

Apollo Commercial Real Estate Finance, Inc.
Form S-3ASR
November 13, 2014
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As filed with the Securities and Exchange Commission on November 13, 2014

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-3
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 or other jurisdiction

of incorporation)

27-0467113
(I.R.S. Employer

Identification No.)

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 and Secretary

ACREFI Management, LLC

9 West 57th Street, 43rd Floor

New York, New York 10019

(212) 515-3200

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

Copies to:

Jay L. Bernstein, Esq.

Andrew S. Epstein, Esq.

Clifford Chance US LLP

31 West 52nd Street

New York, New York 10019

(212) 878-8000

Approximate date of commencement of proposed sale to public: From time to time after the effective date of the Registration Statement as determined by market conditions.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

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 of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, 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 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 registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, 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.

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

CALCULATION OF REGISTRATION FEE

| Title of each class of securities to be registered(2) | Amount to be registered | Proposed maximum offering price | Proposed maximum aggregate | Amount of registration fee(1)(2) |
|---|-------------------------|---------------------------------|----------------------------|----------------------------------|
| | | | | |

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| | | per share (1) | offering price(1) | |
|---|-----------|----------------------|--------------------------|---------|
| Common Stock, par value \$.01 per share | 2,000,000 | \$16.48 | \$32,960,000 | \$3,830 |

(1) Estimated solely for the purpose of computing the amount of the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended. Estimate based on the high and low prices of the registrant's common stock as reported on the New York Stock Exchange on November 12, 2014 pursuant to Rule 457(c) under the Securities Act of 1933.

(2) Calculated pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

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PROSPECTUS

APOLLO COMMERCIAL REAL ESTATE FINANCE, INC.

Direct Stock Purchase and Dividend Reinvestment Plan

Our Direct Stock Purchase and Dividend Reinvestment Plan, or the Plan, provides new investors and existing holders of our common stock with a convenient and economical method to purchase shares of our common stock. By participating in the Plan, you may purchase additional shares of our common stock by reinvesting some or all of the cash dividends that you receive on your shares of our common stock. In addition, the Plan permits you to make optional cash investments of up to \$10,000 per month, and, with our prior approval, optional cash investments in excess of \$10,000 per month, for the purchase of additional shares of our common stock. We may, in the future, offer a discount from the market price of our common stock ranging from 0% to 5%, including the payment by us of applicable brokerage fees, pursuant to the dividend reinvestment or optional cash investment features of the Plan, at our sole discretion.

Plan highlights include:

Any registered holder of our common stock may elect to participate in the Plan.

Interested new investors who are not currently holders of our common stock may make their initial purchase through the Plan.

Full or partial dividend reinvestment options.

Optional cash investments of up to \$10,000 per month, and, with our prior approval, optional cash investments in excess of \$10,000 per month, for the purchase of additional shares of our common stock; we may, in the future, offer a discount from the market price of our common stock ranging from 0% to 5%, including the payment by us of applicable brokerage fees, at our sole discretion.

You may build your investment over time, starting with as little as \$250, or \$100, if you authorize automatic cash investments.

You may access your account online to review and manage your investment.

Optional automatic withdrawals from your bank account.

This prospectus relates to the offer and sale of up to 2,000,000 authorized but unissued shares of our common stock under the Plan. Plan participants should retain this prospectus for future reference.

To ensure that we may continue to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes, no stockholder may own more than 9.8% (in value or number, whichever is more restrictive) of the outstanding shares of our common or capital stock, unless our board of directors waives this limitation. See the discussion under "U.S. Federal Income Tax Considerations" for more information.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol "ARI".

An investment in our common stock entails certain material risks and uncertainties that should be considered. See Risk Factors, or similar captions, in our most recently filed Annual Report on Form 10-K.

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.

Prospectus dated November 13, 2014

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The following information is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in, or incorporated by reference into, this prospectus. We encourage you to read this prospectus, as well as the information which is incorporated by reference herein, in their entireties. You should read carefully the more detailed information set forth under Risk Factors and the information included in this prospectus, and the other information incorporated by reference in this prospectus, including our audited consolidated financial statements and the accompanying notes in our most recently filed Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q, before making a decision to participate in the Plan. In this prospectus, unless otherwise specified or if the context requires otherwise, we use the terms company, we, us and our to 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, a Delaware limited liability company, together with its subsidiaries; 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.

SUMMARY INFORMATION

We are a commercial real estate finance company that primarily originates, acquires, invests in and manages performing commercial first mortgage loans, subordinate financings, commercial mortgage-backed securities, or CMBS, and other commercial real estate-related debt investments. We refer to these asset classes as our target assets.

We are externally managed and advised by ACREFI Management, LLC, or our Manager, an indirect subsidiary of Apollo Global Management, LLC. Pursuant to the terms of the management agreement between us and our Manager, our Manager is responsible for administering our business activities and day-to-day operations and providing us with our management team and appropriate support personnel. We have elected to qualify as a real estate investment trust, or a REIT, for U.S. federal income tax purposes.

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

RISK FACTORS

Investment in our common stock involves a high degree of risk. You should carefully consider the risks described in the section Risk Factors, or similar captions, contained in our most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q, which reports are incorporated herein by reference and have been filed with the Securities and Exchange Commission, or the SEC, as well as other information in this prospectus before purchasing our common stock. Each of the risks described could materially adversely affect our business, financial condition, results of operations, or ability to make distributions to our stockholders. In such case, you could lose all or a portion of your original investment. See Where You Can Find More Information and Forward-Looking Statements.

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FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus and the documents incorporated by reference in this document, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected results, and the assumptions upon which those statements are based, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and such statements are intended to be covered by the safe harbor provided by the same. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When we use the words believe, expect, anticipate, estimate, plan, continue, intend, should, may or similar expressions, we intend them to be forward-looking statements. Statements regarding the following subjects, among others, may be forward-looking:

market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy or the demand for commercial real estate loans;

our business and investment strategy;

our operating results;

actions and initiatives of the U.S. government and changes to U.S. government policies and the execution and impact of these actions, initiatives and policies;

the state of the U.S. economy generally or in specific geographic regions;

economic trends and economic recoveries;

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

the anticipated shortfall of debt financing from traditional lenders;

the volume of short-term loan extensions;

the demand for new capital to replace maturing loans;

our expected leverage;

general volatility of the securities markets in which we participate;

changes in the value of our assets;

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

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

changes in prepayment rates on our target assets;

effects of hedging instruments on our target assets;

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

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

impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters;

our ability to maintain our qualification as a REIT for U.S. federal income tax purposes;

our ability to remain excluded from registration under the Investment Company Act of 1940, as amended, or the Investment Company Act;

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availability of opportunities to acquire commercial mortgage-related, real estate-related and other securities;

availability of qualified personnel;

estimates relating to our ability to make distributions to our stockholders in the future; and

our understanding of our competition.

We caution that the foregoing list of factors is not exclusive. All subsequent written and oral forward-looking statements concerning us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements above. We caution not to place undue reliance upon any forward-looking statements, which speak only as of the date made. We do not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based.

The forward-looking statements contained in this prospectus and the documents incorporated by reference herein reflect our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Forward-looking statements are not predictions of future events. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. Some of these factors are included in our most recently filed Annual Report on Form 10-K, and Management's Discussion and Analysis of Financial Condition and Results of Operations, or similar captions, included in our subsequent Quarterly Reports on Form 10-Q, which reports are incorporated by reference into this prospectus. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Such new risks and uncertainties may be included in the documents that we file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus which will be considered to be incorporated by reference into this prospectus. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should carefully consider these risks before you make an investment decision with respect to our common stock.

For more information regarding risks that may cause our actual results to differ materially from any forward-looking statements, see Risk Factors, or similar captions, in our most recently filed Annual Report on Form 10-K and in the documents that we file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus, which will be considered to be incorporated by reference into this prospectus.

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DESCRIPTION OF THE PLAN

Our Direct Stock Purchase and Dividend Reinvestment Plan is described in the following questions and answers:

1. Why is the Plan being offered?

The purpose of the Plan is to provide a convenient and economical method for our current stockholders to acquire shares of our common stock by investing cash dividends paid on their shares of our common stock to purchase additional shares of our common stock. The Plan also provides our current stockholders and new investors with a convenient way to acquire shares of our common stock by making optional cash investments to purchase shares of our common stock. In these ways, the Plan is intended to benefit our long-term investors by allowing them to increase their investment in our common stock. The Plan also provides us with a cost-efficient way to raise additional capital through the direct sale of our common stock to participants in the Plan. Shares of our common stock credited to a participant's account are considered Plan Shares.

2. What features does the Plan offer?

Automatic dividend reinvestment. You can increase your holdings of our common stock through automatic reinvestment of your cash dividends. You can elect to reinvest all or a percentage of your dividends.

Optional cash investments. You can increase your holdings of our common stock through optional cash investments of \$100 or more. You can make optional cash investments by check or by authorizing a one-time debit or automatic withdrawals from your bank checking or savings account (see Question 9).

Initial investment. If you are not a current stockholder, you can make an initial investment in our common stock, starting with as little as \$250, or \$100 if you sign up for automatic investments (see Question 8).

Automated transactions. You can execute many of your Plan transactions online or by phone if you have established automated privileges.

Refer to Question 9 for details on fees charged for these transactions and services.

3. What are the primary benefits and disadvantages of the Plan?

The primary benefits of participating in the Plan are as follows:

You may automatically reinvest cash dividends on all or a portion of your holdings of our common stock in additional shares of our common stock.

You may also invest in shares of our common stock by making optional cash investments. Subject to certain exceptions in the case of Large Cash Purchases (as defined herein) (see Question 26), your total optional cash investment for any month is limited to \$10,000. You can make optional cash investments by check or by authorizing a one-time debit or automatic withdrawals from your bank checking or savings account.

If we issue new shares of our common stock to participants in the Plan, we may sell them at a discount of up to 5% from the market price of our common stock, including the payment by us of any applicable brokerage fees. If the Plan Administrator acquires our shares in the open market for participants in the Plan, we may discount such shares by paying up to 5% of the purchase price for such shares, treating any brokerage fees we pay as included in the discount. You should note, however, that we are not initially anticipating offering shares at a discount or discounting the purchase price of our shares under the Plan. Any such discounts will be made at our sole discretion.

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The Plan provides participants with the opportunity to acquire additional shares of our common stock directly from us without having to pay, subject to certain exceptions, the trading fees or service charges associated with an independent purchase (see Question 9).

You may direct the Plan Administrator to transfer, at any time and at no cost to you, all or a portion of your shares in the Plan to a Plan account for another person as long as you meet all of the transfer requirements set forth in Question 19.

The Plan offers a share safekeeping service that allows you to deposit your company stock certificates with the Plan Administrator at no cost to you and to have your ownership of common stock purchased under the Plan maintained on the Plan Administrator's records in uncertificated form as part of your Plan account, if you so desire.

In order to simplify your recordkeeping, the Plan Administrator will send you an account statement as soon as administratively possible after each dividend reinvestment and after each optional cash investment. The Plan Administrator (as defined in Question 5) will also send you an account statement after any transfer, sale or withdrawal of Plan Shares.

The primary disadvantages of participating in the Plan are as follows:

Your investment in the Plan is no different from any investment in shares of our common held by you. If you choose to participate in the Plan, then you should recognize that none of us, our subsidiaries and affiliates, nor the Plan Administrator can assure you of a profit or protect you against loss on the shares that you purchase under the Plan. You bear the risk of loss in value and enjoy the benefits of gains with respect to all of your shares.

When you reinvest dividends under the Plan, you will be treated for U.S. federal income tax purposes as having received a dividend on the related date of purchase of shares of common stock under the Plan, which may give rise to a tax payment obligation without providing you with immediate cash to pay such tax when it becomes due. See Question 24.

You will have limited control over the specific timing of purchases and sales of our common stock under the Plan. Because the Plan Administrator must receive funds for a cash purchase prior to the actual purchase date of the common stock, your investments may be exposed to changes in market conditions.

No interest will be paid on funds that the Plan Administrator holds pending investment or that may ultimately be returned to you. See Question 9.

The purchase price for shares of common stock purchased under the Plan may exceed the price of acquiring shares of common stock on the open market at any given time on the actual purchase date.

4. Who may participate in the Plan?

You may participate in the Plan if you are:

a current owner of shares of our common stock;

a first-time investor that is a U.S. citizen or a corporation or other entity organized or domiciled in the United States; or

a first-time investor that is a foreign citizen or a corporation or other entity organized or domiciled outside the U.S., if there are no laws or governmental regulations that would prohibit you from participating, or that would affect the terms of the Plan.

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5. Who is the Plan Administrator and what does the Plan Administrator do?

Wells Fargo Shareowner Services (Shareowner Services), a division of Wells Fargo Bank, N.A. (Wells Fargo) serves as the administrator of the Plan (Plan Administrator) on our behalf. The Plan Administrator, either directly or through affiliates, receives optional cash investments, directs the purchase and sale of shares of our common stock for Plan participants, keeps records, sends statements and performs other duties required by the Plan. In addition, Wells Fargo Shareowner Services serves as the transfer agent and registrar for shares of our common stock.

The Plan Administrator will appoint an affiliated broker to act on behalf of Plan participants with respect to any purchases of shares of our common stock in the open market and any sales of shares of our common stock held in the Plan for participants.

6. How do I enroll in the Plan if I am a current stockholder of record?

If you already own shares of our common stock and the shares are registered in your name, you can join the Plan by enrolling online by accessing your shareowner account through the Plan Administrator's website at shareowneronline.com or by completing an Account Authorization Form and returning it to the Plan Administrator.

7. How do I enroll if my shares are held other than in my name?

If you hold shares of our common stock in street name in a brokerage, bank or other intermediary account, you can participate in the Plan by instructing your broker, bank or other intermediary to have your shares transferred into your name. After your shares are transferred into your name you will receive a shareowner account statement and instructions for enrolling in the Plan as described in Question 6 above. If you do not wish to transfer your shares of common stock into your name from your brokerage, bank or other intermediary, you can participate by making cash investments in the Plan as described in Question 8 below.

8. How do I enroll if I am not currently a stockholder?

If you do not currently own any shares of our common stock, or if you hold shares of our common stock in street name in a brokerage, bank or other intermediary account and you do not wish to transfer your shares of common stock into your name, you can enroll in the Plan by:

enrolling online at shareowneronline.com and authorizing the Plan Administrator to make a one-time withdrawal from your bank account of at least \$250;

completing and returning an *Account Authorization Form*, together with an initial investment of at least \$250;

enrolling online at shareowneronline.com and agreeing to make a one-time withdrawal from your bank account of at least \$100 and authorizing recurring cash investments of at least \$100; or

completing and returning an *Account Authorization Form* together with an initial investment of at least \$100 authorizing automatic cash investments of at least \$100.

Regulations in certain countries may limit or prohibit participation in this type of plan. Persons residing outside the United States who wish to participate in the Plan should first determine whether they are subject to any governmental regulation prohibiting their participation.

Table of Contents**9. What are the fees associated with participation in the Plan?**

There is no fee to enroll in the Plan.

We will pay all of your optional cash purchase and dividend reinvestment transaction fees and trading commissions to the extent that trading commissions and similar fees, together with any discount we offer on the shares, do not exceed 5% of the fair market value of the shares you acquire. You will pay the applicable fees and trading commissions when you sell your shares of our common stock through the Plan as described below. The following sets forth the fees applicable to your participation in the Plan:

Investment fees

| | |
|---|--------------|
| Initial enrollment (new investors only) | Company Paid |
| Dividend reinvestment | Company Paid |
| Check investment | Company Paid |
| One-time automatic investment | Company Paid |
| Recurring automatic investment | Company Paid |
| Dividend purchase trading commission per share | Company Paid |
| Optional cash purchase trading commission per share | Company Paid |

Sales fees

| | |
|---|---------|
| Batch Order | \$15.00 |
| Market Order | \$25.00 |
| Limit Order per transaction (Day/GTD/GTC) | \$30.00 |
| Stop Order | \$30.00 |
| Sale trading commission per share | \$0.12 |
| Direct deposit of sale proceeds | \$5.00 |

Other fees

| | |
|--|------------------|
| Certificate issuance | Company Paid |
| Certificate deposit | Company Paid |
| Returned check / Rejected automatic bank withdrawals | \$35.00 per item |
| Prior year duplicate statements | \$25.00 per year |

We may change these participation fees at any time. We will give you notice of any fee increase before it applies to you.

For sale transactions, transaction fees and brokerage commissions are deducted from the sale proceeds.

10. What are my options for optional cash investments?

You may purchase shares of our common stock by using the Plan's optional cash investment feature, but you have no obligation to make such an investment. Optional cash investments are applied by the Plan Administrator to the purchase of shares of our common stock generally within five trading days from receipt of your investment amount. If you are not a Plan participant at the time you wish to make your first optional cash investment, you must enroll in the Plan in order to make that investment. If your initial investment in the Plan is made in the form of an optional cash investment, your initial minimum investment must be at least \$250 or \$100 together with an authorization for automatic withdrawals (see Question 8). Thereafter, additional optional cash investments may be made in any amount

between \$100 and \$10,000 per month. If you are an existing holder of shares of our common stock, you may also make optional cash investments in any amount between \$100 and \$10,000 per month.

Minimum and Maximum Investments. After you have enrolled in the Plan and either deposited shares of our common stock into your account or satisfied the requirements for opening your account by making an initial cash investment, you may purchase additional shares using the optional cash investment feature. You must invest at least \$100 for any optional cash investment. Unless we approve your request to invest more than

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\$10,000 monthly (a Large Cash Purchase), you may not invest more than \$10,000 in any month. See Question 26 below for more information on how to make a Large Cash Purchase request in any particular month. Any optional cash investment that is less or more than the permitted investment amounts will be returned to you without interest.

Investment Dates. Investments of optional cash contributions received by the Plan Administrator will be generally within five trading days from receipt of your investment amount and no later than 35 trading days, except where postponement is necessary to comply with Regulation M under the Exchange Act or other applicable provisions of securities law (each such date, an Investment Date). In making purchases for the participant s account, the Plan Administrator may commingle the participant s funds with those of other participants of the Plan. Purchases may be subject to certain fees and conditions (see Question 9).

Contribution of Funds for Investment. The Plan Administrator must receive your funds for investment no later than two business days prior to an Investment Date for an initial cash investment and one business day prior to an Investment Date for any subsequent optional cash investments. If the Plan Administrator does not receive your funds by these deadlines, it may hold those funds and invest them the following week. No interest will be paid on funds held by the Plan Administrator pending investment. Accordingly, you may want to take those actions you deem necessary to be assured that any optional cash contributions will be delivered to the Plan Administrator in sufficient time to be invested on the desired Investment Date. To obtain the return of funds transmitted for investment before any Investment Date, the Plan Administrator must receive a written request from you no later than the second business day before the relevant Investment Date.

Contribution Payment Options.

Checks To make an investment by mail, payments must be in U.S. dollars and drawn on a U.S. or Canadian financial institution. Cash, money orders, traveler s checks or third party checks are not accepted.

Automatic investments A participant may setup an automatic withdrawal from a designated bank account. The request may be submitted online, by telephone or by sending an Account Authorization Form by mail (see Question 23). Requests are processed and become effective as promptly as administratively possible. Once the automatic withdrawal is initiated, funds will be debited from the participant s designated bank account on or about the 9th and/or the 25th of each month and will be invested in our common stock within five trading days. Changes or a discontinuation of automatic withdrawals can be made online, by telephone or by using the Transaction Request Form attached to the participant s statement. To be effective with respect to a particular investment date, a change request must be received by the Plan Administrator at least 15 trading days prior to the investment date.

Insufficient Funds. A fee will be assessed if any check or deposit is returned unpaid or if an automatic withdrawal from your bank account fails due to insufficient funds (see Question 9). In addition, the Plan Administrator will consider null and void the request for any optional cash investment associated with insufficient funds and will immediately remove any shares already credited to your account in anticipation of receiving those funds. The foregoing fee and any other incidental costs associated with the insufficient funds will be collected by the Plan Administrator through the sale of an appropriate number of shares from your Plan account. If the net proceeds from the sale of those shares are insufficient to satisfy the balance of the uncollected amounts, the Plan Administrator may sell additional shares from your account as necessary to satisfy the uncollected balance.

Credit of Shares in Plan Accounts. If the Plan Administrator acquires shares of our common stock for you from us with respect to a particular optional cash investment, your account will be credited with the shares purchased on the applicable Investment Date. If the Plan Administrator's affiliated broker acquires shares of our common stock through open market purchases, the Plan Administrator will begin to acquire shares of our common stock on the appropriate Investment Date and continue until all purchases for that cash investment are completed. In this case, your account will be credited with the acquired shares of common stock following the last day on which all such purchases are completed.

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No interest is paid on your payment pending its investment in shares of our common stock. During the period that an optional cash investment is pending, the collected funds in the possession of the Plan Administrator may be invested in money market mutual funds registered under the Investment Company Act (including those of an affiliate of the Plan Administrator or for which the Plan Administrator or any of its affiliates provides management advisory or other services) consisting entirely of (i) direct obligations of the United States, or (ii) obligations fully guaranteed by the United States. The Plan Administrator will retain any investment income from such investments and will bear the risk of loss from such investments.

11. What are my dividend reinvestment options?

The dividend reinvestment option you elect can be applied to all your shares, whether held in certificate form, through book-entry Direct Registration Shares (DRS) or in the Plan.

Full Dividend Reinvestment. All cash dividends payable on shares held in the Plan, along with any shares held in physical certificate form or through book-entry DRS, less any withholding tax, will be used to purchase additional shares of our common stock. The participant will not receive cash dividends from us; instead, all dividends will be reinvested. Whole and fractional shares will be allocated to the participant's account. (RD)

Partial Dividend Reinvestment. A participant may elect to reinvest a portion of the dividend and receive the remainder in cash. The percentage elected will be applied to the total shares held in the Plan, along with any shares held in physical certificate form or held through book-entry DRS. A participant may elect percentages from 10% to 90%, in increments of 10%. The cash portion of dividends, less any withholding taxes, will be sent by check unless the participant has elected to have those dividends deposited directly to a designated bank account. (RX-N)

An example of partial reinvestment by percentage: A participant has a total of 150 shares; 120 shares are held in the Plan, 15 in physical certificate form and 15 shares in book-entry DRS. The participant chooses to have 50% of the total dividend reinvested. This will equate to 75 shares having dividends reinvested and 75 shares having dividends paid in cash.

If you do not specify any option when you enroll, your account will be set up for full dividend reinvestment.

Initial Option Selection. Your reinvestment option will not apply to any dividend payment if you are not enrolled in the Plan on or before the record date for that dividend, which is the date on which a person must be a registered holder of shares of our common stock in order to receive dividends. If you enroll after the record date for a dividend payment, receipt or reinvestment of dividends will not commence until payment of the dividend for the next dividend period. No interest will be paid on funds held by the Plan Administrator pending investment.

Change of Option. You may change your investment option at any time by accessing your account at shareowneronline.com or by completing a new *Account Authorization Form* and returning it to the Plan Administrator. The Plan Administrator must receive notice of a change of your investment option on or before a dividend record date in order for the change to be effective for that dividend payment.

Dividend Payment Dates. Payment of cash dividends on shares of our common stock is subject to the discretion of our board of directors. Dividends normally are payable on a quarterly basis.

Credit of Reinvested Dividends. If the Plan Administrator acquires shares of our common stock from us for a particular dividend reinvestment, your account will be credited with the shares on the dividend payment date. If the Plan Administrator's affiliated broker acquires the shares through open market purchases, shares of our common stock will be acquired with dividend proceeds beginning on the related dividend payment date and will continue until all purchases for that dividend payment date are completed. In this case, your account will be credited with the shares following the last day on which all such purchases are completed.

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Electronic Deposit of Cash Dividends. For electronic direct deposit of any dividend funds, contact the Plan Administrator to request a *Direct Deposit of Dividends Authorization Form*. The participant should include a voided check or deposit slip from the bank account for which to set up direct deposit. If the shares are jointly owned, all owners must sign the form. You should allow 30 days for your direct deposit authorization to be established. Enrollment requests established no later than the dividend record date will be in effect for that dividend payment. You also may change your designated bank account for receipt of dividends by direct deposit or discontinue this feature by accessing your shareowner account at shareowneronline.com or by notifying the Plan Administrator in writing.

12. How does the Plan Administrator buy the shares?

The Plan Administrator will purchase shares of our common stock needed to meet the requirements of Plan participants for dividend reinvestments and optional cash investments:

directly from us from our authorized but unissued shares of common stock;

from third parties, through open market purchases; or

using a combination of the foregoing.

We will have the sole discretion to determine from which of these sources shares will be acquired to meet Plan requirements from time to time.

13. At what price will the Plan Administrator purchase the shares?

Purchases Directly from Us. We may elect to satisfy the requirements of Plan participants for dividend reinvestments or optional cash investments not exceeding \$10,000 per month with shares purchased directly from us. In this case, the purchase price of the shares will be the closing price of shares of our common stock (less any applicable discount) as reported on the consolidated tape for NYSE-listed companies administered by the Consolidated Tape Association on the last day that our common stock was traded on the NYSE immediately preceding the Investment Date. No processing fee will be charged. Shares of our common stock acquired directly from us pursuant to the Plan may be acquired at a discount rate, as determined and set by us from time to time, ranging from 0% to 5% from the market price of our common stock, taking into account any trading commissions or similar fees paid by us, at our sole discretion. You should note, however, that we are not initially anticipating offering shares at a discount under the Plan. The pricing of shares of our common stock purchased from us pursuant to Large Cash Purchase requests is described above under Question 26 below.

Open Market Purchases. If we elect to satisfy the requirements of Plan participants by allowing the purchase of shares of our common stock in the open market, the price per share will be the weighted average price of all shares of our common stock (less any applicable discount) purchased by the Plan Administrator's affiliated broker for the applicable investment period. Shares of our common stock (less any applicable discount) purchased by the Plan Administrator in the open market may be acquired at a discount rate, as determined and set by us from time to time, ranging from 0% to 5% from the market price, treating any applicable brokerage fees as included in the discount, which will be paid by us, at our sole discretion. You should note, however, that we are not initially anticipating discounting the purchase price

of our shares under the Plan. We will pay all processing fees for dividend reinvestments and when shares are purchased from third parties.

When shares of our common stock are to be purchased from third parties, the Plan Administrator will make arrangements with an affiliated broker to use reinvested cash dividends and optional cash investments to purchase shares of our common stock in the open market on such terms as the Plan Administrator may reasonably determine. Purchases will begin on the applicable Investment Date and may be made over a number of days to meet the requirements of the Plan. No interest will be paid on funds held by the Plan Administrator pending investment. The affiliated broker may commingle your funds with those of other participants in the Plan for purposes of executing purchase transactions.

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Because the Plan Administrator will arrange for purchases of shares of our common stock on behalf of the Plan through an affiliated broker, neither we nor any participant in the Plan will have the authority or power to control either the timing or price of the shares of our common stock purchased. Therefore, you will not be able to time precisely your purchases through the Plan, and you will bear the market risk associated with fluctuations in the price of shares of our common stock. As a result, if you transmit funds for an optional cash investment, it is possible that the market price of shares of our common stock could rise or fall before the Plan Administrator arranges to purchase shares of our common stock with your funds. The affiliated broker will use its best efforts to apply all funds to the purchase of shares of our common stock before the next Investment Date, subject to any applicable requirements of federal or state securities laws or regulations.

We are not required to sell shares issued by us at a discount to the Plan or to pay a discount with respect to shares purchased by the Plan Administrator in the open market. We are not initially anticipating offering shares at a discount or discounting the purchase price of our shares under the Plan. If we implement discounts on any feature of the Plan, any such discounts will be made at our sole discretion; and the discount rate we may offer will be subject to change or discontinuance at our discretion and without prior notice to participants in the Plan. The discount rate, if any, will be determined by us from time to time based on a review of current market conditions, the level of participation in the Plan, our current and projected capital needs and other factors that we deem to be relevant. To find out whether we are offering discounts under the Plan you may telephone us at (855) 232-5476 or (917) 472-4199 to determine (by prerecorded message) if we are offering any such discounts.

The purchase price for Large Cash Purchases is discussed in the response to Question 26 below.

14. How often will I receive account statements?

The Plan Administrator will mail you a statement after each dividend reinvestment showing all of your year-to-date transactions (including shares acquired, amounts invested and purchase prices) and other account information. Supplemental statements or notices will be sent to you when you make an optional cash investment or a deposit, transfer or withdrawal of shares.

You may elect to receive all statements or notices electronically by accessing your account on the Plan Administrator's website at shareowneronline.com.

You may also obtain historical information about your account by accessing your account online through the Plan Administrator's website at shareowneronline.com. You may request at any time a statement of your account from the Plan Administrator for the current year and most recent prior year free of charge. The cost for copies of account statements for earlier years is \$25. *Please retain your account statements to establish the cost basis of shares purchased under the Plan for income tax and other purposes.*

You should notify the Plan Administrator promptly of any change in your address or, if you elect to receive communications electronically, your e-mail address, to ensure that you receive all notices, statements and reports regarding your participation in the Plan.

Account statements provide participants with records of their purchases and sales and other important information and should be retained for tax purposes.

15. Will I receive stock certificates for my Plan Shares?

Each share purchase is credited to your Plan account. Your account statement will show the number of shares of our common stock, including any fractional share, credited to your account. You will not receive a certificate for your Plan Shares unless you request one. If you have established automated privileges, you can request a certificate for some or all of your whole shares by calling the Plan Administrator at

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(800) 468-9716. If you have not established automated privileges, you can request a certificate by submitting your request in writing to the Plan Administrator (see Question 23 below for the mailing address). Certificates for fractional shares are never issued.

16. Can I deposit stock certificates for safekeeping?

Yes, you can deposit stock certificates registered in your name at any time. The Plan Administrator will provide safekeeping of your shares at no cost to you, including when you first enroll. To use this service, you must send your certificates to the Plan Administrator with a properly completed Transaction Request Form attached to your statement (see Question 23).

Certificated shares that you deposit with the Plan Administrator are credited to your Plan account and thereafter are treated as if they were acquired under the Plan. You are responsible for maintaining your own records of the cost basis of certificated shares deposited with the Plan Administrator. By using the share safekeeping feature, you no longer bear the risks associated with loss, theft or destruction of stock certificates.

Regardless of the mailing method used, you bear the full risk of loss if the certificates are lost or stolen. Please do not endorse your certificates prior to mailing.

17. How do I enroll in optional mail loss insurance?

Please be advised that choosing registered, express or certified mail alone will not provide full protection, should the certificates become lost or stolen. Mail loss insurance provides the coverage needed to replace and reissue the shares should they become lost or stolen through the mail. The Plan Administrator can provide low-cost loss insurance for certificates being returned for conversion to book-entry form. Replacement transaction fees may also apply.

To take advantage of the optional mail loss insurance, simply include a check in the amount of \$10.00, made payable to WFSS Surety Program, along with the certificates and instructions. Choose an accountable mail delivery service such as Federal Express, United Parcel Service, DHL, Express Mail, Purolator, TNT or United States Postal Service Registered Mail. Any one shipping package may not contain certificates exceeding a total value of \$100,000. The value of certificate shares is based on the closing market price of our common stock on the trading day prior to the documented mail date.

Claims related to lost certificates under this service must be made within 60 days of the documented delivery service mail date. A copy of the certificates mailed, along with proof that it was sent by trackable mail should be submitted with the claim. This is specific coverage for the purpose of converting shares to book-entry form and the surety is not intended to cover certificates being tendered for certificate breakdown or exchange for other certificates. Because the participant bears the risk of loss in sending share certificates, it is recommended that the participant sends them registered, insured for at least 2% of the current market value and request a return receipt.

Please do not endorse your certificates. You are strongly urged to send your certificates by certified or registered mail, insuring them for 2% of the current market value of the shares of our common stock represented by the certificates. Regardless of the method used, you bear the full risk of loss if the certificates are lost or stolen.

18. Can I withdraw shares from my account?

At any time, you may withdraw some or all of your shares from your account, free of charge, and obtain the withdrawn shares of our common stock in book-entry form through DRS upon written request to the Plan Administrator, or by contacting the Plan Administrator by phone or by accessing your account online at shareowneronline.com. Stock certificates may be requested by submitting a request to the Plan

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Administrator in writing. Only whole shares of common stock may be withdrawn from your Plan account. If you request all of the shares of common stock in your account to be withdrawn and your Plan account holds a fractional share, a check for the value of the fractional share will be mailed to you. The amount of the check will be based on the then-current market value of the fractional share, less a service fee and processing fees. The Plan Administrator will establish the book-entry position through DRS representing the withdrawn shares as soon as administratively possible after receiving your request.

Book-entry positions through DRS will be established in the name or names in which your Plan account is registered, unless you otherwise instruct the Plan Administrator. If the book-entry position through DRS is to be established in the name of a person other than the name appearing in your Plan account registration, your signature on the applicable instructions or *Stock Power Form* must be guaranteed by a financial institution participating in the Medallion Signature Guarantee program, as described below in Question 19.

19. Can I transfer my Plan Shares to someone else?

You can give or transfer shares of our common stock from your Plan account to anyone you choose by:

making an initial cash investment of at least \$250 to establish an account in the recipient's name;

submitting an optional cash investment on behalf of an existing Plan participant in an amount of not less than \$100 or more than \$10,000 per month;

transferring shares from your Plan account to the account of an existing Plan participant; or

transferring a whole number of shares from your account to a recipient outside the Plan.

You may transfer shares of our common stock to the accounts of existing Plan participants or establish a new account. If your investments or transfers are made to an existing account, dividends on the shares credited pursuant to such investments or transfers will be invested in accordance with the elections made by the existing account owner. New Plan participants may elect any of the Plan's available dividend investment options by completing an *Account Authorization Form*.