Apollo Commercial Real Estate Finance, Inc.
Form S-11/A
September 22, 2009

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As filed with the Securities and Exchange Commission on September 21, 2009

Registration Statement No.333-160533

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 5 to

Form S-11

FOR REGISTRATION

UNDER

THE SECURITIES ACT OF 1933

OF CERTAIN REAL ESTATE COMPANIES

Apollo Commercial Real Estate Finance, Inc.

(Exact name of registrant as specified in its governing instruments)

Apollo Commercial Real Estate Finance, Inc.

c/o Apollo Global Management, LLC

9 West 57th 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

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(212) 515 3200

(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

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

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

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

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

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

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

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

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

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

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

Subject to Completion, Dated September 21, 2009

20,000,000 Shares

Common Stock

Apollo Commercial Real Estate Finance, Inc. is a newly organized commercial real estate finance company that has been formed primarily to originate, invest in, acquire and manage senior performing commercial real estate mortgage loans, commercial mortgage-backed securities, or CMBS, commercial real estate corporate debt and loans and other real estate-related debt investments in the U.S. We will be externally managed and advised by ACREFI Management, LLC, a Delaware limited liability company, or our Manager, a recently formed indirect subsidiary of Apollo Global Management, LLC, which, together with its subsidiaries, we refer to as Apollo.

This is our initial public offering and no public market currently exists for our common stock. We are offering shares of our common stock as described in this prospectus. We expect the initial public offering price of our common stock to be $20.00 per share. Our common stock has been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol ARI.

Concurrently with the closing of this offering, we will sell to Apollo and certain of its affiliates in a separate private placement, at the initial public offering price per share, shares of our common stock representing an aggregate investment equal to 5% of the gross proceeds raised in this offering, excluding the underwriters overallotment option, up to $20 million.

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

	Per share	Total
Initial public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds, before expenses, to Apollo Commercial Real Estate Finance, Inc.	$	$

(1) The underwriters will be entitled to receive $ per share from us at closing. In addition, our Manager will pay to the underwriters $ per share for shares sold in the offering at closing and the underwriters will forego the receipt of payment of $ per share, subject to the following. We will agree to reimburse the $ per share to our Manager and pay the $ per share to the underwriters if during any period of four consecutive calendar quarters during the 16 full calendar quarters after the consummation of this offering our Core Earnings (as described herein) for any such four-quarter period exceeds an 8% performance hurdle rate (as described herein). If this requirement is not satisfied, the aggregate underwriting discount paid by us, based on $ per share (or % of the public offering price), and by our Manager, based on $ per share (or % of the public offering price), would be $. See Underwriting.

We have granted the underwriters the right to purchase up to 3,000,000 additional shares of our common stock from us at the initial public offering price, less the underwriting discount, within 30 days after the date of this prospectus to cover overallotments, if any. The underwriters will be paid the underwriting discounts on any additional shares purchased by them on the same terms as described above. If the underwriters exercise this option in full and we meet the performance hurdle rate described above, the total underwriting discounts and commissions will be $ and our total net proceeds, before expenses, will be $.

Investing in our common stock involves risks. See Risk factors beginning on page 26 of this prospectus for a discussion of the following and other risks:

We are dependent on our Manager and its key personnel for our success and upon their access to Apollo s investment professionals and partners. We may not find a suitable replacement for our Manager if our management agreement is terminated, or if key personnel leave the employment of our Manager or Apollo or otherwise become unavailable to us.

We have no operating history and may not be able to operate our business successfully, find suitable investments, or generate sufficient cash flow to make or sustain distributions to our stockholders.

There are various conflicts of interest in our relationship with Apollo which could result in decisions that are not in the best interest of our stockholders.

We may change our operational policies (including our investment guidelines, strategies and policies) without stockholder consent at any time, which may adversely affect the market value of our common stock and our ability to make distributions to our stockholders.

We have not identified any specific investments and you will not be able to evaluate any proposed investments before purchasing our common stock.

Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code, and our failure to qualify as a REIT or remain qualified as a REIT would subject us to U.S. federal income tax and applicable state and local taxes, which would reduce the cash available for distribution to our stockholders.

Maintenance of our exemption from registration under the Investment Company Act of 1940 imposes significant limits on our operations.

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

The shares of common stock sold in this offering will be ready for delivery on or about , 2009.

J.P. Morgan **Citi** **Barclays Capital**

Wells Fargo Securities

Raymond James **RBC Capital Markets** **Stifel Nicolaus**

, 2009.

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You should rely only on the information contained in this prospectus, any free writing prospectus prepared by us or information to which we have referred you. We have not, and the underwriters have not, authorized anyone to provide you with additional information or information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of shares of our common stock.

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

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Prospectus summary

This summary highlights some of the information in this prospectus. It does not contain all of the information that you should consider before investing in our common stock. You should read carefully the more detailed information set forth under Risk factors and the other information included in this prospectus. Except where the context suggests otherwise, the terms company, we, us and our refer to Apollo Commercial Real Estate Finance, Inc., a Maryland corporation, together with its consolidated subsidiaries; references in this prospectus to Apollo refer to Apollo Global Management, LLC, together with its subsidiaries; and references in this prospectus to our Manager refer to ACREFI Management, LLC, a Delaware limited liability company and an indirect subsidiary of Apollo Global Management, LLC. References in this prospectus to assets under management refers to assets under management as defined in Appendix I. Unless indicated otherwise, the information in this prospectus assumes (1) the common stock to be sold in this offering is to be sold at $20.00 per share, (2) the sale in a concurrent private placement to Apollo and certain of its affiliates of an aggregate of 1,000,000 shares of our common stock and (3) no exercise by the underwriters of their overallotment option to purchase up to an additional 3,000,000 shares of our common stock.

Our company

Apollo Commercial Real Estate Finance, Inc. is a newly organized commercial real estate finance company that has been formed primarily to originate, invest in, acquire and manage senior performing commercial real estate mortgage loans, commercial mortgage-backed securities, or CMBS, commercial real estate corporate debt and loans and other commercial real estate-related debt investments in the U.S. We refer to these asset classes as our target assets.

We will be externally managed and advised by ACREFI Management, LLC, or our Manager, a recently formed indirect subsidiary of Apollo Global Management, LLC. Apollo is a leading global alternative asset manager in private equity, distressed debt and mezzanine investing since 1990. Apollo had assets under management of $38.3 billion as of June 30, 2009. Our Manager will be led by an experienced team of senior real estate professionals, including Joseph F. Azrack, who will also serve as our Chief Executive Officer, Scott Weiner, who will serve as our Manager s Chief Investment Officer, and Stuart A. Rothstein, who will serve as our Chief Financial Officer. Messrs. Azrack, Weiner and Rothstein will be supported by a team of senior executives who have significant experience in commercial property ownership and finance. Our Manager will also draw upon the extensive transactional, financial, managerial and investment skills of Apollo s private equity, credit-oriented capital markets and real estate investment professionals. We believe our relationship with Apollo will provide us with significant advantages in sourcing, evaluating, underwriting and managing investments in our target assets.

Our objective is to capitalize on both the current lack of debt capital available for commercial real estate assets and fundamental changes that have occurred in the commercial real estate finance industry to provide attractive risk adjusted returns to our stockholders over the long term, primarily through dividends and secondarily through capital appreciation. Our primary purpose is to create a diversified portfolio of performing commercial real estate mortgage loans and CMBS assets that will be held to maturity and which we expect will provide stable attractive cash flow yields for our stockholders.

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We believe that the current market environment presents a compelling opportunity to achieve attractive risk adjusted returns in senior performing commercial real estate debt investments. We believe that in each of the next three years, approximately $400 billion of commercial real estate loans are expected to mature and that markets are likely to face a void of several hundred billion dollars over this period that must be filled by new mortgage lenders since the supply of debt from traditional lending sources is anticipated to be less than the volume necessary to refinance maturing real estate loans. Beginning in mid-2007, global financial markets encountered a series of events from the collapse of the sub-prime mortgage market to the ensuing dramatic widening of credit spreads and corresponding broad-scale freezing of corporate lending. These events led to a significant dislocation in capital markets and created a severe shortage of debt capital across markets, a deleveraging of the entire global financial system and a severe decline in the market values of mortgage, real estate-related and other financial assets. A result of these events has been a severe contraction in market liquidity and a sharp reduction in the availability of credit for real estate-related assets. The resulting illiquidity has negatively affected both the terms and availability of financing for all real estate-related assets, and has generally resulted in real estate-related assets trading at significantly lower prices and higher yields compared to prior periods.

We intend to originate, invest in, acquire and manage a diversified portfolio of our target assets. To identify attractive opportunities within our target assets, we intend to rely on the expertise of our Manager and its affiliates as well as their platform, which integrates real estate experience with private equity and capital markets experience in transaction sourcing, underwriting, and execution as well as in asset operation, management and disposition. As a result of current market dislocations, in the near to medium term, we anticipate a significant opportunity to originate and purchase senior performing commercial real estate mortgage loans and other debt investments at attractive yields, high debt service coverage ratios, and low loan-to-values on high quality real estate-related assets.

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

Our Manager and Apollo

We will be externally managed and advised by our Manager, an indirect subsidiary of Apollo Global Management, LLC, which is a promoter with respect to this offering. Our Manager is a direct subsidiary of Apollo Global Real Estate Management, L.P., which is an indirect subsidiary of Apollo Global Management, LLC. Apollo Global Real Estate Management, L.P. is in the process of registering as an investment adviser with the Securities and Exchange Commission, or the SEC. Pursuant to the terms of a management agreement between us and our Manager, our Manager will be responsible for administering our business activities and day-to-day operations and will provide us with our management team and appropriate support personnel.

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Our Manager has access to Apollo s senior management team which has extensive experience in identifying, financing, analyzing, hedging and managing real estate and real estate-related equity, debt and mezzanine investments, as well as a broad spectrum of other private equity and capital markets investments. Our Manager will be led by our Chief Executive Officer, Joseph F. Azrack, and the rest of its senior management team, including Scott Weiner, our Manager s Chief Investment Officer, and Stuart A. Rothstein, our Chief Financial Officer, Treasurer and Secretary. Our Manager has formed an Investment Committee which will advise and consult with our Manager s senior management team with respect to our investment strategy, investment portfolio holdings, sourcing, financing and leverage strategies and investment guidelines and will approve our investments. In addition to Messrs. Azrack, Weiner and Rothstein, our Manager s Investment Committee will consist of senior executives of Apollo, including Marc Rowan (Managing Partner of Apollo), James Zelter (Managing Partner of Apollo s capital markets business), Henry Silverman (Chief Operating Officer of Apollo) and Eric Press (Partner of Apollo s private equity business).

Founded in 1990, Apollo is a leading global alternative asset manager with a contrarian and value-oriented investment approach in private equity and credit-oriented capital markets. Apollo has a flexible mandate that enables it to invest opportunistically across a company s capital structure throughout economic cycles. Apollo s contrarian nature is reflected in (1) many of the businesses in which it invests, which are often in industries that its competitors typically avoid, (2) the often complex structures Apollo employs in some of its investments and (3) its experience in investing during periods of uncertainty or distress in the economy or financial markets when many of its competitors reduce their investment activity. Although Apollo has not sponsored or managed an investment fund that is organized primarily for the purpose of investing in real estate or real estate-related assets, Apollo has a long-standing presence in the real estate market and extensive relationships with the real estate investment, corporate, lending and brokerage communities. We expect this experience and these relationships to be valuable sources for deal flow and real estate market intelligence. Apollo is led by its managing partners, Leon Black, Joshua Harris and Marc Rowan, who have worked together for more than 20 years and lead a team of 389 employees, including 131 investment professionals as of June 30, 2009. This team possesses a broad range of transactional, financial, managerial and investment skills. Apollo has offices in New York, London, Los Angeles, Frankfurt, Singapore, Luxembourg and Mumbai.

We believe that Apollo s integrated approach towards investing distinguishes it from other alternative asset managers. Apollo had total assets under management of $38.3 billion as of June 30, 2009, consisting of $27.0 billion in its private equity business and $11.3 billion in its capital markets business. In addition, as of June 30, 2009, approximately $5.0 billion of Apollo s assets under management was in publicly traded vehicles managed by Apollo.

We believe our relationship with Apollo will provide us with significant advantages in sourcing, evaluating, underwriting and managing investments. Apollo has long-standing relationships with its investors as well as extensive corporate finance and lending relationships that we believe will facilitate attractive and creative means to originate transactions and finance our business.

Market opportunities

We believe that the current market environment presents a compelling opportunity to achieve attractive risk adjusted returns in senior performing commercial real estate debt investments. Beginning in mid-2007, global financial markets encountered a series of events from the collapse

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of the sub-prime residential mortgage market to the ensuing dramatic widening of credit spreads and corresponding broad-scale freezing of corporate lending. These events led to a significant dislocation in capital markets and created a severe shortage of debt capital across markets, a deleveraging of, or a reduction of debt across, the entire global financial system and a severe decline in the market for mortgage, real estate-related and other financial assets. A result of these events has been a severe contraction in market liquidity and a sharp reduction in the availability of credit for real estate-related assets. The current illiquidity facing the market can be traced back to the beginning of this decade which found CMBS volume increasing at a rapid pace from 2001 to 2007. During this period, capitalization rates on commercial real estate declined to historic lows and commercial real estate transaction volume peaked at close to $500 billion annually. Since the market downturn began, issuance of CMBS in the U.S. has dropped from $230 billion in 2007 to $12 billion in 2008. The resulting illiquidity has negatively affected both the terms and availability of financing for all real estate-related assets and has generally resulted in real estate-related assets trading at significantly lower prices and higher yields compared to prior periods. The recent period has also been characterized by a broad-based downward movement in loan and securities valuations, even though different commercial mortgage pools have exhibited widely different default rate and performance characteristics. The dislocations in real estate markets have already caused, and we believe will continue to cause, a dramatic repricing of real estate-related assets.

We expect to capitalize on these market dislocations and the expected shortfall in available capital for commercial real estate. According to data from the Federal Reserve Board of Governors, or the Federal Reserve, the overall commercial mortgage market grew from $1.6 trillion outstanding in 2000 to $3.5 trillion outstanding in 2009. We believe that in each of the next three years, approximately $400 billion of commercial real estate loans are expected to mature and that markets are likely to face a void of several hundred billion dollars over this period that must be filled by new mortgage lenders since the supply of debt from traditional lending sources is anticipated to be less than the volume necessary to refinance maturing real estate loans as many banks, insurance companies, finance companies and fund managers either face insolvency or have determined to reduce or discontinue investment in debt or equity related to real estate. As a result, in the near to medium term, we anticipate a significant opportunity to acquire and originate senior performing commercial real estate mortgage loans and other performing real estate-related securities that can be held to maturity and offer attractive yields, high debt service coverage ratios and low loan-to-values on high quality real estate assets.

U.S. property market conditions

As the broader economy remains in a recession, we believe the U.S. commercial real estate markets are continuing to experience further degradation of operating fundamentals, including lower occupancy and rental rates. Historically, commercial real estate fundamentals have tended to lag the broader economy. Primary determinants of revenue for income producing real estate include occupancy and rental rate levels, which are most heavily influenced by business expansion plans and new supply of property. At the end of an economic expansion, the overhang of new development in conjunction with a decrease in demand for space often puts additional pressure on real estate fundamentals as economic activity slows. Conversely, businesses often wait until they are certain of an economic recovery before expanding their operations or payrolls. As a result, tenant decisions affecting leasing of space and occupancy become a derivative of the

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health of the employment market and real estate performance expresses itself as a lagging indicator.

We believe that commercial real estate markets generally entered the current economic slowdown in relatively strong condition, as there was limited new supply added during this cycle due to moderate job growth, high construction costs and supply overhang from the 2001 economic recession. Despite the relatively restrained new supply in most commercial real estate asset classes, the drastic decline in consumer spending and high unemployment rates may have more dramatic negative effects on real estate demand fundamentals during this cycle. Since commercial real estate fundamentals tend to lag the broader economy, commercial real estate cash flows and values in the U.S. may continue to erode and may, on average, not stabilize until after a recovery in the broader economy. During the interim, net asset valuations may continue to decline. Our Manager monitors the economic outlook and real estate fundamentals on a continuous basis and expects to reflect the probable economic conditions and their impact on real estate operating fundamentals over the next several years in its evaluation and cash flow analyses of investment opportunities. In light of the uncertainty that exists within real estate markets, we believe that our Manager has the experience through different economic and real estate cycles to effectively evaluate, underwrite and price risk. We believe we can achieve attractive yields while focusing on the best assets in supply constrained markets with solid long-term fundamentals, high quality sponsors and conservative underwriting that takes into account the future degradation of cash flows and evolving valuation metrics. We also believe that concentrating on the most senior pieces of the capital structure will provide attractive risk adjusted returns.

Governmental response

In an effort to stem the fallout from current market conditions, the U.S. and other nations have begun to inject unprecedented levels of liquidity into the financial system and take other actions designed to create a floor in financial asset valuations, restore stability to the financial sector and support the flow of credit and other capital into the broader economy. These policies have included the creation of the Term Asset-Backed Securities Loan Facility, or the TALF, which provides attractive non-recourse government financing to purchase highly rated tranches of certain qualifying CMBS and asset-backed securities, or ABS, and the Public-Private Investment Program, or PPIP, which is designed to encourage the transfer of illiquid legacy real estate-related assets off of the balance sheets of financial institutions, by making attractive government financing and guarantees available to potential buyers of these assets. See Management s discussion and analysis of financial condition and results of operations for a detailed discussion of the Term Asset-Backed Securities Loan Facility and other government initiatives and strategies. Where appropriate, we may take advantage of financing that may become available under government programs in order to enhance stockholder returns.

Our business strengths and competitive advantages

The following summarizes the key strengths and competitive advantages of our business:

Diversified portfolio of senior, performing, cash-flowing, hold-to-maturity commercial mortgage debt

We intend to create a diversified portfolio of senior, performing commercial real estate mortgage loans (loans on which the borrower is in substantial compliance with the terms of the loan agreement) and CMBS assets. We expect to fill part of the current liquidity gap in the commercial mortgage loan and CMBS markets by primarily originating and acquiring first mortgage loans that meet our underwriting standards with the intention of being a hold-to-maturity investor. It is our intention to invest in our target assets which will primarily have a senior position in the commercial real estate asset capital structure. We will seek to make loans in major metropolitan areas that exhibit attractive long-term demographics and fundamentals such as strong population and household income and employment trends, as well as attractive real estate supply/demand dynamics. As a long-term holder of commercial real estate loans and securities, we will be focused on evaluating and verifying the quality of the underlying assets and operating cash flows.

Experienced management team

Apollo Global Real Estate Management, L.P., our Manager s parent entity, is the real estate investment management group of Apollo. Led by Joseph F. Azrack, who is also our Chief Executive Officer, Apollo Global Real Estate Management, L.P. has assembled a multi-disciplinary team of real estate investment professionals, including Scott Weiner, our Manager s Chief Investment Officer, that work integrally with other Apollo investment groups to source, underwrite and structure investments in commercial real estate assets, companies and operating platforms. Members of Apollo Global Real Estate Management, L.P. have participated in over $100 billion of real estate investments, real estate mergers and acquisitions, initial public offerings of real estate operating companies, innovative project and corporate real estate financings, as well as individual property acquisitions and financings.

No legacy portfolio

We believe we have a competitive advantage relative to other existing comparable mortgage REITs because we do not have a legacy portfolio of lower-return or problem real estate assets that could potentially dilute the attractive returns that we believe are available in the current liquidity-challenged environment and distract our Manager s focus from our investment strategy.

Superior sourcing capabilities

We expect our Manager to be able to utilize Apollo s extensive proprietary relationships in the public and private real estate ownership, development, financing and services communities. These relationships are complemented by those of Apollo s corporate private equity and capital markets partners in multiple industry categories.

Our Manager has established national correspondent relationships (which are non-exclusive contractual relationships that will provide us with additional sources to originate certain of our target assets) with CBRE Capital Markets of Texas, L.P. and Holliday Fenoglio Fowler, L.P. CBRE Capital Markets of Texas, L.P. and Holliday Fenoglio Fowler, L.P. are two of the largest

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commercial real estate capital intermediaries in the U.S. We believe these relationships will dramatically improve the scale and scope of our whole-loan origination platform. See Business for a more detailed discussion of our Manager s correspondent relationships.

Significant benefits from our relationship with Apollo

Apollo operates as an integrated investment platform with a free flow of information across its businesses. Apollo s investment professionals interact frequently across its businesses on a formal and informal basis. We believe Apollo s integrated investment model, which offers its clients and partners deep industry relationships, market intelligence and execution capabilities, distinguishes it from other alternative asset managers. We expect that our Manager will be able to leverage Apollo s perspective and expertise in debt capital markets. Apollo has a longstanding presence in real estate markets and extensive relationships with the real estate investment, corporate, lending and brokerage communities. We expect this experience and these relationships to be valuable sources for deal flow and real estate market intelligence.

As of June 30, 2009, Apollo managed 13 credit-oriented capital markets funds with assets under management of $11.3 billion. These vehicles include mezzanine funds, a European non-performing loan fund, distressed funds, hedge funds and credit opportunity funds. Between September 30, 2007 and June 30, 2009, Apollo s private equity and capital markets funds have invested a combined $27.9 billion in debt securities with a face value of $38.7 billion. The $27.9 billion invested includes $19.9 billion of capital from the funds managed by Apollo and $8.0 billion of additional leverage. We believe that Apollo s broad participation in debt capital markets provides our Manager with insights to evaluate opportunities across the spectrum of our target assets, including senior performing commercial real estate mortgage loans, CMBS, commercial real estate corporate debt and loans and other real estate-related debt investments, and identify those opportunities offering the most compelling risk-return profile.

Apollo has consistently invested capital throughout economic cycles by focusing on opportunities that were often overlooked by other investors. We believe that our ability to leverage the Apollo platform and the knowledge and experience that Apollo s professionals have garnered in building businesses around new strategies and across market cycles will benefit our Manager s sourcing, evaluation and structuring of performing commercial mortgage loans.

Alignment of Apollo s and our interests and no conflicts of interest with other Apollo investment vehicles

We have taken steps to structure our relationship with Apollo and our Manager so that our interests and those of Apollo and our Manager are closely aligned. Apollo and certain of its affiliates have agreed to purchase in a separate private placement, at the initial public offering price per share, shares of our common stock representing an aggregate investment equal to 5% of the gross proceeds raised in this offering, excluding the underwriters overallotment option, up to $20 million. Upon completion of this offering and the concurrent private placement, Apollo and certain of its affiliates will beneficially own 4.7% of our outstanding common stock (or 4.1% if the underwriters fully exercise their overallotment option). Apollo and certain of its affiliates have agreed that, for a period of 12 months after the date of this prospectus, they will not, without our prior written consent, dispose of or hedge any shares of our common stock purchased in the private placement, subject to certain exceptions in certain circumstances as described elsewhere in this prospectus. We believe that the significant investment in us by Apollo and certain of its affiliates will align our interests with those of Apollo, which will create an incentive for Apollo to maximize returns for our stockholders.

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Further, no existing Apollo sponsored investment vehicle currently focuses on our target asset classes as part of its core investment strategy and no existing Apollo sponsored investment vehicle currently holds significant investments in our target assets. Consequently, we do not anticipate competing with existing Apollo sponsored investment vehicles for our target assets. See Our management Conflicts of interest.

Our investment strategy

Our objective is to capitalize on both the current lack of debt capital available for commercial real estate assets and fundamental changes that have occurred in the commercial real estate finance industry to provide attractive risk adjusted returns to our stockholders over the long term, primarily through dividends and secondarily through capital appreciation. We intend to achieve this objective by originating, investing in, acquiring and managing a diversified portfolio of our target assets. Our primary purpose is to create a diversified portfolio of performing commercial real estate mortgage loans and CMBS assets that will be held to maturity and which we expect will provide stable attractive cash flow yields for our stockholders. To identify attractive opportunities within our target assets, we will rely on the expertise of our Manager and its affiliates as well as their platform, which integrates real estate experience with private equity and capital markets, in transaction sourcing, underwriting, execution as well as asset operation, management and disposition. In implementing our investment strategy, we will utilize our Manager s expertise in identifying undervalued senior performing commercial real estate mortgage loans and CMBS as well as its capabilities in transaction sourcing, underwriting, execution and asset operation, management and disposition. Our Manager s Investment Committee, which will be chaired by Joseph F. Azrack and will also include Marc Rowan, James Zelter, Henry Silverman, Eric Press, Scott Weiner and Stuart A. Rothstein, will make investment, financing, asset management and disposition decisions on our behalf. See Our Manager and the management agreement Biographical information for biographical information regarding these individuals.

As a result of current market dislocations, in the near to medium term, we anticipate a significant opportunity to acquire and originate senior performing commercial real estate mortgage loans and other performing debt investments at attractive yields, high debt service coverage ratios and low loan-to-values on high quality real estate. We also expect our Manager to seek to capitalize on opportunities created by the lack of debt capital available for commercial real estate and to take advantage of opportunistic pricing dislocations created by distressed sellers or distressed capital structures where a lender or holder of a loan or security is in a compromised situation due to the relative size of its portfolio, the magnitude of nonperforming loans, or regulatory/rating agency issues driven by potential capital adequacy or concentration issues. In pursuing investments with attractive risk-reward profiles, we expect that our Manager will incorporate its views of the current and future economic environment, its outlook for real estate in general and particular asset classes and its assessment of the risk-reward profile derived from its underwriting and cash flow analysis, including taking into account relative valuation, supply and demand fundamentals, the level of interest rates, the shape of the yield curve, prepayment rates, financing and liquidity, real estate prices, delinquencies, default rates, recovery of various sectors and vintage of collateral. In general, our Manager intends to pursue a value-driven approach (which is focused on real estate supply and demand fundamentals) to underwriting and diligence, consistent with Apollo s historical investment strategy. We expect that each

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prospective investment will receive a rigorous, credit-oriented evaluation towards determining the risk/return profile of the opportunity and the appropriate pricing and structure for the prospective investment. We intend to make loans in major metropolitan areas that exhibit attractive long-term demographics and fundamentals such as strong population and household income and employment trends and attractive real estate supply/demand dynamics. Our Manager expects to implement underwriting standards founded on fundamental market and credit analyses with a focus on current and sustainable cash flows. Our Manager s underwriting standards are expected to place a particular emphasis on due diligence of the sponsor/borrower. All investment decisions will be made with a view to maintaining our qualification as a REIT and our exemption from registration under the 1940 Act. The execution of our investment strategy will be aided by our access to, and utilization of, the information provided by recognized market leaders in the industry.

In order to capitalize on the changing sets of investment opportunities that may be present in the various points of an economic cycle, we may expand or refocus our investment strategy by emphasizing investments in different parts of the capital structure and different sectors of real estate. Our investment strategy may be amended from time to time, if recommended by our Manager and approved by our board of directors. We will not be required to seek stockholder approval when amending our investment strategy.

Our target assets

Our target assets will include the following types of senior performing commercial real estate mortgage loans, CMBS, commercial real estate corporate debt and loans and other real estate-related debt investments in the U.S.:

Whole loans: performing commercial whole mortgage loans secured by a first mortgage lien on commercial property, which are structured to either permit us to retain the entire loan, or sell the lower yielding senior portions of the loans and retain the higher yielding subordinate investment. We may seek, in the future, to enhance the returns of all or a senior portion of our commercial mortgage loans through securitizations, should the market to securitize commercial mortgage loans recover. Our strategy does not include the purchase of loans that are non-performing or distressed at the time of purchase.

Commercial mortgage-backed securities: securities which are collateralized by commercial mortgage loans. In general, we will target investment grade CMBS (which are rated Aaa/AAA through Baa3/BBB- by nationally recognized statistical rating organizations) to be issued on or after September 1, 2009 and CMBS issued prior to January 1, 2009 with an emphasis on tranches that have retained Aaa/AAA (highest) credit rating based on the current underwriting criteria of the nationally recognized statistical rating organizations. We currently do not intend to invest in non-investment grade CMBS.

Non-core assets: In addition, we anticipate that we will invest selectively and opportunistically in the following non-core asset classes:

Commercial real estate corporate debt: corporate bank debt and corporate bonds of commercial real estate operating or finance companies, including REITs, which may be in the form of a term loan or a revolving credit facility and generally secured by the company s assets. We may acquire corporate bonds that are rated below investment grade (that is,

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below BBB- (or Baa3)), as well as investment grade corporate bonds (that is, rated BBB- (or Baa3) or higher). Corporate bonds may be secured by the company s assets or may not provide for any security. We may also acquire other REIT securities, including convertible bonds, which meet our investment guidelines.

B Notes: interests in commercial real estate loans secured by a first mortgage on a single large commercial property or group of related properties and that are subordinated in right of payment to a senior interest in such loans. Such a junior or subordinated interest in a loan is commonly referred to in the real estate finance industry as a B Note and the senior interest is referred to as an A Note.

Mezzanine Loans: loans made to property owners that are secured by pledges of the borrower s ownership interests, in whole or in part, in entities that directly or indirectly own the real property, such loans being subordinate to whole mortgage loans secured by first or second mortgage liens on the property and senior to the borrower s equity in the property.

Miscellaneous Assets: other mortgage assets, if necessary, to maintain our qualification as a REIT or our exemption from registration as an investment company under the 1940 Act.

Based upon current market conditions and our current expectations, we anticipate our initial portfolio of target assets will be comprised of between 30% to 50% of whole mortgage loans, 20% to 40% of newly issued CMBS, 0 to 20% of legacy CMBS and 10% to 30% of other non-core assets described above. The allocation of our capital among our target assets will depend on prevailing market conditions at the time we invest and may change over time in response to different prevailing market conditions, including with respect to interest rates and general economic and credit market conditions. There is no assurance that upon the completion of this offering we will not allocate the proceeds from this offering and the concurrent private placement in a different manner among our target assets. In addition, in the future we may invest in assets other than our target assets, in each case subject to maintaining our qualification as a REIT for U.S. federal income tax purposes and our exemption from registration under the 1940 Act.

Our financing strategy

We anticipate using borrowings as part of our financing strategy. Depending on market conditions, such borrowings are expected to include credit facilities and repurchase agreements. We may also seek to access financing that may be available to us under government sponsored debt programs such as the Term Asset-Backed Securities Loan Facility. Although we are not required to maintain any particular leverage ratio, including the maximum amount of leverage we may use, we expect that the amount of leverage we incur will be consistent with our intention of keeping our total borrowings within a conservative range, as determined by our Manager, taking into account a variety of factors, which may include the anticipated liquidity and price volatility of the target assets in our investment portfolio, the potential for losses and extension risk in our portfolio, the gap between the duration of our assets and liabilities, including hedges, the availability and cost of financing our assets, the creditworthiness of our financing counterparties, the health of the U.S. economy and commercial and residential mortgage markets, the outlook for the level, slope, and volatility of interest rate movement, the credit quality of our target assets and the collateral underlying our target assets. Consistent with our strategy of keeping our total borrowings within a conservative range, initially we expect that

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our leverage will be in an amount that is approximately 35% of the value of our total assets on a portfolio basis, except in conjunction with financings that may be available to us through government sponsored debt programs, such as the Term Asset-Backed Securities Loan Facility. To the extent that we utilize the financing available under such government sponsored debt programs, we expect to incur significantly more leverage. For example, with respect to the Term Asset-Backed Securities Loan Facility, we expect to finance up to 85% of each of our eligible CMBS assets on a non-recourse basis. In utilizing leverage, we will seek to enhance equity returns while limiting interest rate exposure. We expect to access more traditional borrowings such as credit facilities and repurchase agreements. To the extent market conditions improve and markets stabilize over time, we expect to increase our borrowing levels. In the future, we may also seek to raise further equity capital or issue debt securities in order to fund our future investments. We currently do not have any commitments for financing.

Hedging strategy

Subject to maintaining our qualification as a REIT, we may, from time to time, utilize derivative financial instruments to hedge the interest rate risk associated with our borrowings, if any. We also may engage in a variety of interest rate management techniques that seek to mitigate changes in interest rates or other potential influences on the values of our assets. We may attempt to reduce interest rate risk and to minimize exposure to interest rate fluctuations through the use of match funded financing structures, when appropriate. We expect these instruments will allow us to minimize, but not eliminate, the risk that we have to refinance our liabilities before the maturities of our assets and to reduce the impact of changing interest rates on our earnings.

Summary risk factors

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

We are dependent on our Manager and its key personnel for our success and upon their access to Apollo s investment professionals and partners. We may not find a suitable replacement for our Manager if our management agreement is terminated, or if key personnel leave the employment of our Manager or Apollo or otherwise become unavailable to us.

Our management agreement was negotiated between related parties and its terms, including fees payable to our Manager, may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

The termination of our management agreement may be difficult and costly, which may adversely affect our inclination to end our relationship with our Manager.

Our Manager is recently formed and has no experience in managing a REIT or maintaining our 1940 Act exemption, which may hinder its ability to achieve our investment objectives or result in loss of our qualification as a REIT or maintenance of our 1940 Act exemption; our investors are not acquiring an interest in any other Apollo investment vehicle.

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Our Manager manages our portfolio pursuant to very broad investment guidelines and our board of directors does not approve each investment decision made by our Manager, which may result in our making riskier investments.

There are various conflicts of interest in our relationship with Apollo which could result in decisions that are not in the best interests of our stockholders.

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

We operate in a competitive market for investment opportunities and future competition may limit our ability to acquire desirable investments in our target assets and could also affect the pricing of these securities.

We may change our operational policies (including our investment guidelines, strategies and policies) without stockholder consent at any time, which may adversely affect the market value of our common stock and our ability to make distributions to our stockholders.

There can be no assurance that the governmental policies and programs described herein will ultimately be successful.

We cannot at the present time predict the unintended consequences and market distortions that may stem from far ranging governmental intervention in the economic and financial system.

Our access to private sources of financing may be limited and thus our ability to potentially enhance our returns may be adversely affected.

We may increase the amount of leverage we use in our financing strategy which would subject us to greater risk of loss.

We may enter into hedging transactions that could require us to fund cash payments in certain circumstances.

We have not identified any specific investments and you will not be able to evaluate any proposed investments before purchasing our common stock.

The lack of liquidity of our assets may adversely affect our business, including our ability to value and sell our assets.

The commercial mortgage loans and other commercial real estate-related loans we will invest in and the commercial mortgage loans underlying the CMBS we will invest in are subject to delinquency, foreclosure and loss, any or all of which could result in losses to us.

We have not established a minimum distribution payment level and we cannot assure you of our ability to pay distributions in the future. Although we currently do not intend to do so, until our portfolio of assets generates sufficient income and cash flow, we could be required to sell assets, borrow funds, make a portion of our distributions in the form of a taxable stock distribution or distribution of debt securities, or utilize a portion of the net proceeds of this offering and the concurrent private placement to fund our distributions.

Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code, and our failure to qualify as a REIT or remain qualified as a REIT would subject us to U.S. federal income tax and applicable state and local taxes, which would reduce the amount of cash available for distribution to our stockholders.

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Complying with REIT requirements may cause us to liquidate or forego otherwise attractive opportunities.

Maintenance of our exemption from registration under the 1940 Act imposes significant limits on our operations.

Our structure

We were formed as a Maryland corporation on June 29, 2009. The following chart shows our anticipated structure after giving effect to this offering and the concurrent private placement to Apollo and certain of its affiliates:

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Our management agreement

We will be externally managed and advised by our Manager, an indirect subsidiary of Apollo Global Management, LLC. Pursuant to the terms of a management agreement between us and our Manager, our Manager will be responsible for administering our business activities and day-to-day operations and will provide us with our management team and appropriate support personnel. Our Manager will at all times be subject to the supervision and oversight of our board of directors and has only such functions and authority as we delegate to it. We do not expect to have any employees.

We will enter into a management agreement with our Manager effective upon the closing of this offering. Pursuant to the management agreement, our Manager will implement our business strategy and perform certain services for us, subject to oversight by our board of directors. Our Manager will be responsible for, among other duties: (1) performing all of our day-to-day functions, (2) determining investment criteria in conjunction with our board of directors, (3) sourcing, analyzing and executing asset acquisitions, sales and financings, (4) performing asset management duties and (5) performing financial and accounting management. Our Manager has an Investment Committee comprised of Messrs. Azrack, Rowan, Zelter, Silverman, Press, Weiner and Rothstein, which will advise and consult with our Manager s senior management team with respect to our investment strategy, investment portfolio holdings, sourcing, financing and leverage strategies and investment guidelines.

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

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

Type	Description	Payment
Base management fee	1.5% per annum of our stockholders equity, calculated and payable quarterly in arrears. For purposes of calculating the base management fee, our stockholders equity means the sum of the net proceeds from all issuances of our equity securities since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), plus our retained earnings at the end of the most recently completed calendar quarter (as determined in accordance with accounting principles generally accepted in the U.S., or GAAP, except without taking into account any non-cash equity compensation expense incurred in current or prior periods), less any amount that we pay for repurchases of our common stock since inception, and excluding any unrealized gains, losses or other items that do not affect realized net income (regardless of whether such items are included in other comprehensive income or loss, or in net income). This amount will be adjusted to exclude one-time events pursuant to changes in GAAP and certain non-cash items after discussions between our Manager and our independent directors and approved by a majority of our independent directors. Our stockholders equity, for purposes of calculating the base management fee, could be greater than or less than the amount of stockholders equity shown on our financial statements prepared in accordance with GAAP.	Quarterly in cash.
Incentive fee	None.	

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Type	Description	Payment
Expense reimbursement	Reimbursement of expenses related to us incurred by our Manager, including legal, accounting, due diligence and other services. We will not reimburse our Manager or its affiliates for the salaries and other compensation of their personnel, except for the allocable share of the compensation of (1) our Chief Financial Officer based on the percentage of his time spent on our affairs and (2) other corporate finance, tax, accounting, internal audit, legal, risk management, operations, compliance and other non-investment professional personnel of our Manager or its affiliates who spend all or a portion of their time managing our affairs based on the percentage of time devoted by such personnel to our affairs.	Monthly in cash.
Termination fee	Termination fee equal to three times the average annual base management fee earned by our Manager during the prior 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter. Such termination fee will be payable upon termination of the management agreement by us without cause or by our Manager if we materially breach the management agreement.	
Refund of Manager s partial payment of initial underwriting discount	Pursuant to the underwriting agreement among the underwriters, our Manager and us, our Manager will agree to pay the underwriters $ per share with respect to each share sold in this offering, representing a portion of the initial underwriting discount. Pursuant to the management agreement, we have agreed to refund our Manager for its partial payment of the initial underwriting discount if during any period of four consecutive	

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Type	Description	Payment
	calendar quarters during the 16 full calendar quarters after the consummation of this offering, our Core Earnings for any such four-quarter period exceeds the product of (x) the public offering price per share as shown on the cover page of this prospectus multiplied by the number of shares of common stock sold in this offering, including any shares that may be sold upon exercise of the underwriters overallotment option, and in the concurrent private placement and (y) 8%. In addition, if the management agreement is terminated and we are required to pay our Manager the termination fee described above, we would also be required to refund our Manager for its partial payment of the initial underwriting discount irrespective of whether we have met the hurdle described above.	
	Core Earnings is a non-GAAP measure and is defined as GAAP net income (loss) as adjusted, excluding: non-cash equity compensation expense; depreciation and amortization (to the extent that we foreclose on any properties underlying our target assets); any unrealized gains, losses or other non-cash items, regardless of whether such items are included in other comprehensive income or loss, or in net income; and one-time events pursuant to changes in GAAP and certain other non-cash charges after	

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Type