd.

*The merger consideration to be paid to AMTG stockholders (subject to adjustment under certain circumstances) was fixed on [ ], 2016 and will not be adjusted in the event of any change in either AMTG's or ARI's stock price or common equity book value after [ ], 2016; but the market value of the stock consideration is variable and subject to fluctuations in ARI's stock price.*

Upon the consummation of the First Merger, each share of AMTG common stock will be converted into the right to receive [ ] shares of ARI common stock, together with cash consideration. The amount of cash consideration of \$[ ] per share payable to holders of AMTG common stock has been determined based on AMTG's book value as of [ ], 2016, after subtracting the Per Share Stock Consideration based on a fixed per share value of ARI common stock of \$16.75. This methodology was fixed in the merger agreement and calculated as of [ ], 2016 and will not be adjusted for changes in the market price or book value of either ARI or AMTG common stock between [ ], 2016 and the consummation of the First Merger.

Changes in the price of ARI common stock prior to the effective time of the First Merger will affect the market value of the Per Share Stock Consideration that holders of AMTG common stock will receive in the First Merger. Stock price changes may result from a variety of factors (many of which are beyond the control of AMTG or ARI), including the following factors:

market reaction to the announcement of the mergers and the prospects of the Combined Company;

changes in the respective businesses, operations, assets, liabilities and prospects of either company;

changes in market assessments of the business, operations, financial position and prospects of either company;

market assessments of the likelihood that the mergers will be completed;

interest rates, general market and economic conditions and other factors generally affecting the price of ARI common stock and AMTG common stock;

U.S. federal, state and local legislation, governmental regulation and legal developments in the businesses in which AMTG and ARI operate; and

other factors beyond AMTG's and ARI's control, including those described or referred to elsewhere in this *Risk Factors* section.

The price of ARI common stock at the closing of the First Merger may vary from its price on the date the merger agreement was executed, on the date of this proxy statement/prospectus and on the date of the AMTG special meeting.

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Because the mergers will be completed after the date of the AMTG special meeting, at the time of such meeting, AMTG's common stockholders will not know the exact market value of the ARI common stock that holders of AMTG common stock will receive upon completion of the First Merger. The following two risks should be considered:

If the price of ARI common stock increases between the date the merger agreement was signed or the date of the AMTG special meeting and the effective time of the First Merger, AMTG's common stockholders will receive shares of ARI common stock that have a market value upon completion of the First Merger that is greater than the market value of such shares calculated when the merger agreement was signed or the date of the AMTG special meeting, respectively.

If the price of ARI common stock declines between the date the merger agreement was signed or the date of the AMTG special meeting and the effective time of the First Merger, including for any of the reasons described above, AMTG's common stockholders will receive shares of ARI common stock that have a market value upon completion of the First Merger that is less than the market value of such shares calculated on the date the merger agreement was signed or on the date of the AMTG special meeting, respectively.

In light of the foregoing, AMTG's common stockholders cannot be sure of the market value of the ARI common stock (and therefore, the aggregate value of the merger consideration) they will receive upon completion of the First Merger or the market value of ARI common stock at any time after the completion of the mergers.

***The First Merger and the other transactions contemplated by the merger agreement are subject to approval by AMTG's common stockholders.***

Completion of the First Merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of AMTG common stock. In addition, the closing of the mergers is conditioned upon the holders of at least a majority of the outstanding shares of AMTG common stock that are beneficially owned by persons unaffiliated with Apollo approving the proposal to approve the First Merger and the other transactions contemplated by the merger agreement. If the AMTG common stockholders do not approve the First Merger, the AMTG stockholders will not realize any of the benefits of the mergers and may be harmed by negative impacts to AMTG's stock price.

***AMTG's stockholders will be diluted by the mergers.***

The mergers will dilute the ownership position of AMTG's current stockholders, and result in AMTG's stockholders having an ownership stake in the Combined Company that is smaller than their current stake in AMTG. Following the issuance of shares of ARI common stock to AMTG's common stockholders pursuant to the merger agreement, ARI common stockholders and AMTG's former common stockholders are expected to hold approximately [ ]% and [ ]%, respectively, of the Combined Company's common stock outstanding immediately after the First Merger, based on the number of shares of common stock of each of AMTG and ARI currently outstanding and various assumptions regarding share issuances by each of AMTG and ARI prior to the effective time of the First Merger. Consequently, ARI stockholders and AMTG stockholders, as a general matter, will have less influence over the management and policies of ARI after the First Merger than each currently exercise over AMTG's and ARI's management and policies, as applicable.

***If the mergers do not occur, AMTG may incur payment obligations to ARI.***

If the merger agreement is terminated under certain circumstances, AMTG may be obligated to pay ARI a termination fee of \$7.5 million if the transaction is terminated in connection with a superior proposal received during the go-shop period or otherwise made by an excluded party, or \$12 million if the transaction is terminated in certain other circumstances, and/or reimburse ARI up to \$6 million in transaction expenses.

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***Failure to complete the mergers could negatively impact AMTG's stock prices and AMTG's future business and financial results.***

If the merger agreement is terminated and the mergers are not completed, AMTG's ongoing business could be adversely affected and AMTG will be subject to several risks, including the following:

AMTG being obligated to pay ARI a termination fee of \$7.5 million if the transaction is terminated in connection with a superior proposal received during the go-shop period or from an excluded party, or \$12 million if the transaction is terminated in certain other circumstances, and/or reimburse ARI up to \$6 million in transaction expenses;

having to pay certain costs relating to the proposed mergers, such as legal, accounting, financial advisor, filing, printing and mailing fees and employee severance and retention expenses; and

diversion of management focus and resources from operational matters and other strategic opportunities while working to implement the mergers.

The terms of the merger agreement place certain restrictions on the investment and hedging operations of AMTG in connection with a possible consummation of the proposed transaction. If the mergers are not completed, the manner in which AMTG conducted its investment and hedging operations after the execution of the merger agreement may adversely affect operating results during 2016 and the amount of any dividend payable in 2016 after the first quarter of 2016. In anticipation of the mergers closing, the AMTG Manager has begun to reduce staffing for AMTG's operations. If the mergers are not completed, there may be a period of time required for the AMTG Manager to fully restaff for AMTG's operations. As a result, if the mergers are not completed, operating results during the remainder of 2016 may be adversely affected.

If the mergers are not completed, these risks could materially and adversely affect AMTG's business, financial results and stock price.

In addition, shares of AMTG common stock have been trading at a premium since announcement of the merger agreement. If the mergers are not completed, the stock price of AMTG may decline to its pre-announcement levels.

***The pendency of the mergers could adversely affect AMTG's business and operations.***

In connection with the pending mergers, some of AMTG's financing sources or vendors may delay or defer decisions, which could negatively impact AMTG's revenues, earnings, cash flows and expenses, regardless of whether the mergers are completed. In addition, due to operating covenants in the merger agreement, AMTG may be unable, during the pendency of the mergers, to pursue certain strategic transactions, undertake certain significant financing transactions or investments and otherwise pursue other actions that are not in the ordinary course of business, even if such actions would prove beneficial. Because of the pendency of the mergers, AMTG is limiting some of its investment activity in less liquid investments, such as non-Agency RMBS, and longer term liabilities, even if such investments or longer term liabilities would be beneficial absent the mergers occurring.

***The merger agreement contains provisions that, after expiration of the go-shop period, could discourage a potential competing acquiror or could result in any competing proposal being at a lower price than it might otherwise be.***

The merger agreement contains no shop provisions that, subject to limited exceptions and the expiration of the 35-day go-shop period, restrict AMTG's ability to solicit, encourage, facilitate or discuss competing third-party proposals to acquire all or a significant part of AMTG. In addition, before the AMTG Board may withdraw or qualify its recommendation, ARI generally has an opportunity to offer to modify the terms of the merger agreement in response to any competing proposals. Upon termination of the merger agreement in certain circumstances, AMTG may be required to pay a termination fee and/or expense reimbursement to ARI.



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These provisions could discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of AMTG from considering or proposing an acquisition, even if it were prepared to pay consideration with a higher per share cash or market value than the market value proposed to be received or realized in the mergers with ARI, or might result in a potential competing acquiror proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee and/or expense reimbursement that may become payable in certain circumstances.

***AMTG's management agreement with the AMTG Manager contains a termination fee which may discourage competing proposals from other bidders.***

AMTG's management agreement with the AMTG Manager contains a termination fee that is equal to three times the sum of the average annual management fee during the 24-month period immediately preceding the date of such termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination. The management fees paid under the AMTG management agreement were approximately \$11.1 million for the period ending December 31, 2015 and \$11.2 million for the period ending December 31, 2014.

This provision could discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of AMTG from considering or proposing an acquisition, even if it were prepared to pay consideration with a higher per share cash or market value than the market value proposed to be received or realized in the mergers, or might result in a potential competing acquiror proposing to pay a lower price than it might otherwise have proposed to pay because of the termination fee.

***If the mergers are not consummated by August 26, 2016 (or October 26, 2016, if extended), either AMTG or ARI may terminate the merger agreement.***

Either AMTG or ARI may terminate the merger agreement if the First Merger has not been consummated by August 26, 2016, unless as of August 26, 2016, all conditions to closing have been satisfied or waived other than the requirement that there are no injunctions preventing, prohibiting or making illegal the mergers or the other transactions contemplated by the merger agreement. However, this termination right will not be available to ARI or AMTG, as applicable, if that party failed to fulfill its obligations under the merger agreement and that failure was a principle cause of, or resulted in, the failure to consummate the mergers by August 26, 2016 (or, if extended, October 26, 2016).

***In connection with the announcement of the merger agreement, two lawsuits have been filed and are pending, as of April 1, 2016, seeking, among other things, to enjoin the mergers and rescind the merger agreement, and an adverse judgment in any of the lawsuits may prevent the mergers from becoming effective within the expected timeframe (if at all).***

On March 7, 2016, a putative class action lawsuit challenging the proposed merger was filed in the Circuit Court for Baltimore City, Maryland, captioned *Aivasian v. Apollo Residential Mortgage, Inc., et al.*, No. 24-C-16-001532. On March 21, 2016, another putative class action lawsuit challenging the proposed merger was filed in the Circuit Court for Baltimore City, Maryland, captioned *Wiener v. Apollo Residential Mortgage, Inc., et al.*, No. 24-C-16-001837. The complaints each name as defendants AMTG, the AMTG Board, ARI, Merger Sub, and Apollo and alleges, among other things, that the members of the AMTG Board breached their fiduciary duties to AMTG's stockholders. The complaints further allege, among other things, that the proposed merger involves inadequate consideration, was the result of an inadequate and conflicted sales process, and includes unreasonable deal protection devices that purportedly preclude competing offers. The complaints also allege that ARI, Merger Sub, and Apollo aided and abetted those alleged breaches of fiduciary duty. The complaints seek, among other things, certification of the

proposed class, declaratory relief, preliminary and permanent injunctive relief, including enjoining or rescinding the mergers, unspecified damages, and an award of other unspecified attorneys' and other fees and costs.

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While the defendants believe that the allegations in the complaints are without merit and intend to defend vigorously against these allegations, neither ARI nor AMTG assure you as to the outcome of these, or any similar future lawsuits, including the costs associated with defending these claims or any other liabilities that may be incurred in connection with the litigation or settlement of these claims. If plaintiffs are successful in obtaining an injunction prohibiting the parties from completing the mergers on the agreed-upon terms, such an injunction may prevent the completion of the mergers in the expected time frame, or may prevent it from being completed altogether. Whether or not the plaintiffs claims are successful, this type of litigation is often expensive and diverts management's attention and resources, which could adversely affect the operation of the businesses of ARI and AMTG.

***Counterparties to certain significant agreements with AMTG may have default, consent or other similar rights as a result of the mergers.***

AMTG is party to certain agreements, including derivative instruments, currency hedging arrangements, repurchase agreements, options, forwards, futures, swaps and other similar arrangements, that give its counterparties certain rights, including default, consent or other similar rights, as a result of certain change in control transactions as well as other scenarios that may occur in connection with the mergers. Under certain of these agreements, the First Merger will constitute a change in control and/or trigger certain default or similar early termination rights and, therefore, AMTG's counterparties may assert such rights in connection with the First Merger. Any such counterparty may request modifications to its agreements with AMTG as a condition to granting a waiver or consent under those agreements and there can be no assurance that such counterparties will grant such waivers or consents and not exercise their rights under the agreements, including default rights where available. AMTG's inability to obtain any necessary consents or waivers may have an adverse effect on the operations and profitability of AMTG.

***REITs are subject to a range of complex organizational and operational requirements.***

In order to qualify as a REIT, each of ARI and AMTG must distribute with respect to each taxable year at least 90% of its net income (excluding capital gains) to its stockholders. A REIT must also meet certain other requirements, including with respect to the nature of its income and assets, and the ownership of its stock. For any taxable year that ARI or AMTG fails to qualify as a REIT, it will not be allowed a deduction for dividends paid to its stockholders in computing its net taxable income and thus would become subject to U.S. federal, state and local income tax as if it were a regular taxable corporation. In such an event, ARI or AMTG, as the case may be, could be subject to potentially significant tax liabilities. Unless entitled to relief under certain statutory provisions, ARI or AMTG, as the case may be, would also be disqualified from treatment as a REIT for the four taxable years following the year in which it lost its qualification. If ARI or AMTG failed to qualify as a REIT, the market price of its common stock may decline, and ARI or AMTG, as the case may be, may need to reduce substantially the amount of distributions to its stockholders because of its increased tax liability.

***The transactions contemplated by the merger agreement are taxable transactions and the resulting tax liability of an AMTG common stockholder, if any, will depend on such AMTG common stockholder's particular situation.***

The receipt of ARI common stock and cash in exchange for AMTG common stock in the First Merger will be treated as a taxable sale by the holders of such shares of common stock for U.S. federal income tax purposes. The amount of gain or loss recognized by each AMTG common stockholder in the First Merger will vary depending on each AMTG common stockholder's particular situation, including the stockholder's adjusted tax basis of the AMTG common stock exchanged by such stockholder in the First Merger.

***The Combined Company may incur adverse tax consequences if ARI or AMTG has failed or fails to qualify as a REIT for U.S. federal income tax purposes.***

Each of ARI and AMTG has elected to be taxed as a REIT and has been organized and operated in a manner that it believes has allowed it to qualify as a REIT for U.S. federal income tax purposes under the Internal Revenue

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Code, and each intends to continue to do so through the closing of the mergers, and the Combined Company intends to continue operating in such a manner following the mergers. None of ARI, AMTG or the Combined Company has requested or plans to request a ruling from the Internal Revenue Service that it qualifies as a REIT. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within the control of ARI, AMTG or the Combined Company, as the case may be, may affect any such company's ability to qualify as a REIT. In order to qualify as a REIT, each of ARI, AMTG and the Combined Company must satisfy a number of requirements, including requirements regarding the ownership of its stock and the composition of its gross income and assets. Also, a REIT must make distributions to stockholders aggregating annually at least 90% of its net taxable income, excluding any net capital gains.

If any of ARI, AMTG or the Combined Company loses its qualification as a REIT, or is determined to have lost its qualification as a REIT in a prior year, it will face serious tax consequences that would substantially reduce its cash available for distribution, including cash available to pay dividends to its stockholders, because:

such company would be subject to U.S. federal income tax on its net income at regular corporate rates for the years it did not qualify for taxation as a REIT (and, for such years, would not be allowed a deduction for dividends paid to stockholders in computing its taxable income);

such company could be subject to the U.S. federal alternative minimum tax and increased state and local taxes for such periods;

unless such company is entitled to relief under applicable statutory provisions, neither it nor any successor company could elect to be taxed as a REIT until the fifth taxable year following the year during which it was disqualified; and

for up to 5 years following such company's re-election to be taxed as a REIT, upon a taxable disposition of an asset owned as of such re-election, such company generally would be subject to corporate level tax with respect to any gain in such asset at the time of such re-election.

The Combined Company will inherit any liability with respect to unpaid taxes of ARI or AMTG for any periods prior to the mergers. As a result of all these factors, ARI's, AMTG's or the Combined Company's failure to qualify as a REIT could impair the Combined Company's ability to expand its business and raise capital, and could materially adversely affect the value of its stock. In addition, for years in which the Combined Company does not qualify as a REIT, it will not otherwise be required to make distributions to stockholders.

## **Risk Factors Relating to the Combined Company's Operations Following the Mergers**

### ***The Combined Company expects to incur substantial expenses related to the mergers.***

The Combined Company expects to incur substantial expenses in connection with completing the mergers and integrating the business, including managing the legacy AMTG assets and managing the financing arrangements relating to those assets until such assets can be liquidated. While ARI has assumed that a certain level of transaction and liquidation expenses would be incurred, there are a number of factors beyond its control that could affect the total

amount or the timing of the Combined Company's liquidation expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. As a result, the amount of the transaction expenses associated with the mergers and related transactions could, particularly in the near term, impact the benefits that the Combined Company expects to achieve following the completion of the mergers.

***Following the mergers, the Combined Company may be unable to retain key personnel.***

The success of the Combined Company after the mergers will depend in part upon its ability to retain key ARI and AMTG personnel. AMTG personnel who are expected to provide services to the Combined Company after the mergers are employees of subsidiaries of Apollo, and ARI personnel are employees of subsidiaries of Apollo.

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None of such personnel will be under the control of the Combined Company and key personnel may depart either before or after the closing of the mergers because of issues relating to the uncertainty relating to the transactions or a desire not to provide services to the Combined Company following the mergers. Accordingly, no assurance can be given that ARI, AMTG or, following the mergers, the Combined Company will be able to retain the services of key personnel to the same extent as in the past.

***Following the mergers, AMTG stockholders will no longer indirectly own assets in the residential mortgage industry and will instead indirectly own assets in the commercial real estate industry.***

Following consummation of the First Merger, ARI intends to liquidate all of the assets previously owned by AMTG and re-deploy the net proceeds from such liquidation to fund ARI's investment pipeline and pursue attractive new CMBS opportunities. After ARI re-deploys the capital from the transaction into its target assets, current stockholders of AMTG will own assets in a different industry with a different mix of risks and liabilities. Current stockholders of AMTG may not wish to continue to invest in ARI, or for other reasons may wish to dispose of some or all of their shares of ARI common stock following consummation of the mergers.

***The future results of the Combined Company may suffer if the Combined Company does not effectively liquidate the assets of AMTG or effectively re-deploy the net proceeds of such liquidation following the mergers.***

Following the mergers, the Combined Company expects to liquidate a significant portion of AMTG's assets through open market sales and the asset purchase agreement, providing ARI with additional capital which it expects to re-deploy into ARI's target assets. The successful liquidation, however, will be subject to market conditions, and in the case of the asset purchase agreement, satisfaction of the conditions precedent contained in it. The future success of the Combined Company will depend, in part, upon the ability of the Combined Company to manage the liquidation of AMTG's assets, in an efficient and timely manner, and thereafter re-deploy the net proceeds received as a result of such liquidation. There is no assurance that the Combined Company's liquidation of AMTG's assets will be successful, or that the Combined Company will realize its expected additional capital or that such additional capital will be re-deployed in ARI's target assets in an efficient and timely manner.

***The future results of the Combined Company may suffer if Athene fails to perform its obligations under the asset purchase agreement, the stock purchase agreement or the Bridge Loan Commitment Letter.***

In connection with the mergers, ARI may need to borrow funds pursuant to the Bridge Loan Agreement and, thereafter, if ARI has drawn on the bridge loan facility, ARI will be required to repay that loan with proceeds from sales under the asset purchase agreement. However, in the event that Athene USA fails to enter into the Bridge Loan Agreement or fund loans under the Bridge Loan Agreement or Athene Annuity fails to purchase any assets it is required to purchase under the asset purchase agreement, ARI or the Combined Company may need to seek alternative financing from an as-yet unknown third party. Any such alternative financing may be on terms which are not as favorable as the terms of the Bridge Loan Commitment Letter and ARI or the Combined Company may incur additional expense or increased levels of debt in connection with any such alternative financing, either of which might prevent the Combined Company from realizing the benefits that the Combined Company expects to achieve after the mergers. In addition, in the event Athene USA fails to make purchases of ARI common stock if and when required pursuant to the stock purchase agreement, the Combined Company would receive none of the benefit which it expects to receive under the stock purchase agreement.

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**Risk Factors Relating to an Investment in the Combined Company's Common Stock**

*The market price of shares of the common stock of the Combined Company may be affected by factors different from those affecting the price of shares of ARI common stock or AMTG common stock before the mergers.*

The results of operations of the Combined Company, as well as the market price of the common stock of the Combined Company, after the mergers may be affected by other factors in addition to those currently affecting ARI's or AMTG's results of operations and the market prices of ARI common stock and AMTG common stock. These factors include:

a greater number of shares of the Combined Company common stock outstanding as compared to the number of currently outstanding shares of ARI common stock;

different stockholders; and

different assets and capitalizations.

Accordingly, the historical market prices and financial results of ARI and AMTG may not be indicative of these matters for the Combined Company after the mergers. For a discussion of the businesses of ARI and AMTG and certain risks to consider in connection with investing in those businesses, see the documents incorporated by reference by ARI and AMTG into this proxy statement/prospectus referred to under *Where You Can Find More Information; Incorporation by Reference* beginning on page 207.

*The market price of the Combined Company's common stock may decline as a result of the mergers.*

The market price of the Combined Company common stock may decline as a result of the mergers if the Combined Company does not achieve the perceived benefits of the mergers as rapidly or to the extent anticipated by financial or industry analysts, or the effect of the mergers on the Combined Company's financial results is not consistent with the expectations of financial or industry analysts.

In addition, upon consummation of the mergers, ARI stockholders and AMTG stockholders will own interests in a Combined Company operating an expanded business with a different mix of properties, risks and liabilities. Current stockholders of ARI and AMTG may not wish to continue to invest in the Combined Company, or for other reasons may wish to dispose of some or all of their shares of the Combined Company common stock. If, following the closing of the mergers, large amounts of the Combined Company common stock are sold, the price of the Combined Company common stock could decline.

*The Combined Company cannot assure you that it will be able to continue paying dividends at or above the rate currently paid by ARI and AMTG.*

Following the mergers, the common stockholders of the Combined Company may not receive dividends at the same rate they received dividends as stockholders of ARI and AMTG prior to the mergers, for various reasons, including the following:



the Combined Company may not have enough cash to pay such dividends due to changes in the Combined Company's cash requirements, capital spending plans, cash flow or financial position;

decisions on whether, when and in which amounts to make any future distributions will remain at all times entirely at the discretion of the Combined Company's board of directors, which reserves the right to change ARI's current dividend practices at any time and for any reason;

the Combined Company may desire to retain cash to maintain or improve its credit ratings; and

the amount of dividends that the Combined Company's subsidiaries may distribute to the Combined Company may be subject to restrictions imposed by state law, restrictions that may be imposed by state regulators, and restrictions imposed by the terms of any current or future indebtedness that these subsidiaries may incur.

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Common stockholders of the Combined Company will have no contractual or other legal right to dividends that have not been authorized by the Combined Company's board of directors and declared by the Combined Company.

***The Combined Company may need to incur additional indebtedness in the future.***

In connection with executing the Combined Company's business strategies following the mergers, the Combined Company expects to evaluate the possibility of acquiring additional properties and making strategic investments, and the Combined Company may elect to finance these endeavors by incurring additional indebtedness. The amount of such indebtedness could have material adverse consequences for the Combined Company, including hindering the Combined Company's ability to adjust to changing market, industry or economic conditions; limiting the Combined Company's ability to access the capital markets to refinance maturing debt or to fund acquisitions or emerging businesses; limiting the amount of free cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses; making the Combined Company more vulnerable to economic or industry downturns, including interest rate increases; and placing the Combined Company at a competitive disadvantage compared to less leveraged competitors.

***ARI and AMTG Face Other Risks.***

***The risks listed above are not exhaustive, and you should be aware that following the mergers, ARI and AMTG will face various other risks, including those discussed in reports filed by ARI and AMTG with the SEC. See Where You Can Find More Information; Incorporation by Reference beginning on page 207.***

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This proxy statement/prospectus, including information included or incorporated by reference in this proxy statement/prospectus, may contain certain forecasts and other forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Generally, the words expects, anticipates, targets, goals, projects, intends, plans, believes, seeks, estimates, variations of such words and similar expressions forward-looking statements and any statements regarding the benefits of the mergers, or ARI's or AMTG's future financial condition, results of operations and business are also forward-looking statements. Without limiting the generality of the preceding sentence, certain statements contained herein, including in the sections *The Mergers and Related Transactions Background of the Transactions*, *The Mergers and Related Transactions AMTG's Reasons for the Transactions and Recommendation of AMTG's Board of Directors* and *The Mergers and Related Transactions ARI's Reasons for the Transactions*, constitute forward-looking statements.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, most of which are difficult to predict and many of which are beyond ARI's and AMTG's control. These include the factors described above in *Risk Factors* and under the caption *Risk Factors* in ARI's Annual Report on Form 10-K for the year ended December 31, 2015 and in AMTG's Annual Report on Form 10-K for the year ended December 31, 2015 as well as:

the nature and extent of future competition;

the impact of any financial, accounting, legal or regulatory issues or litigation that may affect either company;

risks associated with the ability to consummate the mergers and the timing of the closing of the mergers;

the risk that the anticipated benefits from the mergers and related transactions may not be realized or may take longer to realize than expected;

unexpected costs or unexpected liabilities that may arise from the transaction, whether or not consummated; and

each company's ability and willingness to maintain its qualification as a REIT due to economic, market, legal, tax or other considerations.

Should one or more of the risks or uncertainties described above or elsewhere in reports incorporated by reference herein occur, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this proxy statement/prospectus or the date of any document incorporated by reference in this proxy statement/prospectus, as applicable.

All forward-looking statements, expressed or implied, included in this proxy statement/prospectus are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in

connection with any subsequent written or oral forward-looking statements that ARI, AMTG or persons acting on their behalf may issue.

Except as otherwise required by applicable law, ARI and AMTG disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section. See also *Where You Can Find More Information; Incorporation by Reference* beginning on page 207.

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**THE PARTIES**

**Apollo Commercial Real Estate Finance, Inc.**

ARI is a Maryland corporation that was incorporated in 2009 and that has elected to be taxed as a REIT for U.S. federal income tax purposes. ARI generally is not subject to U.S. federal income taxes on its net taxable income to the extent that it annually distributes its net taxable income to stockholders and maintains its qualification as a REIT. ARI also operates its business in a manner intended to allow it to remain excluded from registration as an investment company under the 1940 Act. ARI primarily originates, acquires, invests in and manages performing first mortgage loans, subordinate financings, CMBS and other commercial real estate-related debt investments. These asset classes are referred to as ARI's target assets.

ARI is externally managed and advised by the ARI Manager, an indirect subsidiary of Apollo, which together with its subsidiaries is a leading global alternative investment manager with a contrarian and value oriented investment approach in private equity, credit and real estate. The ARI Manager is led by an experienced team of senior real estate professionals who have significant experience in underwriting and structuring commercial real estate financing transactions. ARI benefits from Apollo's global infrastructure and operating platform, through which ARI is able to source, evaluate and manage potential investments in ARI's target assets.

ARI's principal business objective is to make investments in its target assets in order to provide attractive risk adjusted returns to its stockholders over the long term, primarily through dividends and secondarily through capital appreciation.

Additional information about ARI and its subsidiaries is incorporated by reference into this proxy statement/prospectus. See *Where You Can Find More Information; Incorporation by Reference* beginning on page 207.

**Arrow Merger Sub, Inc.**

Merger Sub, a direct wholly owned subsidiary of ARI, is a Maryland corporation formed on February 22, 2016 for the purpose of entering into the merger agreement. Upon completion of the First Merger, Merger Sub will be merged with and into AMTG, with AMTG surviving as a subsidiary of ARI. Merger Sub has not conducted any activities other than those incidental to its formation and the matters contemplated by the merger agreement.

**Apollo Residential Mortgage, Inc.**

AMTG was incorporated in Maryland on March 15, 2011 and commenced operations on July 27, 2011. AMTG is structured as a holding company and conducts its business primarily through ARM Operating, LLC and its other operating subsidiaries. AMTG has elected to be taxed as a REIT for U.S. federal income tax purposes, commencing with its taxable year ended December 31, 2011. AMTG generally is not subject to U.S. federal income taxes on its net taxable income to the extent that it annually distributes its net taxable income to stockholders and maintains its qualification as a REIT. AMTG also operates its business in a manner that it believes will allow it to remain excluded from registration as an investment company under the 1940 Act. AMTG is externally managed and advised by the AMTG Manager, an indirect subsidiary of Apollo.

At December 31, 2015, AMTG's portfolio was comprised of approximately \$3.4 billion of Agency RMBS (comprised of pass-through, IO and Inverse IO securities), non-Agency RMBS, securitized mortgage loans, and other mortgage and mortgage related investment securities and other mortgage related investments.

Additional information about AMTG and its subsidiaries is incorporated by reference into this proxy statement/prospectus. See *Where You Can Find More Information; Incorporation by Reference* beginning on page 207.

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**THE AMTG SPECIAL MEETING**

**Date, Time, Place and Purpose of the AMTG Special Meeting**

The AMTG special meeting will be held at [ ], on [ ], 2016, commencing at 9:00 a.m., local time. The purpose of the AMTG special meeting is:

1. to consider and vote on a proposal to approve the First Merger and the other transactions contemplated by the merger agreement;
2. to consider and vote on a proposal to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement; and
3. to consider and vote on a proposal to approve, on a non-binding, advisory basis, the merger related compensation of AMTG's named executive officers (the Merger-Related Named Executive Officer Compensation Proposal).

**Recommendation of the AMTG Board**

The AMTG Board, acting upon the unanimous recommendation of the AMTG Special Committee, has unanimously, with the exception of Mark C. Biderman, who recused himself from all deliberations relating to the mergers, determined that the merger agreement, the mergers and the other transactions contemplated thereby are advisable and in the best interests of AMTG and its stockholders, and approved the merger agreement, the mergers and the other transactions contemplated thereby. The AMTG Board, acting upon the unanimous recommendation of the AMTG Special Committee, unanimously, with the exception of Mark C. Biderman, who recused himself from all deliberations relating to the mergers, recommends that AMTG common stockholders vote FOR the First Merger and the other transactions contemplated by the merger agreement, FOR the proposal to adjourn the AMTG special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, and FOR the Merger-Related Named Executive Officer Compensation Proposal. For the reasons for this recommendation, see *The Mergers and Related Transactions AMTG's Reasons for the Transactions and Recommendation of AMTG's Board of Directors* beginning on page 60.

**Record Date; Who Can Vote at the AMTG Special Meeting**

Only holders of record of AMTG common stock at the close of business on [ ], AMTG's record date, are entitled to notice of, and to vote at, the AMTG special meeting and any postponement or adjournment of the AMTG special meeting. As of the record date, there were [ ] shares of AMTG common stock outstanding and entitled to vote at the AMTG special meeting, held by approximately [ ] holders of record. Each share of AMTG common stock owned on AMTG's record date is entitled to one vote on each proposal at the AMTG special meeting. Holders of record of AMTG Series A Preferred Stock at the close of business on the record date are entitled to notice of, but may not vote at, the AMTG special meeting.

**Vote Required for Approval; Quorum**

Approval of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of AMTG common stock. In addition, the closing of the mergers is conditioned upon the holders of at least a majority of the outstanding shares of AMTG common stock that are beneficially owned by persons unaffiliated with Apollo approving the proposal to approve the First Merger and the other transactions contemplated by the merger agreement. Approval of the proposal to adjourn the AMTG special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement requires the affirmative vote of a majority of the votes cast on such proposal. Approval of the Merger-Related Named Executive Officer Compensation Proposal requires the affirmative vote of a majority



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of the votes cast on such proposal. The AMTG common stockholders' vote regarding the Merger-Related Named Executive Officer Compensation Proposal is an advisory vote and therefore is not binding on AMTG or the AMTG Board or the AMTG Special Committee.

AMTG's bylaws provide that the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast constitutes a quorum at a meeting of its stockholders. Shares that are voted and shares abstaining from voting are treated as being present at the AMTG special meeting for purposes of determining whether a quorum is present.

### **Abstentions and Broker Non-Votes**

Abstentions will be counted in determining the presence of a quorum. Abstentions will have the same effect as votes cast AGAINST the proposal to approve the First Merger and the other transactions contemplated by the merger agreement but will have no effect on the proposal to adjourn the AMTG special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement or on the Merger-Related Named Executive Officer Compensation Proposal.

There can be no broker non-votes at the AMTG special meeting, so failure to provide instructions to your broker or other nominee on how to vote will result in your shares not being counted as present at the meeting and will have the same effect as votes cast AGAINST the proposal to approve the First Merger and the other transactions contemplated by the merger agreement but will have no effect on the proposal to adjourn the AMTG special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement or on the Merger-Related Named Executive Officer Compensation Proposal. A broker non-vote occurs when shares held by a broker or other nominee are represented at the meeting, but the broker or other nominee has not received voting instructions from the beneficial owner and does not have the discretion to direct the voting of the shares on a particular proposal but has discretionary voting power on other proposals. In this regard, the only proposals to be voted on at the AMTG special meeting are non-routine under NYSE Rule 452. Nominees may exercise discretion in voting on routine matters, but may not exercise discretion and therefore will not vote on non-routine matters if instructions are not given.

### **Manner of Voting and Authorizing a Proxy to Vote**

AMTG common stockholders may vote in person at the AMTG special meeting. AMTG common stockholders may also authorize a proxy to vote their shares in the following ways:

*Internet.* AMTG common stockholders may authorize a proxy over the Internet by going to the website listed on their proxy card or voting instruction card. Once at the website, follow the instructions to submit a proxy.

*Telephone.* AMTG common stockholders may authorize a proxy using the toll-free number listed on their proxy card or voting instruction card.

*Mail.* AMTG common stockholders may authorize a proxy by completing, signing, dating and returning their proxy card or voting instruction card in the preaddressed postage-paid envelope provided.

AMTG common stockholders should refer to their proxy card or the voting information card forwarded by their broker or other nominee to see which options are available to them.

The Internet and telephone proxy authorization procedures are designed to authenticate stockholders and to allow them to confirm that their instructions have been properly recorded. If you authorize a proxy over the Internet or by telephone, then you need not return a written property card or voting instruction card by mail. The Internet and telephone facilities available to record holders will close at 11:59 p.m. eastern time on [ ].

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The method by which AMTG common stockholders authorize a proxy will in no way limit their right to vote at the AMTG special meeting if they later decide to attend the meeting in person. If AMTG common stockholders' shares of AMTG common stock are held in the name of a broker or other nominee, AMTG common stockholders must obtain a proxy, executed in their favor, from the broker or other nominee, to be able to vote in person at the AMTG special meeting.

All shares of AMTG common stock entitled to vote and represented by properly completed proxies received prior to the AMTG special meeting, and not revoked, will be voted at the AMTG special meeting as instructed on the proxies. **If AMTG common stockholders of record do not indicate how their shares of AMTG common stock should be voted on a matter, the shares of AMTG common stock represented by their properly executed proxy will be voted as the AMTG Board recommends and therefore, FOR the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, and FOR the Merger-Related Named Executive Officer Compensation Proposal.** If you do not provide voting instructions to your broker or other nominee, your shares of AMTG common stock will NOT be voted at the AMTG special meeting.

## **Shares Held in Street Name**

If AMTG common stockholders hold shares of AMTG common stock in an account of a broker or other nominee and they wish to have such shares voted, they must return their voting instructions to the broker or other nominee. If AMTG common stockholders hold shares of AMTG common stock in an account of a broker or other nominee and wish to attend the AMTG special meeting and vote in person, they should bring a legal proxy, executed in their favor, from their broker or other nominee identifying them as the beneficial owner of such shares of AMTG common stock and authorizing them to vote.

Shares of AMTG common stock held by brokers and other nominees will NOT be voted unless such AMTG common stockholders instruct such brokers or other nominees how to vote.

## **Revocation of Proxies or Voting Instructions**

AMTG common stockholders of record may change their vote or revoke their proxy at any time before it is exercised at the AMTG special meeting by:

submitting notice in writing to AMTG's Secretary at 9 West 57th Street, 43rd Floor, New York, New York 10019, that you are revoking your proxy;

executing and delivering a later-dated proxy card or authorizing a later-dated proxy by telephone or on the Internet; or

voting in person at the AMTG special meeting.

Attending the AMTG special meeting without voting will not revoke your proxy.

AMTG common stockholders who hold shares of AMTG common stock in an account of a broker or other nominee may revoke their voting instructions by following the instructions provided by their broker or other nominee.

**Solicitation of Proxies**

The solicitation of proxies from AMTG common stockholders is made on behalf of the AMTG Board. AMTG will pay the cost of soliciting proxies from AMTG common stockholders. Directors, officers and employees of

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AMTG may solicit proxies on behalf of AMTG in person or by telephone, facsimile or other means, but will not receive any additional compensation for doing so. AMTG has engaged [ ] to assist it in the solicitation of proxies. AMTG has agreed to pay [ ] a fee not expected to exceed \$[ ], which includes the payment of certain fees and expenses for its services to solicit proxies.

In accordance with the regulations of the SEC and NYSE, AMTG also will reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending proxies and proxy materials to beneficial owners of shares of AMTG common stock.

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**PROPOSALS SUBMITTED TO AMTG COMMON STOCKHOLDERS**

**Merger Proposal**

***(Proposal 1 on the AMTG Proxy Card)***

AMTG common stockholders are asked to consider and vote upon a proposal to approve the First Merger and the other transactions contemplated by the merger agreement. For a summary and detailed information regarding this proposal to approve the First Merger and the other transactions contemplated by the merger agreement, see the information about the merger agreement and the mergers throughout this proxy statement/prospectus, including the information set forth in *The Mergers and Related Transactions* beginning on page 48. A copy of the merger agreement is attached as Annex A to this proxy statement/prospectus.

Pursuant to the merger agreement, approval of this proposal is a condition to the closing of the First Merger. If the proposal is not approved, the First Merger will not be completed.

AMTG is requesting that AMTG common stockholders approve the First Merger and the other transactions contemplated by the merger agreement. Approval of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of AMTG common stock. In addition, the closing of the mergers is conditioned upon the holders of at least a majority of the outstanding shares of AMTG common stock that are beneficially owned by persons unaffiliated with Apollo approving the proposal to approve the First Merger and the other transactions contemplated by the merger agreement.

**Recommendation of the AMTG Board**

**The AMTG Board, acting upon the unanimous recommendation of the AMTG Special Committee, has unanimously, with the exception of Mark C. Biderman, who recused himself from all deliberations relating to the mergers, (i) determined that the merger agreement, the mergers and the other transactions contemplated thereby are advisable and in the best interests of AMTG and its stockholders, and (ii) approved the merger agreement, the mergers and the other transactions contemplated thereby. The AMTG Board, acting upon the unanimous recommendation of the AMTG Special Committee, recommends that AMTG common stockholders vote FOR the proposal to approve the First Merger and the other transactions contemplated by the merger agreement.**

**Adjournment Proposal**

***(Proposal 2 on the AMTG Proxy Card)***

AMTG common stockholders are asked to consider and vote upon a proposal to adjourn the AMTG special meeting to another time or place, if necessary or appropriate, to permit, among other things, further solicitation of proxies, if necessary or appropriate, to obtain additional votes in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement.

If, at the AMTG special meeting, the number of shares of AMTG common stock present or represented by proxy and voting in favor of the merger proposal is insufficient to approve the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, AMTG intends to move to adjourn the AMTG special meeting in order to enable the AMTG Board to solicit additional proxies for approval of the proposal.

AMTG is requesting that AMTG common stockholders approve the proposal to adjourn the AMTG special meeting, if necessary or appropriate, to another time and place for the purpose of soliciting additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement.

**Table of Contents****Recommendation of the AMTG Board**

**The AMTG Board, acting upon the unanimous recommendation of the AMTG Special Committee, unanimously, with the exception of Mark C. Biderman, who recused himself from all deliberations relating to the mergers, recommends AMTG common stockholders vote FOR the proposal to adjourn the AMTG special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement.**

**Merger-Related Named Executive Officer Compensation Proposal*****(Proposal 3 on the AMTG Proxy Card)***

AMTG is required, pursuant to Section 14A of the Exchange Act to include in this proxy statement/prospectus a proposal with respect to a non-binding, advisory vote on the compensation payable to each of its named executive officers as determined in accordance with Item 402(t) of Regulation S-K, in connection with the mergers, pursuant to arrangements entered into with AMTG, and AMTG is therefore asking its stockholders to approve the following non-binding resolution:

**RESOLVED that the compensation that may be paid or become payable to AMTG's named executive officers in connection with the mergers, as disclosed pursuant to Item 402(t) of Regulation S-K in this Merger-Related Named Executive Officer Compensation Proposal, is hereby approved.**

The information set forth in the table below is intended to comply with Item 402(t) of Regulation S-K, which requires disclosure of information about certain compensation for each AMTG named executive officer that is based on or otherwise relates to the mergers. For purposes of calculating the amounts in this table, AMTG has assumed a closing date for the mergers of [ ], 2016 and Per Common Share Merger Consideration in the amount of \$[ ] (based on the average closing price per share of ARI as quoted on the NYSE over the first five business days following the first public announcement of the Merger Agreement).

<b>Name</b>	<b>Cash</b>	<b>Equity<sup>(1)</sup></b>	<b>Total</b>
Michael A. Commaroto		\$ [ ]	\$ [ ]
Teresa Covello		\$ [ ]	\$ [ ]

- (1) Represents the value of unvested restricted stock units held by AMTG's named executive officers that will become vested in connection with the mergers and be converted into the right to receive the Per Common Share Merger Consideration.

**Narrative Disclosure to Merger-Related Compensation Table**

The AMTG Board has exercised its discretion under AMTG's 2011 Equity Incentive Plan to provide for accelerated vesting of all unvested equity awards held by the named executive officers on the closing date of the mergers, subject to the consummation of the mergers. The AMTG shares underlying such equity awards will be converted into the right to receive the Per Common Share Merger Consideration, less applicable withholding. For more information regarding the equity awards held by the named executive officers and the treatment thereof in connection with the mergers, see *The Mergers and Related Transactions Interests of AMTG's Directors and Officers in the Transaction* beginning on page 99. No named executive officer of AMTG is entitled to receive any other payment from AMTG in connection



with the mergers or any related termination of employment.

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**Vote Required and Recommendation of the AMTG Board**

The vote on this proposal is separate and apart from the vote to approve the First Merger and other transactions contemplated by the merger agreement. The vote to approve the Merger-Related Named Executive Officer Compensation Proposal is advisory in nature and, therefore, is not binding on AMTG or the AMTG Board or the AMTG Special Committee, regardless of whether the First Merger and other transactions contemplated by the merger agreement are approved. Approval of the Merger-Related Named Executive Officer Compensation Proposal requires the affirmative vote of a majority of the votes cast on such proposal. Approval of the Merger-Related Named Executive Officer Compensation Proposal is not a condition to completion of the mergers, and failure to approve this advisory matter will have no effect on the vote to approve the First Merger and the other transactions contemplated by the merger agreement. The merger-related named executive officer compensation to be paid in connection with the mergers is based on contractual arrangements with AMTG's named executive officers and accordingly the outcome of this advisory vote will not affect the obligation to make these payments.

**The AMTG Board, acting upon the unanimous recommendation of the AMTG Special Committee, unanimously recommends AMTG stockholders vote FOR the Merger-Related Named Executive Officer Compensation Proposal.**

**Other Matters:** AMTG is not aware of any other business to be presented or acted upon at the AMTG special meeting or any postponement or adjournment thereof and only matters specified in the notice of the meeting may be acted upon at the AMTG special meeting. If, however, other matters are properly brought before the AMTG special meeting or any postponement or adjournment thereof, the persons named as proxies will vote on those matters in their discretion.

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**Table of Contents****THE MERGERS AND RELATED TRANSACTIONS**

The following is a description of certain material aspects of the mergers and other transactions contemplated by the merger agreement. While AMTG and ARI believe that the following description covers the material terms of the transactions, the description may not contain all of the information that is important to you. The discussion of the transaction in this proxy statement/prospectus is qualified in its entirety by reference to the merger agreement (which is attached as Annex A to this proxy statement/prospectus and is incorporated herein by reference), the asset purchase agreement (which is attached as Annex B to this proxy statement/prospectus and is incorporated herein by reference), the Bridge Loan Commitment Letter (which is attached as Annex C to this proxy statement/prospectus and is incorporated herein by reference), the stock purchase agreement (which is attached as Annex D to this proxy statement/prospectus and is incorporated herein by reference) and certain letter agreements entered into in connection with the transaction (which are attached as Annexes E and F to this proxy statement/prospectus and are incorporated herein by reference). We encourage you to read carefully this entire proxy statement/prospectus, including the merger agreement, for a more complete understanding of the transaction.

**The Mergers**

ARI will acquire AMTG pursuant to the terms and subject to the conditions of the merger agreement. First, Merger Sub will merge with and into AMTG (the First Merger), with AMTG surviving the First Merger as a subsidiary of ARI. The merger agreement provides that, at the effective time of the First Merger, holders of AMTG common stock will be entitled to receive a combination of cash and ARI common stock as described below under *The Agreements Description of the Merger Agreement Merger Consideration; Treatment of Securities* beginning on page 136. Promptly following the effective time of the First Merger, AMTG will merge with and into ARI (the Second Merger), with ARI surviving the Second Merger. As a result of the Second Merger, holders of AMTG Series A Preferred Stock will be entitled to receive ARI Series C Preferred Stock as described below under *The Agreements Description of the Merger Agreement Merger Consideration; Treatment of Securities* beginning on page 136. As a result of the mergers, both Merger Sub and AMTG will cease to exist and ARI (sometimes referred to as the Combined Company following the closing) will possess all properties, rights, privileges, powers and franchises of AMTG and Merger Sub.

**Related ARI Transactions**

In connection with the merger agreement, ARI also entered into a series of agreements with certain subsidiaries of Athene, including (i) the Bridge Loan Commitment Letter with Athene USA, (ii) the asset purchase agreement with Athene Annuity, and (iii) the stock purchase agreement with Athene USA. Each of these arrangements is described in detail below under *The Agreements* beginning on page 135.

**Background of the Transactions**

Since AMTG's inception, the AMTG Board periodically has reviewed possible ways of growing AMTG's equity capitalization and total assets and of increasing stockholder value. Since 2013, AMTG's ability to accomplish these objectives has been adversely impacted by market conditions and other factors. The residential mortgage REIT sector has faced significant headwinds in recent years for a variety of reasons, including volatility in the fixed income markets, significant uncertainty regarding the outlook for interest rates and, more recently, widening spreads on RMBS. Also since 2013, AMTG's shares of common stock have traded at a substantial discount to AMTG's net asset value per share, which results in unsatisfactory returns to long-term stockholders and makes any equity capital raising activity dilutive. Because of these circumstances, since 2013 AMTG has been and continues to be unable to raise growth capital on acceptable terms, and accordingly, has been unable to increase its size and scale through capital

market transactions. Pursuant to its obligations under the AMTG management agreement, the AMTG Manager similarly has been focused on the various challenges faced by AMTG.

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The issues faced by AMTG were rendered more acute by the fact that AMTG's net book value per share declined by 14% or \$2.72 per share during 2015.

Since 2013, the AMTG Board and the AMTG Manager have considered various different approaches to addressing the challenges facing AMTG. The possible means considered by the AMTG Board and the AMTG Manager to address these challenges included changing AMTG's strategic focus; changing its investment strategy; changing its capital allocation policies; and exploring various business combination transactions, including acquisitions, dispositions and joint ventures, both with third parties and with Apollo affiliates and/or portfolio companies of funds managed by affiliates of Apollo. These various alternatives were considered by the AMTG Board and the AMTG Manager because they potentially might have improved AMTG's financial performance, helped it grow, or both.

In light of the continuing and increasing challenges facing AMTG, in mid- to late-2015 the AMTG Manager, on behalf of AMTG, increased its efforts to find a means of addressing these challenges in a way that would maximize value for AMTG's stockholders. These efforts included considering changes to AMTG's investment policies and strategies as well as discussions with Apollo and various Apollo affiliates and/or portfolio companies of funds managed by affiliates of Apollo, including ARI and Athene, regarding possible business combination and other strategic transactions.

In the fall of 2015, Apollo and the managers began exploring the possibility of combining ARI and AMTG. The ARI Manager recognized that, in the event of such a transaction, ARI may need to obtain debt financing to fund a portion of the purchase price for AMTG, to find a buyer for the AMTG assets that are not within the types of assets held by ARI and to explore ways of managing fluctuations in the market value of those assets. After considering various alternatives to address these matters, Apollo approached Athene (through its asset manager, AAM, a subsidiary of Apollo) to determine whether Athene might be interested in participating in ARI's acquisition of AMTG in a manner that could help address ARI's potential financing needs as well as these asset management and market fluctuation considerations, and Athene indicated it might be interested in doing so.

In November 2015 Apollo and the ARI Manager determined that in their view it might be possible to combine ARI and AMTG on terms that would address AMTG's sub-scale issue, provide liquidity to AMTG's stockholders on potentially attractive terms, and afford ARI an opportunity to grow its capital base on terms attractive to ARI and its stockholders. Apollo and the ARI Manager kept the AMTG Manager informed of their progress in evaluating the feasibility of such a transaction. Although Apollo recognized a combination of ARI and AMTG would likely result in a reduction in the aggregate fees paid to the ARI Manager and the AMTG Manager pursuant to their respective management agreements, Apollo nevertheless continued to explore the merits of a combination of the two companies.

On November 11, 2015, representatives of the AMTG Manager's Managing Member approached Michael Commaroto, the Chief Executive Officer of AMTG, to inform him about the on-going discussions among Apollo, ARI, the ARI Manager and Athene regarding ARI's potential acquisition of AMTG (the Potential Transaction). Given his deep knowledge of AMTG's assets and the residential mortgage REIT sector, the representatives discussed with Mr. Commaroto having him assist as appropriate in the Potential Transaction and the possibility of a continuing role for Mr. Commaroto for a period following the consummation of the Potential Transaction to assist ARI in effecting a potential liquidation of AMTG's assets. No specific financial terms of any such role were discussed with Mr. Commaroto. Mr. Commaroto indicated he would assist as appropriate in the Potential Transaction and consider staying on at the Combined Company following closing to assist in the liquidation of AMTG's assets, all subject to reaching agreement on (i) satisfactory compensation terms; (ii) the scope of Mr. Commaroto's role during the Potential Transaction and the ensuing liquidation; and (iii) the retention and compensation of Mr. Commaroto's team to assist as appropriate in the Potential Transaction and the ensuing liquidation.

On November 19, 2015, representatives of the ARI Manager discussed with the ARI Board (other than Mark C. Biderman, who recused himself) the potential merits and considerations of the Potential Transaction, as well as Athene's possible participation in the Potential Transaction. In light of the fact that Apollo and the ARI Manager

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would be subject to potential conflicts of interest in respect of any Potential Transaction, and certain of ARI's directors had relationships with Apollo, including being current and/or former employees of affiliates of Apollo and/or portfolio companies of funds managed by affiliates of Apollo, the ARI Board resolved to form the ARI Special Committee consisting of independent directors Jeffrey M. Gault and Scott S. Prince. The ARI Board resolved, among other things, not to approve any Potential Transaction without the affirmative recommendation

of the ARI Special Committee. On December 2, 2015, the ARI Board approved the appointment of Robert A. Kasdin, a third independent director, to the ARI Special Committee. From November 27, 2015 to February 25, 2016, the ARI Special Committee held approximately 22 formal meetings, in addition to various calls and other correspondence, to discuss and analyze the Potential Transaction and the other transactions related thereto.

In early December 2015, the ARI Special Committee retained Fried, Frank, Harris, Shriver & Jacobson LLP, ( Fried Frank ), to represent it in connection with the Potential Transaction. Prior to being retained, Fried Frank had disclosed to the ARI Special Committee that it had performed or was performing certain legal services for Apollo and current or former affiliates of Apollo and/or portfolio companies of funds managed by affiliates of Apollo and had represented counterparties to Athene Holding Ltd. As noted below, the ARI Special Committee also interviewed Latham & Watkins LLP, ( Latham ), during the process of engaging counsel. The ARI Special Committee later retained Hogan Lovells (US) LLP ( Hogan Lovells ) to serve as Maryland legal counsel. Also during this time, the ARI Special Committee considered and interviewed several investment banks to serve as its financial advisor. The ARI Special Committee determined to engage Houlihan Lokey to act as its financial advisor in connection with the Potential Transaction, based on, among other things, Houlihan Lokey's experience in providing financial advisory services in connection with mergers and acquisitions, financings, and financial restructurings, its familiarity with and understanding of the financial and banking industries and residential mortgage assets, and its fee proposal. Houlihan Lokey disclosed to the ARI Special Committee that during the two years prior to its engagement as financial advisor to the ARI Special Committee in connection with the Potential Transaction, it had provided certain financial advisory and financing services to, and received fees from, Apollo, Athene and certain related entities. After deliberation with its legal advisors, the ARI Special Committee determined that such relationships would not impede Houlihan Lokey's ability to provide financial advice to the ARI Special Committee in connection with its consideration of the Potential Transaction.

On December 1, 2015, the ARI Special Committee held a meeting with representatives of Fried Frank at which the ARI Special Committee authorized Stuart A. Rothstein, the Chief Executive Officer of ARI, to contact the management team of AMTG to discuss ARI's interest in the Potential Transaction. The ARI Special Committee instructed Mr. Rothstein not to discuss any financial terms of the Potential Transaction at that time.

In furtherance of the foregoing, on December 1, 2015, Mr. Rothstein called Frederick Khedouri, Chairman of the AMTG Board, to indicate ARI's interest in exploring the Potential Transaction. The executives did not discuss specific financial terms of the Potential Transaction. Mr. Khedouri then informed Mr. Commaroto that the Chief Executive Officer of ARI had called regarding ARI's potential interest. The following day, on December 2, 2015, during a special telephonic meeting of the AMTG Board, Mr. Khedouri, together with Mr. Commaroto, informed the AMTG Board about ARI's interest in exploring the Potential Transaction. The AMTG Board discussed the fact that the AMTG Manager would be subject to potential conflicts of interest in respect of the Potential Transaction, and certain of AMTG's directors may be subject to potential conflicts of interest in considering the Potential Transaction given their connections with Apollo, including as current and/or former employees of affiliates of Apollo and/or portfolio companies of funds managed by affiliates of Apollo. In addition, the directors discussed the fact that AMTG director Mark C. Biderman was a director of both AMTG and ARI. The AMTG Board discussed its view that, if the AMTG Board determined to consider the Potential Transaction, the AMTG Board should form a special committee of independent directors. The AMTG Board resolved to form the AMTG Special Committee consisting of independent

directors Thomas D. Christopoul and Frederick J. Kleisner. Ms. Taitz who was otherwise independent, recused herself from participation on the AMTG Special Committee because she was a director of Athene and Athene was a potential financing source for ARI s proposal. The AMTG Special Committee was authorized to hire independent legal and financial advisors, to consider, evaluate and respond to any proposal that might be received from ARI regarding the Potential Transaction, to explore



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potential strategic alternatives that might maximize stockholder value, and to make recommendations, if any, to the AMTG Board in accordance with Maryland law. The AMTG Board also resolved not to approve any Potential Transaction without the affirmative recommendation of the AMTG Special Committee.

On or about December 3, 2015, the AMTG Special Committee initiated a search for its own legal and financial advisors to assist the AMTG Special Committee in its consideration of the Potential Transaction and other strategic alternatives available to AMTG. The AMTG Special Committee considered and interviewed three legal advisor candidates. On December 4, 2015, and again on December 7, 2015, the AMTG Special Committee interviewed Latham to serve as legal counsel to the AMTG Special Committee. During the interview process, Latham informed the AMTG Special Committee that it previously had been interviewed by the ARI Special Committee to serve as legal advisor to the ARI Special Committee in connection with the Potential Transaction, and that it had performed or was performing certain legal services for Apollo and other current or former affiliates of Apollo, including Athene and portfolio companies of funds managed by affiliates of Apollo, and serving as counsel to the underwriters of securities offerings for ARI and AMTG, as well as jointly representing Mr. Commaroto, certain other members of the AMTG management team and their former employer in connection with matters related to their former employment and unrelated to the Potential Transaction, and disclosed to the AMTG Special Committee the fees it had received for such services during the past two years. The AMTG Special Committee concluded, following discussion, that none of such relationships would affect Latham's ability to provide legal advice to the AMTG Special Committee in connection with the consideration of the Potential Transaction. On December 8, 2015, the AMTG Special Committee executed an engagement letter to formally retain Latham as its legal counsel.

On December 9, 2015, the AMTG Special Committee held a meeting with representatives of Latham at which they discussed the process for receiving and evaluating a proposal from ARI regarding a Potential Transaction and the ongoing search for a financial advisor and Maryland legal counsel. At this time, the AMTG Special Committee also decided to hold weekly telephonic meetings and additional in-person and telephonic meetings as necessary.

In furtherance of the foregoing, from December 4, 2015 through December 15, 2015, the AMTG Special Committee, together with representatives of Latham, reviewed information from five investment banks with significant experience advising REITs, including Morgan Stanley, and considered their qualifications to serve as financial advisor to the AMTG Special Committee. The AMTG Special Committee's criteria for selecting an investment bank to act as the AMTG Special Committee's financial advisor included, among other things, the investment bank's relative lack of potential conflicts of interest with respect to the Potential Transaction compared to other banks, its institutional knowledge of the commercial and residential mortgage REIT industries, its capacity to provide the functions of a full service investment bank, including its knowledge of the trading market for mortgage-backed securities, and the investment banking team's past experience advising other companies in connection with similar transactions. Based upon these criteria, the AMTG Special Committee selected three of the five initial investment banks to be interviewed by the AMTG Special Committee and Latham. In connection with its interview, each investment banking team reviewed with the AMTG Special Committee its experience in the mortgage REIT industry and its views on the current state of the financial markets as well as potential strategic alternatives that might be available to AMTG to enhance AMTG's stockholder value.

On December 11, 2015, the ARI Special Committee sent a letter to the AMTG Special Committee indicating its interest in exploring the Potential Transaction. Such letter did not propose any specific financial terms for the Potential Transaction. Later that afternoon, following discussion with representatives of Latham, the AMTG Special Committee sent a response letter to the ARI Special Committee indicating that, while the AMTG Special Committee was not yet prepared to determine whether the Potential Transaction would be attractive, the AMTG Special Committee believed the matter merited further consideration and that the respective legal advisors to the ARI Special Committee and the AMTG Special Committee should negotiate an appropriate mutual non-disclosure agreement to

permit the exchange of additional information in connection with each parties' respective

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evaluation of the Potential Transaction. On December 13, 2015, Fried Frank sent an initial draft of a mutual non-disclosure agreement to Latham.

On December 15, 2015, the AMTG Special Committee retained Venable LLP ( Venable ) to serve as Maryland legal counsel to the AMTG Special Committee based on, among other things, the breadth of Venable's experience advising REITs engaged in mergers and acquisition transactions and its prior experience in representing AMTG. Although Venable also provides legal advice to ARI unrelated to the Potential Transaction, the AMTG Special Committee determined this would not affect Venable's ability to provide legal advice to the AMTG Special Committee in connection with the Potential Transaction.

On December 16, 2015, the ARI Special Committee and the AMTG Special Committee entered into a mutual non-disclosure agreement, which included customary standstill provisions. Shortly thereafter, the advisors to the ARI Special Committee were granted access to an electronic data room (the AMTG Data Room ) containing certain non-public information concerning AMTG's business and operations in order to facilitate their due diligence investigation of AMTG. Due diligence continued until the execution of the definitive transaction agreements.

On December 18, 2015, the AMTG Special Committee held a meeting with representatives of Latham during which they discussed proposals received from the three potential financial advisors interviewed by the AMTG Special Committee, including disclosures of the relationships between each potential financial advisor and the counterparties to the Potential Transaction and their respective affiliates. After careful consideration, the AMTG Special Committee determined to engage Morgan Stanley to act as its financial advisor in connection with the Potential Transaction and its consideration of other strategic alternatives based on Morgan Stanley's relevant deal experience, its familiarity with AMTG by virtue of acting as the lead underwriter in connection with AMTG's initial public offering and follow-on offerings, and its fee proposal. Morgan Stanley disclosed to the AMTG Special Committee that during the two years prior to its retention as financial advisor in connection with a Potential Transaction, it had provided certain financial advisory and financing services to, and received fees from, Apollo, Athene, AMTG and their respective affiliates, including the amount of such fees. After deliberation with representatives of Latham, the AMTG Special Committee determined that such relationships would not affect Morgan Stanley's ability to provide financial advice to the AMTG Special Committee in connection with the Potential Transaction or the AMTG Special Committee's review of other strategic alternatives. On December 29, 2015, the AMTG Special Committee formally engaged Morgan Stanley as financial advisor to the AMTG Special Committee in connection with the Potential Transaction and the AMTG Special Committee's consideration of other strategic alternatives.

Also on December 18, 2015, the ARI Special Committee held a meeting with representatives of Fried Frank and Houlihan Lokey to discuss the potential involvement of Athene as a financing source for ARI in connection with the Potential Transaction. After discussing the merits of Athene's potential involvement in the Potential Transaction, the ARI Special Committee instructed Mr. Rothstein to contact Athene's management team to discuss further Athene's potential involvement in the Potential Transaction. In furtherance of the foregoing, on December 23, 2015, ARI and Athene entered into a joinder agreement to the mutual non-disclosure agreement between ARI and AMTG.

During late December 2015 and early January 2016, the ARI Special Committee and the AMTG Special Committee, and their respective legal and financial advisors, engaged in discussions relating to the process and timeline for the Potential Transaction, including with respect to reciprocal due diligence investigations. No price or transaction terms were discussed. Following discussion with its legal and financial advisors regarding the various approaches to valuing AMTG, including liquidation analyses, AMTG's trading history and the historical trading prices of comparable companies, the AMTG Special Committee concluded that a discounted cash flow analysis would not be a useful method for valuing companies in AMTG's industry, and that other metrics, including a liquidation analysis and historical trading prices of comparable companies, would be more appropriate for valuing AMTG.



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Athene's board of directors has a standing conflicts committee to address certain transactions between Athene, on the one hand, and Apollo and its affiliates, on the other hand. Since certain directors on Athene's conflicts committee may have a potential conflict of interest in the context of Athene's involvement in the Potential Transaction, the conflicts committee established a special sub-committee of the conflicts committee (the Athene Special Committee) in December 2015 comprised of directors with no relationship to ARI or AMTG, to oversee Athene's possible participation in the Potential Transaction and ultimately to determine whether to approve such participation.

On January 5, 2016, Athene (through AAM) delivered to ARI a draft term sheet regarding Athene's potential involvement in the Potential Transaction. During the period from January 6, 2016 through February 26, 2016, the ARI Special Committee and Athene (including through AAM), and their respective legal and financial advisors, engaged frequently to discuss and negotiate the terms of Athene's potential involvement in the Potential Transaction, including, among other things, (i) the potential acquisition by Athene of certain assets of AMTG following the consummation of the Potential Transaction, and the pricing methodology for such assets, (ii) the potential debt financing to be provided to ARI by Athene in connection with the Potential Transaction, and (iii) the potential commitment by Athene to purchase a certain amount of ARI common stock in the open market under certain circumstances following consummation of the Potential Transaction.

On January 11, 2016, the ARI Special Committee delivered a preliminary non-binding indicative proposal to the AMTG Special Committee to acquire AMTG at a purchase price equal to 82.5% of the book value of AMTG as reported under U.S. GAAP, less the liquidation value of the AMTG Series A Preferred Stock of \$172,500,000. Such proposal indicated that this proposed price represented a premium of approximately 18% to the closing price per share of AMTG common stock on January 8, 2016, and that the proposed consideration would consist of approximately 13 million newly issued-shares of ARI common stock and the remainder in cash consideration, in addition to the assumption of the AMTG Series A Preferred Stock. The ARI Special Committee's preliminary non-binding indicative proposal included (i) a 90-day exclusivity period during which the AMTG Special Committee would conduct exclusive negotiations with the ARI Special Committee regarding the Potential Transaction and (ii) a go-shop period following signing of the Potential Transaction during which the AMTG Special Committee would be permitted to solicit alternative transaction proposals.

On January 12, 2016, and again on January 15, 2016, the AMTG Special Committee held meetings with representatives of Morgan Stanley and Latham during which they discussed the indicative proposal received from the ARI Special Committee. Specifically, at the January 15, 2016 meeting, the AMTG Special Committee and its advisors discussed whether such indicative proposal (i) proposed a sufficient purchase price for each outstanding share of AMTG common stock; (ii) provided the optimal mix of stock and cash consideration and (iii) adequately addressed the treatment of ordinary quarterly dividends, special dividends and earn-out potential. Also at the January 15, 2016 meeting, the AMTG Special Committee and its advisors discussed the state of the mortgage REIT industry, book value projections of AMTG and other potential strategic alternatives available to AMTG, including changing AMTG's strategic focus, targeting alternative investment classes, increasing share buybacks, converting AMTG into a publicly traded partnership, commencing a process to sell AMTG to a third party and liquidating AMTG's assets. At the conclusion of the January 15, 2016 meeting, the AMTG Special Committee instructed representatives of Morgan Stanley to (i) communicate to the ARI Special Committee that the AMTG Special Committee considered the proposal from the ARI Special Committee to be financially inadequate and (ii) suggest that the advisors of the AMTG Special Committee and the ARI Special Committee meet to discuss whether there could be a path forward. Shortly after the January 15, 2016 meeting, the representatives of Morgan Stanley communicated these messages to representatives of Houlihan Lokey.

On January 18, 2016, the ARI Special Committee and the AMTG Special Committee, and their respective legal and financial advisors, held a meeting, at the request of the AMTG Special Committee, to discuss the Potential

Transaction and certain transaction terms, including the methodology for valuing AMTG.

Following the meeting, at the direction of the AMTG Special Committee and the ARI Special Committee, representatives of Morgan Stanley and Houlihan Lokey engaged in multiple discussions regarding the ARI

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Special Committee's valuation of AMTG and to explore possible improvements in the proposed purchase price and other transaction terms.

On January 19, 2016, the AMTG Special Committee held a meeting with representatives of Morgan Stanley and Latham during which representatives of Morgan Stanley reported that they had engaged in further discussions with representatives of Houlihan Lokey and that the representatives of Houlihan Lokey indicated that they would relay to the ARI Special Committee the feedback received from Morgan Stanley regarding its indicative proposal.

On January 23, 2016, the ARI Special Committee delivered a revised non-binding indicative proposal to the AMTG Special Committee to acquire AMTG at an increased purchase price equal to 85.25% of the common equity book value of AMTG, in addition to the assumption of the AMTG Series A Preferred Stock. The ARI Special Committee's revised proposal continued to propose a mix of cash and ARI common stock as consideration and further proposed that the stock component of the consideration be determined based on the 90-day average trading multiple of ARI's common equity book value per share and that AMTG's common equity book value be determined as of a time shortly before the filing with the SEC of a definitive proxy statement/prospectus regarding the Potential Transaction. The revised proposal from the ARI Special Committee also proposed certain other transaction terms, including the requirement that AMTG adhere to an agreed upon hedging strategy to maintain the value of the assets in its portfolio between the date of determination of AMTG's book value and the closing date of the Potential Transaction. In addition, the revised proposal reiterated the ARI Special Committee's request for a 90-day exclusivity period during which the AMTG Special Committee would negotiate exclusively with the ARI Special Committee regarding the Potential Transaction and a go-shop period following signing of the Potential Transaction during which the AMTG Special Committee would be permitted to solicit alternative transaction proposals.

On January 25, 2016, the AMTG Special Committee held a meeting with representatives of Morgan Stanley and Latham during which they discussed the revised proposal received from the ARI Special Committee, including the proposed increased purchase price, the method for determining AMTG's common equity book value, the method for valuing the ARI common stock to be issued as consideration in the Potential Transaction, the proposed hedging obligation and the exclusivity period. The AMTG Special Committee also considered other strategic alternatives to the ARI proposal such as seeking proposals from third parties, liquidating AMTG's assets or staying the course as a public company. After an in-depth discussion of these and related matters, the AMTG Special Committee determined that the strategic alternatives were unlikely to result in greater value to AMTG's stockholders, and while the improved terms of the ARI Special Committee's revised proposal were still insufficient as final transaction terms, they were nevertheless a sufficient basis on which to enter into a period of exclusive negotiations with the ARI Special Committee and instructed Morgan Stanley to inform Houlihan Lokey that the AMTG Special Committee would be willing to enter into a 30-day exclusivity period. The AMTG Special Committee further instructed representatives of Morgan Stanley to continue to evaluate other potential strategic alternatives available to AMTG, including preparing a risk-adjusted assessment of AMTG management's liquidation analysis of AMTG to evaluate whether a liquidation of AMTG would return greater value to AMTG's stockholders than the Potential Transaction. After further discussion, the AMTG Special Committee instructed Morgan Stanley and Latham to continue discussions with the ARI Special Committee's advisors regarding the terms and conditions of the Potential Transaction.

On January 26, 2016, following the exchange of multiple drafts between Latham and Fried Frank, the ARI Special Committee and AMTG Special Committee entered into an exclusivity agreement relating to the Potential Transaction, providing for a period of exclusive negotiations between the parties expiring at 5:00 p.m. (Eastern Time) on February 29, 2016.

On January 27, 2016, Morgan Stanley and Latham were provided access to an electronic data room containing certain non-public information concerning ARI's business and operations in order to facilitate the AMTG Special Committee's

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reverse due diligence investigation of ARI (in light of the fact that the consideration proposed to be



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offered for each outstanding share of AMTG common stock included shares of ARI common stock). The reverse due diligence investigation of ARI by the AMTG Special Committee and its advisors continued until the execution of the definitive transaction agreements.

On February 1, 2016, representatives of Morgan Stanley and Latham had a discussion with representatives of Fried Frank and management of ARI regarding questions arising from Morgan Stanley's and Latham's due diligence investigation of ARI. Periodic discussions, meetings, and correspondence concerning due diligence and reverse due diligence continued until the execution of the merger agreement.

On February 2, 2016, the AMTG Board held a meeting with representatives of Morgan Stanley and Latham to, among other things, receive an update from the AMTG Special Committee and its advisors on the status of discussions with the ARI Special Committee. During that portion of the meeting, Hope S. Taitz and Mark C. Biderman recused themselves. The AMTG Board reviewed the latest indicative proposal received from the ARI Special Committee and further discussed (i) the possibility that AMTG might be able to obtain a higher price from the ARI Special Committee by mitigating the risk of downward fluctuations in the value of some of AMTG's more volatile assets, (ii) whether AMTG would have the right to issue dividends to its stockholders during the period between the signing of a definitive merger agreement and the closing of the Potential Transaction and (iii) the retention and severance arrangements proposed for Mr. Commaroto and his team. A representative of Morgan Stanley reviewed management's liquidation analysis of AMTG and how the possible range of values projected to be received by AMTG common stockholders in a liquidation of AMTG compared to the consideration per share of AMTG common stock proposed to be paid in the Potential Transaction. The liquidation analysis also noted that one of the largest expenses in a liquidation would be the termination fee payable under the AMTG management agreement, and that such fee would not be payable in a transaction with ARI since the AMTG Special Committee believed ARI would be assuming the obligations under the AMTG management agreement. The AMTG Special Committee asked its legal and financial advisors to confirm with the ARI Special Committee and its advisors how the AMTG management agreement would be treated under their proposal. The AMTG Special Committee and its advisors also discussed with the other AMTG Board members the state of the mortgage industry in general and of the residential mortgage REIT industry in particular and the future prospects for AMTG.

On February 3, 2016, at the direction of the AMTG Special Committee and the ARI Special Committee, representatives of Morgan Stanley and Houlihan Lokey continued to discuss the revised proposal from the ARI Special Committee.

Also on February 3, 2016, at the direction of the ARI Special Committee, representatives of Houlihan Lokey relayed to representatives of Morgan Stanley the ARI Special Committee's draft indicative non-binding term sheet setting forth in greater detail the terms and conditions of the ARI Special Committee's further revised proposal to acquire AMTG. Specifically, the term sheet provided for (i) a purchase price equal to 85.25% of the common equity book value of AMTG as of a date shortly before the filing of a definitive proxy statement/prospectus regarding the Potential Transaction, (ii) the assumption of the AMTG Series A Preferred Stock, (iii) a 30-day go-shop period following signing of a definitive merger agreement during which AMTG would be permitted to solicit alternative acquisition proposals, (iv) termination fees equal to 2% of the purchase price upon termination in connection with an alternative acquisition proposal received during the go-shop period and 4% of the purchase price upon termination in connection with an alternative acquisition proposal received after the go-shop period, (v) a prohibition on the declaration or payment of dividends following the determination date of the purchase price and (vi) a nine month termination date.

On February 4, 2016, the AMTG Special Committee met with representatives of Morgan Stanley and Latham to review the terms of the draft indicative non-binding term sheet received from Fried Frank the previous day. The AMTG Special Committee and its advisors discussed the terms and determined that they had a number of follow-up

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questions for the ARI Special Committee.

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On February 4, 2016, members of the ARI Special Committee and the chairman of the AMTG Special Committee, together with their respective legal and financial advisors, held an in-person meeting at the offices of Latham to further negotiate the terms and conditions of the Potential Transaction. The parties negotiated the proposed terms, including the price as a percentage of AMTG's common equity book value, the mechanism for determining the value of ARI common stock to be issued as part of the merger consideration, the length of the go-shop period and the amount of the termination fees. Following extensive discussion, the ARI Special Committee and the AMTG Special Committee agreed in principle to recommend to the ARI Board and the AMTG Board, respectively, (i) a valuation of the ARI common stock to be issued as part of the merger consideration at 1.0x ARI's common equity book value as of December 31, 2015, (ii) a 35-day go-shop period and (iii) a termination fee equal to 1.5% of the purchase price upon a termination in connection with an alternative acquisition proposal received during the go-shop period. The ARI Special Committee also confirmed that under its proposal, ARI would assume the obligations under the AMTG management agreement so that the termination fee payable thereunder would not be triggered in the Potential Transaction. However, the committees were unable, at that time, to agree on the purchase price for the Potential Transaction or the termination fee payable upon a termination in connection with alternative acquisition proposals received after the go-shop period.

On February 5, 2016, the AMTG Special Committee held a meeting with representatives of Morgan Stanley and Latham to further discuss open points between the parties. At the meeting, the AMTG Special Committee determined to make a counterproposal to the ARI Special Committee providing for (i) a proposed aggregate purchase price equal to 87.75% of the common equity book value of AMTG as of a date shortly before the filing of a definitive proxy statement/prospectus regarding the Potential Transaction and (ii) a termination fee equal to 2.5% of the purchase price upon a termination in connection with an alternative acquisition proposal received after the go-shop period. That same day, representatives of Morgan Stanley delivered to representatives of Houlihan Lokey a revised indicative non-binding term sheet with respect to the Potential Transaction which reflected the foregoing terms.

On February 7, 2016, Houlihan Lokey, at the direction of the ARI Special Committee, indicated to representatives of the AMTG Special Committee that the terms of the AMTG Special Committee's counterproposal were an acceptable basis on which to proceed, subject to the negotiation of definitive transaction documents. In addition, representatives of each of the ARI Special Committee and the AMTG Special Committee informed the ARI Manager and the AMTG Manager, respectively, that the key deal terms had been agreed and that the special committees and their respective advisors were proceeding to negotiate definitive documents.

On February 8, 2016, at the direction of the ARI Special Committee, representatives of Houlihan Lokey sent to representatives of Morgan Stanley the ARI Special Committee's proposed timeline for the Proposed Transaction through the signing of definitive transaction documents.

On February 9, 2016, the AMTG Special Committee held a meeting with representatives of Morgan Stanley and Latham to discuss the process and proposed timeline for the Potential Transaction. Later that day, the AMTG Board held a meeting with representatives of Morgan Stanley and Latham during which Mr. Christopoul provided an update regarding the Potential Transaction, including the principal terms tentatively agreed to between the parties and the process and timeline to reach agreement on definitive transaction documents. Also on February 9, 2016, representatives for the AMTG Manager presented Mr. Commaroto with a proposed initial term sheet with employment terms for the period through the consummation of the Potential Transaction and for a period thereafter, if a transaction were to occur.

On February 10, 2016, at the direction of the AMTG Special Committee and the ARI Special Committee, the respective legal and financial advisors of such committees participated on a due diligence call with the AMTG Manager.

Also on February 10, 2016, Fried Frank delivered to Latham an initial draft of the definitive merger agreement in connection with the Potential Transaction.

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During the period from February 11, 2016 through February 26, 2016, the AMTG Special Committee and ARI Special Committee, and their respective legal and financial advisors, met frequently to discuss and negotiate the terms of the definitive merger agreement and the Potential Transaction, including, among other things, guidelines for the operation of AMTG's business during the pre-closing period with the intention of mitigating the risk of downward fluctuations in the value of some of AMTG's more volatile assets, which we refer to as the Investment Guidelines, the methodology for determining AMTG's common equity book value, the terms of the no-shop covenants and certain severance and compensation arrangements for the management of AMTG. In addition, during the period from February 18, 2016 through February 26, 2016, the terms of the AMTG Manager letter agreement and the ARI Manager letter agreement were negotiated and finalized among representatives of the AMTG Special Committee, the ARI Special Committee, the AMTG Manager and the ARI Manager.

On February 18 and 19, 2016, the AMTG Special Committee held meetings with representatives of Latham, Morgan Stanley and Michael A. Commaroto, AMTG's Chief Executive Officer, to discuss, among other things, the Investment Guidelines.

On February 19, 20, 21 and 23, 2016, the AMTG Special Committee held meetings with representatives of Morgan Stanley, Latham and Venable, and, together with such representatives, engaged in various communications with management of AMTG to discuss the Investment Guidelines, the right of AMTG to pay a dividend for the first quarter of 2016 and the impact of the dividend on the cash portion of the consideration and the mechanics for calculating the common equity book value of AMTG. At the AMTG Special Committee meetings held during this period, the AMTG Special Committee, together with representatives of Morgan Stanley, Venable and Latham, also discussed the advisability of AMTG's adoption of an exclusive forum bylaw, which would designate specific courts in Maryland as the exclusive forum for certain types of litigation involving, among others, AMTG and its directors, officers and other employees.

On February 23, 2016, the ARI Special Committee held a meeting, together with representatives of Fried Frank, Hogan Lovells and Houlihan Lokey to discuss the status of the Potential Transaction, including the then-current drafts of the transaction agreements.

Following the ARI Special Committee meeting on February 23, 2016, the ARI Board held a meeting, together with representatives of Fried Frank, Hogan Lovells and Houlihan Lokey, to discuss the Potential Transaction and the matters that had been reviewed earlier that day at the ARI Special Committee meeting.

Also on February 23, 2016, Latham sent to Fried Frank a revised draft of the merger agreement. Later that day and on February 24, 2016, the respective legal advisors of the ARI Special Committee and AMTG Special Committee continued to negotiate the terms of the merger agreement, the Investment Guidelines and the other transaction documents, and continued to exchange drafts of such documents.

Also on February 24, 2016, the AMTG Special Committee held a meeting with representatives of Morgan Stanley, Latham and Venable. During the meeting, representatives of Morgan Stanley, referring to a presentation that was included in the meeting materials, (i) provided the AMTG Special Committee with a summary of the Potential Transaction from a financial perspective, a review of prevailing market conditions, a summary of Morgan Stanley's valuation analysis of AMTG, and a summary of Morgan Stanley's analysis with respect to the value of the ARI common stock to be received as part of the consideration and (ii) indicated that it was prepared to deliver its oral opinion, to be confirmed by delivery of a written opinion, to the effect that, as of the date of such opinion and based on and subject to various assumptions and limitations described in its opinion, the consideration to be received by AMTG common stockholders pursuant to the merger agreement was fair from a financial point of view to the AMTG common stockholders. Also during the meeting, a representative of Latham, referring to a presentation that was

included in the meeting materials, provided the AMTG Special Committee with an overview of the terms of the Potential Transaction. The representatives of both Morgan Stanley and Latham noted that certain terms of the Potential Transaction, including the mechanics for valuing the ARI common stock, were still under discussion with the ARI Special Committee and its advisors.

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On February 25, 2016, the AMTG Special Committee and the ARI Special Committee, together with their respective advisors, worked to finalize the merger agreement and other documents. Given certain changes affecting the value of ARI common stock, the parties agreed to increase the purchase price to 89.25% of the common equity book value of AMTG and to value the ARI common stock to be received in the mergers at \$16.75 per share (representing a discount of \$0.18 per share to ARI's common stock's closing price of \$16.93 per share on February 25, 2016). The parties also agreed that the termination fees upon a termination in connection with an alternative acquisition proposal received during the go-shop period would be \$7.5 million and in connection with an alternative proposal received after the go-shop period would be \$12 million.

Also on February 25, 2016, the AMTG Special Committee met with representatives of Morgan Stanley, Latham and Venable to discuss the status of the Potential Transaction. Representatives of Latham reported that the merger agreement and other transaction documents had been finalized without any material changes from the summaries thereof provided to the AMTG Special Committee the previous evening. Representatives of Morgan Stanley delivered Morgan Stanley's oral opinion, to be confirmed by delivery of a written opinion, to the effect that, as of the date of such opinion and based on and subject to various assumptions and limitations described in its opinion, the consideration to be received by AMTG common stockholders pursuant to the merger agreement was fair from a financial point of view to AMTG common stockholders. Based on these facts, the AMTG Special Committee (i) determined that the mergers, the other transactions contemplated by the merger agreement and the merger agreement were advisable and in the best interests of AMTG and the AMTG stockholders (i) recommended that the AMTG Board determine that the mergers, the other transactions contemplated by the merger agreement and the merger agreement are advisable and in the best interests of AMTG and the AMTG stockholders (iii) recommended that the AMTG Board approved and authorize AMTG to enter into, execute and deliver the merger agreement and (iv) recommended that the AMTG Board direct that the First Merger and the other transactions contemplated by the merger agreement be submitted for consideration by the AMTG common stockholders at the AMTG special meeting.

Later on February 25, 2016, the AMTG Board, with the exception of Mark C. Biderman, who recused himself from all deliberations relating to the Potential Transaction, held a meeting with representatives of Morgan Stanley, Latham and Venable to discuss the Potential Transaction. A representative of Venable, referring to a presentation that was included in the meeting materials, provided the AMTG Board with an overview of the duties of directors under Maryland law. Representatives of Latham, referring to the same presentation, provided the AMTG Board with an overview of potential conflicts of interest and an overview of the terms of the Potential Transaction. Representatives of Morgan Stanley, referring to a presentation that was included in the meeting materials, (i) provided the AMTG Board with a summary of the Potential Transaction from a financial perspective, prevailing market conditions, a summary of Morgan Stanley's valuation analysis of AMTG, and a summary of Morgan Stanley's valuation of the ARI common stock to be received by AMTG common stockholders as part of the consideration and (ii) rendered its oral and written opinion to the effect that, as of the date of such opinion and based on and subject to various assumptions and limitations described in its opinion, the consideration to be received by AMTG common stockholders pursuant to the merger agreement was fair from a financial point of view to such stockholders. Thereafter, the AMTG Board members in attendance unanimously (i) authorized AMTG to enter into and to perform its obligations under the merger agreement, (ii) determined that the mergers, the other transactions contemplated by the merger agreement and the merger agreement were advisable, and in the best interests of AMTG and the AMTG stockholders, (iii) directed that the First Merger and the other transactions contemplated by the merger agreement be submitted for consideration by the AMTG common stockholders at the AMTG special meeting and (iv) recommended that the AMTG common stockholders vote in favor of the First Merger and the other transactions contemplated by the merger agreement. The AMTG Board authorized the execution of the merger agreement, subject to confirmation the following morning by the AMTG Special Committee that there were no material changes in the final execution version of the merger agreement from the version reviewed by and approved by the AMTG Board or any development that would require the AMTG Board to change its recommendation. In addition, the AMTG Board members in attendance unanimously approved the

adoption of an exclusive forum bylaw for AMTG.



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On February 25, 2016, after the close of U.S. stock markets, the ARI Special Committee held a meeting, together with representatives of Fried Frank, Hogan Lovells and Houlihan Lokey, to discuss the status of the Potential Transaction. Representatives of Fried Frank reported that the merger agreement and other transaction documents had been finalized and provided an overview of certain changes and open items that had been resolved since the ARI Special Committee meeting on February 23, 2016. At the request of the ARI Special Committee, Houlihan Lokey, referring to a presentation that was included in the meeting materials, then reviewed and discussed its financial analyses and orally rendered its opinion to the ARI Special Committee (which was confirmed by delivery of Houlihan Lokey's written opinion, dated February 25, 2016, to the ARI Special Committee) to the effect that, as of such date and based on and subject to the procedures followed, assumptions made and limitations and qualifications on the review undertaken and other matters considered by Houlihan Lokey in connection with its opinion, the Per Common Share Merger Consideration (which, for purposes of Houlihan Lokey's analyses and opinion, refers to a pro rata portion of consideration consisting of a mix of cash and ARI common stock equal to 89.25% of the common equity book value of AMTG determined in accordance with the methodologies and a pricing date contemplated by the merger agreement) to be paid by ARI in the First Merger was fair to ARI from a financial point of view. Thereafter, the ARI Special Committee unanimously resolved to recommend the mergers, merger agreement, asset purchase agreement, stock purchase agreement and Bridge Loan Commitment Letter to the ARI Board.

On the morning February 26, 2016, before the U.S. stock markets opened, the AMTG Special Committee held a meeting with representatives of Morgan Stanley and Latham, during which representatives of Latham reported to the AMTG Special Committee that there were no material changes in the final execution version of the merger agreement from the version reviewed by and approved by the AMTG Board at the prior day's AMTG Board meeting or any other development that would require the AMTG Board to change its recommendation in favor of the transaction. Accordingly, the AMTG Special Committee, on behalf of the AMTG Board authorized the execution and delivery of the merger agreement and the accompanying AMTG disclosure letter by an authorized officer of AMTG.

Also on the morning of February 26, 2016, before the U.S. stock markets opened, the ARI Board held a meeting, together with representatives of Fried Frank, Hogan Lovells and Houlihan Lokey, to discuss the status of the Potential Transaction. Representatives of Fried Frank reported that the merger agreement and other transaction documents had been finalized, providing an overview of the material changes and open items that had been resolved since the ARI Special Committee meeting on February 23, 2016. Houlihan Lokey, referring to a presentation that was included in the meeting materials and had been reviewed with the ARI Special Committee at its February 25, 2016 meeting, provided the ARI Board with an overview of financial aspects of the Proposed Transaction as reviewed with the ARI Special Committee. Thereafter, the ARI Board approved the mergers, merger agreement and the arrangements with Athene and determined that the mergers, the merger agreement and the transactions contemplated by the merger agreement and the other transactions are advisable and in the best interests of ARI. In addition, the ARI Board approved the adoption of an exclusive forum bylaw for ARI.

On the morning of February 26, 2016, before the U.S. stock markets opened, ARI and AMTG executed and delivered the merger agreement and certain ancillary documents and issued a joint press release announcing the mergers and the related transactions and commencement of the go-shop period (which ended on April 1, 2016).

From February 26, 2016, through April 1, 2016, in connection with the go-shop process provided for under the merger agreement, Morgan Stanley contacted 10 parties, consisting of six residential mortgage REITs and four commercial mortgage REITs, which the AMTG Special Committee and Morgan Stanley believed had the financial ability and potential strategic interest in reviewing the opportunity, to solicit their interest in a possible alternative transaction with AMTG. In addition, one other asset manager contacted AMTG to express interest in a possible acquisition of AMTG. None of these discussions progressed to the point where any party was willing to enter into a non-disclosure agreement in order to obtain non-public information regarding AMTG. At 12:00 midnight on April 1, 2016, the

go-shop period expired without the AMTG Special Committee having received any indications of interest or alternative proposals from any potential buyer.

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**AMTG's Reasons for the Transactions and Recommendation of AMTG's Board of Directors**

The AMTG Board, acting upon the unanimous recommendation of the AMTG Special Committee, has unanimously, with the exception of Mark C. Biderman, who recused himself from all deliberations relating to the mergers, (i) approved and ratified the merger agreement, the mergers and the other transactions contemplated by the merger agreement, (ii) authorized AMTG to enter into and perform its obligations under the merger agreement, (iii) determined that the mergers, the other transactions contemplated by the merger agreement and the merger agreement were advisable and in the best interests of AMTG and the AMTG stockholders, (iv) directed that the First Merger and the other transactions contemplated by the merger agreement be submitted for consideration by the AMTG common stockholders at the AMTG special meeting and (v) recommended that the AMTG common stockholders vote in favor of the First Merger and the other transactions contemplated by the merger agreement. The decision of the AMTG Board to approve the mergers, the other transactions contemplated by the merger agreement and the merger agreement was the result of careful consideration by the AMTG Board of many factors, including the following material factors:

the unanimous recommendation of the AMTG Special Committee that the AMTG Board approve the merger agreement and the transactions contemplated thereby, and the AMTG Board's consideration of the independence of the members of the AMTG Special Committee as well as the independence, experience and expertise of Morgan Stanley as the financial advisor to the AMTG Special Committee and of Latham and Venable as legal counsel to the AMTG Special Committee;

the challenges facing the mortgage REIT industry in general, including volatility in the fixed income markets, significant uncertainty regarding the outlook for interest rates and, more recently, widening spreads on RMBS;

the challenges facing AMTG in particular, including that its shares of common stock have traded at a substantial discount to AMTG's net asset value per share, which results in unsatisfactory returns to long-term stockholders and makes any equity capital raising activity dilutive, and that because of these circumstances, since 2013 AMTG has been and continues to be unable to raise growth capital on acceptable terms, and accordingly, has been unable to increase its size and scale through capital market transactions;

the value of the consideration represents a premium of approximately 44% to the closing price of the AMTG common stock as of February 25, 2016, the last trading day before the announcement of the transaction, assuming AMTG's common equity book value per share on December 31, 2015 and the closing stock price of the ARI common stock on February 25, 2016;

in connection with the transaction, AMTG's common stockholders will receive 13.4 million shares of ARI common stock in the aggregate. Over the 12-month period ended February 25, 2016, ARI's trading volume had been approximately \$9.2 million per day as compared to approximately \$3.5 million per day for AMTG; consequently, AMTG's stockholders should benefit from the improved liquidity of the Combined Company. In addition, for the quarter ended December 31, 2015, ARI paid a quarterly dividend of \$0.46 per share of ARI common stock, which represented a 10.9% annualized dividend yield based upon the closing price of

ARI common stock on February 25, 2016 of \$16.93. This dividend yield was attractive given that (i) ARI's dividend historically has been more stable than AMTG's and that ARI has never lowered its quarterly dividend and (ii) ARI's book value per share historically has been less volatile than AMTG's;

through the ownership of shares of ARI common stock, AMTG common stockholders will have the opportunity to participate in ARI's potential future growth and success, including any increases in the net common equity book value of the Combined Company following the closing of the mergers and the related transactions as well as any premium paid to ARI stockholders in connection with a future acquisition of ARI. ARI intends to redeploy the net proceeds it expects to receive from the liquidation of AMTG's assets to fund ARI's current investment pipeline and pursue attractive new commercial real estate debt opportunities expected to drive earnings growth. At December 31, 2015, ARI's

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investment portfolio totaled approximately \$2.5 billion and ARI's market capitalization totaled approximately \$1.4 billion;

the Combined Company is expected to be able to achieve greater economies of scale than either ARI or AMTG on a standalone basis by allocating ARI's operating platform expenses over a larger portfolio;

since the merger consideration in the First Merger consists of a fixed number of shares of ARI common stock (given that the aggregate number of shares of ARI common stock to be issued in the mergers is fixed at 13.4 million), AMTG common stockholders potentially will benefit from any increase in the trading price of ARI common stock between the announcement and the closing of the mergers;

the mergers are expected to be immediately accretive to ARI's book value, and that the Combined Company's stockholders will benefit from increased cash flow available to pay a dividend;

the AMTG Board's understanding of the information concerning AMTG's and ARI's respective businesses, financial performance, condition, operations, management, competitive positions, prospects and stock performance, including the results of AMTG's due diligence investigation of ARI and its assets, liabilities, earnings, financial condition, business and prospects, which confirmed the AMTG Board's positive view of ARI's business and its belief that the Combined Company would have a stronger foundation for growth and improved performance as compared to AMTG on a standalone basis;

the AMTG Board's determination that a liquidation of AMTG, when taking into consideration the risks inherent in a liquidation process, would likely result in a lower per share return than the mergers;

the fact that any potential third party buyer would likely have its own manager and wish to terminate AMTG's management agreement, thereby triggering the termination fee payable thereunder, which such third party would consider in determining how much it would be willing to pay to acquire AMTG;

the opinion of Morgan Stanley rendered to the AMTG Special Committee, to the effect that as of February 25, 2016, and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Morgan Stanley as set forth in its written opinion of the same date, the merger consideration to be received by the holders of shares of AMTG common stock, (but excluding shares of AMTG common stock (i) held in treasury, (ii) held by ARI or Merger Sub, or (iii) held by any subsidiary of ARI, Merger Sub or AMTG) pursuant to the merger agreement was fair from a financial point of view to the holders of shares of AMTG common stock. For a discussion of Morgan Stanley's opinion and the financial analyses presented by Morgan Stanley to the AMTG Special Committee in connection with the delivery of its opinion, see *Opinion of the Financial Advisor to the AMTG Special Committee* beginning on page 71 of this proxy statement/prospectus;

the ability to complete the mergers within a reasonable period, including the likelihood of obtaining the AMTG common stockholder approval to complete the transaction in a timely manner in light of the efforts agreed upon by ARI and AMTG (and the ARI Manager and AMTG Manager) to complete the transaction;

the determination of the AMTG Special Committee that, after considering other strategic alternatives to enhance stockholder value, none of them was likely to result in greater value to the AMTG stockholders than the mergers and the other transactions contemplated by the merger agreement;

the merger agreement contains a go-shop provision permitting AMTG to initiate, solicit, facilitate and encourage (publicly or otherwise) any inquiry or the making of any proposals or offers that constitute, or may reasonably be expected to lead to, an alternative transaction, for a period of 35 days after the date of merger agreement;

the fact that the merger agreement permits AMTG, even after the expiration of the go-shop period, to furnish non-public information to, and engage in discussions with, a third party that makes an unsolicited bona fide written proposal to engage in a business combination transaction with AMTG, provided that the AMTG Board determines in good faith that the proposal is reasonably likely to result in a transaction that, if consummated, would be more favorable, from a financial point of view, to

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AMTG stockholders than the mergers, and that failure to take such action would be inconsistent with the directors' duties under applicable law (see *The Agreements Description of the Merger Agreement* beginning on page 135 of this proxy statement/prospectus);

the fact that the merger agreement provides that at any time prior to approval by the AMTG stockholders, AMTG may terminate the merger agreement to accept, and enter into an agreement providing for a Superior Proposal if the AMTG Board determines in good faith (after consultation with outside legal counsel and a nationally recognized financial advisor) that it has received a Superior Proposal and the failure to take such action would be inconsistent with the AMTG directors' duties under applicable law, subject to the right of ARI, for a period of at least five business days, to adjust its proposal such that the new proposal is no longer a Superior Proposal and subject to AMTG's obligation, if it terminates the merger agreement, to pay the termination fee and expense reimbursement referenced below, it may terminate the merger agreement. In addition to the foregoing, in circumstances not involving or relating to a Superior Proposal or Acquisition Proposal, the AMTG Board may, at any time prior to the approval of the First Merger and the other transactions contemplated by the merger agreement by AMTG common stockholders, make a change in recommendation upon the occurrence of a list of specified intervening events (see *The Agreements Description of the Merger Agreement* beginning on page 135 of this proxy statement/prospectus); and

the AMTG common stockholders may choose to not vote in favor of the First Merger if they believe the consideration is insufficient, which mitigates some of the risk associated with the transaction, including, but not limited to, fluctuations in the price of shares of ARI common stock prior to such stockholder vote.

The AMTG Board also identified and considered the following potentially negative factors in its deliberations:

because the Per Common Share Stock Consideration consists of a fixed number of shares of ARI common stock, AMTG common stockholders will be adversely affected by any decrease in the trading price of shares of ARI common stock between [ ], 2016 and the completion of the mergers, which would not have been the case had ARI been obligated to issue a number of shares of ARI common stock equal to an agreed-upon aggregate market value; and the fact that AMTG is not permitted to terminate the merger agreement solely because of changes in the market price of shares of ARI common stock;

the possibility that a liquidation of AMTG might have resulted in a greater per share return for AMTG stockholders;

the possible disruption to AMTG's business that may result from the announcement of the mergers and the related transactions and the potential risk of diverting management focus and resources from operational matters and other strategic opportunities while working to implement the mergers and the related transactions, and the impact that may have on the ongoing business of AMTG in the event the mergers and the related transactions are not consummated;

the risk that the potential cost savings and other benefits of the plan to liquidate some assets of AMTG and re-deploy the proceeds of the liquidation to acquire assets in the target industry of ARI might not be fully realized or not realized at all, which could impair the future value of the ARI common stock to be received by the AMTG common stockholders in the First Merger;

the terms of the merger agreement regarding the restrictions on the operation of AMTG's business during the period between the signing of the merger agreement and the completion of the mergers;

the fact that the (i) \$7.5 million termination fee, if the transaction is terminated in connection with an alternative proposal received during the go-shop period or from an Excluded Party (as defined in the merger agreement) or (ii) \$12 million termination fee if the transaction is terminated in certain other circumstances, and AMTG's obligation to reimburse ARI for up to \$6 million of expenses incurred in connection with the transaction if the merger agreement is terminated under certain circumstances specified in the merger agreement, may discourage third parties that may otherwise have an interest in



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a business combination with, or an acquisition of, AMTG from pursuing such a transaction with AMTG (see *The Agreements Description of the Merger Agreement* beginning on page 135 of this proxy statement/prospectus);

the terms of the merger agreement limiting the ability of AMTG, following expiration of the 35-day go-shop period, to solicit, initiate, knowingly encourage or facilitate any inquiry, discussion, offer or request that would reasonably be expected to result in alternative business combination transactions and to furnish non-public information to, or engage in discussions or negotiations with, a third party interested in pursuing an alternative business combination transaction (see *The Agreements Description of the Merger Agreement* beginning on page 135 of this proxy statement/prospectus);

the possibility that the mergers may not be completed or may be unduly delayed because AMTG common stockholders may not approve the First Merger and the other transactions contemplated by the merger agreement or other factors outside AMTG's control;

the risk that the mergers might not be completed and the effect of the resulting public announcement of termination of the merger agreement on:

the market price of shares of AMTG common stock,

AMTG's operating results, particularly in light of the costs incurred in connection with the transaction, and

AMTG's ability to attract and retain tenants and personnel;

the substantial costs to be incurred in connection with the transaction;

the absence of appraisal rights for AMTG common stockholders under Maryland law; and

the risks described in the section entitled *Risk Factors* beginning on page 30 of this proxy statement/prospectus.

The AMTG Board also considered the interests that certain directors and officers of AMTG may have with respect to the mergers in addition to their interests as stockholders of AMTG generally (see *Interests of AMTG's Directors and Officers in the Transaction* beginning on page 99 of this proxy statement/prospectus), which the AMTG Board considered a neutral factor in its evaluation of the Potential Transaction.

Although the foregoing discussion sets forth the material factors considered by the AMTG Board in reaching its recommendation, it may not include all of the factors considered by the AMTG Board, and each director may have considered different factors or given different weights to different factors. In view of the variety of factors and the

amount of information considered, the AMTG Board did not find it practicable to, and did not, make specific assessments of, quantify or otherwise assign relative weights to the specific factors considered in reaching its recommendation. The AMTG Board realized that there can be no assurance about future results, including results expected or considered in the factors above. However, the AMTG Board concluded that the potential positive factors described above significantly outweighed the neutral and negative factors described above. The recommendation was made after consideration of all of the factors as a whole. THE AMTG BOARD, ACTING UPON THE UNANIMOUS RECOMMENDATION OF THE AMTG SPECIAL COMMITTEE, HAS UNANIMOUSLY, WITH THE EXCEPTION OF MARK C. BIDERMAN, WHO RECUSED HIMSELF FROM DELIBERATIONS RELATING TO THE MERGERS, APPROVED THE MERGER AGREEMENT THE MERGERS AND THE OTHER TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT AND DETERMINED AND DECLARED THAT IT IS ADVISABLE AND IN THE BEST INTERESTS OF AMTG AND ITS STOCKHOLDERS TO ENTER INTO THE MERGER AGREEMENT AND TO CONSUMMATE THE MERGERS AND THE OTHER TRANSACTIONS ON THE TERMS AND CONDITIONS SET FORTH THEREIN. ACCORDINGLY, THE AMTG BOARD, ACTING UPON THE UNANIMOUS RECOMMENDATION OF THE AMTG SPECIAL COMMITTEE, UNANIMOUSLY, WITH THE EXCEPTION OF MARK C. BIDERMAN, WHO RECUSED HIMSELF FROM DELIBERATIONS RELATING TO THE MERGERS, RECOMMENDS THAT THE AMTG COMMON STOCKHOLDERS VOTE FOR APPROVAL OF THE FIRST MERGER AND THE OTHER TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT.

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In considering the recommendation of the AMTG Board with respect to the First Merger, you should be aware that certain of AMTG's directors and officers have arrangements that cause them to have interests in the transaction that are different from, or are in addition to, the interests of AMTG stockholders generally. See *Interests of AMTG's Directors and Officers in the Transaction* beginning on page 99 of this proxy statement/prospectus.

The explanation of the reasoning of the AMTG Board and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed in the section entitled *Cautionary Note Regarding Forward-Looking Statements* beginning on page 39.

### **ARI's Reasons for the Transactions**

On February 25, 2016, the ARI Special Committee unanimously determined that the merger agreement, and the transactions contemplated by the merger agreement, including the issuance of shares of ARI capital stock to AMTG stockholders in the mergers, were advisable and in the best interests of ARI and its stockholders and recommended that the ARI Board authorize, approve and adopt the merger agreement, the mergers and the other transactions contemplated thereby. The ARI Special Committee also unanimously determined that the asset purchase agreement, the stock purchase agreement and the Bridge Loan Commitment Letter were in the best interests of ARI and its stockholders and recommended that the ARI Board authorize and approve each of the asset purchase agreement, the stock purchase agreement and the Bridge Loan Commitment Letter. In evaluating the mergers and the other transactions contemplated by the merger agreement, the ARI Special Committee consulted with its legal and financial advisors and considered various factors in making its determination, including information it requested and received from ARI's management.

Based upon the determination and recommendation of the ARI Special Committee, the ARI Board, at a meeting held on February 26, 2016, unanimously, with the exception of Mark C. Biderman, who recused himself from deliberations relating to the mergers, determined that the mergers and related transactions are advisable and in the best interests of ARI and its stockholders and approved the mergers and the other transactions contemplated by the merger agreement, the asset purchase agreement, the stock purchase agreement and the Bridge Loan Commitment Letter, and the transactions contemplated thereby.

The ARI Special Committee and the ARI Board considered the following information and factors to be favorable to, and in support of, its determinations and recommendations with respect to the merger agreement, the mergers and related transactions:

the results of ARI's due diligence investigations of AMTG, including with respect to AMTG's asset pricing and book value methodologies;

information and discussions with ARI's management regarding AMTG's business and portfolio of assets and the anticipated benefits of the mergers and related transactions, as well as the recommendation of the mergers and related transactions by ARI's management;

the fact that the anticipated net proceeds from the sale of AMTG's assets following the closing of the mergers will provide ARI with additional capital, which can be re-deployed into ARI's target assets, with such capital having been obtained by ARI without incurring any underwriting costs or market discounts to its stock price

which would have been associated with a typically underwritten common stock offering by ARI;

the opportunity to enter into the asset purchase agreement with Athene Annuity, which reduces the risk associated with the majority of AMTG's non-Agency assets (which generally comprise the less liquid portion of AMTG's assets);

the fact that the mergers and related transactions are expected to be accretive to ARI's common equity book value per share;

the financial analysis reviewed by Houlihan Lokey with the ARI Special Committee as well as the oral opinion of Houlihan Lokey rendered to the ARI Special Committee on February 25, 2016 (which was

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confirmed by delivery of Houlihan Lokey's written opinion, dated February 25, 2016, to the ARI Special Committee) as to the fairness, from a financial point of view and as of such date, to ARI of the Per Common Share Merger Consideration to be paid by ARI in the First Merger, which opinion was based on and subject to the procedures followed, assumptions made and limitations and qualifications on the review undertaken and other matters considered by Houlihan Lokey in connection with its opinion, as more fully described below under the caption *Opinion of the Financial Advisor to the ARI Special Committee*;

the fact that ARI has received a debt financing commitment from Athene USA in the amount of up to \$200 million to provide financing for the transaction;

the fact that the stock consideration is a fixed number of shares and thus avoids fluctuations in the number of shares of ARI common stock payable as consideration in the First Merger;

the fact that the transaction allows ARI to issue common stock at a premium to ARI's common equity book value per share as of December 31, 2015, without taking market risk or paying an underwriting fee;

the conversion in the Second Merger of \$172.5 million of AMTG Series A Preferred Stock into an equal amount of ARI Series C Preferred Stock, which ARI's management believes is an attractive rate that would be difficult to replicate in the current market environment;

the ARI Board's belief as to the likelihood that the mergers and related transactions will be consummated, based on, among other things, the conditions to closing contained in the merger agreement, the asset purchase agreement and other transaction documents;

the financial and other terms of the merger agreement, including:

AMTG's agreement to calculate and determine its book value as of a date within three (3) business days prior to the mailing of this proxy statement/prospectus, which enabled ARI to minimize exposure to the volatility of AMTG's book value until closer to the anticipated closing date;

AMTG's agreement to enter into certain hedging arrangements from and after the pricing date in order to limit the volatility of (and, therefore, preserve) AMTG's book value through the closing date;

AMTG's obligation to reimburse ARI for expenses incurred in connection with the mergers under certain circumstances described in the section entitled *The Agreements' Description of the Merger Agreement Termination Fee and Expenses Payable by AMTG to ARI* beginning on page 155;

the termination fee payable by AMTG to ARI under certain circumstances described in the section entitled *The Agreements Description of the Merger Agreement Termination Fee and Expenses Payable by AMTG to ARI* beginning on page 155; and

Athene USA's commitment to purchase shares of ARI common stock following the closing in the event the trading price falls below \$16.75 per share (which is the per share value of the shares of ARI common stock to be issued in the First Merger), which will provide ARI's common stock with additional liquidity following the closing.

The ARI Special Committee and the ARI Board weighed the foregoing favorable information and factors against a variety of potentially negative factors, including:

the risk that the transactions may not be consummated despite the parties' efforts or that the closing of the transactions may be unduly delayed;

the risk that the anticipated benefits expected to be obtained as a result of the mergers and subsequent sale of AMTG assets might not be fully or timely realized;

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the fact that significant costs will be incurred in connection with the transactions;

certain terms of the transaction agreements, including:

AMTG's right to solicit alternative acquisition proposals from third parties during the go-shop period;

the provisions of the merger agreement that place restrictions on the interim operations of ARI and its subsidiaries pending the closing (see *The Agreements Description of the Merger Agreement Covenant and Agreements Conduct of Business of ARI Pending the Merger* beginning on page 142);

the provisions of the stock purchase agreement prohibiting ARI from purchasing shares of ARI common stock during the 30 trading day period following closing which is the period during which Athene USA may be required to purchase shares of ARI common stock;

the risk that the liquidation value of AMTG's assets, net of liabilities, transaction expenses and adjustments, may be less than expected, due to changes in the market, including continuing headwinds facing the residential mortgage REIT sector, fluctuations in interest rates and credit availability or otherwise;

the risk that, despite AMTG's hedging strategies, AMTG's book value decreases between the pricing date and the closing date, and the fact that there would be no corresponding adjustment to the merger consideration;

the fact that the per share value of the stock consideration is fixed at \$16.75, and increases in the trading price of ARI common stock or in ARI's book value could result in ARI issuing stock in the First Merger at a discount to the then-current market price or at a price below ARI's common book value per share as of the closing;

the amount of cash that will be required to fund the cash portion of the merger consideration and the fact that ARI's obligation to complete the mergers is not conditioned on its ability to obtain financing;

the risk that ARI may not be able to replace certain financing arrangements relating to AMTG's assets on terms consistent with the terms negotiated by AMTG;

the potential downward pressure on the share price of the Combined Company that may result if AMTG stockholders seek to sell their ARI shares after the closing; and

the risks of the type and nature described under the section entitled *Risk Factors* beginning on page 30.

After consideration of these factors, the ARI Board believed that the potential benefits of the mergers and related transactions to ARI and its stockholders outweighed the potential risks, many of which are mentioned above.

This discussion of the information and factors considered by the ARI Special Committee and the ARI Board includes the material positive and negative factors considered by the ARI Special Committee and the ARI Board but it is not intended to be exhaustive and may not include all the factors considered by the ARI Special Committee or the ARI Board. Neither the ARI Special Committee nor the ARI Board quantified or assigned any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger agreement, the mergers and the related transactions. Rather, the ARI Special Committee and the ARI Board viewed its position and, in the case of the ARI Special Committee, its recommendation as being based on the totality of the information presented to and factors considered by it. In addition, individual members of the ARI Board may have given differing weights to different factors. It should be noted that this explanation of the reasoning of the ARI Special Committee and the ARI Board and certain information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed in the section entitled *Cautionary Statement Regarding Forward-Looking Statements* beginning on page 39.



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### **Apollo Participants Reasons for the Transactions**

Apollo, the ARI Manager and the AMTG Manager, which are referred to collectively in this proxy statement/prospectus as the Apollo Participants, are making the statements included in this section solely for the purpose of complying with the disclosure requirements of Rule 13e-3 and related rules under the Exchange Act. The making of these statements is not an admission by the Apollo Participants that AMTG is controlled by Apollo or any affiliate of Apollo such that AMTG should be deemed to be an affiliate of Apollo for purposes of Rule 13e-3 in connection with the mergers.

The managers are each indirect subsidiaries of Apollo.

For the Apollo Participants, the purposes of the mergers are (1) for AMTG to address the challenges AMTG has been facing because of difficult market conditions in its sector and other factors, which have caused its shares to trade at a significant discount to AMTG's net asset value per share for an extended period of time and have made it difficult to achieve the size and scale considered necessary to be successful; (2) for AMTG's stockholders to receive consideration for their AMTG shares representing immediately a significant premium to the levels at which they recently have traded; and (3) for ARI to increase its capital base on attractive terms.

The Apollo Participants believe that the transaction structure of the mergers is preferable for AMTG and its stockholders to liquidation because it avoids the uncertainties and delays that would be involved in a liquidation, and because it allows the stockholders of AMTG to receive immediate cash consideration while also participating in the potential future profits of ARI.

The Apollo Participants' reasons for recommending first to the ARI Board and then to the AMTG Board that those boards consider a business combination transaction involving the two companies, include the following:

Apollo and its affiliates (including the Managers) continually explore potential means of enhancing investor value relative to the status quo for the various pools of capital that they manage (including ARI and AMTG).

Apollo and the AMTG Manager believe that AMTG lacks the size and scale needed to be successful in its sector, and because of market conditions has been and continues to be unable to raise growth capital on acceptable terms.

Apollo and the ARI Manager regularly seek opportunities to grow ARI's capital base, on terms that limit or, ideally, avoid material dilution of ARI's stockholders.

The Apollo Participants determined that it may be possible to combine ARI and AMTG on terms that address AMTG's size and scale issues while providing liquidity to AMTG's stockholders on potential terms, while affording ARI an opportunity to grow its capital base on terms attractive to ARI and its stockholders.

The Apollo Participants recognized, when they began analyzing the possibility of a business combination between ARI and AMTG, that it would be necessary to obtain funding and that, because AMTG's assets are

not within the types of assets held by ARI and therefore would need to be liquidated in connection with any such business combination, it would also be necessary in connection with any such transaction to manage the consequences of potential fluctuations in the values of AMTG's financial assets after the transaction was announced and while it was pending. Accordingly, they approached Athene to determine on a preliminary basis whether Athene would have an interest in participating in any business combination that the ARI Board and the AMTG Board might determine to pursue, in a manner that could help address these requirements of funding and management of risks of asset price fluctuations.

When Athene confirmed its interest in principle in such a participation, the ARI Manager presented the idea of the potential business combination to the ARI Board. The ARI Manager discussed with the ARI

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Board at the time that it made the presentation that the Apollo Participants may be subject to potential conflicts of interest in respect of any potential business combination with AMTG and that, if the ARI Board wished to explore and pursue such a combination, the ARI Manager would support the establishment of a special committee of ARI's independent directors and the negotiation of any transaction with AMTG by that committee. The AMTG Manager subsequently discussed with the AMTG Board at the time that it made the presentation that the Apollo Participants likely could be subject to potential conflicts of interest in respect of any potential business combination with ARI and that, if the AMTG Board wished to explore and pursue such a combination, the AMTG Manager would support the establishment of a special committee of AMTG's independent directors and the negotiation of any transaction with ARI by that committee.

The Apollo Participants believe the mergers and the related transaction with Athene described in this proxy statement/prospectus should be beneficial for AMTG's stockholders, for ARI and its stockholders, and for Athene. The immediate consequence of the consummation of the mergers will be to reduce the aggregate management fees received by the Apollo Participants under the management agreements with ARI and AMTG. The amount of fees paid to the Apollo Participants may increase in the future if ARI is successful in continuing to grow its capital base after the consummation of the mergers.

**Position of AMTG as to the Fairness of the Mergers**

AMTG is making the statements included in this section solely for the purpose of complying with the disclosure requirements of Rule 13e-3 and related rules under the Exchange Act.

Under SEC rules, AMTG is required to express its belief as to the fairness of the mergers to the unaffiliated holders of AMTG common stock. AMTG, through the AMTG Special Committee and the AMTG Special Committee's engagement of Morgan Stanley as its financial advisor, attempted to negotiate a transaction that would be most favorable to the stockholders of AMTG. Based on the procedural safeguards implemented during the negotiation of the mergers and the other factors considered by, and the analysis, discussion and resulting conclusions of, the AMTG Special Committee and the AMTG Board described in the section entitled *AMTG's Reasons for the Transactions and Recommendation of AMTG's Board of Directors* beginning on page 60 of this proxy statement/prospectus, which analysis, discussion and resulting conclusions AMTG expressly adopts as its own, AMTG believes that the mergers are substantively and procedurally fair to the unaffiliated holders of AMTG common stock. In particular, AMTG believes that the First Merger is both procedurally and substantively fair to the unaffiliated stockholders of AMTG common stock based on its consideration of the following factors, among others:

the fact that the merger agreement and the transactions contemplated thereby, including the mergers, were negotiated, determined to be advisable to and in the best interests of AMTG and its stockholders, and approved by the AMTG Special Committee and the AMTG Board, as applicable;

the fact that the value of the Per Common Share Merger Consideration as of [ ], 2016, which is [ ] (based on the closing price as of [ ], 2016 on the NYSE for a share of ARI common stock), represents approximately a [ ]% premium over the market closing price of \$[ ] on February 25, 2016, the last unaffected trading day prior to the announcement of the merger agreement;

the fact that the Per Common Share Merger Consideration and the other terms and conditions of the merger agreement resulted from arm's-length negotiations between the ARI Special Committee and the AMTG

Special Committee;

the fact that the merger agreement permits AMTG, subject to specific limitations and requirements set forth therein, to actively solicit alternative acquisition proposals from third parties, and to furnish confidential information to, and engage in discussions or negotiations with, the person or parties making any such acquisition proposal through April 1, 2016, and thereafter AMTG may consider and respond to an unsolicited third-party acquisition proposal, and continue to furnish confidential information to, and engage in discussions or negotiations with, the person or parties making such

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acquisition proposal prior to the time AMTG's common stockholders approve the proposal to approve the First Merger and the other transactions contemplated by the merger agreement;

the fact that the merger agreement permits the AMTG Board, subject to specific limitations and requirements set forth therein, to withdraw or change its recommendation that AMTG's common stockholders vote in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement and to terminate the merger agreement and accept a superior proposal, in each case prior to the time AMTG's common stockholders approve the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, subject to AMTG paying ARI a termination fee of \$7.5 million or, in certain circumstances, \$12.0 million; and

the fact that the First Merger is conditioned upon, among other matters, the AMTG stockholders' approval of the First Merger and the other transactions contemplated by the merger agreement by the affirmative vote of the holders of at least a majority of the outstanding shares of AMTG common stock entitled to vote on the First Merger, including the affirmative vote of the holders of at least a majority of the then outstanding shares of AMTG common stock that are beneficially owned by persons who are not affiliates of Apollo.

The foregoing discussion of the factors considered by AMTG is not intended to be exhaustive but is believed to include all material factors considered by AMTG in making a determination regarding the fairness of the mergers for the purpose of complying with the requirements of Rule 13e-3 and the related rules under the Exchange Act. AMTG did not find it practicable to, and did not, quantify or otherwise attach relative weights to the foregoing factors in reaching their position as to the fairness of the mergers. Rather, AMTG made its fairness determination after considering all of the factors as a whole.

### **Position of the ARI Participants as to the Fairness of the Mergers**

ARI and Merger Sub which are referred to collectively in this proxy statement/prospectus as the ARI Participants, are making the statements included in this section solely for the purpose of complying with the disclosure requirements of Rule 13e-3 and related rules under the Exchange Act. However, the making of such statements is not an admission by the ARI Participants that AMTG is controlled by ARI or any affiliate of ARI such that AMTG should be deemed to be an affiliate for purposes of Rule 13e-3 in connection with the mergers.

Under SEC rules, the ARI Participants are required to express their belief as to the fairness of the mergers to the unaffiliated holders of AMTG common stock. ARI and Merger Sub, through the ARI Special Committee, attempted to negotiate a transaction that would be most favorable to ARI and Merger Sub and did not negotiate a transaction with a goal of obtaining terms that were fair to the holders of AMTG common stock and did not undertake any independent evaluation of the fairness of the mergers to the unaffiliated holders of AMTG common stock or engage a financial advisor for such purpose. However, based on the procedural safeguards implemented during the negotiation of the mergers and the other factors considered by, and the analysis, discussion and resulting conclusions of, the ARI Special Committee and the ARI Board described in the section entitled *ARI's Reasons for the Transactions* beginning on page 64 of this proxy statement/prospectus, which analysis, discussion and resulting conclusions the ARI Participants expressly adopt as their own, the ARI Participants believe that the mergers are substantively and procedurally fair to the unaffiliated holders of AMTG common stock. In particular, ARI and Merger Sub believe that the First Merger is both procedurally and substantively fair to the unaffiliated stockholders of AMTG common stock based on their consideration of the following factors, among others:

the fact that the merger agreement and the transactions contemplated thereby, including the mergers, were negotiated, determined to be advisable and in the best interests of AMTG and its stockholders, and approved by the AMTG Special Committee and the AMTG Board, as applicable;

the fact that the value of the Per Common Share Merger Consideration as of [ ], 2016, which is [ ] (based on the closing price as of [ ], 2016 on the NYSE for a share of ARI common stock, represents

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approximately a [ ]% premium over the market closing price of AMTG common stock of \$[ ] on February 25, 2016, the last unaffected trading day prior to the announcement of the merger agreement;

the fact that the Per Common Share Merger Consideration and the other terms and conditions of the merger agreement resulted from arm's-length negotiations between the ARI Special Committee and the AMTG Special Committee;

the fact that the merger agreement permits AMTG, subject to specific limitations and requirements set forth therein, to actively solicit alternative acquisition proposals from third parties, and to furnish confidential information to, and engage in discussions or negotiations with, the person or parties making such acquisition proposal through April 1, 2016, and thereafter AMTG may consider and respond to an unsolicited third-party acquisition proposal, and continue to furnish confidential information to, and engage in discussions or negotiations with, the person or parties making such acquisition proposal prior to the time AMTG's common stockholders approve the proposal to approve the First Merger and the other transactions contemplated by the merger agreement;

the fact that the merger agreement permits the AMTG Board, subject to specific limitations and requirements set forth therein, to withdraw or change its recommendation that AMTG's common stockholders vote in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement and to terminate the merger agreement and accept a superior proposal, in each case prior to the time AMTG's common stockholders approve the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, subject to AMTG paying ARI a termination fee of \$7.5 million or, in certain circumstances, \$12.0 million; and

the fact that the First Merger is conditioned upon, among other matters, the AMTG stockholders' approval of the First Merger and the other transactions contemplated by the merger agreement by the affirmative vote of the holders of at least a majority of the outstanding shares of AMTG common stock entitled to vote on the First Merger, including the affirmative vote of the holders of at least a majority of the then outstanding shares of AMTG common stock that are beneficially owned by persons who are not affiliates of Apollo.

The foregoing discussion of the factors considered by the ARI Participants is not intended to be exhaustive but is believed to include all material factors considered by the ARI Participants in making a determination regarding the fairness of the mergers for the purpose of complying with the requirements of Rule 13e-3 and the related rules under the Exchange Act. The ARI Participants did not find it practicable to, and did not, quantify or otherwise attach relative weights to the foregoing factors in reaching their position as to the fairness of the mergers. Rather, the ARI Participants made their fairness determination after considering all of the factors as a whole.

### **Position of the Apollo Participants as to the Fairness of the Mergers**

Rule 13e-3 and the related rules under the Exchange Act require the Apollo Participants to express their belief as to the fairness of the mergers to the unaffiliated common stockholders of AMTG. The Apollo Participants are making the statements included in this section solely for the purpose of complying with the requirements of Rule 13e-3 and the related rules under the Exchange Act. The making of these statements is not an admission by the Apollo Participants that AMTG is controlled by Apollo or any affiliate of Apollo such that AMTG should be deemed to be an affiliate of Apollo for purposes of Rule 13e-3 in connection with the mergers.

The Apollo Participants did not set or recommend the financial terms of the mergers or of the transactions with Athene that are described in this proxy statement/prospectus, nor did they participate in the negotiations of the terms of mergers or of the transactions with Athene. The terms of the mergers and of the transactions with Athene were negotiated between the special committees of independent directors of AMTG and ARI, and by Athene under the oversight, and subject to the ultimate approval, of the Athene Special Committee. Consistent with their obligations under the respective management agreements with ARI and AMTG, the managers provided support and information as and to the extent requested by the special committees in connection with their



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negotiations of the terms of the mergers. The Apollo Participants did not undertake any independent evaluation of the fairness of the mergers to the unaffiliated common stockholders of AMTG or engage a financial advisor for such purpose. However, based on the procedural safeguards implemented during the negotiation of the merger and the other factors considered by, and the analysis, discussion and resulting conclusions of, the AMTG Board and the AMTG Special Committee described in the section entitled *AMTG's Reasons for the Transactions and Recommendation of AMTG's Board of Directors* beginning on page 60 of this proxy statement/prospectus, which analysis, discussion and resulting conclusions the Apollo Participants expressly adopt as their own, the Apollo Participants believe that the mergers are substantively and procedurally fair to AMTG's unaffiliated common stockholders.

The foregoing discussion of the factors considered by the Apollo Participants is not intended to be exhaustive but is believed to include all material factors considered by the Apollo Participants in making a determination regarding the fairness of the mergers for the purpose of complying with the requirements of Rule 13e-3 and the related rules under the Exchange Act. The Apollo Participants did not find it practicable to, and did not, quantify or otherwise attach relative weights to the foregoing factors in reaching their position as to the fairness of the mergers. Rather, the Apollo Participants made their fairness determination after considering all of the factors as a whole.

**Opinion of the Financial Advisor to the AMTG Special Committee**

The AMTG Special Committee retained Morgan Stanley to provide it with financial advisory services and to render a financial opinion in connection with the mergers, and, if requested by the AMTG Special Committee, a financial opinion with respect thereto. The AMTG Special Committee selected Morgan Stanley to act as its financial advisor based on Morgan Stanley's qualifications, expertise and reputation, and its knowledge of AMTG's business and affairs. On February 25, 2016, Morgan Stanley rendered its oral opinion, which was subsequently confirmed in writing, to the AMTG Special Committee to the effect that, as of such date and based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Morgan Stanley as set forth therein, the merger consideration to be received by the holders of shares of AMTG common stock, (but excluding shares of AMTG common stock (i) held by ARI or Merger Sub, or (ii) held by any subsidiary of ARI, Merger Sub or AMTG) pursuant to the merger agreement was fair from a financial point of view to the holders of shares of AMTG common stock.

**The full text of the written opinion of Morgan Stanley, dated February 25, 2016, is attached to this proxy statement/prospectus as *Annex G*, and is incorporated by reference into this proxy statement/prospectus in its entirety. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion. The summary of the opinion of Morgan Stanley in this proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. You are encouraged to, and should, read Morgan Stanley's opinion and this section summarizing Morgan Stanley's opinion carefully and in their entirety. Morgan Stanley's opinion was directed to the AMTG Special Committee, in its capacity as such, and addresses only the fairness from a financial point of view of the merger consideration to be received by the holders of AMTG common stock (excluding shares of AMTG common stock (i) held by ARI or Merger Sub, or (ii) held by any subsidiary of ARI, Merger Sub or AMTG) pursuant to the merger agreement, as of the date of the opinion, and does not address any other aspects or implications of the mergers. It was not intended to, and does not, constitute advice or a recommendation to any stockholder of AMTG as to how to vote at any stockholders meeting to be held in connection with the mergers or whether to take any other action with respect to the mergers.**

In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other business and financial information of AMTG and ARI, respectively;

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reviewed certain internal financial statements and other financial and operating data, including information regarding the net equity book value, concerning AMTG and ARI, respectively;

reviewed certain financial projections prepared by the managements of AMTG and ARI, respectively;

discussed the past and current operations and financial condition and the prospects of AMTG, including a range of estimates for outcomes and risks associated with a liquidation of AMTG, with senior executives of AMTG;

discussed the past and current operations and financial condition and the prospects of ARI with senior executives of ARI, including ARI's plans to liquidate some of AMTG's assets and reduce AMTG's liabilities;

reviewed the reported prices and trading activity for the AMTG common stock and ARI common stock;

compared the financial performance of AMTG and ARI and the prices and trading activity of the AMTG common stock and ARI common stock with that of certain other publicly-traded companies comparable with AMTG and ARI, respectively, and their securities;

reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

participated in discussions and negotiations among representatives of AMTG and ARI and their financial and legal advisors;

reviewed the merger agreement and certain related documents; and

performed such other analyses, reviewed such other information and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to it by AMTG and ARI, and formed a substantial basis for its opinion. With respect to AMTG's financial projections, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective managements of AMTG and ARI of the future financial performance of AMTG and ARI. In addition, Morgan Stanley assumed that the mergers will be consummated in accordance with the terms set forth in the merger agreement without any waiver, amendment or delay of any terms or conditions. Morgan Stanley also assumed that the definitive merger agreement would not differ in any material respects from the draft thereof furnished to Morgan Stanley. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory and other approvals and consents required for the mergers, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the mergers. Morgan Stanley is not a legal, tax or regulatory advisor. Morgan Stanley is a financial advisor

only and relied upon, without independent verification, the assessment of AMTG and ARI and their legal, tax or regulatory advisors, if any, with respect to legal, tax or regulatory matters. Morgan Stanley expressed no opinion with respect to the fairness of the amount or nature of the compensation to any of AMTG's officers, directors or employees, or any class of such persons, relative to the merger consideration to be received by the holders of shares of the AMTG common stock in the First Merger.

Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of AMTG or ARI, nor was it furnished with any such valuations or appraisals. Morgan Stanley is not an expert in the evaluation of allowance for loan losses, and it did not (a) make an independent evaluation of the adequacy of the allowance for loan losses at AMTG or ARI or (b) examine any individual loan credit files of AMTG or ARI (nor was Morgan Stanley requested to conduct such a review) and, as a result, it assumed that the aggregate allowance for loan losses of AMTG and ARI was adequate. Morgan Stanley's opinion was necessarily based on financial,

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economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, February 25, 2016. Events occurring after such date may affect Morgan Stanley's opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

***Summary of Financial Analyses***

The following is a brief summary of the material financial analyses performed by Morgan Stanley in connection with the preparation of its opinion to the AMTG Special Committee. The following summary is not a complete description of Morgan Stanley's opinion or the financial analyses performed and factors considered by Morgan Stanley in connection with its opinion, nor does the order of analyses described represent the relative importance or weight given to those analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before February 24, 2016 (the last trading day immediately preceding the February 25, 2016, presentation by Morgan Stanley to the AMTG Special Committee), and is not necessarily indicative of current market conditions. **Some of the summaries of financial analyses below include information presented in tabular format. In order to fully understand the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. The analyses listed in the tables and described below must be considered as a whole; considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Morgan Stanley's opinion.**

***Company Analysis******Historical Trading Range Analysis***

Morgan Stanley reviewed the historical trading range of shares of AMTG common stock for the 52-week period ending February 24, 2016 in order to calculate the ratio of the price per share of AMTG common stock to AMTG's Book Value ( P/BV ) over this period. Over this period, AMTG's P/BV ranged from a low of approximately 0.59x to a high of approximately 0.86x. Using this range, and based upon AMTG's preliminary book value per share of \$16.40 as of December 31, 2015, Morgan Stanley calculated an implied per share equity value of AMTG of \$9.66 to \$14.12 (as compared to the estimated per share of AMTG common stock value of the merger consideration of \$14.64 (using AMTG's preliminary book value per share as of December 31, 2015)).

***Comparable Company Analysis***

Morgan Stanley performed a comparable company analysis of AMTG, which attempts to provide an implied value of a company by comparing it to similar companies that are publicly traded.

Morgan Stanley reviewed and compared, using publicly available information, certain current and historical financial information for AMTG with corresponding current and historical financial information, ratios and public market multiples for publicly traded business development companies that (i) share similar business characteristics and have certain comparable operating characteristics with AMTG and (ii) had current market capitalizations of \$250 million to \$1 billion (which was comparable to AMTG's market capitalization of approximately \$320 million as of February 24, 2016). These companies were the following, which we refer to in this section as the AMTG Hybrid REIT Peers:

Dynex Capital, Inc.

Ellington Financial LLC

AG Mortgage Investment Trust, Inc.

American Capital Mortgage Investment Corp.

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New York Mortgage Trust, Inc.

Western Asset Mortgage Capital Corporation

For each selected company, Morgan Stanley calculated such company's P/BV using market data as of February 24, 2016. The following table presents the results of this analysis:

<b>Peer Group</b>	<b>High</b>	<b>Low</b>	<b>Median</b>
P/BV Ratio	0.79x	0.62x	0.73x

Based on the results of this analysis and its professional judgment, Morgan Stanley applied a P/BV range of 0.65x to 0.79x to AMTG's preliminary book value per share of \$16.40 as of December 31, 2015, which resulted in an implied per share equity value range of AMTG of \$10.62 to \$12.94 (as compared to the estimated per AMTG common share value of the merger consideration of \$14.64 (using AMTG's preliminary book value per share as of December 31, 2015)).

For each selected company, Morgan Stanley also calculated such company's dividend yield. The following table presents the results of this analysis:

<b>Peer Group</b>	<b>High</b>	<b>Low</b>	<b>Median</b>
Dividend Yield	11.6%	23.6%	16.1%

Based on the results of this analysis, Morgan Stanley applied a dividend yield range of 20.7% to 12.8% to AMTG's current annualized dividend of \$1.92, which resulted in an implied per share equity value range of AMTG of \$9.29 to \$15.05 (as compared to the estimated per AMTG common share value of the merger consideration of \$14.64 (using AMTG's preliminary book value per share as of December 31, 2015)).

No company included in the comparable company analysis is identical to AMTG. In evaluating comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, which are beyond the control of AMTG. These include, among other things, the impact of competition on the business of AMTG and the industry generally, industry growth, and the absence of any adverse material change in the financial condition and prospects of AMTG and the industry, and in the financial markets in general. Mathematical analysis (such as determining the median) is not, in itself, a meaningful method of using comparable company data.

*Premiums Paid Analysis*

Using publicly available information, Morgan Stanley reviewed the terms of selected public company precedent transactions announced between January 1, 2001, to December 31, 2015, in which the targets were REITs and the transaction value was at least \$500 million. Morgan Stanley reviewed the premium paid in each transaction to the target company's stock price, based on the average price for the 10 trading days ending five days prior to the applicable transaction's announcement. Morgan Stanley noted that the average premium paid in these transactions was 22.8% and the average premium paid in these transactions (excluding those that occurred in 2008) was 17.5%. Based on the results of this analysis, Morgan Stanley applied a premium range of 15% to 35% to AMTG's closing share price of \$10.05 on February 24, 2016, which resulted in an implied per share equity value range of AMTG of \$11.56 to \$13.57 (as compared to the estimated per AMTG common share value of the merger consideration of \$14.64 (using AMTG's

preliminary book value per share as of December 31, 2015)).

*Liquidation Analysis*

Morgan Stanley performed a liquidation analysis of AMTG, which attempts to calculate the value that holders of shares of AMTG common stock would be expected to receive in the event of a liquidation of AMTG. In



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performing its analysis, which was based, in part, on information and estimates provided by AMTG's management, Morgan Stanley assumed that:

the net asset value of AMTG as of December 31, 2015 was \$522 million;

the aggregate discount on the proceeds received by AMTG in a liquidation scenario (as compared to AMTG's net asset value as of December 31, 2015) would be between approximately \$2.5 million and \$19.7 million; and

the aggregate fees and expenses incurred by AMTG in a liquidation scenario, including, without limitation, fees and expenses related to terminating AMTG's management agreement and obtaining all requisite approvals by AMTG's common stockholders, would be between \$49.2 million and \$53.2 million.

Based on the above assumptions, Morgan Stanley calculated an implied per share equity value range of AMTG of \$14.11 to \$14.78 (as compared to the estimated per AMTG common share value of the merger consideration of \$14.64 (using AMTG's preliminary book value per share as of December 31, 2015)).

Morgan Stanley also performed a liquidation analysis of AMTG utilizing the same methodology, information and assumptions as described above, but incorporating volatility considerations during the liquidation decision and execution process. Morgan Stanley reviewed the quarterly book value volatility from 2009-2015 for a set of agency and hybrid mortgage REIT companies, including AMTG, the AMTG Hybrid REIT Peers and the following:

Two Harbors Investment Corp.

MFA Financial, Inc. Real Estate Trust

Chimera Investment Corporation

Invesco Mortgage Capital Inc. Real Estate Trust

PennyMac Mortgage Investment Trust

Redwood Trust, Inc.

Arlington Asset Investment Corp.

ZAIS Financial Corp.

Ellington Residential Mortgage REIT

Five Oaks Investment Corp.

JAVELIN Mortgage Investment Corp.

Annaly Capital Management, Inc.

American Capital Agency Corp.

Hatteras Financial Corp.

CYS Investments Inc.

Capstead Mortgage Corporation

ARMOUR Residential REIT, Inc.

Anworth Mortgage Asset Corp.

Based on one standard deviation of quarterly book value change for these companies as observed from January 1, 2009 to December 31, 2015, and resulting in a book value range of 0.82x to 0.94x, Morgan Stanley calculated an

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implied per share equity value range of AMTG of \$13.51 to \$15.38 (as compared to the estimated per AMTG common share value of the merger consideration of \$14.64 (using AMTG's preliminary book value per share as of December 31, 2015)).

### ***Buyer Analysis***

#### *Historical Trading Range Analysis*

Morgan Stanley reviewed the historical trading range of shares of ARI common stock for the 52-week period ending February 24, 2016 and noted that, during such period, the maximum trading price for shares of ARI common stock was \$18.25 per share and the minimum trading price for shares of ARI common stock was \$12.92 per share. Morgan Stanley also noted that the closing price for shares of ARI common stock on February 25, 2016 was \$16.93 per share.

#### *Equity Research Price Target Analysis*

Morgan Stanley reviewed the price targets for shares of ARI common stock prepared and published by equity research analysts. These targets reflect each analyst's estimate of the future public market-trading price of shares of ARI common stock and were not discounted to reflect present value. The range of analyst price targets for shares of ARI common stock was \$15.00 to \$18.00, with a consensus price target of \$16.92.

The public market trading price targets published by securities research analysts do not necessarily reflect current market trading prices for shares of ARI common stock and these estimates are subject to uncertainties, including, but not limited to, the future financial performance of ARI and future financial market conditions.

#### *Comparable Company Analysis*

Morgan Stanley performed a comparable company analysis of ARI, which attempts to provide an implied value of a company by comparing it to similar companies that are publicly traded.

Morgan Stanley reviewed and compared, using publicly available information, certain current and historical financial information for ARI with corresponding current and historical financial information, ratios and public market multiples for publicly traded commercial mortgage REITs that (i) share similar business characteristics and have certain comparable operating characteristics with ARI and (ii) had current market capitalizations of approximately \$1 billion to \$10 billion (which was comparable to ARI's market capitalization of approximately \$2.6 billion as of February 24, 2016). These companies were the following, which we refer to in this section as the ARI mREIT Peers:

Ares Commercial Real Estate Corporation

Blackstone Mortgage Trust, Inc.

Colony Capital, Inc.

Starwood Property Trust, Inc.

For each selected company, Morgan Stanley calculated the P/BV of each company using such company's stock price divided by the book value of its common equity, using market data as of February 24, 2016. Based on the results of this analysis, Morgan Stanley applied a P/BV range of 0.7x to 1.0x to ARI's book value per share of \$16.21 as of December 31, 2015, which resulted in an implied per share equity value range of ARI of approximately \$11.24 to approximately \$16.54 (as compared to ARI's closing common stock price of \$16.93 as of February 25, 2016).

For each selected company, Morgan Stanley also calculated each company's dividend yield as a percentage of such company's stock price. Based on the results of this analysis, Morgan Stanley applied a dividend yield range

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of 9.7% to 10.8% to ARI's annualized dividend per share of \$1.84, which resulted in an implied per share equity value range of ARI of \$17.01 to \$18.95 (as compared to ARI's closing common stock price of \$16.93 as of February 25, 2016).

For each selected company, Morgan Stanley also calculated such company's Price / 2016 earnings per share ratio by dividing such company's stock price as of February 24, 2016 by its 2016 estimated earnings per share (P/2016E EPS). Based on the results of this analysis, Morgan Stanley applied a P/2016E EPS range of 8.0x to 9.7x, which resulted in an implied per share equity value range of ARI of \$15.67 to \$18.98 (as compared to ARI's closing common stock price of \$16.93 as of February 25, 2016).

No company included in the comparable company analysis is identical to ARI. In evaluating comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, which are beyond the control of ARI. These include, among other things, the impact of competition on the business of ARI and the industry generally, industry growth, and the absence of any adverse material change in the financial condition and prospects of ARI and the industry, and in the financial markets in general. Mathematical analysis (such as determining the mean or median) is not, in itself, a meaningful method of using comparable company data.

*Dividend Discount Analysis*

Morgan Stanley performed two dividend discount analyses to calculate a range of implied present values of the distributable cash flows that ARI is forecasted to generate. The first range was determined by adding:

the present value of an estimated future dividend stream for ARI over the three-year period from 2016 to 2018 based on ARI's projected estimated EPS for those years and an assumed dividend payout ratio of 0.94x; and

the present value of an estimated terminal value of ARI common stock at the end of the year 2018. In performing its analysis, Morgan Stanley assumed a cost of equity of 10.25% to 12.25% which it used as the discount rate. The terminal value for ARI was calculated by applying a selected range of P/BV multiples of 0.9x to 1.1x (representing the current average P/BV of the ARI mREIT Peers and the long term median P/BV of the ARI mREIT Peers since January 2011 utilizing market data as of February 24, 2016) to ARI's 2018 estimated book value per share of \$16.55. This resulted in an implied per share equity value range of ARI of \$15.02 to \$18.23 (as compared to ARI's closing common stock price of \$16.93 as of February 25, 2016).

The second range was determined by adding:

the present value of an estimated future dividend stream for ARI over the three-year period from 2016 to 2018 based on ARI's projected estimated EPS for those years and an assumed dividend payout ratio of 0.94x; and

the present value of an estimated terminal value of ARI common stock at the end of the year 2019.

In performing its analysis, Morgan Stanley assumed a cost of equity of 10.25% to 12.25% which it used as the discount rate. The terminal value for ARI was calculated by applying a terminal perpetuity growth rate range of 1.40% to 3.40% (based on ARI's actual and projected EPS CAGR for 2015-2018) to ARI's 2018 estimated dividend per share of \$1.92. This resulted in an implied per share equity value range of ARI of \$15.95 to \$24.93 (as compared to ARI's closing common stock price of \$16.93 as of February 25, 2016).

***Preliminary Presentations by Morgan Stanley***

In addition to its February 25, 2016 opinion and presentation to the AMTG Special Committee and the underlying financial analyses performed in relation thereto, Morgan Stanley also delivered preliminary

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presentation materials to the AMTG Special Committee on January 15, 2016, January 25, 2016, February 2, 2016, February 9, 2016 and February 24, 2016. The preliminary financial considerations and other information in such preliminary presentation materials were based on information and data that was available as of the dates of the respective presentations. Morgan Stanley also continued to refine various aspects of its financial analyses. Accordingly, the results and other information presented in such preliminary presentation materials differs slightly from the February 25, 2016 financial analyses.

The preliminary presentation materials referenced above were for discussion purposes only and did not present any findings or make any recommendations or constitute an opinion of Morgan Stanley with respect to the fairness of the merger consideration or otherwise.

The preliminary presentation materials delivered by Morgan Stanley to the AMTG Special Committee contained substantially similar analyses as described above under *Company Analysis* and *Buyer Analysis*. The financial analyses performed by Morgan Stanley in relation to its opinion dated February 25, 2016 supersede all analyses and information presented in the preliminary presentation materials.

#### *January 15, 2016 Preliminary Presentation Materials*

The January 15, 2016 preliminary presentation materials contained a situation overview including a summary of the ARI Special Committee's non-binding indicative proposal as of January 11, 2016, indicating an estimated per AMTG common share value of ARI's preliminary non-binding indicative proposal of \$14.09 (using AMTG's book value per share as of September 30, 2015).

The January 15, 2016 preliminary presentation materials contained a preliminary historical trading range analysis of AMTG common stock for the 52-week period ending January 13, 2016 in order to calculate the P/BV range over this period. This preliminary historical trading range analysis indicated that, over this period, AMTG's P/BV ranged from a low of approximately 0.66x to a high of approximately 0.86x and, based on an AMTG book value per share of \$17.08 as of September 30, 2015, resulted in an implied per share equity value of AMTG of \$11.28 to \$14.71 (as compared to the estimated per AMTG common share value of ARI's non-binding indicative proposal of \$14.09 (using AMTG's book value per share as of September 30, 2015)).

The January 15, 2016 preliminary presentation materials also contained a preliminary comparable company analysis of AMTG utilizing the same methodology and same comparable company peer group as described under *Company Analysis*, *Comparable Company Analysis*, and market data as of January 13, 2016. This preliminary comparable company analysis revealed a comparable company P/BV range of 0.68x to 0.73x, which Morgan Stanley applied to AMTG's book value per share of \$17.08 as of September 30, 2015, resulting in an implied per share equity value range of AMTG of \$11.69 to \$12.40 (but utilizing for comparative purposes an estimated per AMTG common share value of ARI's preliminary non-binding indicative proposal of \$14.09 (using AMTG's book value per share as of September 30, 2015)). The preliminary comparable company analysis also revealed a dividend yield range of 18.8% to 13.3%, which Morgan Stanley applied to AMTG's then current annualized dividend of \$1.92, resulting in an implied per share equity value range of AMTG of \$10.22 to \$14.44 (but utilizing for comparative purposes an estimated per AMTG common share value of ARI's preliminary non-binding indicative proposal of \$14.09 (using AMTG's book value per share as of September 30, 2015)).

The January 15, 2016 preliminary presentation materials also contained a preliminary liquidation analysis of AMTG utilizing the same methodology and assumptions as described under *Company Analysis*, *Liquidation Analysis*, but financial information as of September 30, 2015 and excluding adjustments for volatility considerations during the liquidation decision and execution process. This preliminary liquidation analysis revealed an implied per share equity

value range of AMTG of \$14.76 to \$15.46 (but utilizing for comparative purposes an estimated per AMTG common share value of ARI's preliminary non-binding indicative proposal of \$14.09 (using AMTG's book value per share as of September 30, 2015)).



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The January 15, 2016 preliminary presentation materials further contained certain additional preliminary information, including information relating to the volatile performance of AMTG and certain comparable mortgage REIT market peer groups (as measured by various financial ratios and measures including total return, P/BV, dividend yield, interest rate levels and levels of capital raised), an overview of strategic alternatives (including maintenance of the status quo, changes to strategic focus, an increase in common stock buybacks, a change to the corporate structure of AMTG, a negotiated sale of AMTG and liquidation), an overview of AMTG's total return since IPO as compared to comparable peer group companies with market capitalizations of \$250 million to \$1 billion, and comparisons of AMTG's dividend yield, P/BV per share and economic return (as measured by the addition of dividends declared and change in book value per share divided by book value per share) against those of comparable mortgage REIT market peer groups.

*January 25, 2016 Preliminary Presentation Materials*

The January 25, 2016 preliminary presentation materials contained a revised overview of ARI's non-binding indicative proposal as of January 23, 2016, indicating an increase in the estimated per AMTG common share value of ARI's preliminary non-binding indicative proposal to \$14.56 (using AMTG's book value per share as of September 30, 2015).

The January 25, 2016 preliminary presentation materials contained a revised historical trading range analysis of AMTG common stock for the 52-week period ending January 22, 2016 in order to calculate the P/BV range over this period. This revised historical trading range analysis indicated that, over this period, AMTG's P/BV ranged from a low of approximately 0.60x to a high of approximately 0.86x and, based on an AMTG book value per share of \$17.08 as of September 30, 2015, resulted in an implied per share equity value of AMTG of \$10.23 to \$14.71.

The January 25, 2016 preliminary presentation materials also contained a revised comparable company analysis of AMTG utilizing the same methodology and same comparable company peer group as described under *Company Analysis Comparable Company Analysis*, and market data as of January 22, 2016. This revised comparable company analysis revealed a comparable company P/BV range of 0.65x to 0.71x, which Morgan Stanley applied to AMTG's book value per share of \$17.08 as of September 30, 2015, resulting in an implied per share equity value range of AMTG of \$11.07 to \$12.08. The revised comparable company analysis also revealed a dividend yield range of 19.9% to 13.6%, which Morgan Stanley applied to AMTG's then current annualized dividend of \$1.92, resulting in an implied per share equity value range of AMTG of \$9.66 to \$14.12.

The January 25, 2016 preliminary presentation materials also contained the preliminary liquidation analysis of AMTG utilizing the same methodology and assumptions as described under *Preliminary Presentations by Morgan Stanley January 15, 2016 Preliminary Presentation Materials*, revealing the same implied per share equity value range of AMTG of \$14.76 to \$15.46.

The January 25, 2016 preliminary presentation materials further contained certain additional information relating to AMTG's share price performance, total return performance and P/BV trading performance since November 2015. The January 25, 2016 preliminary presentation materials also contained an overview of ARI's P/BV for the 90-day period beginning September 15, 2015.

*February 2, 2016 Preliminary Presentation Materials*

The February 2, 2016 preliminary presentation materials contained a revised historical trading range analysis of AMTG common stock for the 52-week period ending January 29, 2016 in order to calculate the P/BV range over this period. This revised historical trading range analysis indicated that, over this period, AMTG's P/BV ranged from a low

of approximately 0.59x to a high of approximately 0.86x and, based on an AMTG book value per share of \$17.08 as of September 30, 2015, resulted in an implied per share equity value of AMTG of \$10.07 to \$14.71.

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The February 2, 2016 preliminary presentation materials also contained a revised comparable company analysis of AMTG utilizing the same methodology and same comparable company peer group as described under *Company Analysis Comparable Company Analysis*, and market data as of January 29, 2016. This revised comparable company analysis revealed a comparable company P/BV range of 0.67x to 0.73x, which Morgan Stanley applied to AMTG's book value per share of \$17.08 as of September 30, 2015, resulting in an implied per share equity value range of AMTG of \$11.41 to \$12.46. The revised comparable company analysis also revealed a dividend yield range of 19.0% to 13.3%, which Morgan Stanley applied to AMTG's then current annualized dividend of \$1.92, resulting in an implied per share equity value range of AMTG of \$10.12 to \$14.49.

The February 2, 2016 preliminary presentation materials also contained the preliminary liquidation analysis of AMTG utilizing the same methodology and assumptions as described under *Preliminary Presentations by Morgan Stanley January 15, 2016 Preliminary Presentation Materials*, revealing the same implied per share equity value range of AMTG of \$14.76 to \$15.46.

The February 2, 2016 preliminary presentation materials also contained preliminary market perspectives on ARI, including P/BV multiples, price-to-tangible book value multiples, price to earnings-per share multiples and dividend yields of ARI and certain market peer groups, a comparison of the historical trading performance of ARI common stock against that of certain market peer groups since September 2009, based on market data as of January 25, 2016, and certain publicly available equity research analysts' stock price and other targets for ARI.

*February 9, 2016 Preliminary Presentation Materials*

The February 9, 2016 preliminary presentation materials contained an overview of non-binding summary of terms as of February 7, 2016 indicating an estimated per AMTG common share value of the ARI Special Committee's preliminary non-binding indicative proposal of \$14.99 (using AMTG's book value per share as of September 30, 2015) together with an anticipated transaction timeline. The February 9, 2016 preliminary presentation materials also contained an overview of AMTG and ARI trading values as represented by P/BV and share price ranges since December 1, 2015 and comparison of the P/BV ratios of AMTG and ARI against certain of their comparable company peers as of February 8, 2016.

*February 24, 2016 Preliminary Presentation Materials*

The February 24, 2016 preliminary presentation materials contained a revised historical trading range analysis of AMTG common stock utilizing the same methodology and indicating the same approximate implied per share equity value reference range for AMTG as described above under *Company Analysis Historical Trading Range Analysis*, but utilizing for comparative purposes an estimated per AMTG common share value of the merger consideration of \$14.39 (using AMTG's preliminary book value per share of \$16.40 as of December 31, 2015).

The February 24, 2016 preliminary presentation materials also contained a revised comparable company analysis of AMTG utilizing the same methodology and same comparable company peer group as described under *Company Analysis Comparable Company Analysis*, and market data as of February 19, 2016. This revised comparable company analysis revealed a comparable company P/BV range of 0.69x to 0.78x, which Morgan Stanley applied to AMTG's preliminary book value per share of \$16.40 as of December 31, 2015, resulting in an implied per share equity value range of AMTG of \$11.28 to \$12.78. The revised comparable company analysis also revealed a dividend yield range of 18.9% to 12.9%, which Morgan Stanley applied to AMTG's then current annualized dividend of \$1.92, resulting in an implied per share equity value range of AMTG of \$10.15 to \$14.87.

The February 24, 2016 preliminary presentation materials also contained a preliminary premiums paid analysis utilizing the same methodology and same selected public company precedent transactions as described under

*Company Analysis Premiums Paid Analysis* to arrive at the same premium range of 15% to 35%, which was then applied to AMTG's closing share price of \$9.93 on February 19, 2016 resulting in an implied per share

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equity value range of AMTG of \$11.42 to \$13.41 and utilizing for comparative purposes an estimated per AMTG common share value of the merger consideration of \$14.39 (using AMTG's preliminary book value per share as of December 31, 2015).

The February 24, 2016 preliminary presentation materials also contained a revised liquidation analysis of AMTG utilizing the same methodology, assumptions and financial information as described under *Company Analysis Liquidation Analysis*, but utilizing for comparative purposes an estimated per AMTG common share value of the merger consideration of \$14.39 (using AMTG's preliminary book value per share as of December 31, 2015).

The February 24, 2016 preliminary presentation materials also contained preliminary historical trading and equity research price target analyses of ARI utilizing the same methodology, assumptions and financial information as described under *Buyer Analysis Historical Trading Range Analysis* and *Buyer Analysis Equity Research Price Targets*, but utilizing for comparative purposes for the historical trading analysis a closing price of \$16.24 for shares of ARI common stock on February 19, 2016.

The February 24, 2016 preliminary presentation materials also contained a preliminary comparable company analysis of ARI utilizing the same methodology and assumptions as described under *Buyer Analysis Comparable Company Analysis*, but utilizing market data as of February 19, 2016 and a closing price of \$16.24 for shares of ARI common stock on February 19, 2016 for comparative purposes. This preliminary comparable company analysis of ARI resulted in implied per share equity value ranges of ARI of approximately \$10.93 to \$16.43 using the P/BV valuation method, \$16.90 to \$18.40 using the dividend yield valuation method and \$15.39 to \$18.43 using the P/2016E EPS valuation method.

The February 24, 2016 preliminary presentation materials also contained a preliminary dividend discount analysis of ARI utilizing the same methodology, assumptions and financial information as described under *Buyer Analysis Dividend Discount Analysis*, but utilizing for comparative purposes a closing price of \$16.24 for shares of ARI common stock on February 19, 2016.

### *General*

In connection with the review of the mergers by the AMTG Special Committee, Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a financial opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis described above should not be taken to be Morgan Stanley's view of the actual value of AMTG or ARI. In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business, regulatory, economic, market and financial conditions and other matters, many of which are beyond AMTG's control. These include, among other things, the impact of competition on AMTG's businesses and the industry generally, industry growth, and the absence of any adverse material change in the financial condition and prospects of AMTG and the industry, and in the financial markets in general. Any estimates contained in Morgan Stanley's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

Morgan Stanley conducted the analyses described above solely as part of its analysis of the fairness from a financial point of view of the merger consideration to be received by the holders of shares of AMTG common stock (excluding shares of AMTG common stock (i) held by ARI or Merger Sub, or (ii) held by any subsidiary of

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ARI, Merger Sub or AMTG) pursuant to the merger agreement and in connection with the delivery of its opinion to the AMTG Special Committee. These analyses do not purport to be appraisals or to reflect the prices at which shares of AMTG common stock might actually trade.

The merger consideration to be paid by ARI pursuant to the merger agreement was determined through arm's length negotiations between AMTG and ARI and was approved by the AMTG Board. Morgan Stanley provided advice to the AMTG Special Committee during these negotiations but did not, however, recommend any specific consideration to the AMTG Special Committee, nor did Morgan Stanley opine that any specific consideration to be received by AMTG stockholders constituted the only appropriate merger consideration for the mergers.

Morgan Stanley's opinion and its presentation to the AMTG Special Committee was one of many factors taken into consideration by the AMTG Special Committee in deciding to approve and adopt the merger agreement and the transactions contemplated thereby. Consequently, the analyses as described above should not be viewed as determinative of the recommendation of the AMTG Special Committee with respect to the consideration to be received by AMTG stockholders pursuant to the merger agreement or of whether the AMTG Special Committee would have been willing to agree to a different form or amount of consideration. Morgan Stanley's opinion was approved by a committee of Morgan Stanley investment banking and other professionals in accordance with Morgan Stanley's customary practice.

Morgan Stanley's opinion was not intended to, and does not, constitute advice or a recommendation to any stockholder of AMTG as to how to vote at the AMTG special meeting to be held in connection with the mergers or whether to take any other action with respect to the mergers. Morgan Stanley's opinion did not address any other aspect of the mergers, including the prices at which shares of ARI common stock will trade following consummation of the mergers or at any time.

The AMTG Special Committee retained Morgan Stanley based upon Morgan Stanley's qualifications, experience and expertise. Morgan Stanley is a global financial services firm engaged in the securities, investment management and individual wealth management businesses. Its securities business is engaged in securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trading, prime brokerage, as well as providing investment banking, financing and financial advisory services. Morgan Stanley, its affiliates, directors and officers may at any time invest on a principal basis or manage funds that invest, hold long or short positions, finance positions, and may trade or otherwise structure and effect transactions, for their own account or the accounts of its customers, in debt or equity securities or loans of AMTG, ARI, Apollo, Athene and their respective affiliates, or any other company, or any currency or commodity, that may be involved in the mergers, or any related derivative instrument.

Under the terms of its engagement letter, Morgan Stanley provided the AMTG Special Committee with financial advisory services and a financial opinion, described in this section and attached to this proxy statement/prospectus as Annex G, in connection with the mergers, and ARI has agreed to pay Morgan Stanley a fee estimated to be approximately \$[ ] million for its services, of which \$1,000,000 was payable upon rendering its opinion and the remainder of which, against which the \$1,000,000 opinion fee will be credited, is contingent upon the closing of the mergers. AMTG has also agreed to reimburse Morgan Stanley for its reasonable expenses, including reasonable fees of outside counsel and other professional advisors, incurred in connection with its engagement. In addition, AMTG has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the U.S. federal securities laws, relating to or arising out of Morgan Stanley's engagement.

In the two years prior to the date of its opinion, Morgan Stanley or its affiliates have provided financing services for AMTG, for which Morgan Stanley and its affiliates have received aggregate compensation of less than \$50,000, and financing services for certain of AMTG's and ARI's affiliates, for which Morgan Stanley and its affiliates have received aggregate compensation of approximately \$7.2 million. Morgan Stanley and its affiliates



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may also seek to provide financial advisory and financing services to AMTG and ARI and its affiliates in the future and would expect to receive fees for the rendering of these services.

### **Opinion of the Financial Advisor to the ARI Special Committee**

On February 25, 2016, Houlihan Lokey orally rendered its opinion to the ARI Special Committee (which was confirmed by delivery of Houlihan Lokey's written opinion, dated February 25, 2016, to the ARI Special Committee) to the effect that, as of such date and based on and subject to the procedures followed, assumptions made and limitations and qualifications on the review undertaken and other matters considered by Houlihan Lokey in connection with its opinion, the Per Common Share Merger Consideration to be paid by ARI in the First Merger was fair to ARI from a financial point of view. For purposes of Houlihan Lokey's opinion, the term Per Common Share Merger Consideration refers to a pro rata portion of consideration consisting of cash and ARI common stock equal to 89.25% of the common equity book value of AMTG determined in accordance with the methodologies and a pricing date contemplated by the merger agreement.

**Houlihan Lokey's opinion was directed to the ARI Special Committee (in its capacity as such), only addressed the fairness, from a financial point of view and as of February 25, 2016, to ARI of the Per Common Share Merger Consideration to be paid by ARI in the First Merger and did not address any other portion, aspect or implication of the First Merger, the related transactions or otherwise or any other agreement, arrangement or understanding. The summary of Houlihan Lokey's opinion in this proxy statement/prospectus is qualified in its entirety by reference to the full text of its written opinion, which is attached as Annex H to this proxy statement/prospectus and describes the procedures followed, assumptions made and limitations and qualifications on the review undertaken and other matters considered by Houlihan Lokey in connection with its opinion. However, neither Houlihan Lokey's opinion nor the summary of its opinion and the related analyses set forth in this proxy statement/prospectus are intended to be, and do not constitute, advice or a recommendation to the ARI Special Committee, the ARI Board, any security holder or any other party as to how to act or vote with respect to any matter relating to the First Merger, any related transactions or otherwise.**

In connection with its opinion, Houlihan Lokey made such reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances. Among other things, Houlihan Lokey:

reviewed a draft dated February 25, 2016 of the merger agreement and drafts of certain related documents;

reviewed certain publicly available business and financial information relating to AMTG and ARI that Houlihan Lokey deemed relevant;

reviewed certain information relating to the assets and liabilities of AMTG (including prices at which such assets were traded relative to carrying value) and the historical, current and future operations, financial condition and prospects of ARI made available to Houlihan Lokey by the AMTG Manager and the ARI Manager, including estimates of the ARI Manager as to the net liquidation value of AMTG's assets;

spoke with certain members of the AMTG Manager and the ARI Manager and certain of their respective representatives and advisors regarding the respective businesses, operations, financial condition and

prospects of AMTG and ARI and regarding the First Merger, the related transactions and related matters;

compared the financial and operating performance of AMTG and ARI with that of other public companies that Houlihan Lokey deemed relevant;

reviewed the current and historical market prices and trading volume for AMTG common stock and ARI common stock, and the current and historical market prices and trading volume of publicly traded securities of certain other companies that Houlihan Lokey deemed relevant;

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reviewed certain potential pro forma financial effects of the First Merger and the related transactions on ARI's common equity book value per share utilizing financial projections and other estimates prepared by or discussed with the ARI Manager relating to ARI for the fiscal years ending December 31, 2016 through December 31, 2018 and the estimates relating to AMTG referred to above; and

conducted such other financial studies, analyses and inquiries and considered such other information and factors as Houlihan Lokey deemed appropriate.

In reaching its conclusions in its opinion, at the direction of the ARI Special Committee, Houlihan Lokey evaluated AMTG and the Per Common Share Merger Consideration after giving effect to the First Merger and the related transactions on a pro forma liquidation value basis given ARI's plan to liquidate substantially all of AMTG's assets. Houlihan Lokey relied upon and assumed, without independent verification, the accuracy and completeness of all data, material and other information furnished, or otherwise made available, to Houlihan Lokey, discussed with or reviewed by Houlihan Lokey, or publicly available, and did not assume any responsibility with respect to such data, material and other information. In addition, the ARI Manager advised Houlihan Lokey, and Houlihan Lokey assumed, at the direction of the ARI Special Committee, that the financial projections and other estimates utilized in Houlihan Lokey's analyses were reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of such external manager as to the net liquidation value of AMTG's assets (including the assets contemplated to be sold pursuant to the asset sale transaction), the future financial results and condition of ARI and the other matters covered thereby. Houlihan Lokey expressed no opinion with respect to any such projections or estimates utilized in its analyses or the assumptions on which they were based. Houlihan Lokey relied upon and assumed, without independent verification, that there were no changes in the businesses, assets, liabilities, financial condition, results of operations, cash flows or prospects of AMTG or ARI since the respective dates of the most recent financial statements and other information, financial or otherwise, provided to Houlihan Lokey that would have been material to its analyses or opinion, and that there was no information or any facts that would have made any of the information reviewed by Houlihan Lokey incomplete or misleading. Houlihan Lokey further relied upon, without independent verification, the assessments of the ARI Manager as to, among other things, (i) the related transactions, including with respect to the timing thereof and the assets, liabilities and financial and other terms involved, (ii) AMTG's aggregate common equity book value and the liquidation value of AMTG's assets, including the timing of and the assets, liabilities and financial and other terms involved in any liquidation of such assets, and (iii) the potential impact on AMTG and ARI of certain market, competitive and other trends in and prospects for, and governmental, regulatory and legislative matters relating to, the mortgage and real estate markets and related credit and financial markets, including the potential impact of mortgage loan modification and refinancing programs or other regulatory or legislative matters applicable to AMTG or ARI. Houlihan Lokey assumed that there would be no developments with respect to any such matters that would have an adverse effect on AMTG, ARI, the First Merger or the related transactions or that would otherwise be material to Houlihan Lokey's analyses or opinion.

Houlihan Lokey relied upon and assumed, without independent verification, that (a) the representations and warranties of all parties to the merger agreement and the asset purchase agreement and all other related documents and instruments were true and correct, (b) each party to the merger agreement and the asset purchase agreement and such other related documents and instruments would fully and timely perform all of the covenants and agreements required to be performed by such party, (c) all conditions to the consummation of the First Merger and the related transactions would be satisfied without waiver thereof, and (d) the First Merger and the related transactions would be consummated in a timely manner in accordance with the terms described in the merger agreement and the asset purchase agreement and such other related documents and instruments, without any amendments or modifications. Houlihan Lokey also assumed, at the direction of the ARI Special Committee, that the First Merger and the related transactions would qualify, as applicable, for the intended tax treatment contemplated by the merger agreement. Houlihan Lokey further relied upon and assumed, without independent verification, that (i) the First Merger and the

related transactions would be consummated in a manner that comply in all respects with all applicable foreign,

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federal and state statutes, rules and regulations and relevant documents and other requirements, (ii) all governmental, regulatory and other consents and approvals necessary for the consummation of the First Merger and the related transactions would be obtained and that no delay, limitations, restrictions or conditions would be imposed or amendments, modifications or waivers made that would have an adverse effect on AMTG, ARI, the First Merger or the related transactions or that would otherwise be material to Houlihan Lokey's analyses or opinion and (iii) AMTG and ARI each has operated in conformity with the requirements for qualification as a REIT since its formation and the First Merger and the related transactions would not adversely affect the status or operations of AMTG or ARI. Houlihan Lokey relied upon and assumed, without independent verification, at the direction of the ARI Special Committee, that (A) any alternative transaction structure or adjustment to the Per Common Share Merger Consideration (whether as a result of a delay in the consummation of the First Merger or otherwise) would not be material to Houlihan Lokey's analyses or opinion, (B) the value of AMTG's assets to be sold in the asset sale transaction would be based on the purchase price payable for such assets as set forth in the asset purchase agreement and substantially all of AMTG's remaining assets would be liquidated following consummation of the First Merger and the related transactions such that AMTG would no longer be operated as a going-concern and (C) there were appropriate reserves, indemnification arrangements or other provisions with respect to the liabilities of or relating to AMTG and no liabilities that were contemplated to be excluded as a result of the related transactions or otherwise would be directly or indirectly assumed or incurred by ARI. In addition, Houlihan Lokey relied upon and assumed, without independent verification, that the final merger agreement and related documents when executed would not differ in any material respect from the drafts of the merger agreement and such related documents identified above.

Furthermore, in connection with its opinion, Houlihan Lokey was not requested to make, and did not make, any physical inspection or independent appraisal of any of the assets, properties or liabilities (fixed, contingent, derivative, off-balance sheet or otherwise) of AMTG, ARI or any other entity nor was Houlihan Lokey provided with any such appraisal. Houlihan Lokey did not express any opinion regarding the liquidation value of ARI or any other entity. Houlihan Lokey did not undertake an independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims or other contingent liabilities to which AMTG, ARI or any other entity was or may be a party or was or may be subject, or of any governmental investigation of any possible unasserted claims or other contingent liabilities to which AMTG, ARI or any other entity was or may be a party or was or may be subject.

Houlihan Lokey was not requested to, and did not, (a) initiate or participate in any discussions or negotiations with, or solicit any indications of interest from, third parties (other than AMTG and Athene Annuity) with respect to the First Merger or any related transactions, the securities, assets, businesses or operations of AMTG, ARI or any other party, or any alternatives to the First Merger or any related transactions or (b) advise the ARI Special Committee or any other party with respect to alternatives to the First Merger or any related transactions. Houlihan Lokey's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Houlihan Lokey as of, the date of its opinion. Houlihan Lokey did not undertake, and is under no obligation, to update, revise, reaffirm or withdraw its opinion, or otherwise comment on or consider events occurring or coming to Houlihan Lokey's attention after the date of its opinion. Houlihan Lokey also did not express any opinion as to what the value of ARI common stock or ARI Series C Preferred Stock actually will be when issued pursuant to the First Merger and the related transactions or the price or range of prices at which ARI common stock, ARI Series C Preferred Stock, AMTG common stock or AMTG Series A Preferred Stock may be purchased or sold, or otherwise be transferable, at any time.

Houlihan Lokey's opinion was furnished for the use of the ARI Special Committee (in its capacity as such) in connection with its evaluation of the First Merger. Houlihan Lokey's opinion is not intended to be, and does not constitute, a recommendation to the ARI Special Committee, the ARI Board, any security holder or any other party as to how to act or vote with respect to any matter relating to the First Merger, any related transactions or otherwise.

Houlihan Lokey was not requested to opine as to, and did not express an opinion as to or otherwise address, among other things: (i) the underlying business decision of the ARI Special Committee, the ARI Board, ARI, its

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security holders or any other party to proceed with or effect the First Merger or any related transactions, (ii) any aspects relating to the operations of AMTG or ARI following consummation of, or the pro forma effects of, the First Merger or any related transactions, (iii) the fairness, from a financial point of view or otherwise, of the consideration to be paid or received in any related transactions, including upon liquidation of any of AMTG's assets, (iv) the terms of any arrangements, understandings, agreements or documents related to, or the form, structure or any other portion, aspect or implication of, the First Merger (other than the Per Common Share Merger Consideration to the extent expressly specified herein), the related transactions or otherwise, including, without limitation, any terms, aspects or implications of any debt financing, hedging, derivatives, repurchase, assignment, cooperation or other agreements or arrangements to be entered into in connection with or contemplated by the First Merger, any related transactions or otherwise, (v) the fairness of any portion or aspect of the First Merger or any related transactions to the holders of any class of securities, creditors or other constituencies of ARI, AMTG or to any other party, (vi) the relative merits of the First Merger or any related transactions as compared to any alternative business strategies or transactions that might be available with respect to ARI, AMTG (including the assets thereof upon liquidation or otherwise) or any other party, (vii) the fairness of any portion or aspect of the First Merger or any related transactions to any one class or group of security holders or other constituents vis-à-vis any other class or group of security holders or other constituents (including, without limitation, the allocation of any consideration amongst or within such classes or groups of security holders or other constituents), (viii) whether or not ARI, AMTG, their respective security holders or any other party is receiving or paying reasonably equivalent value in the First Merger or any related transactions, (ix) the solvency, creditworthiness or fair value of AMTG, ARI or any other participant in the First Merger or any related transactions, or any of their respective assets, under any applicable laws relating to bankruptcy, insolvency, fraudulent conveyance or similar matters, or (x) the fairness, financial or otherwise, of the amount, nature or any other aspect of any compensation to or consideration payable to or received by any officers, directors or employees of any party to the First Merger or any related transactions, any class of such persons or any other party, relative to the Per Common Share Merger Consideration or otherwise, including any promote fee or other amount payable to the AMTG Manager or the ARI Manager. Furthermore, no opinion, counsel or interpretation was intended in matters that required legal, regulatory, accounting, insurance, tax or other similar professional advice. Houlihan Lokey assumed that such opinions, counsel or interpretations had been or would be obtained from appropriate professional sources. Furthermore, Houlihan Lokey relied, with the consent of the ARI Special Committee, on the assessments by the ARI Special Committee, the ARI Board, the AMTG Manager, the ARI Manager and their respective advisors as to all legal, regulatory, accounting, insurance and tax matters with respect to AMTG, ARI, the First Merger, any related transactions or otherwise. The issuance of Houlihan Lokey's opinion was approved by a Houlihan Lokey committee authorized to approve opinions of this nature.

In preparing its opinion to the ARI Special Committee, Houlihan Lokey performed certain analyses, including those described below. The summary of Houlihan Lokey's analyses is not a complete description of the analyses underlying Houlihan Lokey's opinion. The preparation of such an opinion is a complex process involving various quantitative and qualitative judgments and determinations with respect to the financial, comparative and other analytical methods employed and the adaptation and application of these methods to the unique facts and circumstances presented. As a consequence, neither Houlihan Lokey's opinion nor its underlying analyses is readily susceptible to summary description. Houlihan Lokey arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, methodology or factor. While the results of each analysis were taken into account in reaching Houlihan Lokey's overall conclusion with respect to fairness, Houlihan Lokey did not make separate or quantifiable judgments regarding individual analyses. Accordingly, Houlihan Lokey believes that its analyses and the following summary must be considered as a whole and that selecting portions of its analyses, methodologies and factors, without considering all analyses, methodologies and factors, could create a misleading or incomplete view of the processes underlying Houlihan Lokey's analyses and opinion.

In performing its analyses, Houlihan Lokey considered general business, economic, industry and market conditions, financial and otherwise, and other matters as they existed on, and could be evaluated as of, the date of its opinion. No company or business used in Houlihan Lokey's analyses or otherwise reviewed for comparative



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purposes is identical to AMTG or ARI and an evaluation of the results of those analyses is not entirely mathematical. As a consequence, mathematical derivations (such as the high, low, mean and median) of financial data are not by themselves meaningful and were considered in conjunction with experience and the exercise of judgment. The estimates contained in the financial forecasts and the implied reference range values indicated by Houlihan Lokey's analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, any analyses relating to the value of assets, businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold, which may depend on a variety of factors, many of which are beyond the control of AMTG and ARI. Much of the information used in, and accordingly the results of, Houlihan Lokey's analyses are inherently subject to substantial uncertainty.

Houlihan Lokey's opinion was only one of many factors considered by the ARI Special Committee in evaluating the proposed First Merger. Neither Houlihan Lokey's opinion nor its analyses were determinative of the Per Common Share Merger Consideration or of the views of the ARI Special Committee, the ARI Board, the AMTG Manager, the ARI Manager or any other party with respect to the First Merger, any related transactions or the Per Common Share Merger Consideration. Houlihan Lokey was not requested to, and it did not, recommend the specific consideration payable in the First Merger or any related transactions or that any given consideration constituted the only appropriate consideration for the First Merger or any related transactions. The type and amount of consideration payable in the First Merger and the related transactions were determined through negotiation between the ARI Special Committee, AMTG and, in the case of certain related transactions, Athene Annuity, and the decision for ARI to enter into the merger agreement and the asset purchase agreement and related documents was solely that of the ARI Special Committee and the ARI Board.

The following is a summary of the material financial analyses performed by Houlihan Lokey in connection with the preparation of its opinion and reviewed with the ARI Special Committee on February 25, 2016. The order of the analyses does not represent relative importance or weight given to those analyses by Houlihan Lokey. The analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the analyses. Considering the data in the tables below without considering the full narrative description of the analyses, as well as the methodologies underlying, and the assumptions, qualifications and limitations affecting, each analysis, could create a misleading or incomplete view of Houlihan Lokey's analyses.

*Introduction*

In evaluating AMTG and ARI from a financial perspective, Houlihan Lokey performed certain financial analyses more fully described below. For purposes of such analyses, Houlihan Lokey reviewed a number of financial and operating metrics, as applicable, including:

Price-to-book value multiple generally, the relevant company's closing stock price as of the date of the market data utilized as indicated below as a multiple of such company's most recently reported common equity book value per share as of the date of the financial data utilized as indicated below.

Dividend yield generally, the relevant company's latest dividend per share on an annualized basis as of the date of the market data utilized as indicated below as a percentage of such company's closing stock price as of the date of the market data utilized as indicated below.

Also for purposes of such analyses, the term implied common merger consideration refers to the \$14.64 per share consideration payable in the First Merger to holders of AMTG common stock, based on 0.8925x AMTG's common equity book value per share (as of December 31, 2015). Estimates and other information relating to AMTG relied upon by Houlihan Lokey for purposes of the financial analyses described below were based on information made available to Houlihan Lokey by the AMTG Manager and the ARI Manager, including estimates of the ARI Manager as to the net liquidation value of AMTG's assets, certain publicly available research analyst estimates, public filings and other publicly available information for AMTG. Estimates and

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other information relating to ARI relied upon by Houlihan Lokey for purposes of the financial analyses described below were based on financial projections and other estimates prepared by or discussed with the ARI Manager relating to ARI for the fiscal years ending December 31, 2016 through December 31, 2018, certain publicly available research analyst estimates, public filings and other publicly available information for ARI. Estimates and other information relating to the selected REITs listed below were based on certain publicly available research analyst estimates, public filings and other publicly available information for those REITs.

*February 25, 2016 Financial Analyses*

The financial analyses and market perspectives provided to the ARI Special Committee on February 25, 2016 based on financial data as of December 31, 2015 and market data as of February 25, 2016, referred to as the February 25, 2016 financial analyses, included the following:

*AMTG Financial Analysis*

*Net Liquidation Value Analysis.* Houlihan Lokey evaluated the net liquidation value of AMTG by comparing the low to high estimates of the ARI Manager as to the net liquidation value of AMTG, pro forma for the First Merger and the related transactions, to the price-to-book value multiple underlying the implied common merger consideration. The ARI Manager's estimates as to the net liquidation value of AMTG were based on AMTG's common equity book value (as of December 31, 2015) less (i) the estimated cost of liquidating AMTG's assets and liabilities, excluding AMTG's assets to be sold by ARI to Athene Annuity in the asset sale transaction, (ii) the discount to the book value of AMTG's assets to be sold by ARI to Athene Annuity in the asset sale transaction implied by the cash consideration payable in the asset sale transaction and (iii) estimated transaction-related adjustments and expenses, excluding any termination fee payable to the AMTG Manager upon termination or transfer of its agreement with AMTG. Houlihan Lokey observed the following overall low to high estimates of the ARI Manager as to the net liquidation value of AMTG as a multiple of AMTG's common equity book value (as of December 31, 2015), as compared to the price-to-book value multiple underlying the implied common merger consideration:

Estimated Net Liquidation Value Range		Price-to-Book Value Multiple
0.8915x	0.9267x	0.8925x

Houlihan Lokey noted that such net liquidation value range indicated an approximate implied per share equity value reference range for AMTG based on AMTG's common equity book value per share (as of December 31, 2015) of \$14.62 to \$15.20, as compared to the implied common merger consideration of \$14.64. Houlihan Lokey also noted that, based on the closing price of ARI common stock (as of February 25, 2016), the implied common merger consideration would be \$14.71 per share.

*ARI Market Perspectives.* In order to assist the ARI Board in evaluating certain market perspectives on ARI, Houlihan Lokey reviewed the following:

*Financial Performance of ARI Relative to Selected Commercial Mortgage REITs.* In reviewing the financial performance of ARI, Houlihan Lokey compared the estimated price-to-book value multiples and dividend yields of ARI and the following two selected tier 1 commercial mortgage REITs, referred to as the ARI selected tier 1 REITs, and five selected tier 2 commercial mortgage REITs, referred to as the ARI selected tier 2 REITs and, together with the ARI selected tier 1 REITs, collectively referred to as the ARI selected REITs:

ARI Selected Tier 1 REITs

Blackstone Mortgage Trust, Inc.

Starwood Property Trust, Inc.

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**ARI Selected Tier 2 REITs**

Arbor Realty Trust, Inc.

Ares Commercial Real Estate Corporation

Colony Capital, Inc.

CYS Investments, Inc.

Ladder Capital Corp

The approximate overall low to high estimated price-to-book value multiples and dividend yields observed for the ARI selected tier 1 REITs were 0.94x to 1.05x (with a mean of 1.00x) and 9.9% to 10.4% (with a mean of 10.2%), respectively. The approximate overall low to high estimated price-to-book value multiples and dividend yields observed for the ARI selected REITs were 0.69x to 1.05x (with a mean of 0.84x) and 9.4% to 13.3% (with a mean of 10.5%), respectively. Houlihan Lokey noted that the estimated price-to-book value multiple and dividend yield of ARI were approximately 1.04x and 10.9%, respectively.

*Other ARI Market Perspectives.* Houlihan Lokey also observed the following market perspectives:

the historical trading performance of ARI common stock during the 30-day, one-year and three-year periods ended February 25, 2016, which indicated overall low to high observed intraday prices of ARI common stock during such periods of approximately \$15.03 to \$16.99 per share (with a mean closing stock price of \$15.93 per share), \$12.92 to \$18.25 per share (with a mean closing stock price of \$16.84 per share) and \$12.92 to \$18.28 per share (with a mean closing stock price of \$16.63 per share), respectively, in each case as compared to the closing price of ARI common stock (as of February 25, 2016) of \$16.93 per share;

the historical latest 12 months intraday price-to-book value multiples and dividend yields of ARI during the one-year and three-year periods ended February 25, 2016, which indicated overall low to high observed latest 12 months intraday price-to-book value multiples of ARI during such periods of approximately 0.79x to 1.12x (with a mean closing multiple of 1.03x) and 0.79x to 1.12x (with a mean closing multiple of 1.02x), respectively, as compared to the price-to-book value multiple of ARI of approximately 1.04x, and overall low to high observed latest 12 months dividend yields of ARI during such periods of approximately 10.0% to 12.2% (with a mean closing dividend yield of 10.6%), and 8.8% to 12.2% (with a mean closing dividend yield of 10.0%), respectively, as compared to the dividend yield of ARI of approximately 10.9%; and

undiscounted publicly available equity research analysts' stock price targets and calendar year 2016 operating income per share (adjusted for selected non-cash charges), dividends per share and common equity book

value per share targets for ARI, which indicated overall low to high observed stock price targets of \$15.00 to \$18.00 per share (with a mean of \$16.75 per share and a median of \$17.00 per share), overall low to high observed calendar year 2016 adjusted operating income per share targets of \$1.99 to \$2.14 per share (with a mean of \$2.06 per share and a median of \$2.05 per share), overall low to high observed calendar year 2016 dividends per share targets of \$1.84 to \$1.88 per share (with a mean of \$1.87 per share and a median of \$1.88 per share) and overall low to high observed calendar year 2016 common equity book value per share targets of \$16.32 to \$16.62 per share (with a mean of \$16.46 per share and a median of \$16.45 per share).

*Additional Information* AMTG. Houlihan Lokey also observed certain additional information, based on data relating to AMTG's assets and broker quotes reflected in AMTG's pricing file (as of December 31, 2015), data reflected in AMTG's pricing files as of each month-end from April 30, 2015 through December 31, 2015 and pricing service daily pricing emails, that was not considered part of Houlihan Lokey's financial analyses with respect to its opinion but was referenced for informational purposes, including the following:

AMTG broker quotes and pricing service volumes, which indicated that AMTG generally received more quotes on relatively liquid Agency pass-through, Structured Agency Credit Risk and Connecticut Avenue Securities assets;

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the difference between pricing service prices and average broker prices by trade market value, which indicated that such difference was approximately +/-0.5% for approximately 80% of Agency pass-through assets and approximately +/-1.0%, +/-2.0% and +/-3.0% for approximately 47%, 65% and 77%, respectively, of non-Agency residential mortgage-backed security assets; and

the percentage changes from the prior day-end approximate price of any Agency pass-through assets and any assets other than Agency pass-through assets to the price that the bonds were sold during the corresponding month from May 2015 through November 2015 based on the percentage change in the price provided by the pricing service from the prior month-end to the price provided by the pricing service for the day prior to the trade, which indicated that the approximate overall average difference weighted by trade market value was a 0.06% mark-up in the case of Agency pass-through assets and a 0.69% mark-up in the case of assets other than Agency pass-through assets.

*Other Information* AMTG and ARI. Houlihan Lokey also observed, for informational purposes, the following:

the historical intraday price-to-book value multiples of AMTG during the one-year and three-year periods ended February 25, 2016, which indicated overall low to high observed latest 12 months intraday price-to-book value multiples of AMTG during such periods of approximately 0.56x to 0.86x (with a mean closing multiple of 0.75x) and 0.56x to 1.07x (with a mean closing multiple of 0.82x), respectively, as compared to the price-to-book value multiple of AMTG of approximately 0.59x;

the estimated price-to-book value multiples of four selected tier 1 residential mortgage REITs (AG Mortgage Investment Trust, Inc., American Capital Mortgage Investment Corp., MFA Financial, Inc. and Two Harbors Investment Corp.), referred to as the AMTG selected tier 1 REITs, and 14 selected tier 2 residential mortgage REITs (American Capital Agency Corp., Annaly Capital Management, Inc., Anworth Mortgage Asset Corporation, Armour Residential REIT, Inc., Capstead Mortgage Corporation, Chimera Investment Corporation, Dynex Capital, Inc., Hatteras Financial Corp., Invesco Mortgage Capital Inc., New York Mortgage Trust, Inc., PennyMac Mortgage Investment Trust, Redwood Trust, Inc., WMC Resources Ltd and ZAIS Financial Corp.), referred to as the AMTG selected tier 2 REITs and, together with the AMTG selected tier 1 REITs, collectively referred to as the AMTG selected REITs, which indicated approximate overall low to high estimated price-to-book value multiples observed for the AMTG selected tier 1 REITs of 0.63x to 0.91x (with a mean of 0.75x) and approximate overall low to high price-to-book value multiples observed for the AMTG selected REITs of 0.63x to 0.91x (with a mean of 0.75x), in each case as compared to the price-to-book value multiple of AMTG of approximately 0.59x;

the historical trading ratio of AMTG common stock relative to ARI common stock on December 31, 2015, January 8, 2016, January 20, 2016, February 5, 2016, February 23, 2016 and February 25, 2016, which indicated observed historical trading ratios on such dates of approximately 0.69x, 0.72x, 0.68x, 0.67x, 0.61x and 0.60x, respectively, with an overall approximate low to high observed historical trading ratio range during the period from December 31, 2014 to February 25, 2016 of 0.60x to 0.98x (with a mean of 0.84x); and

an illustrative sensitivities overview of the potential pro forma financial effects of the proposed First Merger and the related transactions on ARI's common equity book value per share (as of December 31, 2015) assuming a price-to-book value multiple of AMTG of 0.8925x and utilizing a range of illustrative net realized liquidation values of AMTG as a percentage of book value, net of transaction expenses and adjustments, of 82.50% to 92.67%, which indicated that the First Merger and the related transactions could be accretive/(dilutive) to ARI's common equity book value per share (as of December 31, 2015) by approximately (2.1%) to 1.9%, and the potential implied cost of the issuance by ARI of ARI common stock and ARI Series C Preferred Stock in the First Merger and the related transactions assuming the same price-to-book value multiple of AMTG and utilizing the same range of illustrative net realized liquidation value percentages described above, which indicated that the First



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Merger and the related transactions could result in a gain/(loss) as a percentage of the estimated capital raised by the issuance of such ARI common stock and ARI Series C Preferred Stock assumed to be \$397 million of approximately (8.9%) to 4.5%. Actual results achieved by ARI may vary from forecasted results and variations may be material.

The February 25, 2016 financial analyses also referenced, for informational purposes, certain other financial considerations and information, including an overview of, and selected transaction terms regarding, the proposed transaction, estimated financial information regarding AMTG and ARI, the historical trading performance of AMTG common stock, dividend yields of AMTG and the AMTG selected REITs, premiums implied by the implied common merger consideration and the historical capital raise activity of ARI.

*February 23, 2016, February 7, 2016, January 21, 2016 and January 6, 2016 Preliminary Discussion Materials*

In addition to the February 25, 2016 financial analyses summarized above, Houlihan Lokey also delivered preliminary discussion materials to the ARI Special Committee on February 23, 2016, referred to as the February 23, 2016 preliminary discussion materials, on February 7, 2016, referred to as the February 7, 2016 preliminary discussion materials, on January 21, 2016, referred to as the January 21, 2016 preliminary discussion materials, and on January 6, 2016, referred to as the January 6, 2016 preliminary discussion materials. The preliminary financial considerations and other information contained in such preliminary discussion materials reflected financial and market data as of the dates specified below and were based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to Houlihan Lokey as of, their respective dates. Accordingly, the results of such preliminary observations and other information differed from the February 25, 2016 financial analyses as a result of, among other things, changes in such financial, economic, monetary, market and other conditions and circumstances. Houlihan Lokey, ARI and the ARI Manager, as applicable, also continued to refine various aspects of such preliminary financial considerations and other information.

The preliminary discussion materials referenced above did not constitute an opinion of, or recommendation by, Houlihan Lokey with respect to a possible transaction or otherwise. Such preliminary discussion materials primarily focused on the types of financial analyses and market perspectives described above under *February 25, 2016 Financial Analyses*, utilizing procedures that were generally the same or similar as those reflected in such financial analyses and market perspectives. The February 25, 2016 financial analyses were provided in connection with Houlihan Lokey's opinion to the ARI Special Committee and superseded these prior preliminary discussion materials.

*February 23, 2016 Preliminary Discussion Materials*

The February 23, 2016 preliminary discussion materials contained a preliminary net liquidation value analysis of AMTG, which utilized the same methodology and indicated the same estimated net liquidation value range and approximate implied per share equity value reference range for AMTG as described above under *February 25, 2016 Financial Analyses - AMTG Financial Analysis - Net Liquidation Value Analysis*, based on financial data as of December 31, 2015 and market data as of February 19, 2016, but utilizing for comparative purposes an implied common merger consideration based on 0.8775x AMTG's common equity book value per share (as of December 31, 2015).

The February 23, 2016 preliminary discussion materials also contained preliminary market perspectives on ARI, including estimated price-to-book value multiples and dividend yields of ARI and the ARI selected REITs, the historical trading performance of ARI common stock, historical latest 12 months intraday price-to-book value multiples and dividend yields of ARI and publicly available equity research analysts' stock price and other targets for ARI, generally as described above under *February 25, 2016 Financial Analyses - ARI Market Perspectives*, based on financial data as of December 31, 2015 and market data as of February 19, 2016.



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The February 23, 2016 preliminary discussion materials further contained certain additional preliminary information, including AMTG broker quotes and pricing service volumes, the difference between pricing service prices and average broker prices by trade market value and the percentage changes from the prior day-end approximate price of any Agency pass-through assets and any assets other than Agency pass-through assets to the price that the bonds were sold, generally as described above under *February 25, 2016 Financial Analyses Additional Information AMTG*, based on data relating to AMTG's assets and broker quotes reflected in AMTG's pricing file (as of December 31, 2015), data reflected in AMTG's pricing files as of each month-end from April 30, 2015 through December 31, 2015 and pricing service daily pricing emails, and other preliminary information generally as described above under *February 25, 2016 Financial Analyses Other Information AMTG and ARI*, based on financial data as of December 31, 2015 and market data as of February 19, 2016 and, in the case of the illustrative sensitivities overview, a price-to-book value multiple of AMTG of 0.8775x.

*February 7, 2016 Preliminary Discussion Materials*

The February 7, 2016 preliminary discussion materials contained an illustrative sensitivities overview, based on financial data as of September 30, 2015 and market data as of February 5, 2016, of the potential pro forma financial effects of a proposed transaction with AMTG on ARI's common equity book value per share (as of September 30, 2015) and on the potential implied cost of the issuance by ARI of ARI common stock and ARI Series C Preferred Stock in a proposed transaction with AMTG, utilizing a range of price-to-book value multiples of AMTG of 0.8750x to 0.8775x, assuming that ARI common stock was issued at 1.0x ARI's common equity book value (as of September 30, 2015) of \$16.35 per share and that ARI absorbed the outstanding AMTG Series A Preferred Stock at par value, and utilizing a range of illustrative realized fair values of AMTG's assets, net of transaction expenses and adjustments, as a percentage of AMTG's common equity book value (as of September 30, 2015) of 82.5% to 92.5%.

The February 7, 2016 preliminary discussion materials also referenced, for informational purposes, certain other financial considerations and information, including preliminary market and financial perspectives regarding AMTG and ARI.

*January 21, 2016 Preliminary Discussion Materials*

The January 21, 2016 preliminary discussion materials contained certain preliminary information regarding the low to high estimates of the ARI Manager as to the adjusted net liquidation value of AMTG, taking into account the estimated termination fee payable to the AMTG Manager upon termination of its management agreement with AMTG, and the low to high estimates of the ARI Manager as to the net liquidation value of AMTG, excluding any adjustment for the termination fee described above, in each case based on financial data as of September 30, 2015 and market data as of January 20, 2016.

The January 21, 2016 preliminary discussion materials also contained certain additional preliminary information, including the percentage changes from the prior month-end approximate price of any Agency pass-through assets and non-Agency residential mortgage-backed security assets to the price that the bonds were sold during such month and the percentage changes from the prior day-end approximate price of Agency pass-through assets and non-Agency residential mortgage-backed security assets to the price that the bonds were sold in the last 20 trades, based on data relating to AMTG's assets and broker quotes reflected in AMTG's pricing files as of each month-end from January 31, 2015 through November 30, 2015 and in AMTG's other sales price and trade analysis files.

The January 21, 2016 preliminary discussion materials further contained an illustrative sensitivities overview, based on financial data as of September 30, 2015 and market data as of January 20, 2016, of the potential pro forma financial effects of a proposed transaction with AMTG on ARI's common equity book value per share (as of

September 30, 2015) utilizing a range of price-to-book value multiples of AMTG of 0.825x to 0.925x, and certain additional sensitivities utilizing a range of prices of ARI common stock at issuance of \$14.72 to \$17.99

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per share, assuming a purchase price for AMTG based on 0.875x AMTG's common equity book value per share (as of December 31, 2015), and (i) the range of illustrative realized fair values of AMTG's assets, net of transaction expenses and adjustments, as a percentage of AMTG's common equity book value (as of September 30, 2015) described above under *February 7, 2016 Preliminary Discussion Materials* and (ii) a range of net liquidation values of AMTG, net of transaction expenses and adjustments, as a percentage of the purchase price of AMTG of (0.5%) to 5.0%. The February 7, 2016 preliminary discussion materials also contained an illustrative sensitivities overview, based on financial data as of September 30, 2015 and market data as of January 20, 2016, of the potential implied cost of the issuance by ARI of ARI common stock and ARI Series C Preferred Stock in a proposed transaction with AMTG utilizing the same ranges of price-to-book value multiples of AMTG and illustrative realized fair values of AMTG's assets, net of transaction expenses and adjustments, as a percentage of AMTG's common equity book value (as of September 30, 2015) described above.

The January 21, 2016 preliminary discussion materials also referenced, for informational purposes, certain other financial considerations and information, including preliminary market and financial perspectives regarding AMTG and ARI and historical trading ratios of AMTG common stock relative to ARI common stock.

*January 6, 2016 Preliminary Discussion Materials*

The January 6, 2016 preliminary discussion materials contained certain preliminary information regarding the low to high estimates of the ARI Manager as to the adjusted net liquidation value of AMTG, taking into account the estimated termination fee payable to the AMTG Manager upon termination of its management agreement with AMTG, and the low to high estimates of the ARI Manager as to the net liquidation value of AMTG, excluding any adjustment for the termination fee described above, in each case based on financial data as of September 30, 2015 and market data as of December 31, 2015.

The January 6, 2016 preliminary discussion materials also contained certain preliminary market perspectives on AMTG, including price-to-book value multiples of AMTG, the AMTG selected REITs and indices comprised of the AMTG selected tier 1 REITs and the AMTG selected REITs, in each case based on financial data as of September 30, 2015 and market data as of December 31, 2015.

The January 6, 2016 preliminary discussion materials further contained preliminary market perspectives on ARI, including price-to-book value multiples and dividend yields of ARI, the ARI selected REITs and indices comprised of the ARI selected tier 1 REITs and the ARI selected REITs, in each case based on financial data as of September 30, 2015 and market data as of December 31, 2015.

The January 6, 2016 preliminary discussion materials contained certain additional preliminary information, including AMTG broker quotes and pricing service volumes, the difference between pricing service prices and average broker prices by trade market value, the percentage changes from the prior day-end approximate price of non-Agency residential mortgage-backed security assets to the price that the bonds were sold and weekly non-Agency sub-prime BWIC volume, in each case based on data relating to AMTG's assets and broker quotes reflected in AMTG's pricing file (as of November 30, 2015), data reflected in AMTG's pricing files as of each month-end from January 31, 2015 through November 30, 2015, and other preliminary information, including additional estimated price-to-book value multiples and dividend yields of the AMTG selected REITs and historical latest 12 months trading ratios, based on financial data as of September 30, 2015 and market data as of December 31, 2015. The January 6, 2016 preliminary discussion materials further contained the illustrative sensitivities overviews generally as described above under

*January 21, 2016 Preliminary Discussion Materials*, based on financial data as of September 30, 2015 and market data as of December 31, 2015, utilizing a range of price-to-book value multiples of AMTG of 0.775x to 0.975x, a range of prices of ARI common stock at issuance of \$15.54 to \$18.81 per share, assuming a purchase price for AMTG

based on 0.875x AMTG's common equity book value per share (as of September 30, 2015) and a range of illustrative realized fair values of AMTG's assets, net of transaction expenses and adjustments, as a percentage of AMTG's common equity book value (as of September 30, 2015) of 77.5% to 97.5%.

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The January 6, 2016 preliminary discussion materials also referenced, for informational purposes, certain other financial considerations and information, including a preliminary overview of the proposed transaction, illustrative alternative capital raise scenarios, preliminary estimated financial information regarding AMTG and ARI, dividend yields of AMTG, the AMTG selected REITs and the indices comprised of the AMTG selected REITs described above, historical trading ratios of AMTG common stock relative to ARI common stock, information regarding preferred stock issued by Arbor Realty Trust, Inc. and Colony Capital, Inc. and a summary of AMTG's stockholder base.

*Other Matters*

Houlihan Lokey was engaged by the ARI Special Committee to act as its financial advisor in connection with the First Merger and provide financial advisory services, including an opinion to the ARI Special Committee as to the fairness, from a financial point of view and as of such date, of the Per Common Share Merger Consideration to be paid by ARI in the First Merger. The ARI Special Committee engaged Houlihan Lokey based on Houlihan Lokey's experience and reputation. Houlihan Lokey is regularly engaged to provide financial advisory services in connection with mergers and acquisitions, financings, and financial restructurings. Pursuant to its engagement by the ARI Special Committee, Houlihan Lokey is entitled to an aggregate fee of \$2.3 million for its services, of which a portion was payable upon Houlihan Lokey's engagement by the ARI Special Committee, \$1.0 million was payable upon delivery of Houlihan Lokey's opinion and \$1.3 million is contingent upon consummation of the First Merger. ARI also has agreed to reimburse Houlihan Lokey for certain expenses and to indemnify Houlihan Lokey, its affiliates and certain related parties against certain liabilities and expenses, including certain liabilities under federal securities laws, arising out of or related to Houlihan Lokey's engagement.

In the ordinary course of business, certain of Houlihan Lokey's employees and affiliates, as well as investment funds in which they may have financial interests or with which they may co-invest, may acquire, hold or sell, long or short positions, or trade, in debt, equity, and other securities and financial instruments (including loans and other obligations) of, or investments in, AMTG, ARI or any other party that may be involved in the First Merger or any related transactions and their respective affiliates or any currency or commodity that may be involved in the First Merger or any related transactions.

Houlihan Lokey and certain of its affiliates have in the past provided and are currently providing investment banking, financial advisory and/or other financial or consulting services to Apollo or one or more security holders, affiliates and/or portfolio companies of investment funds affiliated or associated with Apollo, referred to collectively with Apollo as the Apollo Group, for which Houlihan Lokey and such affiliates have received, and may receive, compensation, including, among other things, (i) having acted as financial advisor to PlayPower, Inc., then a member of the Apollo Group, in connection with its sale transaction, which transaction closed in June 2015, (ii) having acted as financial advisor to a special committee of the board of directors of Genco Shipping & Trading Limited, referred to as Genco, a member of the Apollo Group, in connection with Genco's merger transaction, which transaction closed in July 2015, (iii) having acted as financial advisor to a special committee of the board of directors of Athene Holding Ltd., a member of the Apollo Group, in 2014, and (iv) having acted as financial advisor to Apollo Management International LLP, a member of the Apollo Group, as a financing party, in connection with its review of a sale transaction involving Alpine-Energie Holding AG, which transaction closed in April 2014. Houlihan Lokey and certain of its affiliates received aggregate fees for the services described in clauses (i) through (iv) above of approximately \$9 million. Houlihan Lokey and certain of its affiliates may provide investment banking, financial advisory and/or other financial or consulting services to ARI, members of the Apollo Group, other participants in the First Merger and the related transactions or certain of their respective affiliates or security holders in the future, for which Houlihan Lokey and such affiliates may receive compensation. In addition, Houlihan Lokey and certain of its affiliates and certain of Houlihan Lokey's and their respective employees may have committed to invest in private

equity or other investment funds managed or advised by the Apollo Group, other participants in the First Merger and the related transactions or certain of their respective affiliates or security holders, and in portfolio companies of such funds, and may have co-invested with members of the Apollo Group, other participants in the First Merger and the related transactions



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or certain of their respective affiliates or security holders, and may do so in the future. Furthermore, in connection with bankruptcies, restructurings, and similar matters, Houlihan Lokey and certain of its affiliates may have in the past acted, may currently be acting and may in the future act as financial advisor to debtors, creditors, equity holders, trustees, agents and other interested parties (including, without limitation, formal and informal committees or groups of creditors) that may have included or represented and may include or represent, directly or indirectly, or may be or have been adverse to, ARI, members of the Apollo Group, other participants in the First Merger and the related transactions or certain of their respective affiliates or security holders, for which advice and services Houlihan Lokey and such affiliates have received and may receive compensation.

**Certain AMTG Unaudited Prospective Financial Information**

AMTG does not, as a matter of course, generally publish its business plans and strategies or make public disclosures of its projections as to future revenues, earnings or other results. In connection with the AMTG Board's approval of AMTG's fourth quarter dividend, AMTG provided the AMTG Board, including the members of the AMTG Special Committee, with selected unaudited prospective financial information regarding AMTG's future performance on a standalone basis for the period from the fourth quarter of 2015 through 2017. This information also was provided to the AMTG Special Committee's financial advisor for its use and reliance in connection with its financial analyses and opinion described above under *The Mergers and Related Transactions Opinion of the Financial Advisor to the AMTG Special Committee* and to the ARI Special Committee, the ARI Board and the ARI Special Committee's financial advisor, although such information was not relied upon by the ARI Special Committee or the ARI Board in connection with their deliberations concerning, and decision of the ARI Special Committee to recommend, the mergers and related transactions or the ARI Special Committee's financial advisor in connection with its financial analyses and opinion.

The AMTG financial projections were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. The AMTG financial projections were, in general, prepared solely for internal use and are subjective in many respects. As a result, there can be no assurance that the prospective results will be realized or that the actual results will not be significantly higher or lower than those estimated.

**Forecasted Quarterly Performance**  
(In Thousands)

	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Interest									
Income	\$ 37,318	\$ 37,252	\$ 37,233	\$ 36,973	\$ 36,846	\$ 36,804	\$ 36,816	\$ 36,874	\$ 36,955
Effective									
Interest									
Expense	(12,841)	(13,315)	(13,696)	(14,176)	(14,475)	(14,542)	(15,083)	(15,616)	(16,117)
Effective Net									
Interest									
Income	24,478	23,937	23,538	22,797	22,372	22,262	21,733	21,258	20,838
Other									
income, net	70	109	130	151	183	211	237	262	286
Management									
Fee	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)

Other G&A Expense (excluding equity comp)	(4,438)	(4,480)	(4,439)	(4,438)	(4,417)	(4,462)	(4,462)	(4,462)	(4,462)
Operating Earnings before allocation for participating securities	\$ 17,309	\$ 16,766	\$ 16,428	\$ 15,711	\$ 15,338	\$ 15,211	\$ 14,708	\$ 14,258	\$ 13,862
Dividends on Preferred Stock	(3,450)	(3,450)	(3,450)	(3,450)	(3,450)	(3,450)	(3,450)	(3,450)	(3,450)
Operating Earnings Allocable to Common Stock	\$ 13,859	\$ 13,316	\$ 12,978	\$ 12,261	\$ 11,888	\$ 11,761	\$ 11,258	\$ 10,808	\$ 10,412
Operating EPS	\$ 0.44	\$ 0.42	\$ 0.41	\$ 0.38	\$ 0.37	\$ 0.37	\$ 0.35	\$ 0.34	\$ 0.33
Est Common Shares Outstanding	31,742	31,742	31,829	31,870	31,878	31,919	31,919	31,919	31,832

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For purposes of the unaudited prospective financial information presented herein, Operating Earnings is a non-GAAP financial measure within the meaning of Regulation G promulgated by the SEC that is used by AMTG and which AMTG believes, when considered together with GAAP financial measures, provides information that is useful to investors in understanding AMTG's operating results. An analysis of any non-GAAP financial measures should be made in conjunction with the results presented in accordance with GAAP. The Operating Earnings presented exclude, as applicable: (i) certain realized and unrealized gains and losses recognized through earnings; (ii) non-cash equity compensation; (iii) one-time events pursuant to changes in GAAP; and (iv) certain other non-cash charges. Operating Earnings is a non-GAAP financial measure that is used by the AMTG Manager to assess AMTG's business results.

AMTG and ARI calculate certain non-GAAP financial metrics including Operating Earnings using different methodologies. Consequently, the financial metrics presented in each company's prospective financial information disclosures may not be directly comparable to one another.

In preparing the foregoing unaudited prospective financial results, AMTG made a number of assumptions and estimates regarding, among other things, future interest rates, AMTG's future stock price, the level of future investments by AMTG and the yield to be achieved on such investments, financing of future investments, including leverage ratios, the ability to refinance certain of AMTG's outstanding secured and unsecured debt and the terms of any such refinancing, and future capital expenditures and dividend rates. AMTG management believes these assumptions and estimates were reasonably prepared, but these assumptions and estimates may not be realized and are inherently subject to significant business, economic, competitive and regulatory uncertainties and contingencies, including, among others, the risks and uncertainties described under *Risk Factors* and *Cautionary Statement Regarding Forward-Looking Statements* beginning on pages 30 and 39, respectively, and in AMTG's Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated by reference into this proxy statement/prospectus. All of these uncertainties and contingencies are difficult to predict and many are beyond the control of ARI and/or AMTG and will be beyond the control of the Combined Company. ARI stockholders and AMTG stockholders are urged to review the SEC filings of AMTG for a description of the risk factors with respect to the business of AMTG. See *Cautionary Statement Regarding Forward-Looking Statements* beginning on page 39 and *Where You Can Find More Information; Incorporation by Reference* beginning on page 207.

Neither the independent registered public accounting firm of AMTG, nor any other independent accountants, have compiled, examined or performed any audit or other procedures with respect to the AMTG financial projections, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The report of the independent registered public accounting firm of AMTG contained in AMTG's Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated by reference into this proxy statement/prospectus, relates to the historical consolidated financial statements of AMTG. It does not extend to the AMTG financial projections and should not be read to do so. Furthermore, the AMTG financial projections do not take into account any circumstances or events occurring after the respective dates on which they were prepared.

Readers of this proxy statement/prospectus are cautioned not to place undue reliance on the AMTG financial projections. The summary of the AMTG financial projections is not being included to influence your decision whether to vote for the approval of the First Merger and the other transactions contemplated by the merger agreement, but is being provided because such information was considered in connection with the mergers and was provided to ARI, the AMTG Board, the AMTG Special Committee and the AMTG Special Committee's financial advisor. The inclusion of the AMTG financial projections in this proxy statement/prospectus should not be regarded as an indication that any of ARI, AMTG or their respective officers, directors, affiliates, advisors or other representatives consider such information to be necessarily predictive of actual future events. In addition, the AMTG financial projections do not give effect to the mergers. None of ARI, AMTG, or their respective officers, directors, affiliates, advisors or other representatives has made or makes any representations to any ARI stockholder or AMTG stockholder regarding the

ultimate performance of AMTG compared to the information

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included in the AMTG financial projections, and none of ARI, AMTG or their respective affiliates undertakes any obligation to update or otherwise revise or reconcile the AMTG financial projections to reflect circumstances existing, or changes in assumptions or outlook occurring, after the date the ARI financial projections were generated, except as may be required by applicable law.

**Certain ARI Unaudited Prospective Financial Information**

ARI does not, as a matter of course, generally publish its business plans and strategies or make public disclosures of its projections as to future revenues, earnings or other results. In connection with the proposed mergers, ARI provided, in the course of reverse due diligence, the AMTG Special Committee, the AMTG Board and the financial advisor to the AMTG Special Committee with selected unaudited prospective financial information regarding ARI's future performance on a standalone basis for the years 2016 through 2018. This information also was provided to the ARI Special Committee's financial advisor for its use and reliance in connection its financial analyses and opinion described above under *The Mergers and Related Transactions Opinion of the Financial Advisor to the ARI Special Committee*. A summary of these projections is provided below and such information is referred to in this proxy statement/prospectus as the ARI financial projections.

The ARI financial projections were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. The ARI financial projections were, in general, prepared solely for internal use and are subjective in many respects. As a result, there can be no assurance that the prospective results will be realized or that the actual results will not be significantly higher or lower than estimated.

	Quarter End				Year End
	31-Mar-16	30-Jun-16	30-Sep-16	31-Dec-16	2016
Net interest income	\$ 45,870	\$ 52,950	\$ 57,319	\$ 57,081	\$ 213,220
Operating earnings	33,629	36,270	39,814	39,594	149,308
Per share					
Operating earnings	\$ 0.49	\$ 0.48	\$ 0.49	\$ 0.49	\$ 1.95
Dividends	0.46	0.46	0.46	0.46	1.84

	Quarter End				Year End
	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	2017
Net interest income	\$ 58,308	\$ 60,766	\$ 63,184	\$ 62,904	\$ 245,162
Operating earnings	40,813	42,932	45,021	44,758	173,523
Per share					
Operating earnings	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 2.00
Dividends	0.47	0.47	0.47	0.47	1.88

Quarter End  
Year End

	<b>31-Mar-18</b>	<b>30-Jun-18</b>	<b>30-Sep-18</b>	<b>31-Dec-18</b>	<b>2018</b>
Net interest income	\$ 64,433	\$ 66,972	\$ 69,394	\$ 69,434	\$ 270,233
Operating earnings	46,255	48,448	50,526	50,558	195,787
Per share					
Operating earnings	\$ 0.51	\$ 0.51	\$ 0.51	\$ 0.51	\$ 2.04
Dividends	0.48	0.48	0.48	0.48	1.92

For purposes of the unaudited prospective financial information summarized herein, Operating Earnings is a non-GAAP financial measure that is used by ARI to approximate cash available for distribution and is defined by ARI as net income available to ARI common stockholders, computed in accordance with GAAP, adjusted for

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(i) equity-based compensation expense (a portion of which may become cash-based upon final vesting and settlement of awards should the holder elect net share settlement to satisfy income tax withholding); (ii) any unrealized gains or losses or other non-cash items included in net income available to common stockholders; (iii) unrealized income from unconsolidated joint ventures; (iv) foreign currency gains/(losses); and (v) the non-cash amortization expense related to the reclassification of a portion of the convertible senior notes to stockholders' equity in accordance with GAAP.

AMTG and ARI calculate certain non-GAAP financial metrics including Operating Earnings using different methodologies. Consequently, the financial metrics presented in each company's prospective financial information disclosures may not be directly comparable to one another.

In preparing the foregoing unaudited prospective financial results, ARI made a number of assumptions and estimates regarding, among other things, future interest rates, ARI's future stock price, the level of future investments by ARI and the yield to be achieved on such investments, financing of future investments, including leverage ratios, the ability to refinance certain of ARI's outstanding secured and unsecured debt and the terms of any such refinancing, and future capital expenditures and dividend rates. ARI management believes these assumptions and estimates were reasonably prepared, but these assumptions and estimates may not be realized and are inherently subject to significant business, economic, competitive and regulatory uncertainties and contingencies, including, among others, the risks and uncertainties described under *Risk Factors* and *Cautionary Statement Regarding Forward-Looking Statements* beginning on pages 30 and 39, respectively, and in ARI's Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated by reference into this proxy statement/prospectus. All of these uncertainties and contingencies are difficult to predict and many are beyond the control of ARI and/or AMTG and will be beyond the control of the Combined Company. ARI stockholders and AMTG stockholders are urged to review the SEC filings of ARI for a description of the risk factors with respect to the business of ARI. See *Cautionary Statement Regarding Forward-Looking Statements* beginning on page 39 and *Where You Can Find More Information; Incorporation by Reference* beginning on page 207.

Neither the independent registered public accounting firm of ARI, nor any other independent accountants, have compiled, examined or performed any audit or other procedures with respect to the ARI financial projections, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The report of the independent registered public accounting firm of ARI contained in ARI's Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated by reference into this proxy statement/prospectus, relates to the historical consolidated financial statements of ARI. It does not extend to the ARI financial projections and should not be read to do so. Furthermore, the ARI financial projections do not take into account any circumstances or events occurring after the respective dates on which they were prepared.

Readers of this proxy statement/prospectus are cautioned not to place undue reliance on the ARI financial projections. The summary of the ARI financial projections is not being included to influence your decision whether to vote for the approval of the First Merger and the other transactions contemplated by the merger agreement, but is being provided because such information was considered in connection with the mergers and was provided to the AMTG Board, the AMTG Special Committee and the AMTG Special Committee's financial advisor. The inclusion of the ARI financial projections in this proxy statement/prospectus should not be regarded as an indication that any of ARI, AMTG or their respective officers, directors, affiliates, advisors or other representatives consider such information to be necessarily predictive of actual future events. In addition, the ARI financial projections do not give effect to the mergers. None of ARI, AMTG, or their respective officers, directors, affiliates, advisors or other representatives has made or makes any representations to any ARI stockholder or AMTG stockholder regarding the ultimate performance of ARI compared to the information included in the ARI financial projections, and none of ARI, AMTG or their respective affiliates undertakes any obligation to update or otherwise revise or reconcile the ARI financial projections to reflect circumstances existing, or changes in assumptions or outlook occurring, after the date the ARI financial projections

were generated, except as may be required by applicable law.



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### **Interests of AMTG's Directors and Officers in the Transaction**

Certain of AMTG's executive officers and directors may have interests in the transaction that are different from, or in addition to, those of AMTG's and ARI's stockholders generally. These interests may present such executive officers and directors with actual or potential conflicts of interest. The AMTG Board was aware of these interests during its deliberations on the merits of the transaction and in deciding to approve the merger agreement and the other transactions contemplated thereby. These interests include those discussed below.

#### *Relationships among Apollo, AMTG, ARI and Athene; Overlapping Directors*

ARI is under control of the ARI Manager and AMTG is under control of the AMTG Manager. Each of ARI Manager and AMTG Manager is an indirect subsidiary of Apollo.

Certain of the members of the AMTG Board have relationships with Apollo as set forth below:

Michael A. Commaroto is the president and chief executive officer of the AMTG Manager, an affiliate of Apollo;

James E. Galowski is an employee of an affiliate of Apollo; and

Frederick N. Khedouri is an employee of an entity affiliated with Apollo.

In addition, (i) Mark C. Biderman is a member of both the AMTG Board and the ARI Board and has recused himself from all deliberations relating to the mergers and (ii) Hope S. Taitz is a member of both the AMTG Board and the board of directors of Athene Holding Ltd. Ms. Taitz is also a member of the conflicts committee of the board of directors of Athene Holding Ltd., but she was not a member of the Athene Special Committee.

Apollo is a significant shareholder of Athene Holding Ltd., through which Apollo holds approximately 45% of the total voting power of Athene Holding Ltd. Athene's invested assets are also managed by AAM, which is a subsidiary of Apollo. Certain of Athene Holding Ltd.'s directors are also employees of Apollo and directors of AAM, and Athene Holding Ltd.'s Chief Executive Officer is the Chief Executive Officer and an equity holder of AAM.

#### *AMTG Special Committee Fees*

Each of the members of the AMTG Special Committee earned cash committee fees in connection with their service on the AMTG Special Committee. The individual members of the AMTG Special Committee earned the following fees: Thomas Christopoul, chairman of the AMTG Special Committee \$75,000; and Frederick Kleisner \$50,000.

#### *Management Agreement*

In connection with AMTG's initial public offering in July 2011, AMTG entered into the AMTG management agreement with the AMTG Manager, which describes the services to be provided by the AMTG Manager and its compensation for those services. AMTG's business is managed by the AMTG Manager, subject to the supervision and oversight of the AMTG Board, which has established investment guidelines for the AMTG Manager to follow in its day-to-day management of AMTG's business, and subject to the revised investment guidelines included in the merger

agreement.

Pursuant to the terms of the AMTG management agreement, the AMTG Manager is paid a base management fee equal to 1.5% per annum of AMTG's stockholders' equity (as defined in the management agreement), calculated and payable (in cash) quarterly in arrears.

AMTG incurred management fees of approximately \$11.1 million, \$11.2 million and \$11.6 million for the fiscal years ended December 31, 2015, December 31, 2014 and December 31, 2013 respectively. In addition to the management fee, AMTG is responsible for reimbursing the AMTG Manager for certain expenses paid by the AMTG Manager on behalf of AMTG and for certain services provided by the AMTG Manager to AMTG.

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Expenses incurred by the AMTG Manager and reimbursed by AMTG are typically included in AMTG's general and administrative expense on AMTG's consolidated statement of operations, or may be reflected on the consolidated balance sheet and associated consolidated statement of changes in stockholders' equity, based on the nature of the item. Included in Payable to related party on AMTG's consolidated balance sheet at December 31, 2015 and December 31, 2014, was approximately \$5.4 million and \$2.8 million, respectively, for management fees payable to the AMTG Manager, with the remainder of such payable reflecting reimbursements due to Apollo for AMTG's general and administrative expenses paid or incurred by Apollo on AMTG's behalf. The AMTG management agreement is automatically renewed each year unless two-thirds of the independent directors on the AMTG Board determine that the performance of the AMTG Manager has been unsatisfactory and materially detrimental to the Company, or that the Management Fee is unfair, and upon any such determination the Company may terminate the AMTG management agreement upon 180 days' prior written notice, provided that if the proposed termination is based on a determination that the Management Fee is unfair, the AMTG Manager has the right to attempt to renegotiate its compensation for a period of 45 days. In the event that the AMTG management agreement is terminated in accordance with its terms, AMTG shall pay to the AMTG Manager, on the date on which such termination becomes effective, a termination fee (the Termination Fee) equal to three times the sum of the average annual Management Fee during the 24-month period immediately preceding the date of such termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination. The obligation of AMTG to pay the Termination Fee shall survive the termination of the AMTG management agreement. If the mergers are consummated, the AMTG management agreement will continue in full force and effect until the consummation of the mergers, at which point the AMTG management agreement will be assigned to ARI.

If the mergers are consummated, the AMTG management agreement will continue in full force and effect until the consummation of the mergers, at which point the AMTG management agreement will be assigned to ARI. If the mergers are consummated, the ARI Manager has agreed that any management fees paid by ARI to the AMTG Manager pursuant to the AMTG management agreement will offset, and therefore reduce (but not below zero), ARI's obligation to pay corresponding management fees to the ARI Manager under the ARI management agreement.

In addition, AMTG has entered into a letter agreement with the AMTG Manager, pursuant to which the AMTG Manager has agreed to perform such services as may be necessary to enable AMTG to consummate the mergers and other transactions contemplated by the merger agreement in accordance with the terms thereof, including assisting AMTG and its subsidiaries in performing and complying with AMTG's obligations under the merger agreement.

*Registration Rights Agreement*

AMTG entered into a registration rights agreement with Apollo Principal Holdings I, L.P., Michael Commaroto, Paul Mangione and Keith Rosenbloom, with respect to the AMTG common stock owned by such entity and individuals purchased in a concurrent private placement upon the completion of AMTG's initial public offering in July 2011, which AMTG common stock we refer to as registrable stock. Pursuant to the registration rights agreement, AMTG granted to the aforementioned entity and individuals (1) unlimited demand registration rights to have the registrable stock registered for resale, and (2) in certain circumstances, the right to piggy-back this registrable stock in registration statements AMTG might file in connection with any future public offering. These registration rights with respect to the registrable stock are currently applicable; however, in the event the mergers are consummated, all of the registrable stock will be converted into the right to receive the Per Common Share Merger Consideration and the registration rights agreement will terminate in accordance with its terms.

*Equity Interests of AMTG's Directors and Executive Officers in AMTG and ARI; Conversion of Outstanding Shares Pursuant to the Mergers*

Shares of AMTG common stock owned by executive officers and directors of AMTG will be converted into the right to receive the Per Common Share Merger Consideration on the same terms and conditions as the other

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stockholders of AMTG. As of [ ], 2016, the executive officers and directors of AMTG beneficially owned, in the aggregate, [ ] shares of AMTG common stock, excluding outstanding AMTG Restricted Shares that vest under the AMTG 2011 Equity Incentive Plan. If all of the shares of AMTG common stock beneficially owned by the executive officers and directors as of [ ], 2016 (other than AMTG Restricted Shares that vest under the AMTG 2011 Equity Incentive Plan) were converted to shares of ARI common stock in connection with the First Merger, then the executive officers and directors would receive an aggregate of [ ] shares of ARI common stock pursuant to the First Merger, which based on the closing price of ARI common stock on [ ], 2016, would have an aggregate value of \$[ ].

The following table sets forth the beneficial ownership of the directors and executive officers of AMTG in the equity of (i) AMTG and (ii) ARI, after giving effect to the mergers, each as of [ ], 2016.

Name of Beneficial Owner	Percentage of AMTG Common Stock Outstanding		Percentage of ARI Shares Outstanding		Percentage of ARI Shares Outstanding	
	AMTG Common Stock	AMTG Common Stock	ARI Shares	ARI Shares	ARI Shares	ARI Shares
Michael A. Commaroto <sup>(1)(2)</sup>	[ ]	[ ]%	[ ]	[ ]%	[ ]	[ ]%
Gregory W. Hunt <sup>(1)(2)</sup>	[ ]	[ ]%	[ ]	[ ]%	[ ]	[ ]%
Frederick N. Khedouri <sup>(1)(2)</sup>	[ ]	[ ]%	[ ]	[ ]%	[ ]	[ ]%
Mark C. Biderman <sup>(1)(3)</sup>	[ ]	[ ]%	[ ]	[ ]%	[ ]	[ ]%
Thomas D. Christopoul <sup>(1)(3)</sup>	[ ]	[ ]%	[ ]	[ ]%	[ ]	[ ]%
James E. Galowski <sup>(1)(3)</sup>	[ ]	[ ]%	[ ]	[ ]%	[ ]	[ ]%
Frederick J. Kleisner <sup>(1)(3)</sup>	[ ]	[ ]%	[ ]	[ ]%	[ ]	[ ]%
Hope S. Taitz <sup>(1)(3)</sup>	[ ]	[ ]%	[ ]	[ ]%	[ ]	[ ]%
All directors and executive officers of AMTG as a group	[ ]	[ ]%	[ ]	[ ]%	[ ]	[ ]%

\* Represents less than 1% of issued and outstanding shares of AMTG common stock.

(1) Each director and named executive officer has sole voting and investment power with respect to these shares.

(2) Includes restricted stock units granted under the 2011 Equity Incentive Plan as follows:

(a) Mr. Commaroto [ ] restricted stock units; (b) Mr. Hunt [ ] restricted stock units; and (c) Mr. Khedouri [ ] restricted stock units. The vesting of all such restricted stock units will accelerate immediately prior to the effective time of the First Merger

(3) Includes unvested shares of restricted AMTG common stock granted to AMTG directors pursuant to AMTG's 2011 Equity Incentive Plan as follows:

(a) Mr. Biderman [ ] shares of restricted AMTG common stock; (b) Mr. Christopoul [ ] shares of restricted AMTG common stock; (c) Mr. Kleisner [ ] shares of restricted AMTG common stock; and (d) Ms. Taitz [ ] shares of restricted AMTG common stock. The vesting of all such unvested shares of restricted AMTG common stock will accelerate immediately prior to the effective time of the First Merger.

**Treatment of AMTG Restricted Shares**

Under the merger agreement, immediately prior to the First Merger, each outstanding AMTG Restricted Share which was not then vested will vest and, upon consummation of the First Merger, will be converted into the right to receive the Per Common Share Merger Consideration, less applicable tax withholdings.

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As a result of the transactions contemplated under the merger agreement, AMTG's directors and executive officers who hold AMTG Restricted Shares would receive the following consideration in connection with the accelerated vesting prior to the First Merger:

Name	AMTG Restricted		Aggregate	
	Shares (#)	Cash Consideration(\$)	ARI Shares (#)	Consideration(\$) <sup>(1)</sup>
Mark C. Biderman	[ ]	\$ [ ]	[ ]	\$ [ ]
Thomas D. Christopoul	[ ]	\$ [ ]	[ ]	\$ [ ]
Frederick J. Kleisner	[ ]	\$ [ ]	[ ]	\$ [ ]
Hope S. Taitz	[ ]	\$ [ ]	[ ]	\$ [ ]
Michael A. Commaroto <sup>(2)</sup>	[ ]	\$ [ ]	[ ]	\$ [ ]

- (1) Aggregate consideration determined by adding the cash consideration to the value of the shares of ARI common stock using the closing price of ARI common stock on [ ], 2016.
- (2) This amount includes 72,380 AMTG Restricted Shares which were granted to Mr. Commaroto following the execution of the merger agreement (on March 17, 2016). Consistent with the treatment of AMTG Restricted Shares described above, these AMTG Restricted Share will vest and be converted into the Per Common Share Merger Consideration upon the consummation of the First Merger.

**Other Compensation Arrangements**

It is anticipated that Mr. Commaroto will enter into arrangements with the AMTG Manager that will provide for a retention bonus in the amount of \$[ ] and severance in the amount of \$[ ] in connection with his continuing to provide services for a specified period following the closing of the mergers and his anticipated termination of employment thereafter. The payments will be made by the AMTG Manager or one or more of its affiliates and, other than with respect to liabilities relating to AMTG Restricted Shares, AMTG will have no liability with respect to these arrangements. In addition, at the time of the execution of the merger agreement, Mr. Commaroto was granted ARI restricted stock units with respect to 30,900 shares of ARI common stock that vest based upon the achievement of certain conditions.

**Section 16 Matters**

Pursuant to the merger agreement, AMTG is permitted to take all steps as may be required to cause to be exempt under Rule 16b-3 under the Exchange Act any dispositions of shares of AMTG common stock (including derivative securities with respect to such shares) that are treated as dispositions under Rule 16b-3 and result from the transactions contemplated under the merger agreement by each officer or director of AMTG who is or will be subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to AMTG.

**Indemnification and Insurance**

For a period of 10 years after the effective time of the mergers, pursuant to the terms of the merger agreement and subject to certain limitations, the surviving entity will indemnify, defend and hold harmless among others, each individual covered by the AMTG governing documents or any indemnification or similar agreements, for actions at or prior to the effective time of the mergers, including with respect to the transactions contemplated by the merger

agreement. In addition, pursuant to the terms of the merger agreement and subject to certain limitations, prior to the effective time of the mergers, AMTG may obtain and pay for a directors and officers liability insurance tail or runoff insurance program for a period of ten years after the closing date with respect to wrongful acts and/or omissions committed or allegedly committed at or prior to the time of the First Merger (such coverage shall have an aggregate coverage limit over the term of such policy in an amount not to exceed the annual aggregate coverage limit under AMTG's existing directors and officers liability policy, and in all other respects shall be comparable to such existing coverage); provided, however, that the annual cost of such program may not exceed 250% of the annual premiums paid as of the date of the merger agreement by



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AMTG for directors and officers liability insurance (such 250% amount, the Base Premium ); provided, further, if such insurance coverage cannot be obtained at all, or can only be obtained at an annual cost in excess of the Base Premium, AMTG may purchase the most advantageous policies of tail or run-off directors and officers insurance obtainable for an annual cost equal to the Base Premium. If AMTG obtains such insurance policy prior to the effective time of the First Merger, ARI shall cause such policy to be maintained in full force and effect, for its full term, and shall honor its obligations thereunder. Some of the directors and executive officers of AMTG are entitled to certain contractual payments, benefits and incentive awards in connection with the mergers, as described below.

### **Interests of ARI s Directors and Officers in the Transaction**

Certain of ARI s executive officers and directors may have interests in the transaction that are different from, or in addition to, those of AMTG s and ARI s stockholders generally. These interests may present such executive officers and directors with actual or potential conflicts of interest. The ARI Board was aware of these interests during its deliberations on the merits of the transaction and in deciding to approve the merger agreement and the other transactions contemplated thereby. These interests include those discussed below.

#### *Overlapping Director*

Mark C. Biderman is a member of both the AMTG Board and the ARI Board and has recused himself from all deliberations relating to the mergers.

#### *ARI Special Committee Fees*

Each of the members of the ARI Special Committee earned cash committee fees in connection with their service on the ARI Special Committee. The individual members of the ARI Special Committee earned the following fees: Jeffrey Gault, chairman of the ARI Special Committee \$75,000; Robert A. Kasdin \$50,000; and Scott S. Prince \$50,000.

#### *Equity Interests of ARI s Directors in AMTG*

As of [ ], 2016, Stuart Rothstein, ARI s President and Chief Executive Officer and a director of ARI, owns [ ] shares of AMTG common stock. As of [ ], 2016, Michael Salvati, a director of ARI, owns [ ] shares of AMTG common stock and Mark C. Biderman, a director of ARI, owns [ ] shares of AMTG common stock. The shares of AMTG common stock held by each of Mr. Rothstein, Mr. Salvati and Mr. Biderman will be converted into the right to receive Per Common Share Merger Consideration on the same terms and conditions as the other holders of shares of AMTG common stock.

### **Voting by AMTG s Directors and Officers**

AMTG is making the statements included in this section solely for the purpose of complying with the disclosure requirements of Rule 13e-3 and related rules under the Exchange Act.

Under SEC rules, AMTG is required, to the extent known to AMTG after making reasonable inquiry, to state how any executive officer, director or affiliate of AMTG currently intends to vote its subject securities, within the meaning of Rule 13e-3, including any securities the person has proxy authority for and to state the reasons for such intended actions. Currently, there are no formal arrangements between AMTG and any of its executive officers, directors or affiliates relating to the manner in which such individuals in their capacity as AMTG common stockholders will vote for (i) the First Merger and the other transactions contemplated by the merger agreement, (ii) the proposal to approve one or more adjournments of the AMTG special meeting to another date, time or place, if necessary or appropriate, to

solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, and (iii) the Merger-Related Named

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Executive Officer Compensation Proposal. After reasonable inquiry, AMTG has concluded that each executive officer, director or affiliate currently intends to vote FOR the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, FOR the proposal to approve one or more adjournments of the AMTG special meeting to another date, time or place, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, and FOR the Merger-Related Named Executive Officer Compensation Proposal based on the factors considered by, and the analysis, discussion and resulting conclusions of, the AMTG Special Committee and the AMTG Board described in the section entitled *AMTG's Reasons for the Transactions and Recommendation of AMTG's Board of Directors* beginning on page 60 of this proxy statement/prospectus. In particular, the executive officers, directors or affiliates have based their consideration on the following factors, among others:

the fact that the merger agreement and the transactions contemplated thereby, including the mergers, were negotiated, determined to be advisable and in the best interests of AMTG and its common stockholders, and approved by the AMTG Special Committee and the AMTG Board, as applicable;

the fact that the value of the Per Common Share Merger Consideration as of [ ], 2016, which is [ ] (based on the closing price as of [ ], 2016 on the NYSE for a share of ARI common stock, represents approximately a [ ]% premium over the market closing price of \$[ ] on February 25, 2016, the last unaffected trading day prior to the announcement of the merger agreement;

the fact that the Per Common Share Merger Consideration and the other terms and conditions of the merger agreement resulted from arm's-length negotiations between the ARI Special Committee and the AMTG Special Committee;

the fact that the merger agreement permits AMTG, subject to specific limitations and requirements set forth therein, to actively solicit alternative acquisition proposals from third parties, and to furnish confidential information to, and engage in discussions or negotiations with, the person or parties making such acquisition proposal through April 1, 2016, and thereafter AMTG may consider and respond to an unsolicited third-party acquisition proposal, and continue to furnish confidential information to, and engage in discussions or negotiations with, the person or parties making such acquisition proposal prior to the time AMTG's common stockholders approve the proposal to approve the First Merger and the other transactions contemplated by the merger agreement;

the fact that the merger agreement permits the AMTG Board, subject to specific limitations and requirements set forth therein, to withdraw or change its recommendation that AMTG's common stockholders vote in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement and to terminate the merger agreement and accept a superior proposal, in each case prior to the time AMTG's common stockholders approve the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, subject to AMTG paying ARI a termination fee of \$7.5 million or, in certain circumstances, \$12.0 million; and

the fact that the First Merger is conditioned upon, among other matters, the AMTG stockholders' approval of the First Merger and the other transactions contemplated by the merger agreement by the affirmative vote of the holders of at least a majority of the outstanding shares of AMTG common stock entitled to vote on the First Merger, including the affirmative vote of the holders of at least a majority of the then outstanding shares of AMTG common stock that are beneficially owned by persons who are not affiliates of Apollo.

The foregoing discussion of the factors considered by executive officers, directors and affiliates of AMTG is not intended to be exhaustive but is believed to include all material factors considered by such AMTG common stockholders in making a determination regarding whether to approve the First Merger and the other transactions contemplated by the merger agreement for the purpose of complying with the requirements of Rule 13e-3 and the related rules under the Exchange Act. Such executive officers, directors and affiliates did not find it practicable to, and did not, quantify or otherwise attach relative weights to the foregoing factors in reaching their decision as to whether to vote in favor of the First Merger and the other transactions contemplated by the merger agreement.

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Rather, such executive officers, directors and affiliates made their decision whether to vote in favor of the First Merger and the other transactions contemplated by the merger agreement after considering all of the factors as a whole.

Approval of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of AMTG common stock. In addition, the closing of the mergers is conditioned upon the holders of at least a majority of the outstanding shares of AMTG common stock that are beneficially owned by persons unaffiliated with Apollo approving the proposal to approve the First Merger and the other transactions contemplated by the merger agreement. The executive officers, directors and affiliates discussed in this *Voting by AMTG's Directors and Officers* section will be not be entitled to vote as holders of outstanding shares of AMTG common stock that are beneficially owned by persons unaffiliated with Apollo.

**Voting by Apollo Participants and ARI's Directors and Officers**

As of the close of business on the record date, the Apollo Participants held and were entitled to vote, in the aggregate, approximately [ ]% of the outstanding shares of AMTG common stock, and certain directors and officers of ARI held and were entitled to vote, in the aggregate, approximately [ ]% of the outstanding shares of AMTG common stock. We believe that the Apollo Participants and such directors and officers of ARI intend to vote all of their shares of AMTG common stock FOR the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, FOR the proposal to approve one or more adjournments of the AMTG special meeting to another date, time or place, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, and FOR the Merger-Related Named Executive Officer Compensation Proposal.

Accordingly, we believe approximately [ ]% of the outstanding shares of AMTG common stock will be voted in favor of (i) the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, (ii) the proposal to approve one or more adjournments of the AMTG special meeting to another date, time or place, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the First Merger and the other transactions contemplated by the merger agreement, and (iii) the Merger-Related Named Executive Officer Compensation Proposal by virtue of the Apollo Participants and certain of ARI's directors and officers' ownership of shares of AMTG common stock. Notwithstanding the foregoing, as described in *The Agreements' Description of the Merger Agreement' Conditions to Completion of the First Merger* beginning on page 152 of this proxy statement/prospectus, the First Merger is conditioned upon approval of the First Merger and the other transactions contemplated by the merger agreement by the affirmative vote of the holders of at least a majority of (i) the outstanding shares of AMTG common stock and (ii) the outstanding shares of AMTG common stock that are beneficially owned by persons unaffiliated with Apollo, in each case to the extent such holders are entitled to vote on such proposal.

**Accounting Treatment of the Transaction**

In accordance with GAAP, ARI will account for the transactions using the acquisition method of accounting with ARI treated as the acquiror of AMTG for accounting purposes. Under acquisition accounting, the assets of AMTG acquired and liabilities of AMTG assumed will be recorded as of the acquisition date, at their respective fair values, and added to those of ARI. Any excess of the fair values over the purchase price will be recorded as a gain from a bargain purchase. Consolidated financial statements of ARI issued after the transactions would reflect AMTG's fair values after the completion of the transactions, but will not be restated retroactively to reflect the historical consolidated financial position or results of operations of AMTG.

**Listing of Newly Issued ARI Common Stock**

It is a condition to AMTG's obligation to complete the mergers that the shares of ARI common stock issuable to holders of AMTG common stock in the First Merger be approved for listing on the NYSE, subject to official notice of issuance. ARI will use commercially reasonable efforts to obtain such approval for such listing, subject to official notice of issuance, prior to the effective time of the First Merger.

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### **Listing of Newly Issued ARI Series C Preferred Stock**

It is a condition to AMTG's obligation to complete the mergers that the shares of ARI Series C Preferred Stock issuable to holders of AMTG Series A Preferred Stock in the Second Merger be approved for listing on the NYSE, subject to official notice of issuance. ARI will use commercially reasonable efforts to obtain such approval for such listing, subject to official notice of issuance, prior to the effective time of the First Merger.

### **Delisting and Deregistration of AMTG Capital Stock**

After the mergers are completed, AMTG common stock and AMTG Series A Preferred Stock will be delisted from the NYSE and deregistered under the Exchange Act, and AMTG will no longer file periodic reports with the SEC. Both ARI and AMTG agree to cooperate with the other party to take all actions necessary to delist the AMTG common stock and the AMTG Series A Preferred Stock from the NYSE and terminate their registration under the Exchange Act.

### **Restriction on Sales of ARI Common Stock and Preferred Stock**

ARI common stock and ARI Series C Preferred Stock issued in the mergers will not be subject to any restrictions on transfers arising under the Securities Act, except for ARI common stock and ARI Series C Preferred Stock issued to any holder of AMTG common stock or AMTG Series A Preferred Stock who may be deemed an affiliate of ARI after the completion of the mergers. This proxy statement/prospectus does not cover resales of ARI common stock or ARI Series C Preferred Stock received by any person upon the completion of the mergers, and no person is authorized to make any use of this proxy statement/prospectus in connection with any resale. The shares of ARI common stock and ARI Series C Preferred Stock issued in the mergers will be subject to restrictions on ownership and transfers set forth in ARI's charter. For additional information on the restrictions on the ARI common stock and ARI preferred stock, *Restrictions on Ownership and Transfer* beginning on page 191.

### **Material U.S. Federal Income Tax Considerations**

The following is a summary of the material U.S. federal income tax consequences of the mergers to holders of AMTG common stock and AMTG Series A Preferred Stock and certain material U.S. federal income tax considerations relating to ARI's qualification and taxation as a REIT and of the acquisition, holding and disposition of ARI common stock and ARI Series C Preferred Stock received in the mergers. For purposes of this section, references to "ARI" mean only ARI, and not ARI's subsidiaries or other lower-tier entities, references to "AMTG stock" include AMTG common stock and AMTG Series A Preferred Stock, and references to "ARI stock" include ARI common stock and ARI Series C Preferred Stock, except as otherwise indicated. This summary is based upon the Internal Revenue Code, the regulations promulgated by the U.S. Treasury Department, or the Treasury regulations, current administrative interpretations and practices of the Internal Revenue Service (the "IRS") (including administrative interpretations and practices expressed in private letter rulings which are binding on the IRS only with respect to the particular taxpayers who requested and received those rulings) and judicial decisions, all as currently in effect and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. No advance ruling has been or will be sought from the IRS regarding any matter discussed in this summary. The summary is also based upon the assumption that the operation of ARI, and of its subsidiaries and other lower-tier and affiliated entities will, in each case, be in accordance with its applicable organizational documents. This summary assumes that stockholders will hold AMTG stock and ARI stock as capital assets, which generally means as property held for investment. This summary is for general information only, and does not purport to discuss all aspects of U.S. federal income taxation that may be important to a particular stockholder in light of its investment or tax

circumstances or to stockholders subject to special tax rules, such as:

U.S. expatriates;

persons who elect to use a mark-to-market method of accounting;



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subchapter S corporations;

U.S. stockholders (as defined below) whose functional currency is not the U.S. dollar;

financial institutions;

insurance companies;

broker-dealers;

regulated investment companies, or RICs;

trusts and estates;

stockholders who receive AMTG stock (or, in connection with the mergers, ARI stock) through the exercise of employee stock options or otherwise as compensation;

persons holding AMTG stock (or, following the mergers, ARI stock) as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment;

persons subject to the alternative minimum tax provisions of the Internal Revenue Code;

persons holding their interest through a partnership or similar pass-through entity;

persons holding a 10% or more (by vote or value) beneficial interest in ARI; and

except to the extent discussed below, tax-exempt organizations and non-U.S. stockholders (as defined below).

For purposes of this discussion, a U.S. stockholder is a beneficial owner of AMTG stock or ARI stock, as applicable, that for U.S. federal income tax purposes is:

an individual who is a citizen or resident of the United States;

a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate whose income is subject to U.S. federal income taxation regardless of its source; or

a trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a U.S. person.

A non-U.S. stockholder is a beneficial owner of AMTG stock or ARI stock, as applicable, that is neither a U.S. stockholder nor an entity that is treated as a partnership for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds AMTG stock or ARI stock, as applicable, the U.S. federal income tax treatment of a partner in the partnership generally will depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. A partner of a partnership holding AMTG stock or ARI stock, as applicable, should consult its tax advisor regarding the U.S. federal income tax consequences to the partner of the mergers and the ownership and disposition of AMTG stock or ARI stock, as applicable, by the partnership.

THIS SUMMARY IS FOR GENERAL INFORMATION ONLY, IS NOT TAX ADVICE AND IS NOT INTENDED TO CONSTITUTE A COMPLETE DESCRIPTION OF ALL TAX CONSEQUENCES RELATING TO THE MERGERS OR ALL TAX CONSIDERATIONS APPLICABLE TO HOLDERS OF ARI STOCK. THE U.S. FEDERAL INCOME TAX TREATMENT OF ARI AS A REIT AND HOLDERS OF ARI STOCK DEPENDS IN SOME INSTANCES ON DETERMINATIONS OF FACT AND INTERPRETATIONS OF COMPLEX PROVISIONS OF U.S. FEDERAL INCOME TAX LAW FOR WHICH NO CLEAR PRECEDENT OR AUTHORITY MAY BE AVAILABLE. IN ADDITION, THE TAX CONSEQUENCES OF

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THE MERGERS AND OF HOLDING AND DISPOSING OF ARI STOCK TO ANY PARTICULAR STOCKHOLDER WILL DEPEND ON THE STOCKHOLDER'S PARTICULAR TAX CIRCUMSTANCES. AMTG STOCKHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR TAX CONSEQUENCES (INCLUDING THE APPLICATION AND EFFECT OF ANY STATE, LOCAL OR NON-U.S. INCOME AND OTHER TAX LAWS) OF THE MERGERS AND OF ACQUIRING, HOLDING AND DISPOSING OF ARI STOCK.

### **Material U.S. Federal Income Tax Consequences of the Mergers**

The following is a summary of the material U.S. federal income tax consequences of the mergers to holders of AMTG stock. Except to the extent specifically discussed below, this summary does not address the tax consequences of any transaction other than the mergers. In addition, no information is provided with respect to the tax consequences of the mergers under applicable state, local or non-U.S. laws or U.S. federal tax laws other than U.S. federal income tax laws.

#### ***Consequences of the Mergers to U.S. Stockholders***

*General.* A U.S. stockholder's receipt of (1) cash and ARI common stock in exchange for AMTG common stock pursuant to the First Merger or (2) ARI Series C Preferred Stock in exchange for AMTG Series A Preferred Stock pursuant to the Second Merger, as applicable, will be a taxable transaction for U.S. federal income tax purposes. A holder of AMTG common stock generally will recognize gain or loss for U.S. federal income tax purposes measured by the difference, if any, between (1) the amount of cash received and the fair market value of the ARI common stock received on the effective date of the First Merger and (2) such stockholder's adjusted tax basis in its AMTG common stock exchanged for the merger consideration. Generally, a holder of AMTG Series A Preferred Stock will recognize gain or loss for U.S. federal income tax purposes measured by the difference, if any, between (1) the fair market value of the ARI Series C Preferred Stock received on the effective date of the Second Merger and (2) such holder's adjusted tax basis in its AMTG Series A Preferred Stock exchanged for the merger consideration.

Generally, such capital gain or loss will constitute long-term capital gain or loss if a U.S. stockholder has held the AMTG stock for more than one year as of the effective date of the mergers. The deductibility of capital losses may be subject to limitations. A U.S. stockholder who has held blocks of AMTG stock that were acquired at different times or prices, must separately calculate its gain or loss for each block of shares.

A U.S. stockholder that receives cash in lieu of a fractional share of ARI common stock in the First Merger will be treated as having sold such fractional share for cash and generally will recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash received and the U.S. stockholder's tax basis in the fractional share and will be subject to U.S. federal income taxation in a manner described below in *Material U.S. Federal Income Tax Considerations Applicable to ARI and Holders of the ARI Stock Taxation of Taxable U.S. Stockholders Dispositions of ARI Stock*.

*Special Rule for U.S. Stockholders Who Have Held Shares For Six Months or Less.* A U.S. stockholder who has held AMTG stock for six months or less at the effective time of the mergers, taking into account certain holding period rules, and who recognizes a loss on the exchange of AMTG stock in the mergers, will be treated as recognizing a long-term capital loss to the extent of any capital gain dividends received from AMTG, or such stockholder's share of any designated retained capital gains, with respect to those shares.

#### ***Consequences of the Mergers to Non-U.S. Stockholders***

*General.* A non-U.S. stockholder's gain or loss from the mergers will be determined in the same manner as that of a U.S. stockholder. A non-U.S. stockholder of AMTG stock should not be subject to U.S. federal income taxation on any gain recognized from the mergers, unless (1) the gain is effectively connected with a U.S. trade

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or business of the non-U.S. stockholder, (2) the stockholder is an individual who has been present in the United States for 183 days or more during the taxable year of disposition and certain other conditions are satisfied, or (3) the stockholder's AMTG stock constitutes a U.S. real property interest, or a USRPI, within the meaning of the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA.

A non-U.S. stockholder whose gain is effectively connected with the conduct of trade or business in the United States (and, if required by an applicable income tax treaty, the non-U.S. stockholder maintains a permanent establishment in the United States to which such gain is attributable) will be subject to U.S. federal income tax on such gain on a net basis in the same manner as a U.S. stockholder. In addition, a non-U.S. stockholder that is a corporation may be subject to a branch profits tax equal to 30% (or lesser rate under an applicable income tax treaty) on the after-tax amount of such effectively connected gain.

If the non-U.S. stockholder is an individual who has been present in the United States for 183 days or more during the taxable year of disposition and certain other conditions are satisfied, that stockholder will be subject to a 30% tax on the stockholder's net capital gains.

If the non-U.S. stockholder's AMTG stock constitutes a USRPI under FIRPTA, such stockholder will be subject to U.S. federal income tax on the gain recognized in the mergers on a net basis in the same manner as a U.S. stockholder. The AMTG stock will not be treated as a USRPI to a non-U.S. stockholder under FIRPTA if (1) AMTG is treated as a domestically controlled REIT on the effective date of the mergers, (2) the non-U.S. stockholder owned (after application of certain constructive ownership rules), in the case of a non-U.S. stockholder holding common stock, not more than 10% of the AMTG common stock and, in the case of a non-U.S. stockholder holding AMTG Series A Preferred Stock, not more than 10% of the AMTG Series A Preferred Stock (based on the fair market value of AMTG common stock and AMTG Series A Preferred Stock) at any time during the five years preceding the effective date of the mergers, or (3) AMTG is not and has not been at any time during the shorter of the five years preceding the mergers or the U.S. stockholder's holding period for its AMTG stock, a United States real property holding corporation (a USRPHC). AMTG believes that it is a domestically controlled REIT, and that it will not be a USRPHC at the effective date of the mergers or at any time during the five year period preceding the effective date of the mergers, although there can be no assurances to such effect.

A non-U.S. stockholder that receives cash in lieu of a fractional share of ARI common stock in the First Merger will be treated as having sold such fractional share for cash and generally will recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash received and the non-U.S. stockholder's tax basis in the fractional share and will be subject to U.S. federal income taxation in a manner described below in *Material U.S. Federal Income Tax Considerations Applicable to ARI and Holders of the ARI Stock Taxation of Non-U.S. Stockholders Dispositions of ARI Stock*.

***Information Reporting and Backup Withholding***

Information reporting and backup withholding may apply to payments made in connection with the mergers. Backup withholding will not apply, however, to a stockholder who (a) in the case of a U.S. stockholder, furnishes a correct taxpayer identification number and certifies that it is not subject to backup withholding on IRS Form W-9 or successor form, (b) in the case of a non-U.S. stockholder, furnishes an applicable IRS Form W-8 or substitute or successor form, or (c) is otherwise exempt from backup withholding and complies with other applicable rules and certification requirements. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such stockholder's U.S. federal income tax liability provided the required information is furnished to the IRS on a timely basis.



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**Table of Contents****Material U.S. Federal Income Tax Considerations Applicable to ARI and Holders of the ARI Stock*****Taxation of ARI General***

ARI has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code, commencing with ARI's taxable year ended December 31, 2009. ARI believes that ARI has been organized and operated, and ARI intends to continue to be organized and to operate, in a manner that will allow ARI to qualify for taxation as a REIT under the Internal Revenue Code.

In connection with the closing of the mergers, ARI will receive an opinion of Clifford Chance US LLP to the effect that, commencing with ARI's taxable year ended December 31, 2009, ARI has been organized and has operated in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code, and ARI's current and proposed method of operation will enable ARI to continue to meet the requirements for qualification and taxation as a REIT under the Internal Revenue Code. It must be emphasized that the opinion of Clifford Chance US LLP will be based on various assumptions relating to ARI's organization and operation, including that all factual representations and statements set forth in all relevant documents, records and instruments are true and correct, all actions described in this proxy statement/prospectus are completed in a timely fashion and that ARI will at all times operate in accordance with the method of operation described in ARI's organizational documents and this proxy statement/prospectus. Additionally, the opinion of Clifford Chance US LLP will be conditioned upon (i) factual representations and covenants made by ARI management and affiliated entities regarding ARI's organization, assets, present and future conduct of ARI's business operations and other items regarding ARI's ability to meet the various requirements for qualification as a REIT and (ii) factual representations and covenants made by AMTG's management and affiliated entities regarding AMTG's asset, business operations, and other items regarding AMTG's ability to have met the requirements for qualification as a REIT, and assumes that such representations and covenants are accurate and complete and that they and ARI will take no action inconsistent with ARI's qualification as a REIT. In addition, to the extent ARI makes certain investments, such as investments in commercial mortgage loan securitizations, the accuracy of such opinion will also depend on the accuracy of certain opinions rendered to ARI in connection with such transactions. While ARI believes that ARI is organized and operated, and ARI intends to continue to operate, so that ARI will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations and the possibility of future changes in ARI's circumstances or applicable law, no assurance can be given by Clifford Chance US LLP or ARI that ARI has qualified or will qualify as a REIT for any particular year. Clifford Chance US LLP will have no obligation to advise ARI or the holders of shares of ARI common stock of any subsequent change in the matters stated, represented or assumed or of any subsequent change in the applicable law. You should be aware that opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not challenge the conclusions set forth in such opinions.

Qualification and taxation as a REIT depends on ARI's ability to meet, on a continuing basis, through actual results of operations, distribution levels, diversity of share ownership and various qualification requirements imposed upon REITs by the Internal Revenue Code, the compliance with which will not be reviewed by Clifford Chance US LLP. In addition, ARI's ability to qualify as a REIT may depend in part upon the operating results, organizational structure and entity classification for U.S. federal income tax purposes of certain entities in which ARI invests, which could include entities that have made elections to be taxed as REITs, the qualification of which will not have been reviewed by Clifford Chance US LLP. In that regard, AMTG's failure to qualify as a REIT for any taxable year could adversely affect ARI's ability to qualify as a REIT following the mergers. ARI's ability to qualify as a REIT also requires that ARI satisfy certain asset and income tests, some of which depend upon the fair market values of assets directly or indirectly owned by ARI or which serve as security for loans made by ARI. Such values may not be susceptible to a precise determination. Accordingly, no assurance can be given that the actual results of ARI's operations for any taxable year will satisfy the requirements for qualification and taxation as a REIT.





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**Table of Contents*****Taxation of REITs in General***

As indicated above, qualification and taxation as a REIT depends upon ARI's ability to meet, on a continuing basis, various qualification requirements imposed upon REITs by the Internal Revenue Code. The material qualification requirements are summarized below, under *Requirements for Qualification as a REIT*. While ARI believes that ARI has operated and intends to continue to operate so that ARI qualifies as a REIT, no assurance can be given that the IRS will not challenge ARI's qualification as a REIT or that ARI will be able to operate in accordance with the REIT requirements in the future. See *Failure to Qualify*.

Provided that ARI qualifies as a REIT, ARI generally will be entitled to a deduction for dividends that ARI pays to its stockholders and, therefore, will not be subject to U.S. federal corporate income tax on ARI's taxable income that is currently distributed to ARI stockholders. This treatment substantially eliminates the double taxation at the corporate and stockholder levels that results generally from investment in a corporation. Rather, income generated by a REIT generally is taxed only at the stockholder level, upon a distribution of dividends by the REIT.

Stockholders who are individual U.S. stockholders (as defined above) generally are taxed on corporate dividends at a maximum rate of 20% (the same as long-term capital gains), thereby substantially reducing, though not completely eliminating, the double taxation that has historically applied to corporate dividends. With limited exceptions, however, dividends received by individual U.S. stockholders from ARI or from other entities that are taxed as REITs will continue to be taxed at rates applicable to ordinary income, which currently are as high as 39.6%. Net operating losses, foreign tax credits and other tax attributes of a REIT generally do not pass through to the stockholders of the REIT, subject to special rules for certain items, such as capital gains, recognized by REITs. See *Taxation of Taxable U.S. Stockholders*.

Even if ARI qualifies for taxation as a REIT, ARI will be subject to U.S. federal income taxation as follows:

ARI will be taxed at regular U.S. federal corporate rates on any undistributed income, including undistributed net capital gains.

ARI may be subject to the alternative minimum tax on ARI's items of tax preference, if any.

If ARI has net income from prohibited transactions, which are, in general, sales or other dispositions of property held primarily for sale to customers in the ordinary course of business, other than foreclosure property, such income will be subject to a 100% tax. See *Prohibited Transactions* and *Foreclosure Property* below.

If ARI elects to treat property that ARI acquires in connection with a foreclosure of a mortgage loan or from certain leasehold terminations as foreclosure property, ARI may thereby avoid (a) the 100% tax on gain from a resale of that property (if the sale would otherwise constitute a prohibited transaction) and (b) the inclusion of any income from such property not qualifying for purposes of the REIT gross income tests discussed below, but the income from the sale or operation of the property may be subject to U.S. federal corporate income tax at the highest applicable rate (currently 35%).

If ARI fails to satisfy the 75% gross income test or the 95% gross income test, as discussed below, but nonetheless maintains its qualification as a REIT because other requirements are met, ARI will be subject to a 100% tax on an amount equal to (a) the greater of (1) the amount by which ARI fails the 75% gross income test or (2) the amount by which ARI fails the 95% gross income test, as the case may be, multiplied by (b) a fraction intended to reflect ARI's profitability.

If ARI fails to satisfy any of the REIT asset tests, as described below, other than a failure of the 5% or 10% REIT asset test that does not exceed a statutory de minimis amount as described more fully below, but ARI's failure is due to reasonable cause and not due to willful neglect and ARI nonetheless maintains its REIT qualification because of specified cure provisions, ARI will be required to pay a tax equal to the greater of \$50,000 or the highest corporate tax rate (currently 35%) of the net income generated by the nonqualifying assets during the period in which ARI failed to satisfy the asset tests.

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If ARI fails to satisfy any provision of the Internal Revenue Code that would result in ARI's failure to qualify as a REIT (other than a gross income or asset test requirement) and the violation is due to reasonable cause and not due to willful neglect, ARI may retain its REIT qualification but ARI will be required to pay a penalty of \$50,000 for each such failure.

If ARI fails to distribute during each calendar year at least the sum of (a) 85% of ARI's REIT ordinary income for such year, (b) 95% of ARI's REIT capital gain net income for such year and (c) any undistributed taxable income from prior periods, or the required distribution, ARI will be subject to a 4% excise tax on the excess of the required distribution over the sum of (1) the amounts actually distributed (taking into account excess distributions from prior years), plus (2) retained amounts on which income tax is paid at the corporate level.

ARI may be required to pay monetary penalties to the IRS in certain circumstances, including if ARI fails to meet record-keeping requirements intended to monitor its compliance with rules relating to the composition of ARI stockholders, as described below in *Requirements for Qualification as a REIT*.

A 100% excise tax may be imposed on some items of income and expense that are directly or constructively paid between ARI and any taxable REIT subsidiaries, or TRSs, ARI may own if and to the extent that the IRS successfully adjusts the reported amounts of these items.

If ARI acquires appreciated assets from a corporation that is not a REIT in a transaction in which the adjusted tax basis of the assets in ARI's hands is determined by reference to the adjusted tax basis of the assets in the hands of the non-REIT corporation, ARI will be subject to tax on such appreciation at the highest U.S. federal corporate income tax rate then applicable if ARI subsequently recognizes gain on a disposition of any such assets during the five-year period following their acquisition from the non-REIT corporation. The results described in this paragraph assume that the non-REIT corporation will not elect, in lieu of this treatment, to be subject to an immediate tax when the asset is acquired by ARI.

ARI generally will be subject to tax on the portion of any excess inclusion income derived from an investment in residual interests in certain mortgage loan securitization structures (i.e., a taxable mortgage pool or a residual interest in a real estate mortgage investment conduit, or REMIC) to the extent that ARI common stock is held by specified types of tax-exempt organizations known as disqualified organizations that are not subject to tax on unrelated business taxable income. To the extent that ARI owns a REMIC residual interest or a taxable mortgage pool through a TRS, ARI will not be subject to this tax. See *Effect of Subsidiary Entities Taxable Mortgage Pools* and *Excess Inclusion Income*.

ARI may elect to retain and pay U.S. federal income tax on ARI's net long-term capital gain. In that case, a stockholder would include its proportionate share of ARI's undistributed long-term capital gain (to the extent ARI makes a timely designation of such gain to the stockholder) in its income, would be deemed to have paid the tax that ARI paid on such gain, and would be allowed a credit for its proportionate share of the tax deemed to have been paid, and an adjustment would be made to increase the stockholder's basis in ARI common stock. Stockholders that are U.S. corporations will also appropriately adjust their earnings and

profits for the retained capital gains in accordance with Treasury regulations to be promulgated. ARI may have subsidiaries or own interests in other lower-tier entities that are subchapter C corporations, the earnings of which could be subject to U.S. federal corporate income tax.

In addition, ARI may be subject to a variety of taxes other than U.S. federal income tax, including state, local, and foreign income, franchise property and other taxes. ARI could also be subject to tax in situations and on transactions not presently contemplated.

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***Requirements for Qualification as a REIT***

The Internal Revenue Code defines a REIT as a corporation, trust or association:

1. that is managed by one or more trustees or directors;
2. the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest;
3. that would be taxable as a domestic corporation but for the special Internal Revenue Code provisions applicable to REITs;
4. that is neither a financial institution nor an insurance company subject to specific provisions of the Internal Revenue Code;
5. the beneficial ownership of which is held by 100 or more persons;
6. in which, during the last half of each taxable year, not more than 50% in value of the outstanding stock is owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include specified entities);
7. that makes an election to be a REIT for the current taxable year or has made such an election for a previous taxable year that has not been terminated or revoked;
8. that uses a calendar year for U.S. federal income tax purposes;
9. that has no earnings and profits from any non-REIT taxable year at the close of any taxable year; and
10. which meets other tests, and satisfies all of the relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT qualification described below, including with respect to the nature of its income and assets and the amount of its distributions.

The Internal Revenue Code provides that conditions (1) through (4) must be met during the entire taxable year, that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year, and that conditions (5) and (6) do not need to be satisfied for the first taxable year for which an election to become a REIT has been made. ARI believes that it has issued common stock with sufficient diversity of ownership to satisfy the requirements described in conditions (5) and (6) above. ARI's charter provides restrictions regarding the ownership and transfer of shares of ARI stock, which are intended, among other purposes, to assist ARI

in satisfying the share ownership requirements described in conditions (5) and (6) above. For purposes of condition (6), an individual generally includes a supplemental unemployment compensation benefit plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes, but does not include a qualified pension plan or profit sharing trust.

To monitor compliance with the share ownership requirements, ARI generally is required to maintain records regarding the actual ownership of shares of ARI stock. To do so, ARI must demand written statements each year from the record holders of significant percentages of shares of ARI stock, in which the record holders are to disclose the actual owners of the shares (i.e., the persons required to include in gross income the dividends paid by ARI). A list of those persons failing or refusing to comply with this demand must be maintained as part of ARI's records. Failure by ARI to comply with these record-keeping requirements could subject ARI to monetary penalties. If ARI satisfies these requirements and after exercising reasonable diligence would not have known that condition (6) is not satisfied, ARI will be deemed to have satisfied such condition. A stockholder that fails or refuses to comply with the demand is required by Treasury regulations to submit a statement with its tax return disclosing the actual ownership of the shares and other information.

For purposes of condition (8), ARI has adopted December 31 as its year end, and thereby satisfy this requirement.

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**Table of Contents*****Effect of Subsidiary Entities******Ownership of Partnership Interests***

In the case of a REIT that is a partner in a partnership, Treasury regulations provide that the REIT is deemed to own its proportionate share of the partnership's assets and to earn its proportionate share of the partnership's gross income based on its pro rata share of capital interests in the partnership for purposes of the asset and gross income tests applicable to REITs, as described below. However, solely for purposes of the 10% value test, described below, the determination of a REIT's interest in partnership assets will be based on the REIT's proportionate interest in any securities issued by the partnership, excluding for these purposes, certain excluded securities as described in the Internal Revenue Code. In addition, the assets and gross income of the partnership generally are deemed to retain the same character in the hands of the REIT. Thus, ARI's proportionate share of the assets and items of income of partnerships in which ARI owns an equity interest (including equity interests in any lower tier partnerships) is treated as assets and items of income of ARI for purposes of applying the REIT requirements described below. Consequently, to the extent that ARI directly or indirectly holds a preferred or other equity interest in a partnership, the partnership's assets and operations may affect ARI's ability to qualify as a REIT, even though ARI may have no control or only limited influence over the partnership.

Recent legislation may alter who bears the liability in the event any subsidiary partnership is audited and an adjustment is assessed. Under the Bipartisan Budget Act of 2015, Congress recently revised the rules applicable to federal income tax audits of partnerships and the collection of any tax resulting from any such audits or other tax proceedings, generally for taxable years beginning after December 31, 2017. Under the new rules, the partnership itself may be liable for a hypothetical increase in partner-level taxes (including interest and penalties) resulting from an adjustment of partnership tax items on audit, regardless of changes in the composition of the partners (or their relative ownership) between the year under audit and the year of the adjustment. The new rules also include an elective alternative method under which the additional taxes resulting from the adjustment are assessed from the affected partners, subject to a higher rate of interest than otherwise would apply. Many questions remain as to how the new rules will apply, especially with respect to partners that are REITs, and it is not clear at this time what effect this new legislation will have on ARI. However, these changes could increase the U.S. federal income tax, interest, and/or penalties otherwise borne by ARI in the event of a federal income tax audit of a subsidiary partnership.

***Disregarded Subsidiaries***

If a REIT owns a corporate subsidiary that is a qualified REIT subsidiary, that subsidiary is disregarded for U.S. federal income tax purposes, and all assets, liabilities and items of income, deduction and credit of the subsidiary are treated as assets, liabilities and items of income, deduction and credit of the REIT itself, including for purposes of the gross income and asset tests applicable to REITs, as summarized below. A qualified REIT subsidiary is any corporation, other than a TRS, that is wholly owned by a REIT, by other disregarded subsidiaries of a REIT or by a combination of the two. Single member limited liability companies that are wholly owned by a REIT are also generally disregarded as separate entities for U.S. federal income tax purposes, including for purposes of the REIT gross income and asset tests. Disregarded subsidiaries, along with partnerships in which ARI holds an equity interest, are sometimes referred to herein as pass-through subsidiaries.

In the event that a disregarded subsidiary ceases to be wholly owned by ARI (for example, if any equity interest in the subsidiary is acquired by a person other than ARI or another disregarded subsidiary of ARI), the subsidiary's separate existence would no longer be disregarded for U.S. federal income tax purposes. Instead, it would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect ARI's ability to satisfy the various asset and gross income tests applicable to REITs,

including the requirement that REITs generally may not own, directly or indirectly, more than 10% of the value or voting power of the outstanding securities of another corporation. See *Asset Tests* and *Gross Income Tests*.



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**Table of Contents***Taxable REIT Subsidiaries*

A REIT, in general, may jointly elect with a subsidiary corporation, whether or not wholly owned, to treat the subsidiary corporation as a TRS. ARI generally may not own more than 10% of the securities of a taxable corporation, as measured by voting power or value, unless ARI and such corporation elect to treat such corporation as a TRS. The separate existence of a TRS or other taxable corporation, unlike a disregarded subsidiary as discussed above, is not ignored for U.S. federal income tax purposes. Accordingly, a TRS generally would be subject to U.S. federal corporate income tax and any applicable state and local taxes on its earnings, which may reduce the cash flow generated by ARI and its subsidiaries in the aggregate and ARI's ability to make distributions to ARI stockholders.

ARI has made TRS elections with respect to ACREFI I TRS, Inc., a Delaware corporation that is wholly owned by ARI, or ACREFI I TRS, and ACREFI II TRS, Ltd., a Cayman company that is wholly owned by ARI, or ACREFI II TRS, and may make TRS elections with respect to additional entities ARI may form in the future. In connection with the Second Merger, ARI will acquire the stock of ARM TRS, LLC, formerly a TRS of AMTG, and will make a TRS election with respect to ARM TRS, LLC. The Internal Revenue Code and the Treasury regulations promulgated thereunder provide a specific exemption from U.S. federal income tax that applies to a non-U.S. corporation (or a non-U.S. entity treated as a corporation for U.S. federal income tax purposes) that restricts its activities in the United States to trading in stock and securities (or any activity closely related thereto) for its own account whether such trading (or such other activity) is conducted by such a non-U.S. corporation or its employees or through a resident broker, commission agent, custodian or other agent. ACREFI II TRS believes that it has operated and intends to continue to operate in a manner so that it is not subject to U.S. federal income tax on its net income. Therefore, despite the status of ACREFI II TRS as a TRS, it should generally not be subject to U.S. federal corporate income tax on its earnings. However, certain U.S. stockholders of non-U.S. corporations are required to include in their income currently their proportionate share of certain earnings of such a corporation, whether or not such earnings are distributed. As a result, ARI is required to include in its income, on a current basis, any earnings of ACREFI II TRS and under certain circumstances earnings of any other non-U.S. corporation in which ARI owns a direct or indirect interest. This could affect ARI's ability to comply with the REIT income tests and distribution requirement. See

*Gross Income Tests* and *Annual Distribution Requirements*. A REIT is not treated as holding the assets of a TRS or other taxable subsidiary corporation or as receiving any income that the subsidiary earns. Rather, the stock issued by the subsidiary is an asset in the hands of the REIT, and the REIT generally recognizes as income the dividends, if any, that it receives from the subsidiary. This treatment can affect the gross income and asset test calculations that apply to th