

Great Ajax Corp.
Form 424B5
April 21, 2017

TABLE OF CONTENTS

Filed Pursuant to Rule 424(b)(5)
Registration File No. 333-209513
PROSPECTUS SUPPLEMENT
(To Prospectus dated April 12, 2016)
\$76,250,000

7.25% Convertible Senior Notes due 2024

We are offering \$76,250,000 aggregate principal amount of our 7.25% convertible senior notes due 2024 (the “notes”). The notes will bear interest at a rate of 7.25% per year, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning on July 15, 2017. The notes will mature on April 30, 2024, unless earlier repurchased, redeemed or converted.

Holders may convert their notes at their option prior to April 30, 2023 only under the following circumstances:

- during any calendar quarter after the calendar quarter ending June 30, 2017, if the closing sale price of our common stock for each of 20 or more trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price in effect on the last trading day of the immediately preceding calendar quarter;
- during the five consecutive business days immediately after any five consecutive trading day period in which the trading price per \$25.00 principal amount of the notes for each trading day in that note measurement period was equal to or less than 97% of the conversion value of the notes on such trading day;
- if we call any or all of the notes for redemption at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; and
- if we make certain distributions on shares of our common stock or engage in certain specified corporate transactions.

In addition, the notes will be convertible irrespective of the foregoing circumstances from, and including, April 30, 2023 to, and including, the business day immediately preceding the maturity date. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, as described in this prospectus supplement.

The conversion rate will initially equal 1.6267 shares of our common stock per \$25.00 principal amount of notes (equivalent to a conversion price of approximately \$15.37 per share of our common stock). The conversion rate, and thus the conversion price, will be subject to adjustment as described in this prospectus supplement. Following the occurrence of a make-whole fundamental change or if we deliver a notice of redemption, we will, in certain circumstances, increase the conversion rate for a holder that converts its notes in connection with such make-whole fundamental change or notice of redemption, as the case may be.

We may not redeem the notes prior to April 30, 2022. We may redeem for cash all or any portion of the notes, at our option, on or after April 30, 2022 if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No “sinking fund” will be provided for the notes. If we undergo a fundamental change, holders may require us to purchase the notes, in whole or in part, for cash at a fundamental change purchase price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date.

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

We have applied to list the notes on the New York Stock Exchange and expect trading of the notes to commence thereon within 30 days after the original issue date. The notes are expected to trade “flat.” This means that purchasers will not pay, and sellers will not receive, any accrued and unpaid interest on the notes that is not included in the trading price. Currently, there is no public market for the notes and it is not expected that a market for the notes will develop unless and until the notes are listed on the New York Stock Exchange. Our common stock is listed on the New York Stock Exchange under the ticker symbol “AJX.” On April 19, 2017, the last sale price of our common stock as reported on the New York Stock Exchange was \$13.08 per share.

Investing in our notes involves certain risks. See “Risk Factors” beginning on page S-11 of this prospectus supplement and in the reports we file with the Securities and Exchange Commission (“SEC”) pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”), incorporated by reference in this prospectus supplement and the accompanying prospectus to read about factors you should consider before making an investment in our notes.

We elected to be taxed as a real estate investment trust for U.S. federal income tax purposes (“REIT”) beginning with our taxable year ended December 31, 2014. Our qualification as a REIT depends upon our ability to meet, on a continuing basis, various complex requirements under the Internal Revenue Code of 1986, as amended (the “Code”), relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our capital stock. We believe that we are organized in conformity with the requirements for qualification as a REIT under the Code and that our current intended manner of operation enables us to meet the requirements for taxation as a REIT for U.S. federal income tax purposes. To assist us in qualifying as a REIT, among other purposes, ownership of our common stock by any person is generally limited to 9.8% of our outstanding common stock. In addition, our charter contains various other restrictions on the ownership and transfer of our common stock. See “Restrictions on Ownership and Transfer” beginning on page 17 of the accompanying prospectus.

We are an “emerging growth company” under the Jumpstart Our Business Startups Act (the “JOBS Act”) and are subject to reduced public company reporting requirements.

Neither the SEC nor any state securities commission has approved or disapproved of the notes or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public offering price	\$ 25.00	\$ 76,250,000
Underwriting discounts and commissions(1)	\$ 0.7525	\$ 2,295,125
Proceeds, before expenses, to us	\$ 24.2475	\$ 73,954,875

(1)

The underwriting discounts and commissions payable amount reflects a reduced blended rate as a result of an institutional investor that is an existing stockholder purchasing approximately 13.9% of the principal amount of notes.

The underwriters will have the option to purchase, within a period of 30 days beginning on, and including, the date the notes are first issued, up to an additional \$11,250,000 aggregate principal amount of notes from us at the public offering price less the underwriting discount. If the underwriters exercise this option in full, the total public offering price will be \$87,500,000, the total underwriting discount and commissions paid by us will be \$2,633,750, and total proceeds to the Company, before expenses, will be \$84,866,250.

We expect that the notes will be ready for delivery in book-entry-only form through The Depository Trust Company on April 25, 2017.

Raymond James JMP Securities

The date of this prospectus supplement is April 20, 2017

TABLE OF CONTENTS

Table of Contents

Prospectus Supplement

	Page
<u>About This Prospectus Supplement</u>	<u>S-1</u>
<u>Cautionary Note Regarding Forward-Looking Statements</u>	<u>S-2</u>
<u>Prospectus Supplement Summary</u>	<u>S-4</u>
<u>The Offering</u>	<u>S-6</u>
<u>Risk Factors</u>	<u>S-11</u>
<u>Use of Proceeds</u>	<u>S-20</u>
<u>Ratio of Earnings to Fixed Charges</u>	<u>S-21</u>
<u>Capitalization</u>	<u>S-22</u>
<u>Description of Notes</u>	<u>S-23</u>
<u>Underwriting</u>	<u>S-56</u>
<u>Additional U.S. Federal Income Tax Considerations</u>	<u>S-59</u>
<u>Legal Matters</u>	<u>S-67</u>
<u>Experts</u>	<u>S-67</u>
<u>Where You Can Find More Information</u>	<u>S-67</u>
<u>Incorporation of Certain Documents by Reference</u>	<u>S-68</u>

Prospectus

<u>About This Prospectus</u>	<u>ii</u>
<u>Forward-Looking Statements</u>	<u>iii</u>
<u>Our Company</u>	<u>1</u>
<u>Risk Factors</u>	<u>3</u>
<u>Ratio of Earnings to Fixed Charges</u>	<u>3</u>
<u>Use of Proceeds</u>	<u>3</u>
<u>Description of Securities We May Offer</u>	<u>4</u>
<u>Description of Common Stock</u>	<u>4</u>
<u>Description of Preferred Stock</u>	<u>6</u>
<u>Description of Debt Securities</u>	<u>8</u>
<u>Description of Warrants</u>	<u>15</u>
<u>Description of Units</u>	<u>16</u>
<u>Restrictions on Ownership and Transfer</u>	<u>17</u>
<u>Certain Provisions of Maryland Law and Our Charter and Bylaws</u>	<u>19</u>
<u>Material U.S. Federal Income Tax Considerations</u>	<u>25</u>
<u>Plan of Distribution</u>	<u>51</u>
<u>Incorporation of Certain Documents by Reference</u>	<u>53</u>
<u>Where You Can Find More Information</u>	<u>54</u>
<u>Legal Matters</u>	<u>55</u>
<u>Experts</u>	<u>55</u>

S-i

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and certain other matters relating to us. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. You should read both this prospectus supplement, the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering, as well as the additional information described in this prospectus supplement under the headings “Where You Can Find More Information” and “Incorporation of Certain Documents by Reference” before investing in this offering. If information varies between this prospectus supplement and the accompanying prospectus, you should rely only on such information in this prospectus supplement. To the extent that any statement that we make in this prospectus supplement is inconsistent with the statements made in the accompanying prospectus or in any document incorporated by reference that was filed with the SEC, before the date of this prospectus supplement, the statements made in the accompanying prospectus, or such an earlier filing, as applicable, are deemed modified or superseded by the statements made in this prospectus supplement.

In various places in this prospectus supplement and the accompanying prospectus we refer you to other sections of such documents for additional information by indicating the caption heading of such other sections. The page on which each principal caption included in this prospectus supplement and the accompanying prospectus can be found is listed in the table of contents above. All such cross references in this prospectus supplement are to captions contained in this prospectus supplement and not in the accompanying prospectus, unless otherwise stated.

Unless we have indicated otherwise, all information in this prospectus supplement assumes that the underwriters do not exercise their option to purchase additional notes from us.

In this prospectus supplement, unless the context indicates otherwise, references to “Great Ajax,” “we,” “the company,” “our” and “us” refer to the activities of and the assets and liabilities of the business and operations of Great Ajax Corp. and references to “Operating Partnership” refers to Great Ajax Operating Partnership L.P., a Delaware limited partnership.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS AND THE INFORMATION CONTAINED IN ANY FREE WRITING PROSPECTUS THAT WE HAVE AUTHORIZED FOR USE IN CONNECTION WITH THIS OFFERING. WE HAVE NOT, AND THE UNDERWRITERS HAVE NOT, AUTHORIZED ANY OTHER PERSON TO PROVIDE YOU WITH DIFFERENT OR ADDITIONAL INFORMATION. IF ANYONE PROVIDES YOU WITH DIFFERENT OR ADDITIONAL INFORMATION, YOU SHOULD NOT RELY ON IT. WE ARE NOT, AND THE UNDERWRITERS ARE NOT, MAKING AN OFFER TO SELL THESE NOTES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED. YOU SHOULD ASSUME THAT THE INFORMATION APPEARING IN THIS PROSPECTUS SUPPLEMENT, THE ACCOMPANYING PROSPECTUS AND ANY DOCUMENTS INCORPORATED BY REFERENCE HEREIN OR THEREIN, AND ANY FREE WRITING PROSPECTUS THAT WE HAVE AUTHORIZED FOR USE IN CONNECTION WITH THIS OFFERING, IS ACCURATE ONLY AS OF THE RESPECTIVE DATES OF SUCH INFORMATION, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS SUPPLEMENT, THE ACCOMPANYING PROSPECTUS AND ANY SUCH FREE WRITING PROSPECTUS OR ANY SALES OF THE NOTES. OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS MAY HAVE CHANGED SINCE THOSE DATES.

S-1

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference herein or therein and any free writing prospectus that we have authorized for use in connection with this offering within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). For these statements, we claim the protections of the safe harbor for forward-looking statements contained in such sections. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When we use the words “believe,” “expect,” “anticipate,” “estimate,” “plan,” “continue,” “intend,” “should,” “may” or similar expressions, we intend to identify forward-looking statements. Statements regarding the following subjects, among others, may be forward-looking:

- the use of proceeds from this offering;
- our ability to implement our business strategy;
- difficulties in identifying re-performing loans (“RPLs”), small balance commercial mortgage loans (“SBC loans”) and properties to acquire;
- the impact of changes to the supply of, value of and the returns on RPLs and SBC loans;
- our ability to compete with our competitors;
- our ability to control our costs;
- the impact of changes in interest rates and the market value of the collateral underlying our RPL and non-performing loan (“NPL”) portfolios or of our other real estate assets;
- our ability to convert NPLs into performing loans, or to modify or otherwise resolve such loans;
- our ability to convert NPLs to properties that can generate attractive returns either through sale or rental;
- our ability to obtain financing arrangements on favorable terms, or at all;
- our ability to retain our engagement of Thetis Asset Management LLC (our “Manager”);
- the failure of Gregory Funding LLC (our “Servicer”) to perform its obligations under the Servicing Agreement;

- general volatility of the capital markets;
- the impact of adverse real estate, mortgage or housing markets and changes in the general economy;
- changes in our business strategy;
- our failure to qualify or maintain qualification as a REIT;
- our expectations regarding the time during which we will be an emerging growth company under the JOBS Act;
- our failure to maintain our exemption from registration under the Investment Company Act of 1940, as amended; and
- the impact of adverse legislative or regulatory tax changes.

S-2

TABLE OF CONTENTS

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Forward-looking statements are not predictions of future events. These beliefs, assumptions and expectations can change as a result of many events or factors, not all of which are known to us. Some of these factors are described in “Risk Factors” beginning on page S-11 of this prospectus supplement and page 3 of the accompanying prospectus, and are set forth under the caption “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016 and in our other filings under the Exchange Act (which are incorporated by reference into this prospectus supplement). These and other risks, uncertainties and factors, including those described in the annual, quarterly and current reports that we file with the SEC could cause our actual results to differ materially from those included in any forward-looking statements we make. All forward-looking statements speak only as of the date they are made. New risks and uncertainties arise over time and it is not possible to predict those events or how they may affect us. Except as required by law, we are not obligated to, and we do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

S-3

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT SUMMARY

This summary description of us and our business highlights selected information about us contained elsewhere in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference herein or therein and any free-writing prospectus that we have authorized for use in connection with this offering. This summary does not contain all of the information about us that you should consider before buying the notes in this offering. You should carefully read this entire prospectus supplement and the accompanying prospectus, including each of the documents incorporated herein and therein by reference, and any free writing prospectus that we have authorized for use in connection with this offering, before making an investment decision. Unless indicated otherwise, the information in this prospectus supplement assumes no exercise by the underwriters of their option to purchase additional notes.

Our Company

We are a Maryland corporation and are organized and operated in a manner intended to allow us to qualify as a REIT. We primarily target acquisitions of RPLs, including residential mortgage loans and SBC loans. RPLs are mortgage loans on which at least five of the seven most recent payments have been made, or the most recent payment has been made and accepted pursuant to an agreement, or the full dollar amount, to cover at least five payments has been paid in the last seven months. The SBC loans that we intend to opportunistically purchase have a principal balance of up to \$5 million and are secured by multi-family residential and commercial mixed use retail/residential properties on which at least five of the seven most recent payments have been made, or the most recent payment has been made and accepted pursuant to an agreement, or the full dollar amount, to cover at least five payments has been paid in the last seven months. Additionally, we may invest in single-family and smaller commercial properties directly either through the occurrence of a foreclosure on a loan in our mortgage portfolio or, less frequently, through a direct acquisition. Historically, we have made targeted investments in NPLs. NPLs are loans on which the most recent three payments have not been made. While we may acquire NPLs from time to time and continue to manage the NPLs on our balance sheet, this asset class is no longer a strategic acquisition target.

Our RPLs and NPLs are serviced by our Servicer, an affiliated entity. We seek to acquire loans at significant discounts to our estimates of the value of the underlying real estate and of the unpaid principal balance (“UPB”) of the loan. Unlike other loan acquirers, who often rely on pooled estimates in analyzing and pricing portfolios, our Manager uses proprietary models and data developed by its affiliates to evaluate individual assets and to help determine cities, neighborhoods and properties that it believes will experience home price appreciation (“HPA”). These proprietary analytics have inputs for economic and demographic data that include changes in unemployment rates, median household incomes, housing starts, crime rates, education, electoral participation and other variables that we believe closely correlate to property values. The proprietary models predict probabilistic future cash flows for each loan we seek to acquire. Factors affecting our cash flow projections include resolution method, resolution timeline, foreclosure costs, rehabilitation costs and eviction costs. The database for these proprietary models contains foreclosure timelines on an individual county basis and, in some instances, also on an individual judge basis. We believe that these proprietary models permit us to acquire loans at prices we and our Manager believe represent a discount to UPB and current property values in non-auction purchases.

We generally securitize our mortgage loans and retain subordinated securities from our securitizations. We also hold “real estate-owned” properties (“REO”) acquired upon the foreclosure or other settlement of our owned NPLs, as well as through outright purchases. Our REO consists principally of single-family homes, although we also may own smaller commercial properties. Our resolution methods are tailored to each loan, based on our Servicer’s detailed analytics, and include, among others, loan modification, forbearance agreements, foreclosure, short sale and deed-in-lieu of foreclosure. In the event of foreclosure, our Manager determines, in part based on the information obtained from the Servicer regarding historical experience, whether to seek to sell any REO asset or to hold the multi-family and to a lesser extent, single family, REO as rental property. We conduct some of these activities through a taxable REIT subsidiary (“TRS”). As

S-4

TABLE OF CONTENTS

part of our integrated approach, the Servicer focuses on understanding each borrower's situation and working closely with the borrower to determine the most appropriate resolution for both parties. We believe that purchasing RPLs at significant discounts to UPB and underlying property values, as well as working, through our Servicer, to support continuing or new payments by borrowers, allows us to achieve our targeted returns. However, if actual results differ from our assumptions, particularly if the value of the underlying properties were to decrease significantly, we may not achieve our targeted returns.

We elected to be taxed as a REIT for U.S. federal income tax purposes beginning with our taxable year ended December 31, 2014. Our qualification as a REIT depends upon our ability to meet, on a continuing basis, various complex requirements under the Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our capital stock. We believe that we are organized in conformity with the requirements for qualification as a REIT under the Code, and that our current intended manner of operation enables us to continue to meet the requirements for taxation as a REIT.

Our principal offices are located at 9400 SW Beaverton-Hillsdale Hwy, Suite 131, Beaverton, OR 97005. Our telephone number is 503-505-5670. Our web address is www.great-ajax.com. The information on our website does not constitute a part of this prospectus supplement.

Recent Developments

Portfolio Update

During the first quarter of 2017, we acquired 26 mortgage loans with an aggregate UPB of \$5.9 million with an estimated market value of the collateral underlying such mortgage loans of approximately \$10.8 million. The loans were acquired at a cost of 94.3% of UPB and 51.4% of the estimated market value of the underlying collateral. Additionally, we have agreed to acquire, subject to due diligence, 1,385 mortgage loans with aggregate UPB of \$269.3 million. The purchase price equals approximately 86.3% of UPB and 57.5% of the estimated market value of the underlying collateral of \$404.4 million. However, there is no assurance that we will actually close any or all of these acquisitions or that the terms will not change.

Dividend

On April 19, 2017, our Board of Directors declared a dividend of \$0.28 per share of common stock, which will be payable on May 30, 2017 to common stockholders of record as of May 16, 2017.

Preliminary Financial Results

Set forth below are certain preliminary estimates of our results of operations as of and for the three-month period ended March 31, 2017. These estimates are subject to the completion of our financial closing procedures and financial review and are not a comprehensive statement of our financial results as of and for the three-month period ended March 31, 2017. We advise you that our actual results may differ materially from these estimates as a result of the completion of our financial closing procedures, review adjustments and other developments which may arise between now and the time that our financial results are finalized. These preliminary estimates have been prepared by, and are the responsibility of, our management and have not been reviewed, audited, compiled or subject to any other procedures by our independent registered public accounting firm. Accordingly, our independent registered public accounting firm does not express an opinion or any other form of assurance with respect to these estimates.

For the quarter ended March 31, 2017, we expect to report earnings per share of between \$0.43 and \$0.46 per diluted share.

We expect to report that our book value per common share was between \$15.26 and \$15.29 as of March 31, 2017.

S-5

TABLE OF CONTENTS

THE OFFERING

Issuer

Great Ajax Corp.

Notes

\$76.25 million aggregate principal amount of 7.25% convertible senior notes due 2024 (plus up to an additional \$11.25 million aggregate principal amount pursuant to the underwriters' option to purchase additional notes).

Maturity date

April 30, 2024, unless earlier repurchased, redeemed or converted.

Issue price

7.25% of the aggregate principal amount.

Interest rate; interest payment dates

We will pay interest on the notes at a rate of 7.25% per annum payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning on July 15, 2017. Interest will accrue on the notes from, and including, April 25, 2017 or from, and including, the last date in respect of which interest has been paid or provided for, as the case may be. We will pay additional interest, if any, at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under "Description of Notes — Events of Default."

Ranking

The notes will be our senior direct unsecured obligations and will not be guaranteed by any of our subsidiaries. The notes will rank:

- equal in right of payment to any of our existing and future unsecured and unsubordinated indebtedness;
- effectively junior in right of payment to any of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and
- structurally junior to all existing and future indebtedness, other liabilities (including trade payables) and (to the extent not held by us) preferred stock, if any, of our subsidiaries.

As of December 31, 2016, our total consolidated indebtedness was approximately \$670.1 million, \$442.7 million of which was secured indebtedness of ours to which the notes would have been effectively subordinated and \$227.4 million of which was indebtedness of our subsidiaries to third parties (excluding trade payables and other liabilities) to which the notes would have ranked structurally junior. Our secured borrowings are issued through securitization trusts and are callable debt secured by our mortgage loans in the ordinary course of business. The secured borrowings are structured as debt financings, and the loans remain on our balance sheet as we are the primary

S-6

TABLE OF CONTENTS

beneficiary of the securitization trusts, which are variable interest entities (“VIEs”). The indenture governing the notes will not limit the amount of debt that we or our subsidiaries may incur.

Conversion rights

Holders may convert their notes at their option prior to April 30, 2023 only under the following circumstances:

- during any calendar quarter after the calendar quarter ending June 30, 2017, if the closing sale price of our common stock for each of 20 or more trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price in effect on the last trading day of the immediately preceding calendar quarter;
- during the five consecutive business days immediately after any five consecutive trading day period in which the trading price per \$25.00 principal amount of the notes for each trading day in that note measurement period was equal to or less than 97% of the conversion value of the notes on such trading day;
- if we call any or all of the notes for redemption at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; and
- if we make certain distributions on shares of our common stock or engage in certain specified corporate transactions.

In addition, the notes will be convertible irrespective of the foregoing circumstances from, and including, April 30, 2023 to, and including, the business day immediately preceding the maturity date.

The conversion rate will initially equal 1.6267 shares of our common stock per \$25.00 principal amount of notes (equivalent to a conversion price of approximately \$15.37 per share of our common stock). The conversion rate, and thus the conversion price, will be subject to adjustment as described in this prospectus supplement. See “Description of Notes — Conversion Rights.”

Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. If we satisfy our conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of

S-7

TABLE OF CONTENTS

cash and shares of our common stock (excluding cash paid in lieu of any fractional share), the amount of cash and shares of our common stock, if any, due upon conversion will be based on a daily conversion value (as described herein) calculated for each trading day in a 40 trading day observation period (as described herein). See “Description of Notes — Settlement Upon Conversion.” At any time on or prior to the 43rd business day immediately preceding the maturity date, we may make an irrevocable election to satisfy our conversion obligation by (x) delivering solely shares of our common stock or (y) paying cash up to the aggregate principal amount of the notes to be converted and delivering shares of our common stock, cash or a combination thereof in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the notes being converted. See “Description of Notes — Irrevocable Election of Full Physical Settlement” and “Description of Notes — Irrevocable Election of Net Share Settlement.”

In addition, following certain corporate events that occur prior to the maturity date or if we deliver a notice of redemption, we will increase, in certain circumstances, the conversion rate for a holder who elects to convert its notes in connection with such a corporate event or notice of redemption, as the case may be, as described under “Description of Notes — Adjustment to Conversion Rate Upon the Occurrence of a Make-whole Fundamental Change or Notice of Redemption.”

Optional redemption; no sinking fund

Prior to April 30, 2022 the notes will not be redeemable. The notes will be subject to redemption, at our option, in whole or in part, on or after April 30, 2022 if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price payable in cash and equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

No sinking fund will be provided for the notes, which means that we are not required to redeem or retire the notes periodically.

Fundamental change

If we undergo a fundamental change as further described in this prospectus supplement, holders may require us to purchase the notes, in whole or in part, for cash at a fundamental change purchase

S-8

TABLE OF CONTENTS

price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date. See “Description of Notes — Holders May Require Us to Repurchase Their Notes Upon A Fundamental Change.”

Book-entry form

The notes will be issued in book-entry form and will be represented by one or more permanent global certificates deposited with, or on behalf of, The Depository Trust Company (“DTC”), and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee, and any such interest may not be exchanged for certificated securities, except in limited circumstances.

Listing

We have applied to list the notes on the New York Stock Exchange and expect trading of the notes to commence thereon within 30 days after the original issue date. Currently, there is no public market for the notes and it is not expected that a market for the notes will develop unless and until the notes are listed on the New York Stock Exchange.

Our shares of common stock are listed on the New York Stock Exchange under the symbol “AJX.”

U.S. federal income tax considerations

For certain material U.S. federal income tax considerations relating to the purchase, ownership and disposition of the notes and the shares of our common stock, if any, into which the notes are convertible, see “Additional U.S. Federal Income Tax Considerations” in this prospectus supplement and “Material U.S. Federal Income Tax Considerations” in the accompanying prospectus.

Use of proceeds

The net proceeds from this offering, after offering expenses, will be approximately \$73.6 million (or approximately \$84.5 million if the underwriters exercise their option to purchase additional notes in full). We intend to contribute all of the net proceeds of this offering to our Operating Partnership to acquire additional mortgage loans and mortgage-related assets consistent with our investment strategy and for general corporate purposes. See “Use of Proceeds.”

Restrictions on ownership and transfer

To assist us in satisfying the requirements for qualification as a REIT, our charter prohibits any person from acquiring or holding beneficial ownership of shares of our common stock representing in excess of 9.8%, in number of shares or value, of the outstanding shares of our common stock, unless our board of directors waives or modifies this ownership limit. We have previously

S-9

TABLE OF CONTENTS

granted limited waivers of this prohibition and, subject to the approval of our board of directors, we may grant additional waivers at any time, including in connection with this offering. For purposes of the ownership limit contained in our charter, ownership of the notes will be deemed to be ownership of the common stock issuable upon conversion of the notes. Accordingly, subject to certain exceptions, the indenture will provide that, notwithstanding any other provision of the indenture, no holder of notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to violate the Ownership Limitation (as such term is defined in this prospectus supplement). Any purported delivery of shares of common stock upon conversion of notes shall be void and have no effect to the extent (but only to the extent) that such delivery would result in such converting holder violating the Ownership Limitation. In addition, our charter contains various other restrictions on the ownership and transfer of our common stock. See “Restrictions on Ownership and Transfer” in the accompanying prospectus for additional information about these restrictions.

Risk factors

Investing in our notes involves a high degree of risk and the purchasers of our notes may lose their entire investment. See “Risk Factors” on page S-11 and the other information included and incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of risk factors you should carefully consider before deciding to invest in our notes.

Trustee, paying agent and conversion agent

Wilmington Savings Fund Society, FSB

S-10

TABLE OF CONTENTS

RISK FACTORS

In addition to other information contained in this prospectus supplement, the accompanying prospectus, you should carefully consider the risks described below and in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering, including (i) in our Annual Report on Form 10-K for the year ended December 31, 2016 and (ii) in the documents filed by us with the SEC after the date of this prospectus supplement and which are deemed incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision. These risks are not the only ones facing us. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition and results of operations could be materially adversely affected by the materialization of any of these risks.

We expect that the trading price of the notes will be significantly impacted by changes in the market price of our common stock, the interest rate environment and our credit quality, each of which could change substantially at any time.

We expect that the trading price of the notes will depend on a variety of factors, including, without limitation, the market price of our common stock, the interest rate environment and our credit quality. Each of these factors may be volatile, and may or may not be within our control. For example, the trading price of the notes will increase with the market price and volatility of our common stock. We cannot, however, predict whether the market price of our common stock will rise or fall or whether the volatility of our common stock will continue at its historical level. In addition, general market conditions, including the level of, and fluctuations in, the market price of stocks generally, may affect the market price and the volatility of our common stock. Moreover, we may or may not choose to take actions that could influence the volatility of our common stock.

Likewise, if interest rates, or expected future interest rates, rise during the term of the notes, the yield of the notes will likely decrease, but the value of the convertibility option embedded in the notes will likely increase. Because interest rates and interest rate expectations are influenced by a wide variety of factors, many of which are beyond our control, we cannot assure you that changes in interest rates or interest rate expectations will not adversely affect the trading price of the notes. Furthermore, the trading price of the notes will likely be significantly impacted by any change in our credit quality. Because our credit quality is influenced by a variety of factors, some of which are beyond our control, we cannot guarantee that we will maintain or improve our credit quality during the term of the notes. In addition, because we may choose to take actions that adversely affect our credit quality, such as incurring additional debt, there can be no guarantee that our credit quality will not decline during the term of the notes, which would likely negatively impact the trading price of the notes.

The claims of holders of the notes will be structurally subordinated to claims of creditors of our subsidiaries because our subsidiaries will not guarantee the notes. In addition, we are a holding company with minimal independent operations. Our ability to repay our debt, including the notes, depends on the performance of our subsidiaries and their ability to make distributions to us.

The notes will not be guaranteed by any of our subsidiaries. Accordingly, none of our subsidiaries is currently, and may not become, obligated to pay any amounts due pursuant to the notes, or to make any funds available therefor. Consequently, claims of holders of the notes will be structurally subordinated to the claims of creditors and preferred stockholders of these subsidiaries, including trade creditors. As a result, in the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, such subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to us.

As a holding company, substantially all of our business is conducted through our subsidiaries, which are separate and distinct legal entities. Therefore, our ability to service our indebtedness, including the notes, is dependent on the earnings and the distribution of funds (whether by

TABLE OF CONTENTS

dividend, distribution or loan) from our subsidiaries. None of our subsidiaries is obligated to make funds available to us for payment on the notes. We cannot assure you that the agreements governing the existing and future indebtedness of our subsidiaries will permit our subsidiaries to provide us with sufficient dividends, distributions or loans to fund payments on the notes when due. In addition, any payment of dividends, distributions or loans to us by our subsidiaries could be subject to restrictions on dividends or repatriation of earnings under applicable local law and monetary transfer restrictions in the jurisdictions in which our subsidiaries operate.

As of December 31, 2016, the notes would have been structurally subordinated to \$227.4 million of indebtedness of our subsidiaries to third parties (excluding trade payables and other liabilities).

The notes are unsecured and will be effectively subordinated to our secured indebtedness to the extent of the value of the property securing such indebtedness.

As of December 31, 2016, we had \$442.7 million of secured indebtedness. We issue, through securitization trusts, callable debt secured by our mortgage loans in the ordinary course of business. The secured borrowings are structured as debt financings, and the loans remain on our balance sheet as we are the primary beneficiary of the securitization trusts which are VIEs. These secured borrowing VIEs are structured as pass-through entities that receive principal and interest on the underlying mortgages and distribute those payments to the holders thereof. Our exposure to the obligations of the VIEs is generally limited to its investments in the entities; the creditors do not have recourse to the primary beneficiary. However, secured creditors are entitled to the proceeds from the sale or other disposition of assets securing their indebtedness in satisfaction of such indebtedness before any of such assets or proceeds become available to unsecured creditors. Accordingly, claims of holders of the notes will be subordinated to our secured creditors to the extent of the value of the assets securing our secured indebtedness.

Servicing the notes requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our debt.

As of December 31, 2016, our total consolidated indebtedness was approximately \$670.1 million. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

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

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

TABLE OF CONTENTS

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

Our election to pay cash in respect of some or all of our conversion obligation may have adverse consequences.

Our election to deliver cash in respect of all or a portion of our conversion obligation (other than solely cash in lieu of fractional shares) or our irrevocable election of net share settlement of the notes as described under “Description of Notes — Settlement Elections” and “Description of Notes — Irrevocable Election of Net Share Settlement,” may:

- result in holders receiving no shares upon conversion or fewer shares relative to the conversion value of the notes;
- reduce our liquidity;
- delay holders’ receipt of the consideration due upon conversion; and
- subject holders to market risk before receiving any shares upon conversion.

We will generally deliver the consideration due upon conversion of the notes as soon as practicable, but in no event later than three business days after (1) the last trading day in the cash settlement period (if we have elected to deliver cash in respect of all or a portion of our conversion obligation (other than solely cash in lieu of fractional shares) or we have irrevocably elected net share settlement of the notes), which will generally be at least 40 trading days after the date holders surrender their notes for conversion or (2) the conversion date (if we have elected to deliver solely shares of our common stock (other than solely cash in lieu of any fractional share) upon conversion of the notes or if we have irrevocably elected full physical settlement).

In addition, if (1) we have elected to deliver cash in respect of all or a portion of our conversion obligation (other than solely cash in lieu of fractional shares) or (2) we have irrevocably elected net share settlement of the notes, because the consideration due upon conversion is based on the trading prices of our common stock during the cash settlement period, any decrease in the price of our common stock after you surrender your notes for conversion may significantly decrease the value of the consideration you receive upon conversion. In addition, if the trading price of our common stock at the end of such period is below the average of the volume weighted average price of our common stock during such period, the value of any shares of common stock that you receive in satisfaction of our conversion obligation will be less than the value used to determine the number of shares of common stock you will receive.

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

Our Manager will retain broad discretion over the use of proceeds from this offering. Holders of the notes may not deem such uses desirable, and our use of the proceeds may not yield a significant return or any return at all for our stockholders. We intend to use the net proceeds from this offering to acquire mortgage loans and mortgage-related assets consistent with our investment strategy and for general corporate purposes. Because of the number and variability of factors that determine our use of the proceeds from this offering, our actual uses of the proceeds from this offering may vary substantially from our currently planned uses.

The conditional conversion feature of the notes could result in your receiving less than the value of our common stock into which the notes would otherwise be convertible.

Prior to the close of business on the business day immediately preceding April 30, 2023, you may convert your notes only if specified conditions are met. If the specific conditions for conversion are not met, you will not be able to convert your notes until April 30, 2023 or thereafter.

S-13

TABLE OF CONTENTS

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

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

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

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

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

If certain corporate events that constitute a make-whole fundamental change occur or if a redemption occurs prior to the maturity date, under certain circumstances and subject to certain limitations, we will increase the conversion rate by a number of additional shares of our common stock. This increased conversion rate will apply only to holders who convert their notes in connection with any such transaction or notice of redemption. The number of additional shares of our common stock will be determined based on the date on which the make-whole fundamental change transaction becomes effective or the date of the redemption notice, as the case may be, and the price paid (or deemed paid) per share of our common stock in such transaction or in connection with the relevant redemption, as described in this prospectus supplement under “Description of Notes — Adjustment to the Conversion Rate Upon the Occurrence of a Make-Whole Fundamental Change or Notice of Redemption.” While the increase in the conversion rate is designed to compensate holders for the lost option value of the notes as a result of such transaction or such redemption, as the case may be, the increase in the conversion rate is only an approximation of such lost value and may not adequately compensate holders for such loss.

Our obligation to increase the conversion rate for notes converted in connection with a make-whole fundamental change or redemption could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness and equitable remedies.

S-14

TABLE OF CONTENTS

Upon any redemption of the notes on or after April 30, 2022 or any conversion of the notes in connection with a redemption notice, the cash comprising the redemption price, in the case of a redemption, or the applicable conversion rate, in the case of a conversion in connection with a redemption notice, as applicable, may not fully compensate you for future interest payments or lost time value of your notes.

On or after April 30, 2022, we may redeem for cash all or any portion of the notes, at our option, if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If we call any or all of the notes for redemption, you may convert your notes at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date. Upon such redemption or conversion, the cash comprising the redemption price, in the case of a redemption, or the applicable conversion rate, in the case of a conversion in connection with a redemption notice, in either case, may not fully compensate you for any future interest payments that you would have otherwise received or any other lost time value of your notes. See “Description of Notes — Optional Redemption.”

There is no public market for the notes, and we cannot assure you that an active trading market will develop for the notes.

Prior to this offering, there has been no trading market for the notes. We have applied to list the notes on the New York Stock Exchange and expect trading of the notes to commence thereon within 30 days after the original issue date. The notes are expected to trade “flat,” which means that purchasers will not pay, and sellers will not receive, any accrued and unpaid interest on the notes that is not reflected in the trading price. Although we intend to list the notes on the New York Stock Exchange within 30 days of the closing of this offering, currently, there is no public market for the notes and it is not expected that a market for the notes will develop unless and until the notes are listed on the New York Stock Exchange.

We have been informed by the underwriters that they intend to make a market in the notes after the offering is completed. However, the underwriters may cease their market-making at any time without notice. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. Further, such market making activities will be subject to limits imposed by federal securities laws. As a result, we cannot assure you that an active trading market will develop for the notes. If any of the notes are traded after their initial issuance, they may trade at a discount from their initial offering price and you will be unable to resell your notes or may be able to sell them only at a substantial discount. Future trading prices of the notes will depend on many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition, performance and prospects.

We may issue additional shares of our common stock or instruments convertible into our common stock, including in connection with conversions of notes, and thereby materially and adversely affect the price of our common stock, and, in turn, the notes.

We are not restricted from issuing additional shares of our common stock or other instruments convertible into our common stock during the life of the notes. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. If we issue additional shares of our common stock or instruments convertible into our common stock, it may materially and adversely affect the price of our common stock and, in turn, the price of the notes. Furthermore, the conversion or exercise of some or all of the notes may dilute the ownership interests of existing stockholders, and any sales in the public market of shares of our common stock issuable upon any such conversion or exercise could adversely affect prevailing market

TABLE OF CONTENTS

prices of our common stock or the notes. In addition, the anticipated issuance and sale of substantial amounts of common stock or the anticipated conversion or exercise of securities into shares of our common stock could depress the price of our common stock.

Recent and future regulatory actions and other events may adversely affect the trading price and liquidity of the notes. We expect that many investors in, and potential purchasers of, the notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the notes. Investors would typically implement such a strategy by selling short the shares of our common stock underlying the notes and adjusting their short position over time while continuing to hold the notes. Investors may also implement this type of strategy by entering into swaps on our common stock in lieu of or in addition to short selling our common stock. The SEC and other regulatory and self-regulatory authorities have implemented various rules and taken certain actions, and may in the future adopt additional rules and take other actions, that may impact those engaging in short selling activity involving equity securities (including our common stock). These rules and actions include Rule 201 of SEC Regulation SHO, the adoption by the Financial Industry Regulatory Authority, Inc. and the national securities exchanges of a "Limit Up-Limit Down" program, the imposition of market-wide circuit breakers that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Any governmental or regulatory action that restricts the ability of investors in, or potential purchasers of, the notes to effect short sales of our common stock or enter into swaps on our common stock could adversely affect the trading price and the liquidity of the notes.

In addition, if investors and potential purchasers seeking to employ a convertible arbitrage strategy are unable to borrow or enter into swaps on our common stock, in each case on commercially reasonable terms, the trading price and liquidity of the notes may be adversely affected.

Upon conversion of the notes, you may receive less valuable consideration than expected because the value of our common stock may decline after you exercise your conversion right but before we settle our conversion obligation. A converting holder will be exposed to fluctuations in the trading price of our common stock during the period from the date the holder elects to convert its notes until the date we settle our conversion obligation. We will have the option to pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of common stock, at our election to settle our conversion obligation. If we elect to settle our conversion obligation solely in cash or in a combination of cash and shares of common stock, then the amount of consideration that you will receive upon conversion of your notes will be determined by reference to the volume-weighted average prices of our common stock during an observation period. Accordingly, if the trading price of our common stock decreases during this period, or after this period and until we deliver the consideration due upon conversion, the amount or value of consideration you receive will be adversely affected. In addition, if the market price of our common stock on the date we deliver the consideration due upon conversion is below the average of the volume-weighted average price of our common stock during the relevant observation period, then the amount of cash or the value of any shares of our common stock that you will receive in satisfaction of our conversion obligation will be less than the value used to determine the amount of cash or number of shares that you will receive.

Investing in the notes and in our common stock may involve a high degree of risk. Holders of the notes, as potential holders of our common stock, may experience losses, volatility, and poor liquidity, and we may reduce our dividends in a variety of circumstances.

An investment in the notes and in our common stock may involve a high degree of risk, particularly when compared to other types of investments. Risks related to the economy, the financial markets, our industry, our investing activity, our other business activities, our financial

S-16

TABLE OF CONTENTS

results, the amount of dividends we distribute, the manner in which we conduct our business and the way we have structured and limited our operations could result in a reduction in, or the elimination of, the value of our common stock, and in turn, of the notes. The level of risk associated with an investment in the notes and in our common stock may not be suitable for the risk tolerance of many investors. Investors may experience volatile returns and material losses. In addition, the trading volume of shares of our common stock may be insufficient to allow investors to sell their shares when they want to or at a price they consider reasonable.

The notes may not be rated or may receive a lower rating than anticipated.

We do not intend to seek a rating on the notes. However, if one or more rating agencies rates the notes and assigns the notes a rating lower than the rating expected by investors, or reduces their rating in the future, the trading price of the notes and the market price of our common stock could be harmed. In addition, the trading price of the notes is directly affected by market perceptions of our creditworthiness. Consequently, if a credit ratings agency rates any of our debt in the future or downgrades or withdraws any such rating, or puts us on credit watch, the trading price of the notes is likely to decline.

You may be subject to tax if we make or fail to make certain adjustments to the conversion rate of the notes even though you do not receive a corresponding cash distribution.

The conversion rate of the notes is subject to adjustment in certain circumstances, including the payment of cash dividends. If the conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, you may be deemed to have received a dividend subject to U.S. federal income tax without the receipt of any cash. In addition, a failure to adjust (or to adjust adequately) the conversion rate after an event that increases your proportionate interest in us could be treated as a deemed taxable dividend to you. Further, if a make-whole fundamental change occurs prior to the maturity date, under some circumstances, we will increase the conversion rate for notes converted in connection with the make-whole fundamental change. Such increase may also be treated as a distribution subject to U.S. federal income tax as a dividend. See “Material U.S. Federal Income Tax Considerations.” If you are a non-U.S. holder (as defined in “Material U.S. Federal Income Tax Considerations”), any deemed dividend would be subject to U.S. federal withholding tax at a 30% rate, or such lower rate as may be specified by an applicable treaty, which may be set off against subsequent payments on the notes. See “Material U.S. Federal Income Tax Considerations.”

The U.S. federal income tax consequences of conversion of notes into a combination of cash and shares of our common stock at our election are uncertain.

The U.S. federal income tax consequences of the conversion of the notes into a combination of cash and shares of our common stock are uncertain. U.S. holders are urged to consult their own tax advisors with respect to the U.S. federal income tax consequences resulting from the conversion of notes. See “Material U.S. Federal Income Tax Considerations.”

The notes are not protected by restrictive covenants.

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The indenture governing the notes does not contain any covenants or other provisions to afford protection to holders of the notes in the event of a fundamental change involving us except to the extent described in this prospectus supplement under “Description of Notes — Adjustment to the Conversion Rate Upon the Occurrence of a Make-Whole Fundamental Change or Notice of Redemption,” “Description of Notes — Holders May Require Us to Repurchase Their Notes Upon a Fundamental Change” and “Description of Notes — Consolidation, Merger and Sale of Assets.”

Holders of the notes will not be entitled to any rights with respect to our common stock, but will be subject to all changes made with respect to our common stock.

If you hold notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other

TABLE OF CONTENTS

distributions on our common stock) until the conversion date for those notes (if we elect to settle the conversion by delivering solely shares of our common stock, excluding cash in lieu of any fractional share) or the last trading day of the relevant observation period (if we elect to pay and deliver, as the case may be, a combination of cash and shares of our common stock in respect of the relevant conversion, and shares of common stock become due upon settlement of that conversion), but you will be subject to all changes affecting our common stock. For example, if we propose an amendment to our charter requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs before the date you are deemed to be the record owner of the shares of our common stock, if any, due upon conversion, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes to the provisions of our charter.

Certain provisions in the indenture governing the notes could delay or prevent an otherwise beneficial takeover or takeover attempt of us.

Certain provisions in the notes and the indenture could make it more difficult or more expensive for a third party to acquire us. For example, if a takeover would constitute a fundamental change, holders of the notes will have the right to require us to repurchase their notes in cash. In addition, if a takeover constitutes a make-whole fundamental change, we may be required to increase the conversion rate for holders who convert their notes in connection with such takeover. In either case, and in other cases, our obligations under the notes and the indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing our Manager.

Ownership limitations in our charter may impair the ability of holders to convert notes into our common stock, and waiver of such ownership limitations could have adverse consequences to other holders of our common stock and holders of the notes, as potential holders of our common stock.

To assist us in satisfying the requirements for qualification as a REIT, our charter prohibits any person from acquiring or holding beneficial ownership of shares of our common stock representing in excess of 9.8%, in number of shares or value, of the outstanding shares of our common stock, unless our board of directors waives or modifies this ownership limit. For purposes of the ownership limit contained in our charter, ownership of the notes will be deemed to be ownership of the common stock issuable upon conversion of the notes. Accordingly, subject to certain exceptions the indenture will provide that, notwithstanding any other provision of the indenture, no holder of notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to violate the Ownership Limitation (as such term is defined in this prospectus supplement). Any purported delivery of shares of common stock upon conversion of notes shall be void and have no effect to the extent (but only to the extent) that such delivery would result in such converting holder violating the Ownership Limitation. In addition, our charter contains various other restrictions on the ownership and transfer of our common stock. See “Restrictions on Ownership and Transfer” in the accompanying prospectus for additional information about these restrictions.

The accounting method for convertible debt securities that may be settled in cash, such as the notes we are offering, could have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board (“FASB”), issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, or ASC 470-20. ASC 470-20 requires an entity to separately account for the liability and equity components of convertible debt instruments whose conversion may be settled entirely or partially in cash (such as the notes we are offering) in a manner that reflects the issuer’s economic interest cost for non-convertible debt. The liability component of the notes we are offering will initially be valued at the fair value of a similar debt instrument that does not have an associated equity

TABLE OF CONTENTS

component and will be reflected as a liability in our consolidated balance sheet. The equity component of the notes we are offering will be included in the additional paid-in capital section of our stockholders' equity on our consolidated balance sheet, and the value of the equity component will be treated as original issue discount for purposes of accounting for the debt component. This original issue discount will be amortized to non-cash interest expense over the term of the notes, and we will record a greater amount of non-cash interest expense in current periods as a result of this amortization. Accordingly, we will report lower net income in our financial results because ASC 470-20 will require the interest expense associated with the notes to include both the current period's amortization of the debt discount and the notes' coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes.

Furthermore, under certain circumstances, convertible debt instruments whose conversion may be settled entirely or partly in cash (such as the notes we are offering) are currently accounted for using the treasury stock method. Under this method, the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share unless the conversion value of the notes exceeds their principal amount at the end of the relevant reporting period. If the conversion value exceeds their principal amount, then, for diluted earnings per share purposes, the notes are accounted for as if the number of shares of common stock that would be necessary to settle the excess, if we elected to settle the excess in shares, are issued. The accounting standards in the future may not continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares, if any, issuable upon conversion of the notes, then our diluted earnings per share could be adversely affected.

S-19

TABLE OF CONTENTS

USE OF PROCEEDS

The net proceeds from this offering, after estimated offering expenses, will be approximately \$73.6 million (or approximately \$84.5 million if the underwriters exercise their option to purchase additional notes in full).

We intend to contribute all of the net proceeds of this offering to our Operating Partnership to acquire additional mortgage loans and mortgage-related assets consistent with our investment strategy and for general corporate purposes. We have agreed to acquire, subject to due diligence, 1,385 mortgage loans with aggregate UPB of \$269.3 million. The purchase price equals approximately 86.3% of UPB and 57.5% of the estimated market value of the underlying collateral of \$404.4 million. However, there is no assurance that we will actually close any or all of these acquisitions or that the terms will not change.

Until appropriate assets can be identified, our Manager may invest the net proceeds of this offering in interest-bearing short-term investments, including money market accounts, in each case that are consistent with our intention to continue to qualify as a REIT. These investments are expected to provide a lower net return than we will seek to achieve from our target assets.

S-20

TABLE OF CONTENTS**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratio of earnings to fixed charges for the periods set forth below. For purposes of calculating the ratio of earnings to fixed charges, earnings consist of pre-tax net income (loss) from continuing operations plus fixed charges less capitalized interest. Fixed charges include interest expense, capitalized interest and amortization of premiums, discounts, and deferred financing costs related to debt.

	Year ended		Period from inception (January 30) through December 31, 2014 (1)
	December 31, 2016	December 31, 2015	
Ratio of earnings to fixed charges (2)	2.13	3.21	5.80

(1)

We were incorporated on January 30, 2014.

(2)

We did not have any preferred stock outstanding for the periods presented.

S-21

TABLE OF CONTENTS**CAPITALIZATION**

The following table sets forth our capitalization as of December 31, 2016 (i) on an actual basis and (ii) on an as adjusted basis to reflect the issuance of the \$76,250,000 aggregate principal amount of notes in this offering, after deducting the underwriting discount and the expected application of the net proceeds as described under “Use of Proceeds” in this prospectus supplement. You should read this table in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2016.

(In thousands, except share and per share data)	As of December 31, 2016	
	Actual	As Adjusted (1) (unaudited)
Convertible senior notes due 2024 (2)	\$ —	\$ 69,520
Secured borrowings (3)	442,670	442,670
Borrowings under repurchase transactions	227,440	227,440
Total debt	\$ 670,110	\$ 739,630
Equity:		
Common stock, par value \$0.01 per share; 125,000,000 shares authorized and 18,122,387 shares issued and outstanding on an actual and as adjusted basis	\$ 181	\$ 181
Additional paid-in capital (2)	244,880	248,971
Retained earnings	27,231	27,231
Non-controlling interests	10,431	10,431
Total equity	282,723	286,814
Total debt and equity	\$ 952,833	\$ 1,026,444

(1)

Assumes no exercise of the underwriters’ option to purchase additional notes.

(2)

In accordance with ASC 470-20, convertible debt that may be wholly or partially settled in cash is required to be separated into a liability and an equity component such that the interest expense reflects the issuer’s nonconvertible debt interest rate. Upon issuance, a debt discount is recognized as a decrease in debt and an increase in equity. The debt component accretes up to the principal amount over the expected term of the debt. ASC 470-20 (additional paid-in capital) does not affect the actual amount that we are required to pay, and the amount shown in the table above for the notes is the aggregate principal amount of the notes, without reflecting the debt discount or fees and expenses that we are required to recognize or the increase in paid-in capital.

(3)

Secured borrowings include \$598,643 of mortgage loans transferred to securitization trusts that are VIEs; these loans can only be used to settle obligations of the VIEs. Secured borrowings consist of notes issued by VIEs that can only be settled with the assets and cash flows of the VIEs.

TABLE OF CONTENTS

DESCRIPTION OF NOTES

We will issue the notes pursuant to an indenture entered into on April 19, 2017 (the “Base Indenture”) between us and Wilmington Savings Fund Society, FSB, as trustee (the “trustee”), as amended and supplemented by a first supplemental indenture, to be entered into on or about the date the notes are first issued (the “Supplemental Indenture” and, together with the Base Indenture, the “Indenture”), between us and the trustee. The terms of the notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”).

The following summary of the terms of the notes and the Indenture does not purport to be complete and is subject, and qualified in its entirety by reference, to the detailed provisions of the notes and the Indenture. This summary supplements, and to the extent inconsistent therewith replaces, the description set forth under the heading entitled “Description of Debt Securities” in the accompanying prospectus and should be read in conjunction with such description for a description of other material terms of the notes and the Indenture.

You may request a copy of the Indenture from us as described under “Where You Can Find More Information.”

For purposes of this summary, the terms “Ajax,” “Company,” “we,” “us” and “our” refer only to Great Ajax Corp. and not to any of its subsidiaries, unless we specify otherwise.

General

We are offering \$76.25 million aggregate principal amount of our convertible senior notes due 2024 (the “notes”). The notes bear interest at a rate of 7.25% per annum payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning on July 15, 2017, to holders of record at the close of business on the preceding January 1, April 1, July 1 and October 1, respectively, except as described below.

The notes we are offering:

- will be issued in denominations of integral multiples of \$25.00 principal amount;
- are our unsecured indebtedness and are equal in right of payment to our other senior unsecured indebtedness as described under “— Ranking;”
- are subject to redemption at our option, in whole or in part, on or after April 30, 2022, as described below under “— Optional Redemption,” if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date;
- are convertible under certain circumstances and during specified time periods into shares of our common stock, cash, or a combination of cash and shares of our common stock, at our election, as described below under “— Conversion Rights,” at an initial conversion rate of shares of common stock per \$25.00 principal amount of notes (which represents an initial conversion price of approximately \$15.37 per share of common stock); and
- are subject to repurchase by us at the option of the holder upon a fundamental change, as described under “— Holders May Require Us to Repurchase Their Notes Upon A Fundamental Change,” at a repurchase price in cash equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

S-23

TABLE OF CONTENTS

We have applied to list the notes on the NYSE and expect trading of the notes to commence thereon within 30 days after the original issue date.

The notes mature on April 30, 2024, unless earlier converted, redeemed or repurchased.

All cash payments on the notes will be made in U.S. dollars.

We will issue the notes in denominations of integral multiples of \$25.00 principal amount, without coupons. We will initially issue the notes as global securities in book-entry form. We will make payments in respect of notes represented by global securities by wire transfer of immediately available funds to DTC or its nominee as registered owner of the global securities. We will make payments in respect of notes that are issued in certificated form by wire transfer of immediately available funds to the accounts specified by each holder of more than \$5.0 million aggregate principal amount of the notes. However, if a holder of a certificated note does not specify an account, then we will mail a check to that holder's registered address.

We may, without the consent of the holders, reopen the Indenture under which the notes will be issued and issue additional notes with the same terms and with the same CUSIP number as the notes in an unlimited aggregate principal amount, provided that no additional notes may be issued unless they are fungible with the notes offered hereby for United States federal income tax purposes. The notes offered hereby and any additional notes would be treated as a single class for all purposes under the Indenture and would vote together as one class on all matters with respect to the notes.

You may convert notes at the office of the conversion agent, present notes for registration of transfer at the office of the registrar for the notes and present notes for payment at maturity at the office of the paying agent. We have appointed the trustee as the initial conversion agent, registrar and paying agent for the notes. We will not provide a sinking fund for the notes. The Indenture does not contain any financial covenants and will not limit our ability to incur additional indebtedness, including senior or secured indebtedness, pay dividends, repurchase our securities, or limit the ability of our subsidiaries to incur additional indebtedness, including senior or secured indebtedness. In addition, the Indenture does not provide any protection to holders of notes in the event of a highly leveraged transaction or a change in control, except as, and only to the limited extent, described under “— Conversion Rights — Adjustment to the Conversion Rate Upon the Occurrence of a Make-Whole Fundamental Change or Notice of Redemption,” “— Holders May Require Us to Repurchase Their Notes Upon a Fundamental Change” and “— Consolidation, Merger and Sale of Assets.”

If any interest payment date, maturity date, redemption date, repurchase date or settlement date (including upon the occurrence of a fundamental change, as described below) falls on a day that is not a business day, then the required payment will be made on the next succeeding business day with the same force and effect as if made on the date that the payment was due, and no additional interest will accrue on that payment for the period from and after the interest payment date, maturity date, redemption date or repurchase date (including upon the occurrence of a fundamental change, as described below), as the case may be, to that next succeeding business day. The term “business day” means any day other than a Saturday or Sunday that is not a day on which banking institutions are authorized or obligated by law or executive order to close in New York, New York or Wilmington, Delaware.

Ranking

The notes will be the senior direct unsecured obligations of Great Ajax Corp. and will not be guaranteed by any of our subsidiaries. The notes will rank equal in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness. The notes will be effectively subordinated to any of our existing and future secured indebtedness, to the extent of the value of our assets that secure such indebtedness. The notes will also be structurally subordinated to all existing and future indebtedness, other liabilities (including trade payables) and (to the extent not held by us) preferred stock, if any, of our subsidiaries and to any of our existing and future indebtedness that may be guaranteed by our subsidiaries to the extent of any such guarantees.

S-24

TABLE OF CONTENTS

As of December 31, 2016, our total consolidated indebtedness was \$670.1 million, \$442.7 million of which was secured indebtedness of ours to which the notes would have been effectively subordinated and \$227.4 million of which was indebtedness of our subsidiaries to third parties (excluding trade payables and other liabilities) to which the notes would have been structurally subordinated. The secured borrowings are structured as debt financings and the loans included in the secured borrowings remain on our balance sheet as we are the primary beneficiary of the secured borrowing trusts, which are VIEs. These secured borrowing VIEs are structured as pass-through entities that receive principal and interest on the underlying mortgages and distribute those payments to the holders thereof. Our exposure to the obligations of the VIEs is generally limited to its investments in the entities; the creditors do not have recourse to the primary beneficiary.

Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the notes or to make any funds available for payment on the notes, whether by dividends, loans or other payments. In addition, the payment of dividends and the making of loans and advances to us by our subsidiaries may be subject to statutory, contractual or other restrictions, may depend on their earnings or financial condition and are subject to various business considerations. As a result, we may be unable to gain access to the cash flow or assets of our subsidiaries.

Interest Payments

We will pay interest on the notes at a rate of 7.25% per annum payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning on July 15, 2017. Except as described below, we will pay interest that is due on an interest payment date to holders of record at the close of business on the preceding January 1, April 1, July 1 and October 1 (each, a “record date”), respectively. Interest will accrue on the notes from, and including, April 25, 2017 or from, and including, the last date in respect of which interest has been paid or provided for, as the case may be, to, but excluding, the next interest payment date or maturity date, as the case may be. We will pay interest on the notes on the basis of a 360-day year consisting of twelve 30-day months. Unless the context otherwise requires, all references to interest in this prospectus supplement include additional interest, if any, payable at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under “— Events of Default.” If notes are converted after the close of business on a record date but prior to the open of business on the next interest payment date, holders of such notes at the close of business on the record date will, on the corresponding interest payment date, receive the full amount of the interest payable on such notes on that interest payment date notwithstanding the conversion. However, a holder who surrenders a note for conversion after the close of business on a record date but prior to the open of business on the next interest payment date must pay to the conversion agent, upon surrender, an amount equal to the full amount of interest payable on the corresponding interest payment date on the note so converted; provided that no such interest payment need be made to us:

- if the note is surrendered for conversion after the close of business on the record date immediately preceding the maturity date;
- if we have specified a redemption date or a repurchase date relating to a fundamental change that is after a record date and on or prior to the next interest payment date; or
- to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such note.

Ownership Limit

To assist us in qualifying as a REIT, our charter provides that, subject to certain exceptions, no person, including a “group” (as defined in Section 13(d)(3) of the Exchange Act), may beneficially own, or be deemed to own, by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% in value or in number of shares, whichever is more restrictive, of the

TABLE OF CONTENTS

aggregate of the outstanding shares of our common stock or the aggregate of the outstanding shares of our capital stock. Our board may, in its sole discretion, waive the ownership limit with respect to a particular stockholder. We have previously granted limited waivers of this prohibition to the Wellington Group and, subject to the approval of our board of directors, we may grant additional waivers at any time, including in connection with this offering. In addition, our charter contains various other restrictions on the ownership and transfer of our common stock. See “Restrictions on Ownership and Transfer” on page 17 of the accompanying prospectus.

For purposes of the ownership limit contained in our charter, ownership of the notes will be deemed to be ownership of the common stock issuable upon conversion of the notes. Accordingly, the Indenture will provide that, notwithstanding any other provision of the Indenture, no holder of notes (other than, for so long as the Wellington Group Ownership Limit Waiver is effective, will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to violate the Ownership Limitation. Any purported delivery of shares of common stock upon conversion of notes shall be void and have no effect to the extent (but only to the extent) that such delivery would result in such converting holder violating the Ownership Limitation. If any delivery of shares of our common stock owed to a holder upon conversion of notes is not made, in whole or in part, as a result of the Ownership Limitation, our obligation to make such delivery shall not be extinguished, and we will deliver such shares as promptly as practicable after any such converting holder gives notice to us that such delivery would not result in such converting holder being in violation of the Ownership Limitation.

In addition, the Indenture will provide that, notwithstanding any other provision of the Indenture, for so long as the Wellington Group Ownership Limit Waiver is effective, no holder of notes that is a member of the Wellington Group (a “Wellington Group Holder”) will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause the Wellington Group to violate the Wellington Group Ownership Limitation. Any purported delivery of shares of common stock upon conversion of notes shall be void and have no effect to the extent (but only to the extent) that such delivery would result in the Wellington Group violating the Wellington Group Ownership Limitation. If any delivery of shares of our common stock owed to a Wellington Group Holder upon conversion of notes is not made, in whole or in part, as a result of the Wellington Group Ownership Limitation, our obligation to make such delivery shall not be extinguished, and we will deliver such shares as promptly as practicable after any such converting Wellington Group Holder gives notice to us that such delivery would not result in the Wellington Group being in violation of the Wellington Group Ownership Limitation.

For this purpose:

“Ownership Limitation” means the limitations on beneficial and constructive ownership of shares of our common stock and capital stock contained in our charter, as amended.

“Wellington Group” means Wellington Management Company, LLP (“Wellington”) and the registered investment companies, unregistered commingled investment funds, separately managed accounts and any other accounts that Wellington advises.

“Wellington Group Ownership Limit Waiver” means the waiver to the Ownership Limitation provided to the Wellington Group pursuant to the waiver letter, dated as of July 8, 2015, between Wellington and the Company (the “Wellington Group Waiver Letter”).

“Wellington Group Ownership Limitation” means the limitations on beneficial and constructive ownership of shares of our common stock and capital stock applicable to the Wellington Group pursuant to the Wellington Group Waiver Letter.

Optional Redemption

No “sinking fund” is provided for the notes, which means that we are not required to redeem or retire the notes periodically. Notwithstanding anything to the contrary set forth under “Description of Debt Securities — Redemption” in the accompanying prospectus, prior to April 30,

TABLE OF CONTENTS

2022, the notes will not be redeemable. On or after April 30, 2022, we may redeem for cash all or any portion of the notes, at our option, if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption. In the case of any optional redemption, we will provide not less than 75 nor more than 90 calendar days' notice before the redemption date to each holder of notes, and the redemption price will be equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date (unless the redemption date falls after a regular record date but on or prior to the immediately succeeding interest payment date, in which case we will pay the full amount of accrued and unpaid interest to the holder of record as of the close of business on such regular record date, and the redemption price will be equal to 100% of the principal amount of the notes to be redeemed). The redemption date must be a business day, and we may not specify a redemption date that falls on or after the 42nd trading day immediately preceding the maturity date.

If we decide to redeem fewer than all of the outstanding notes, the trustee will select the notes to be redeemed (in principal amounts of \$25.00 or integral multiples of \$25.00 in excess thereof) by lot, on a pro rata basis or by another method in accordance with the procedures of the NYSE or the depositary, as applicable.

If the trustee selects a portion of a holder's note for partial redemption and such holder converts a portion of the same note, the converted portion will be deemed to be from the portion selected for redemption.

In the event of any redemption in part, we will not be required to register the transfer of or exchange for other notes any note so selected for redemption, in whole or in part, except the unredeemed portion of any note being redeemed in part.

No notes may be redeemed if the principal amount of the notes has been accelerated, and such acceleration has not been rescinded, on or prior to the redemption date (except in the case of an acceleration resulting from a default by us in the payment of the redemption price with respect to such notes).

Conversion Rights

If the conditions for conversion of the notes described under “— Conditions for Conversion” and “— Conversion Procedures” are satisfied, holders of notes may, subject to prior maturity or repurchase, convert their notes in integral multiples of \$25.00 principal amount at an initial conversion rate of 1.6267 shares of common stock per \$25.00 principal amount of notes (which represents an initial conversion price of approximately \$15.37 per share of common stock). The conversion rate, and thus the conversion price, will be subject to adjustment as described below. Except as described below, we will not make any payment or other adjustment on conversion with respect to any accrued interest on the notes, and we will not adjust the conversion rate to account for accrued and unpaid interest. Instead, accrued interest will be deemed to be paid by the consideration received by the holder upon conversion. As a result, accrued interest is deemed to be paid in full rather than cancelled, extinguished or forfeited. Upon conversion of the notes into a combination of cash and shares of our common stock, accrued and unpaid interest will be deemed to be paid first out of the cash paid upon such conversion.

We will not issue fractional shares upon conversion of notes. Instead, we will pay cash in lieu of fractional shares based on the closing sale price (as defined below) of our common stock on the conversion date (if we deliver solely our common stock to satisfy our conversion obligation, other than solely cash in lieu of fractional shares, or if we have irrevocably elected full physical settlement) or the closing sale price of our common stock on the last trading day of the relevant cash settlement period (as defined below) (if we pay cash to satisfy a portion, but less than all, of our conversion obligation, other than solely cash in lieu of any fractional share, or if we have irrevocably elected net share settlement upon conversion).

S-27

TABLE OF CONTENTS

In certain circumstances, a holder must, upon conversion, pay interest if the conversion occurs after the close of business on a record date and prior to the open of business on the next interest payment date. See “— Interest Payments” above. A note for which a holder has delivered a fundamental change repurchase notice, as described below, requiring us to repurchase the note may be surrendered for conversion only if the holder withdraws the notice in accordance with the Indenture, unless we default in the payment of the fundamental change repurchase price.

“Closing sale price” on any date means, as determined by us, the per share price of the referenced security on such date, determined (i) on the basis of the closing per share sale price (or if no closing per share sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date on the principal U.S. national or regional securities exchange on which shares of the referenced security are listed; or (ii) if shares of the referenced security are not listed on a U.S. national or regional securities exchange, as reported by OTC Markets Group Inc. or a similar organization; provided, however, that in the absence of any such report or quotation, the closing sale price shall be the price determined by a nationally recognized independent investment banking firm retained by us for such purpose as most accurately reflecting the per share price that a fully informed buyer, acting on his own accord, would pay to a fully informed seller, acting on his own accord in an arms-length transaction, for a share of the referenced security.

The “trading price” of the notes on any date of determination means the average of the secondary market bid quotations obtained by the bid solicitation agent for \$5.0 million aggregate principal amount of the notes at approximately 3:30 p.m., New York City time, on such determination date (the “determination date”) from three independent nationally recognized securities dealers we select, provided that if:

- three such bids cannot reasonably be obtained by the bid solicitation agent, but two such bids are obtained, then the average of the two bids shall be used, and

- only one such bid can reasonably be obtained by the bid solicitation agent, that one bid shall be used;

provided further if no bids are received or, in our reasonable good faith judgment, the bid quotations are not indicative of the secondary market value of the notes, then the trading price of the notes on any date of determination will equal (1) the applicable conversion rate of the notes as of the determination date multiplied by (2) the average last reported sale price (as defined below under “— Conditions for Conversion — Conversion upon satisfaction of the trading price condition”) of our common stock on the five trading days ending on the determination date.

We may appoint any bid solicitation agent and we may change such bid solicitation agent. The bid solicitation agent may not be an affiliate of ours.

“Trading day” means, with respect to the referenced security, a day during which (i) trading in the referenced security generally occurs, and (ii) a market disruption event has not occurred; provided that if the referenced security is not listed for trading or quotation on or by any exchange, bureau or other organization, “trading day” will mean any business day.

Conditions for Conversion

The notes will be convertible only during certain periods or in certain circumstances, which we describe below. If the notes become convertible, we will provide written notice to the trustee, the conversion agent and each registered holder at its address appearing in the security register, and we will publicly announce, through a reputable national newswire service, that the notes have become convertible, stating, among other things:

- the event causing the notes to become convertible;
- the time during which the notes will be convertible as a result of that event;
-

if that event is a transaction described under “— Conversion upon the occurrence of certain corporate transactions,” the anticipated effective date of the transaction; and

S-28

TABLE OF CONTENTS

- the procedures holders must follow to convert their notes, including the name and address of the conversion agent.

We will mail the notice, and make the public announcement, as soon as practicable, but in no event later than the open of business on the business day following the date the notes become convertible as a result of the event. Holders may surrender their notes for conversion only in the following circumstances:

Conversion based on price of shares of common stock

Prior to April 30, 2023, holders may surrender their notes for conversion during any calendar quarter after the calendar quarter ending June 30, 2017 (and only during such calendar quarter), if the “closing sale price” of our common stock for each of 20 or more trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price of the notes (the “conversion trigger price”) in effect on the last trading day of the immediately preceding calendar quarter.

Our board of directors will make appropriate adjustments to the closing sale price of our common stock, in its good faith determination, to account for any adjustment to the conversion rate that becomes effective, or any event requiring an adjustment to the conversion rate where the “ex-dividend date” of the event occurs, during the 30 consecutive trading day period described above.

Conversion upon satisfaction of the trading price condition

Prior to April 30, 2023, holders may surrender their notes for conversion during the five consecutive business days immediately after any five consecutive trading day period (we refer to this five consecutive trading day period as the “note measurement period”) in which the trading price per \$25.00 principal amount of the notes, as determined following a request by a holder of notes in accordance with the procedures described below, for each trading day in that note measurement period was equal to or less than 97% of the conversion value of the notes on such trading day.

We refer to this condition as the “trading price condition.”

Solely for purposes of the trading price condition, the “conversion value” per \$25.00 principal amount of notes on each trading day in the note measurement period is the product of the closing sale price of our common stock and the conversion rate of the notes in effect on that trading day.

The bid solicitation agent will have no obligation to determine the trading price of the notes unless we have requested it to do so, and we will have no obligation to make such request unless a holder of at least \$1.0 million aggregate principal amount of notes provides us with reasonable evidence that the trading price per \$25.00 principal amount of the notes would be equal to or less than 97% of the conversion value of the notes. At such time, we will instruct the bid solicitation agent to determine the trading price of the notes for each of the next five trading days and on each succeeding trading day until the trading price condition is no longer satisfied.

Conversion upon notice of redemption

If we call any or all of the notes for redemption, holders may convert all or any portion of their notes at any time prior to the close of business on the trading day prior to the redemption date, even if the notes are not otherwise convertible at such time. After that time, the right to convert such notes on account of our delivery of the notice of redemption will expire, unless we default in the payment of the redemption price, in which case a holder of notes may convert all or any portion of its notes until the business day immediately preceding the date on which the redemption price has been paid or duly provided for. If a holder has already delivered a repurchase election with respect to a note as described under “— Holders May Require Us to Repurchase Their Notes Upon A Fundamental Change,” it may not surrender that note for conversion until it has withdrawn the repurchase election in accordance with the Indenture.

S-29

TABLE OF CONTENTS

Conversion upon the occurrence of certain corporate transactions

Certain corporate events

If, prior to April 30, 2024 a “fundamental change,” as described under “— Holders May Require Us to Repurchase Their Notes Upon A Fundamental Change,” or a “make-whole fundamental change,” as described under “— Adjustment to the Conversion Rate Upon the Occurrence of a Make-Whole Fundamental Change or Notice of Redemption” occurs, then a holder may surrender its notes for conversion at any time during the period that begins on, and includes, the 30th business day before the date we originally announce as the anticipated effective date of the transaction and ends on, and includes, the 30th business day after the actual effective date of the transaction. In addition, if the transaction is a “make-whole fundamental change,” then the notes may also be surrendered for conversion at any time during the “make-whole conversion period” described under “— Adjustment to the Conversion Rate Upon the Occurrence of a Make-Whole Fundamental Change or Notice of Redemption,” and if the transaction is a “fundamental change,” then the notes may also be surrendered for repurchase at any time until, and including, the fundamental change repurchase date for that fundamental change. Holders that convert their notes in connection with a “make-whole fundamental change” may in some circumstances also be entitled to an increased conversion rate. See “— Adjustment to the Conversion Rate Upon the Occurrence of a Make-Whole Fundamental Change or Notice of Redemption.” We will notify holders and the trustee (i) as promptly as practicable following the date we publicly announce such transaction but in no event less than 30 business days prior to the anticipated effective date of such transaction or (ii) if we do not have knowledge of such transaction at least 30 business days prior to the anticipated effective date of such transaction, within one business day of the date upon which we receive notice, or otherwise become aware, of such transaction, but in no event later than the actual effective date of such transaction.

Certain distributions

In addition, if we elect to:

- distribute to all or substantially all holders of our common stock any rights, options or warrants entitling them, for a period of not more than 60 days after the record date of such distribution, to purchase or subscribe for shares of our common stock at a price per share less than the average of the closing sale prices of our common stock over the 10 consecutive trading-day period ending on the trading day immediately preceding the ex-dividend date for such distribution; or
- distribute to all or substantially all holders of our common stock our assets, debt securities or rights to purchase our securities, which distribution has a per share value, as reasonably determined by our board of directors, exceeding 10% of the closing sale price of our common stock on the trading day preceding the date of announcement for such distribution,

then we must mail to registered holders written notice of the action or event at least 30 business days before the ex-dividend date for such distribution. Once we have given such notice, holders may surrender their notes for conversion at any time until the earlier of 5:00 p.m., New York City time, on the business day immediately preceding the ex-dividend date and our announcement that such distribution will not take place, even if the notes are not otherwise convertible at such time.

Conversion prior to the maturity date

The notes may be surrendered for conversion at any time from, and including, April 30, 2023 to, and including, the business day immediately preceding April 30, 2024, regardless of the foregoing conditions.

Conversion Procedures

To convert its note into shares of our common stock, cash or a combination of cash and shares of our common stock, as the case may be, a holder must:

S-30

TABLE OF CONTENTS

- complete and manually sign the conversion notice on the back of the note or facsimile of the conversion notice and deliver this notice to the conversion agent;
- surrender the note to the conversion agent;
- if required, furnish appropriate endorsements and transfer documents;
- if required, pay funds equal to interest payable on the next interest payment date; and
- if required, pay all transfer or similar taxes.

The date a holder complies with these requirements is the “conversion date” under the Indenture. If a holder holds a beneficial interest in a global note, to convert such note, a holder must comply with the last two requirements listed above and comply with DTC’s procedures for converting a beneficial interest in a global note. A holder receiving shares of our common stock upon conversion will not be entitled to any rights as a holder of our common stock, including, among other things, the right to vote and receive dividends and notices of shareholder meetings, until the close of business on the conversion date (if we deliver solely shares of our common stock in respect of our conversion obligation, other than solely cash in lieu of fractional shares, or if we have irrevocably elected full physical settlement) or the close of business on the last trading day of the applicable cash settlement period (if we deliver cash in respect of a portion (but not all) of our conversion obligation, other than solely cash in lieu of any fractional share, or if we have irrevocably elected net share settlement upon conversion).

Settlement Elections

Upon conversion of the notes, we will pay or deliver, as the case may be, to holders, at our election, shares of our common stock (together with cash in lieu of any fractional share), cash or a combination of cash and shares of our common stock (together with cash in lieu of any fractional share) in satisfaction of our conversion obligation.

We will inform the holders through the trustee of the method we choose to satisfy our obligation upon conversion (and the specified cash amount (as defined below), if applicable), as follows:

- in respect of notes to be converted during the period beginning on, and including, the 42nd business day immediately preceding the maturity date for the notes and ending on, and including, the business day immediately preceding such maturity date, no later than the 43rd business day immediately preceding the maturity date; or
- in the case of any conversions for which the relevant conversion date occurs after the date of issuance of a notice of redemption as described under “— Optional Redemption” and prior to the related redemption date, in such notice of redemption; and
- in all other cases, no later than two business days following the applicable conversion date.

If we do not give any notice within the time periods described as to how we intend to settle, and we have not made an irrevocable full physical settlement election, we will be deemed to have elected to satisfy our conversion obligation by paying and delivering a combination of cash and shares of our common stock with the specified cash amount equal to \$25.00, as described in item (3) below under “— Settlement Upon Conversion.”

Upon surrender of a note for conversion, we will, subject to limitations imposed by the listing standards of the NYSE described under “— Settlement Upon Conversion” below, deliver cash, shares of our common stock or a combination thereof as described below under “— Settlement Upon Conversion.”

Irrevocable Election of Net Share Settlement

At any time on or prior to the 43rd business day immediately preceding the maturity date, we may irrevocably elect to satisfy our conversion obligation with respect to the notes to be converted after the date of such election by delivering cash up to the aggregate principal amount of notes to

S-31

TABLE OF CONTENTS

be converted, and shares of our common stock, cash or a combination thereof in respect of the remainder, if any, of our conversion obligation. We refer to this election as a “net share settlement election,” which will be in our sole discretion without the consent of the holders of notes.

Upon making such election, we will promptly (i) issue a press release and use our reasonable best efforts to post such information on our website or otherwise publicly disclose this information and (ii) provide written notice to the holders of the notes in a manner contemplated by the Indenture, including through the facilities of the DTC.

Irrevocable Election of Full Physical Settlement

At any time on or prior to the 43rd business day immediately preceding the maturity date, we may irrevocably elect to satisfy our conversion obligation with respect to the notes to be converted after the date of such election by delivering solely shares of our common stock (other than solely cash in lieu of any fractional share). We refer to this election as a “full physical settlement election,” which will be in our sole discretion without the consent of the holders of notes.

Upon making such election, we will promptly (i) issue a press release and use our reasonable best efforts to post such information on our website or otherwise publicly disclose this information and (ii) provide written notice to the holders of the notes in a manner contemplated by the Indenture, including through the facilities of the DTC.

Cash Settlement Notices

If we choose to satisfy a portion (but not all) of our conversion obligation in cash, other than solely cash in lieu of any fractional share, or if we have irrevocably elected net share settlement upon conversion, we will notify holders as described above of the amount to be satisfied in cash as a fixed dollar amount per \$25.00 principal amount of notes (the “specified cash amount”). If we have previously irrevocably elected net share settlement upon conversion as described above, the specified cash amount must be at least \$25.00. If we have made an irrevocable net share settlement election or we choose to satisfy a portion (but not all) of our conversion obligation in cash (other than solely cash in lieu of any fractional share), and we fail to timely notify converting holders of the specified cash amount, the specified cash amount will be deemed to be \$25.00.

Settlement Upon Conversion

All conversions that occur on or after the 42nd business day immediately preceding the maturity date, and all conversions for which the relevant conversion date occurs after our issuance of a notice of redemption and prior to the related redemption date will be settled using the same settlement method. Except for any conversions that occur on or after the 42nd business day immediately preceding the maturity date, and any conversions for which the relevant conversion date occurs after our issuance of a notice of redemption and prior to the related redemption date, we will use the same settlement method for all conversions with the same conversion date, but we will not, however, have any obligation to use the same settlement method with respect to conversions with different conversion dates. That is, we may choose with respect to one conversion date to settle by delivering solely shares of our common stock and choose with respect to another conversion date to settle by paying cash or paying or delivering, as the case may be, a combination of cash and shares of our common stock.

If we elect to settle a conversion of notes by delivering solely shares of our common stock (other than solely cash in lieu of fractional shares) or if we have irrevocably elected full physical settlement, such settlement will occur within three business days of the relevant conversion date.

Except in connection with certain make-whole fundamental changes described in the second bullet of the definition thereof, where the consideration is comprised entirely of cash as described under “— Adjustment to the Conversion Rate Upon the Occurrence of a Make-Whole Fundamental Change or Notice of Redemption,” settlements made entirely or partially in cash (other than solely cash in lieu of fractional shares) or following an irrevocable net share settlement election will occur on the third business day following the final trading day of the applicable cash settlement period.

S-32

TABLE OF CONTENTS

The amount of cash and number of shares of our common stock, as the case may be, due upon conversion will be determined as follows:

(1)

if we elect to satisfy the entire conversion obligation by delivering shares of our common stock or if we have irrevocably elected full physical settlement, we will deliver to the converting holder a number of shares of our common stock equal to (i) (A) the aggregate principal amount of notes to be converted, divided by (B) \$25.00, multiplied by (ii) the conversion rate in effect on the relevant conversion date (provided that we will deliver cash in lieu of fractional shares as described above);

(2)

if we elect to satisfy the entire conversion obligation in cash, we will pay to the converting holder, for each \$25.00 principal amount of notes, cash in an amount equal to the sum of the daily conversion values for each of the 40 consecutive trading days in the relevant cash settlement period; and

(3)

if we elect to satisfy the conversion obligation by paying or delivering, as the case may be, a combination of cash and shares of our common stock or if we have made an irrevocable net share settlement election, we will pay or deliver to the converting holder, for each \$25.00 principal amount of notes, cash and shares of our common stock, if any, equal to the sum of the daily settlement amounts for each of the 40 consecutive trading days in the relevant cash settlement period.

The “daily settlement amount” for each of the 40 consecutive trading days in the cash settlement period, as determined by us, will consist of:

- cash equal to the lesser of (i) the specified cash amount per note (the “specified cash amount”), divided by 40 (such quotient being referred to as the “daily measurement value”) and (ii) the daily conversion value; and
- to the extent the daily conversion value exceeds the daily measurement value, a number of shares of our common stock equal to (i) the difference between the daily conversion value and the daily measurement value, divided by (ii) the volume-weighted average price of our common stock on such trading day.

The “daily conversion value” means, for each of the 40 consecutive trading days in the cash settlement period, one-fortieth (1/40th) of the product of (i) the applicable conversion rate and (ii) the volume-weighted average price of our common stock on such trading day in each case as determined by us.

The “volume-weighted average price” per share of our common stock on any trading day means such price as displayed on Bloomberg (or any successor service) page AJX <equity> AQR in respect of the period from 9:30 a.m. to 4:00 p.m., New York City time, on such trading day; or, if such price is not available, the volume-weighted average price means the market value per share of common stock on such day as determined by a nationally recognized independent investment banking firm retained for this purpose by us.

The “cash settlement period” means:

- subject to the immediately succeeding bullet, with respect to any conversion date occurring on or after the 42nd business day immediately preceding the maturity date, the 40 consecutive trading day period beginning on, and including, the 42nd business day immediately preceding the maturity date;
- if the relevant conversion date occurs on or after the date of our issuance of a notice of redemption with respect to the notes as described under “— Optional Redemption” and prior to the relevant redemption date, the 40 consecutive trading days beginning on, and including, the 42nd trading day immediately preceding such redemption date; or

- in all other cases, the 40 consecutive trading day period beginning on, and including, the third business day immediately following the relevant conversion date.

S-33

TABLE OF CONTENTS

“Market disruption event” means (i) a failure by the primary United States national or regional securities exchange or market on which shares of our common stock or the relevant securities are listed or admitted to trading to open for trading during its regular trading session or (ii) the occurrence or existence prior to 1:00 p.m., New York City time, on any scheduled trading day for shares of our common stock or the relevant securities for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise) in shares of our common stock (or the relevant securities) or in any options, contracts or future contracts relating to shares of our common stock (or the relevant securities).

“Scheduled trading day” means, with respect to the referenced security or any other security, a day that is scheduled to be a trading day on the primary United States national securities exchange or market on which the referenced security is listed or admitted for trading. If the referenced security is not so listed or admitted for trading, “scheduled trading day” means any business day.

Adjustments to the Conversion Rate

The applicable conversion rate will be subject to adjustment, without duplication, upon the occurrence of any of the following events:

-

If we issue shares of our common stock as a dividend or distribution on shares of our common stock, or if we effect a share split or share combination, the conversion rate will be adjusted based on the following formula:

$$CR' = CR0 \times \frac{OS'}{OS0}$$

where,

CR0 = the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such dividend or distribution, or the open of business on the effective date of such share split or share combination, as the case may be;

CR' = the conversion rate in effect immediately after the open of business on the ex-dividend date for such dividend or distribution, or the open of business on the effective date of such share split or share combination, as the case may be;

OS0 = the number of shares of our common stock outstanding immediately prior to the open of business on the ex-dividend date for such dividend or distribution, or the open of business on the effective date of such share split or share combination, as the case may be; and

OS' = the number of shares of our common stock outstanding immediately after such dividend or distribution, or such share split or share combination, as the case may be.

Any adjustment made under this first bullet shall become effective immediately after the open of business on the ex-dividend date for such dividend or distribution, or immediately after the open of business on the effective date for such share split or share combination. If any dividend or distribution of the type described in this first bullet is declared but not so paid or made, or any share split or combination of the type described in this first bullet is announced but the outstanding shares of our common stock are not split or combined, as the case may be, the conversion rate shall be immediately readjusted, effective as of the date our board of directors determines not to pay such dividend or distribution, or not to split or combine the outstanding shares of our common stock, as the case may be, to the conversion rate that would then be in effect if such dividend, distribution, share split or share combination had not been declared or announced.

-

If we distribute to all or substantially all holders of our common stock any rights, options or warrants entitling them, for a period expiring not more than 60 days immediately following the record date of such distribution, to purchase or subscribe for shares of our

TABLE OF CONTENTS

common stock at a price per share less than the average of the closing sale prices of our common stock over the 10 consecutive trading-day period ending on the trading day immediately preceding the ex-dividend date for such distribution, the conversion rate will be increased based on the following formula:

$$CR' = CR0 \times \frac{OS0 + X}{OS0 + Y}$$

CR0 = the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such distribution;

CR' = the conversion rate in effect immediately after the open of business on the ex-dividend date for such distribution;

OS0 = the number of shares of our common stock outstanding immediately prior to the open of business on the ex-dividend date for such distribution;

X = the total number of shares of our common stock issuable pursuant to such rights, options or warrants; and

Y = the number of shares of our common stock equal to the aggregate price payable to exercise such rights, options or warrants divided by the average of the closing sale prices of our common stock over the 10 consecutive trading-day period ending on the trading day immediately preceding the ex-dividend date for such distribution.

Any increase made under this second bullet will be made successively whenever any such rights, options or warrants are distributed and shall become effective immediately after the open of business on the ex-dividend date for such distribution. To the extent that shares of common stock are not delivered after the expiration of such rights, options or warrants, the conversion rate shall be readjusted to the conversion rate that would then be in effect had the increase with respect to the distribution of such rights, options or warrants been made on the basis of delivery of only the number of shares of common stock actually delivered. If such rights, options or warrants are not so distributed, the conversion rate shall be decreased to be the conversion rate that would then be in effect if such ex-dividend date for such distribution had not occurred. For the purpose of this second bullet and for the purpose of the first bullet point under “— Conditions for Conversion — Conversion upon the occurrence of certain corporate transactions — Certain distributions,” in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase shares of our common stock at less than such average of the closing sale prices for the 10 consecutive trading-day period ending on the trading day immediately preceding the ex-dividend date for such distribution, and in determining the aggregate offering price of such shares of our common stock, there shall be taken into account any consideration received by us for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by our board of directors.

•

If we distribute shares of our capital stock, evidences of our indebtedness or other assets, securities or property of ours, to all or substantially all holders of our common stock, excluding:

•

dividends or distributions referred to in the first and second bullet points above;

•

dividends or distributions paid exclusively in cash referred to in the fourth bullet point below; and

•

spin-offs to which the provisions set forth in the latter portion of this bullet point shall apply,

then the conversion rate will be increased based on the following formula:

$$CR' = CR0 \times \frac{SP0}{SP0 - FMV}$$

TABLE OF CONTENTS

where,

CR0 = the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such distribution;

CR' = the conversion rate in effect immediately after the open of business on the ex-dividend date for such distribution;

SP0 = the average of the closing sale prices of our common stock over the 10 consecutive trading-day period ending on the trading day immediately preceding the ex-dividend date for such distribution; and

FMV = the fair market value (as determined by our board of directors or a committee thereof) of the shares of capital stock, evidences of indebtedness, assets, securities or property distributable with respect to each outstanding share of our common stock on the ex-dividend date for such distribution.

Any increase made under the portion of this third bullet point above will become effective immediately after the open of business on the ex-dividend date for such dividend or distribution. If such dividend or distribution is not so paid or made, the conversion rate shall be decreased to be the conversion rate that would then be in effect if such dividend or distribution had not been declared. Notwithstanding the foregoing, if "FMV" (as defined above) is equal to or greater than the "SP0" (as defined above), in lieu of the foregoing increase, each holder of a note shall receive, for each \$25.00 principal amount of notes, at the same time and upon the same terms as holders of our common stock, the amount and kind of our capital stock, evidences of our indebtedness, other assets, securities or property of ours that such holder would have received as if such holder owned a number of shares of common stock equal to the conversion rate in effect on the ex-dividend date for the distribution

With respect to an adjustment pursuant to this third bullet point where there has been a payment of a dividend or other distribution on our common stock of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit where such capital stock or similar equity interest is listed or quoted (or will be listed or quoted upon consummation of the spin-off (as defined below)) on a national securities exchange, which we refer to as a "spin-off," the conversion rate in effect immediately before 5:00 p.m., New York City time, on the tenth trading day immediately following, and including, the ex-dividend date for the spin-off will be increased based on the following formula:

$$CR' = CR0 \times \frac{FMV0 + MP0}{MP0}$$

where,

CR0 = the conversion rate in effect immediately prior to the close of business on the tenth trading day immediately following, and including, the ex-dividend date for the spin-off;

CR' = the conversion rate in effect immediately after the close of business on the tenth trading day immediately following, and including, the ex-dividend date for the spin-off;

FMV0 = the average of the closing sale prices of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock over the 10 consecutive trading-day period immediately following, and including, the ex-dividend date for the spin-off; and

MP0 = the average of the closing sale prices of our common stock over the 10 consecutive trading-day period immediately following, and including, the ex-dividend date for the spin-off.

The adjustment to the conversion rate under the preceding paragraph will occur at the close of business on the tenth trading day immediately following, and including, the ex-dividend date for the spin-off; provided that, for purposes of determining the conversion rate, in respect of any

S-36

TABLE OF CONTENTS

conversion during the 10 trading days following, and including, the effective date of any spin-off, references within the portion of this third bullet point related to “spin-offs” to 10 consecutive trading days shall be deemed replaced with such lesser number of consecutive trading days as have elapsed between the effective date of such spin-off and the relevant conversion date. If the ex-dividend date for the spin-off is less than 10 trading days prior to, and including, the end of the cash settlement period in respect of any conversion, references with respect to 10 trading days shall be deemed replaced, for purposes of calculating the affected daily conversion rates in respect of that conversion, with such lesser number of trading days as have elapsed from, and including, the ex-dividend date for such spin-off to, and including, the last trading day of such cash settlement period.

•
If any cash dividend or distribution is made to all or substantially all holders of our common stock, other than a regular, quarterly cash dividend that does not exceed \$0.28 per share (the “initial dividend threshold”), the conversion rate will be increased based on the following formula:

$$CR1 = CR0 \times \frac{SP0 - T}{SP0 - C}$$

where,

CR0 = the conversion rate in effect immediately prior to the open of business on the ex-dividend date for such dividend or distribution;

CR1 = the conversion rate in effect immediately after the open of business on the ex-dividend date for such dividend or distribution;

SP0 = the average of the closing sale prices of our common stock over the 10 consecutive trading-day period immediately preceding the ex-dividend date for such dividend or distribution;

T = the initial dividend threshold; provided that if the dividend or distribution is not a regular quarterly cash dividend, the initial dividend threshold will be deemed to be zero; and

C = the amount in cash per share of our common stock we distribute to holders of our common stock.

The initial dividend threshold is subject to adjustment in a manner inversely proportional to adjustments to the conversion rate; provided that no adjustment will be made to the initial dividend threshold for any adjustment to the conversion rate under this fourth bullet point. Notwithstanding the foregoing, if at any time regular dividends are distributed other than on a quarterly basis, the dividend threshold amount shall be appropriately adjusted and shall apply to such regular dividends; provided that the total of such regular dividends shall not exceed an aggregate of \$0.28 per share in any quarterly period.

Any increase under this fourth bullet point shall become effective immediately after the open of business on the ex-dividend date for such dividend or distribution. If such dividend or distribution is not so paid, the conversion rate shall be decreased, effective as of the date our board of directors determines not to pay such dividend or distribution, to be the conversion rate that would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if “C” (as defined above) is equal to or greater than “SP0” (as defined above), in lieu of the foregoing increase, each holder of a note shall receive, for each \$25.00 principal amount of notes, at the same time and upon the same terms as holders of our common stock, the amount of cash that such holder would have received as if such holder owned a number of shares of our common stock equal to the conversion rate on the ex-dividend date for such cash dividend or distribution.

•
If we or any of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock, if the cash and value of any other consideration included in the payment per share of our common stock exceeds the average of the closing sale prices

TABLE OF CONTENTS

of our common stock over the 10 consecutive trading-day period commencing on, and including, the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the conversion rate will be increased based on the following formula:

$$CR' = CR0 \times \frac{AC + (SP' \times OS')}{OS0 \times SP'}$$

where,

CR0 = the conversion rate in effect immediately prior to the close of business on the last trading day of the 10 consecutive trading-day period commencing on, and including, the trading day next succeeding the date such tender or exchange offer expires;

CR' = the conversion rate in effect immediately after the close of business on the last trading day of the 10 consecutive trading-day period commencing on, and including, the trading day next succeeding the date such tender or exchange offer expires;

AC = the aggregate value of all cash and any other consideration (as determined by our board of directors or a committee thereof) paid or payable for shares of our common stock purchased in such tender or exchange offer;

OS0 = the number of shares of our common stock outstanding immediately prior to the date such tender or exchange offer expires;

OS' = the number of shares of our common stock outstanding immediately after the date such tender or exchange offer expires (after giving effect to such tender offer or exchange offer); and

SP' = the average of the closing sale prices of our common stock over the 10 consecutive trading-day period commencing on, and including, the trading day next succeeding the date such tender or exchange offer expires.

The increase to the conversion rate under the preceding paragraph will occur at the close of business on the tenth trading day immediately following, but excluding, the date such tender or exchange offer expires; provided that, for purposes of determining the conversion rate, in respect of any conversion during the 10 trading days immediately following, but excluding, the date that any such tender or exchange offer expires, references within this fifth bullet point to 10 consecutive trading days shall be deemed replaced with such lesser number of consecutive trading days as have elapsed between the date such tender or exchange offer expires and the relevant conversion date. If the trading day immediately following the date the tender or exchange offer expires is less than 10 trading days prior to, and including, the end of the cash settlement period in respect of any conversion, references to 10 trading days shall be deemed replaced, for purposes of calculating the affected daily conversion rates in respect of that conversion, with such lesser number of trading days as have elapsed from, and including, the trading day immediately following the date such tender or exchange offer expires to, and including, the last trading day of such cash settlement period.

Notwithstanding the foregoing, if a conversion rate adjustment becomes effective on any ex-dividend date as described above, and a holder converts its notes on or after such ex-dividend date and on or prior to the related record date would be treated as the record holder of shares of our common stock as of the related conversion date as described under “— Conversion Procedures” based on an adjusted conversion rate for such ex-dividend date, then, notwithstanding the foregoing conversion rate adjustment provisions, the conversion rate adjustment relating to such ex-dividend date will not be made for such converting holder. Instead, such holder will be treated as if such holder were the record owner of the shares of our common stock on an un-adjusted basis and participate in the related dividend, distribution or other event giving rise to such adjustment.

The “ex-dividend date” is the first date on which our common stock trades on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question from us or, if applicable, from the seller of our common stock on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

S-38

TABLE OF CONTENTS

The Indenture does not require us to adjust the conversion rate for any of the transactions described in the bullet points above (other than for share splits or share combinations) if we make provision for each holder of the notes to participate in the transaction, at the same time as holders of our common stock participate, without conversion, as if such holder held a number of shares of our common stock equal to the conversion rate in effect on the “ex-dividend date” or effective date, as the case may be, for such transaction, multiplied by the principal amount (expressed in thousands) of notes held by such holder.

If we issue rights, options or warrants that are only exercisable upon the occurrence of certain triggering events, then:

- we will not adjust the conversion rate pursuant to the bullet points above until the earliest of these triggering events occurs; and

- we will readjust the conversion rate to the extent any of these rights, options or warrants are not exercised before they expire.

We will not adjust the conversion rate pursuant to the bullet points above unless the adjustment would result in a change of at least 1% in the then effective conversion rate. However, we will carry forward any adjustment that we would otherwise have to make and take that adjustment into account in any subsequent adjustment. However, on December 31 of each year, and with respect to any notes that are subject to conversion, we will give effect to all adjustments that we have otherwise deferred pursuant to this provision, and those adjustments will no longer be carried forward and taken into account in any subsequent adjustment. Adjustments to the conversion rate will be calculated to the nearest 1/10,000th.

To the extent permitted by law and the continued listing requirements of the NYSE, we may, from time to time, increase the conversion rate by any amount for a period of at least 20 business days or any longer period permitted or required by law, so long as the increase is irrevocable during that period and our board of directors determines that the increase is in our best interests. We will mail a notice of the increase to the trustee, the conversion agent and the registered holders at least 15 days before the day the increase commences. In addition, we may, but are not obligated to, increase the conversion rate as we determine to be advisable in order to avoid or diminish taxes to recipients of certain distributions.

We will not take any action that would result in adjustment of the conversion rate, pursuant to the bullet points above, in such a manner as to result in the reduction of the conversion price to less than the par value per share of our common stock.

To the extent that any future rights plan (i.e., a poison pill) adopted by us, is in effect, upon conversion of the notes, you will receive, in addition to any shares of our common stock that are otherwise due upon conversion, the rights under such future rights plan in respect of such shares of common stock, unless the rights have separated from our common stock at the time of conversion, in which case the conversion rate will be adjusted at the time of separation as if we had distributed to all holders of our common stock, shares of our capital stock, evidences of indebtedness, other assets, securities or property as described in the third bullet point under “— Adjustments to the Conversion Rate” above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

In the event of:

- a taxable distribution to holders of shares of common stock that results in an adjustment to the conversion rate; or
- an increase in the conversion rate at our discretion,

the holders of the notes may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal income tax as a dividend. This generally would occur, for example, if we adjust the conversion rate to compensate holders for cash dividends on our common stock and could also occur if we make other distributions of cash or property to our stockholders. See “Additional U.S. Federal Income Tax Considerations.”

S-39

TABLE OF CONTENTS

Events That Will Not Result in Adjustment

The conversion rate will not be adjusted:

- upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities;
- upon the issuance of any shares of our common stock, restricted stock or restricted stock units, nonqualified stock options, incentive stock options or any other options or rights (including stock appreciation rights) to purchase shares of our common stock pursuant to any present or future employee, director or consultant benefit plan or program of, or assumed by, us or any of our subsidiaries;
- upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in the preceding bullet point and outstanding as of the date the notes were first issued;
- for accrued and unpaid interest, if any;
- upon the repurchase of any shares of our common stock pursuant to an open-market share repurchase program or other buy-back transaction that is not a tender offer or exchange offer of the nature described in “— Conversion Rights — Adjustments to the Conversion Rate”; or
- for a change in the par value of shares of our common stock.

Change in the Conversion Right Upon Certain Reclassifications, Business Combinations and Asset Sales

If we:

- reclassify our common stock (other than a change only in par value or a change as a result of a subdivision or combination of our common stock);
- are party to a consolidation, merger, combination or binding share exchange; or
- sell, transfer, lease, convey or otherwise dispose of all or substantially all of our consolidated property or assets;

in each case pursuant to which our common stock would be converted into or exchanged for, or would constitute solely the right to receive, cash, securities or other property, then, if a holder converts its notes on or after the effective date of any such transaction, subject to our right to settle all or a portion of our conversion obligation with respect to such notes in cash (other than solely cash in lieu of any fractional share) and our right to irrevocably elect net share settlement upon conversion as described above under “— Settlement Upon Conversion,” the notes will be convertible into the same type (in the same proportions) of consideration received by holders of our common stock in the relevant event (which we refer to as the “reference property”). However, at and after the effective time of the transaction, (i) we will continue to have the right to determine the form of consideration to be paid or delivered, as the case may be, upon conversion of such notes, as set forth under “— Settlement Elections” and (ii) (x) any amount payable in cash upon conversion of the notes as set forth under “— Settlement Upon Conversion” will continue to be payable in cash, (y) any

shares of our common stock that we would have been required to deliver upon conversion of the notes as set forth under “— Settlement Upon Conversion” will instead be deliverable in the amount and type of reference property that a holder of that number of shares of our common stock would have received in such transaction and (z) the volume-weighted average price for purposes of the provisions set forth under “— Settlement Upon Conversion” above will be calculated based on the value of a unit of reference property that a holder of one share of our common stock would have received in such transaction. If the transaction causes our common stock to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), the reference property into which the notes will be convertible will be deemed to be the weighted average of the

S-40

TABLE OF CONTENTS

types and amounts of consideration received by the holders of our common stock that affirmatively make such an election. We will notify holders of the weighted average as soon as practicable after such determination is made. We will agree in the Indenture not to become a party to any such transaction unless its terms are consistent with the foregoing.

A change in the conversion right such as this could substantially lessen or eliminate the value of the conversion right. For example, if a third party acquires us in a cash merger, each note would be convertible solely into cash and would no longer be potentially convertible into securities whose value could increase depending on our future financial performance, prospects and other factors. There is no precise, established definition of the phrase “substantially all of our consolidated property or assets” under applicable law. Accordingly, there may be uncertainty as to whether the provisions above would apply to a sale, transfer, lease, conveyance or other disposition of less than all of our consolidated property or assets.

In connection with any adjustment to the conversion rate described above, we will also adjust the initial dividend threshold (as defined under “— Adjustments to the Conversion Rate”) based on the number of shares of common stock comprising the reference property and (if applicable) the value of any non-stock consideration comprising the reference property. If the reference property is composed solely of non-stock consideration, the initial dividend threshold will be zero.

Adjustment to the Conversion Rate Upon the Occurrence of a Make-Whole Fundamental Change or Notice of Redemption

If, prior to the maturity date:

- there occurs a sale, transfer, lease, conveyance or other disposition of all or substantially all of our consolidated property or assets to any “person” or “group” (as those terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), including any group acting for the purpose of acquiring, holding, voting or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act;
- there occurs any transaction or series of related transactions (other than consolidation or merger that constitutes a “listed stock business combination” as described under “— Holders May Require Us to Repurchase Their Notes Upon A Fundamental Change”), in connection with which (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization, asset sale, lease of assets or otherwise) all of our common stock is exchanged for, converted into, acquired for or constitutes solely the right to receive other securities, other property, assets or cash (we refer to such any transaction described in this and the immediately preceding bullet point as a “make-whole fundamental change”); or
- we give a notice of redemption with respect to any or all of the notes as provided for under “— Optional Redemption;”

then, as described below, we will increase the conversion rate applicable to notes that are surrendered for conversion in connection with such make-whole fundamental change or such redemption notice, as applicable. A conversion of notes will be deemed for these purposes to be “in connection with” such make-whole fundamental change if such notes are surrendered for conversion at any time from, and including, the effective date of the make-whole fundamental change to, and including, the 30th business day after the actual effective date of the make-whole fundamental change (or, if the make-whole fundamental change also constitutes a “fundamental change,” as described under “— Holders May Require Us to Repurchase Their Notes Upon A Fundamental Change,” to, and including, the fundamental change repurchase date for that fundamental change). We refer to this period as the “make-whole conversion period.” A conversion of notes will be deemed for these purposes to be “in connection with” a redemption notice if the notice of conversion of the notes is received by the conversion agent from, and including, the date of the redemption notice until the close of business on the business day immediately preceding the redemption date. We refer to this period as the “redemption conversion period.”

TABLE OF CONTENTS

We will mail to the trustee, the conversion agent and the registered holders, at their addresses appearing in the security register, notice of, and we will publicly announce, through a reputable national newswire service, the anticipated effective date of any proposed make-whole fundamental change. We must make this mailing and announcement at least 30 business days before the anticipated effective date of the make-whole fundamental change. In addition, no later than the third business day after the completion of the make-whole fundamental change, we will deliver an additional notice and announcement announcing such completion.

Upon surrender of notes for conversion in connection with the make-whole fundamental change or redemption notice, we will increase the conversion rate by reference to the table below, based on the date when the make-whole fundamental change becomes effective or the date of the redemption notice, as the case may be, in each case which we refer to as the “effective date,” and the “applicable price.” If the make-whole fundamental change is a transaction or series of related transactions described in the second bullet point under “— Adjustment to the Conversion Rate Upon the Occurrence of a Make-Whole Fundamental Change or Notice of Redemption,” and the consideration (excluding cash payments for fractional shares or pursuant to statutory appraisal rights) for shares of our common stock in the make-whole fundamental change consists solely of cash, then the “applicable price” will be the cash amount paid per share of our common stock in the make-whole fundamental change. In all other cases, the “applicable price” will be the average of the closing sale prices of our common stock for the five consecutive trading days immediately preceding, but excluding, the relevant effective date. Our board of directors will make appropriate adjustments, in its good faith determination, to account for any adjustment to the conversion rate that becomes effective, or any event requiring an adjustment to the conversion rate where the “ex-dividend date” of the event occurs, at any time during those five consecutive trading days.

Upon surrender of notes for conversion in connection with a make-whole fundamental change or redemption notice, we will, at our option, satisfy our conversion obligation by delivering or paying, as the case may be, shares of our common stock (together with cash in lieu of any fractional share), cash or a combination of cash and shares of our common stock (together with cash in lieu of any fractional share) as described under “— Settlement Elections.” However, if the consideration for our common stock in any make-whole fundamental change described in the second bullet of the definition of make-whole fundamental change is comprised entirely of cash, for any conversion of notes following the effective date of such make-whole fundamental change, the conversion obligation will be calculated based solely on the applicable price for the transaction and will be deemed to be an amount equal to, per \$25.00 principal amount of converted notes, the applicable conversion rate (including any adjustment as described in this section), multiplied by such applicable price. In such event, the cash due upon conversion will be determined and paid to holders in cash on the third business day following the conversion date.

The following table sets forth the number of additional shares per \$25.00 principal amount of notes that will be added to the conversion rate applicable to the notes that are converted during the make-whole conversion period or the redemption conversion period, as applicable, for each applicable price and effective date. The increased conversion rate will be used to determine the number of shares of our common stock and/or amount of cash, if any, due upon conversion, as described under “— Settlement Upon Conversion” above. If an event occurs that requires an adjustment to the conversion rate, we will, on the date we must adjust the conversion rate, adjust each applicable price set forth in the first column of the table below at the same time the conversion rate is so adjusted by multiplying the applicable price in effect immediately before the adjustment by a fraction:

- whose numerator is the conversion rate in effect immediately before the adjustment; and
- whose denominator is the adjusted conversion rate.

In addition, we will adjust the number of additional shares in the table below at the same time, in the same manner in which, and for the same events for which, we must adjust the conversion rate as described under “— Adjustments to the Conversion Rate.”

TABLE OF CONTENTS

Applicable Price

Effective Date	\$13.08	\$14.00	\$15.00	\$15.37	\$16.00	\$17.00	\$18.00	\$19.00	\$20.00	\$22.00
April 30, 2017	0.2847	0.2255	0.1752	0.1596	0.1360	0.1055	0.0816	0.0628	0.0481	0.0341
April 30, 2018	0.2847	0.2249	0.1737	0.1578	0.1339	0.1031	0.0791	0.0604	0.0458	0.0329
April 30, 2019	0.2847	0.2249	0.1726	0.1563	0.1319	0.1005	0.0762	0.0575	0.0430	0.0314
April 30, 2020	0.2847	0.2249	0.1709	0.1540	0.1289	0.0967	0.0722	0.0535	0.0392	0.0284
April 30, 2021	0.2847									