

ASSOCIATED ESTATES REALTY CORP
Form PREM14A
June 01, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

ASSOCIATED ESTATES REALTY CORPORATION

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common shares, without par value

(2) Aggregate number of securities to which transaction applies:

58,021,078 outstanding common shares (inclusive of 659,096 restricted common shares), options representing 235,376 common shares and other equity awards representing 473,439 common shares.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Solely for the purposes of calculating the filing fee, the underlying value of the transaction was calculated as the sum of \$28.75 per outstanding common share and equity awards convertible into common shares and \$16.55 (which is the excess of \$28.75 over the weighted average exercise price of the options) per option. In accordance with Section 14(a) of the Securities Exchange Act of 1934, as amended, the filing fee was determined at the rate of \$116.20 per \$1,000,000

(4) Proposed maximum aggregate value of transaction:

\$1,685,612,836.55

(5) Total fee paid:

\$195,868.21

Fee paid previously with proxy materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Associated Estates Realty Corporation

1 AEC Parkway

Richmond Heights, Ohio 44143

[], 2015

Dear Fellow Shareholders:

You are cordially invited to attend a special meeting of shareholders of Associated Estates Realty Corporation (Associated Estates, the Company, or we), to be held on [], 2015 at 10 a.m., local time, at The Union Club, 1211 Euclid Avenue, Cleveland, Ohio 44114.

At the special meeting, we will ask you to (1) adopt the merger agreement among BSREP II Aries Pooling LLC (Parent), BSREP II Aries DE Merger Sub Inc. and Associated Estates, (2) approve, on a non-binding, advisory basis, the merger-related named executive officer compensation proposal and (3) adjourn the special meeting, if necessary, in order to further solicit proxies if there are not sufficient votes at the time of the special meeting to adopt the merger agreement.

If the merger agreement is adopted and the merger is completed, Associated Estates will become a wholly owned subsidiary of Parent, and each of your Associated Estates common shares, without par value, will be converted into the right to receive \$28.75 in cash, without interest, less any applicable withholding tax, unless you have properly exercised, and not subsequently waived, your dissenters' rights with respect to such shares.

Associated Estates common shares are listed on the New York Stock Exchange (the NYSE) and on the Nasdaq Stock Market (NASDAQ) under the symbol AEC. The closing price of Associated Estates common shares on the NYSE and NASDAQ on April 21, 2015, the last trading day prior to the public announcement of the execution of the merger agreement, was \$24.48 per share. The closing price of Associated Estates common shares on the NYSE and NASDAQ on [], 2015, the most recent practicable trading day prior to the date of this proxy statement, was \$[] per share.

The Board of Directors of Associated Estates, which is referred to as the Board, has carefully reviewed and considered the terms and conditions of the proposed merger. Based on its review, the Board has determined that the merger agreement, the merger and the transactions contemplated by the merger agreement are advisable and fair to and in the best interests of the Company and its shareholders. Accordingly, the Board has unanimously approved the merger agreement and the merger. The Board made its determination after consultation with its financial and legal advisors and consideration of a number of factors, as described in the proxy statement accompanying this letter. **The Board unanimously recommends that you vote FOR the proposal to adopt the merger agreement, FOR approval, on a non-binding advisory basis, of the merger-related named executive officer compensation proposal and FOR the adjournment proposal.**

The Board is soliciting your proxy to assure a quorum is present, and that your shares are represented and voted at the special meeting.

We cannot complete the merger unless holders of at least a majority of the Associated Estates common shares outstanding and entitled to vote at the special meeting vote to adopt the merger agreement. **Your vote is very**

important, regardless of the number of shares you own. Whether or not you plan to attend the special meeting in person, please complete, sign and date the enclosed proxy and return it promptly in the enclosed postage-paid return envelope, or give your proxy by telephone or over the Internet by following the instructions on the proxy card. You may revoke your proxy at any time prior to its exercise at the special

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meeting in the manner described in the proxy statement accompanying this letter. Completing a proxy now will not prevent you from being able to vote at the special meeting by attending the special meeting in person and casting a vote. Your vote in person at the special meeting will supersede any previously submitted proxy.

If your shares are held in street name, you should instruct your broker how to vote your shares on each proposal in accordance with your voting instruction form.

If you fail to return your proxy or to attend the special meeting in person, your shares will not be counted for purposes of determining whether a quorum is present at the special meeting, and will have the same effect as a vote AGAINST the adoption of the merger agreement.

The proxy statement accompanying this letter explains the proposed merger, the merger agreement and the merger-related named executive officer compensation proposal, and provides specific information concerning the special meeting. A copy of the merger agreement is attached as Annex A to the proxy statement. Please read the entire proxy statement and its annexes, including the merger agreement, carefully. You may obtain additional information about Associated Estates from documents we have filed with the Securities and Exchange Commission.

If you have any questions or need assistance voting your common shares, please contact MacKenzie Partners, our proxy solicitor, by calling toll-free at (800) 322-2885.

Thank you for your continued support.

Sincerely,

Jeffrey I. Friedman

Chairman, President and

Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or the transactions contemplated thereby or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

The accompanying proxy statement is dated [], 2015, and is first being mailed to Associated Estates shareholders on or about [], 2015.

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON [], 2015

To Shareholders of Associated Estates Realty Corporation:

A special meeting of shareholders of Associated Estates Realty Corporation (Associated Estates, the Company, or we), will be held on [], 2015 at 10 a.m., local time, at The Union Club, 1211 Euclid Avenue, Cleveland, Ohio 44114, unless adjourned or postponed to a later date. The special meeting is being held to consider and vote upon the following proposals:

1. To adopt the Agreement and Plan of Merger, dated April 22, 2015, which is referred to as the merger agreement, among BSREP II Aries Pooling LLC (Parent), BSREP II Aries DE Merger Sub Inc. and Associated Estates. If the merger agreement is adopted and the merger is completed, Associated Estates will become a wholly owned subsidiary of Parent, and each of your Associated Estates common shares, without par value, will be converted into the right to receive \$28.75 in cash, without interest, less any applicable withholding tax, unless you have properly exercised, and not subsequently waived your dissenters' rights with respect to such shares.
2. To approve, on a non-binding, advisory basis, the compensation to be paid to Associated Estates' named executive officers that is based on or otherwise relates to the merger. This proposal is described in the section entitled "The Merger" Interests of Associated Estates' Directors and Executive Officers in the Merger" beginning on page [] (we refer to this proposal as the merger-related named executive officer compensation proposal).
3. To adjourn the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to adopt the merger agreement.

Only holders of record of Associated Estates common shares at the close of business on [], 2015, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements thereof. Each Associated Estates common share is entitled to vote on all matters that properly come before the special meeting, and is entitled to one vote on each matter properly brought before the special meeting.

Your Board of Directors unanimously recommends that you vote FOR the proposal to adopt the merger agreement. Associated Estates cannot complete the merger unless the merger agreement is adopted by Associated Estates common shareholders. Adoption of the merger agreement requires the affirmative vote of holders of at least a majority of Associated Estates common shares outstanding and entitled to vote at the special meeting.

Your Board of Directors also unanimously recommends that you vote FOR the non-binding, advisory merger-related named executive officer compensation proposal, and FOR an adjournment of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to adopt the merger agreement.

The attached proxy statement describes the proposed merger, the merger agreement and the merger-related named executive officer compensation proposal, and provides additional information about the parties involved. Please read the entire proxy statement carefully.

Your vote is very important. Whether or not you plan to attend the special meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed, postage-paid return

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envelope, or vote your proxy by telephone or over the Internet by following the instructions on the proxy card. You may revoke your proxy at any time prior to its exercise at the special meeting in the manner described in this proxy statement. Completing a proxy card now will not prevent you from attending the special meeting in person and casting a vote at the special meeting. Your vote at the special meeting will supersede any previously submitted proxy. If you hold your shares in street name, you should instruct your broker how to vote your shares on each proposal in accordance with your voting instruction form.

If you fail to vote your proxy card or to attend the special meeting in person, your shares will not be counted for purposes of determining whether a quorum is present at the special meeting, and will have the same effect as a vote AGAINST the proposal to adopt the merger agreement.

Please do not send any share certificates at this time.

BY ORDER OF THE BOARD OF DIRECTORS

Scott D. Irwin

Senior Vice President, General Counsel and Secretary

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SUMMARY

*This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. You should carefully read this entire proxy statement, including the attached annexes, and the other documents to which we have referred you. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions under *Additional Information* beginning on page [].*

Information About the Merger Parties (page [])

Associated Estates Realty Corporation

1 AEC Parkway

Richmond Heights, Ohio 44143

(216) 261-5000

Associated Estates Realty Corporation (*Associated Estates*, the *Company*, *our*, *we*, or *us*) is a fully integrated, self-administered, self-managed equity real estate investment trust (*REIT*). We specialize in multifamily ownership, operation, acquisition, development, disposition and property management activities. Substantially all of our properties are multifamily communities.

Additional information about Associated Estates and its subsidiaries is included in documents incorporated by reference to this document. See *Additional Information* on page [].

BSREP II Aries Pooling LLC

c/o Brookfield Property Group

Brookfield Place

250 Vesey Street

New York, NY 10281

(212) 417-7000

BSREP II Aries Pooling LLC (*Parent*), a limited liability company organized under the laws of Delaware, is an indirect, wholly owned subsidiary of certain real estate funds managed by Brookfield Asset Management Inc., which is referred to in this proxy statement as *BAM*. *Parent*, *BAM* and certain other entities directly or indirectly managed or controlled by *BAM* are collectively referred to herein as *Brookfield*. *Parent* was formed solely for the purpose of entering into the merger agreement (as defined below) and completing the transactions contemplated by the merger agreement and the financing related to the merger (as defined below).

BSREP II Aries DE Merger Sub Inc.

c/o Brookfield Property Group

Brookfield Place

250 Vesey Street

New York, NY 10281

(212) 417-7000

BSREP II Aries DE Merger Sub Inc. (Merger Sub, and collectively with Parent, the Brookfield Parties) is a Delaware corporation formed by Parent solely for the purpose of entering into the merger agreement and completing the transactions contemplated by the merger agreement and the financing related to the merger. Merger Sub is a wholly owned subsidiary of Parent, and has not engaged in any business except for activities incidental to its formation and as contemplated by the merger agreement and the financing related to

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the merger. Subject to the terms of the merger agreement, upon the completion of the merger, Merger Sub will cease to exist and the Company will continue as the surviving corporation. Notwithstanding the foregoing, subject to the terms of the merger agreement, Merger Sub and Parent may cause the transaction structure to be modified if beneficial to Parent's tax planning.

The Special Meeting (page [])

We are furnishing this proxy statement to our shareholders as part of the solicitation of proxies by our Board of Directors, which we refer to as the Board, for use at the special meeting.

Date, Time and Place

The special meeting of shareholders of Associated Estates will be held on [], 2015 at 10:00 a.m., local time, at The Union Club, 1211 Euclid Avenue, Cleveland, Ohio 44114, unless adjourned or postponed to a later date.

Purpose

In this proxy statement, we refer to the Agreement and Plan of Merger, dated April 22, 2015, as it may be amended from time to time, among Associated Estates and the Brookfield Parties as the merger agreement, and the merger of Merger Sub with and into the Company as the merger.

You will be asked to consider and vote upon a proposal to adopt the merger agreement. If the merger agreement is adopted and the merger is completed as contemplated thereby, Associated Estates will become a wholly owned subsidiary of Parent. Each Associated Estates common share, without par value, which we refer to as Associated Estates common shares, you own at the effective time of the merger will be converted into the right to receive \$28.75 per share in cash, without interest, less any applicable tax withholding.

You will also be asked to vote to approve, on a non-binding, advisory basis, the compensation to be paid to Associated Estates named executive officers that is based on or otherwise relates to the merger. This proposal is referred to as the merger-related named executive officer compensation proposal. As an advisory vote, the result will not be binding on Associated Estates, the Board or the compensation committee of the Board. Therefore, if the merger is adopted by the shareholders of Associated Estates and completed, this compensation, including amounts that the Company may be contractually obligated to pay, could still be payable to the Associated Estates named executive officers regardless of whether the shareholders of Associated Estates approve this proposal.

You will also be asked to vote to approve adjournments of the special meeting if necessary to permit further solicitation of proxies, and to transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

Record Date; Shareholders Entitled to Vote

You are entitled to vote at the special meeting if you owned Associated Estates common shares as of the close of business on [], 2015, the record date for the special meeting. As of the record date, there were [] Associated Estates common shares outstanding and entitled to vote at the special meeting, held by [] holders of record. You will have one vote on each matter submitted to a vote at the special meeting for each Associated Estates common share that you owned as of the close of business on the record date.

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Voting and Proxies; Revocation of Proxies

Shareholders can vote their Associated Estates common shares at the special meeting in one of four ways, including (i) by proxy via the enclosed proxy card, (ii) by telephone at the toll-free number [], (iii) over the Internet at the Web site [] or (iv) in person at the special meeting. See and read carefully *Proposals to be Considered at the Special Meeting* *Voting* beginning on page [].

You may revoke your proxy at any time prior to the vote at the special meeting by delivering to Associated Estates Secretary a signed notice of revocation or submitting a later-dated, signed proxy card. You also may revoke your proxy by attending the special meeting and voting in person. Attendance at the special meeting will not, in and of itself, result in the revocation of a proxy or cause your Associated Estates common shares to be voted. If your shares are held in street name by a broker or other nominee, you should instruct your broker how to vote your shares on each proposal in accordance with your voting instruction form. In addition, if your shares are held in street name by a broker or other nominee, if you attend the special meeting in person, you will not be able to vote your shares in person at the meeting unless you obtain a legal proxy from your broker or other nominee, giving you the right to vote the shares at the meeting.

Quorum

A quorum of shareholders is necessary to hold a valid meeting. Under our Amended and Restated Code of Regulations, the holders of a majority of our outstanding common shares entitled to vote at the special meeting, present in person or by proxy, shall constitute a quorum.

The holders of a majority of our common shares present or represented at the special meeting, whether or not a quorum is present, may adjourn the meeting without notice (other than by announcement at the meeting), until the requisite number of shares shall be present or represented.

If you submit a properly executed proxy card, even if you abstain from voting, your Associated Estates common shares will be counted for purposes of determining whether a quorum is present at the special meeting. In the event a quorum is not present at the special meeting or additional votes must be solicited to adopt the merger agreement, it is expected that the meeting will be adjourned to solicit additional proxies.

Vote Required

Adoption of the merger agreement requires the affirmative vote of holders of at least a majority of Associated Estates common shares outstanding and entitled to vote at the special meeting.

The approval, on a non-binding basis, of the merger-related named executive officer compensation proposal requires the affirmative vote of a majority of the votes cast by holders of Associated Estates common shares present or represented by proxy at the special meeting and entitled to vote thereon.

A proposal to approve an adjournment of the special meeting, whether or not a quorum is present, requires the affirmative vote of holders of a majority of the Associated Estates common shares present or represented by proxy at the special meeting and entitled to vote thereon.

As of the record date, there were [] Associated Estates common shares outstanding.

Effect of Abstentions on Voting

Abstentions and shares not in attendance and not voted at the special meeting will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement. Abstentions and shares not in attendance at the

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special meeting and not voted by proxy will have no effect on the merger-related named executive officer compensation proposal. Abstentions will have the same effect as a vote **AGAINST** the proposal to adjourn the special meeting, if necessary, but shares not in attendance at the special meeting and not voted by proxy will have no effect on the proposal to adjourn the special meeting, if necessary. Brokers or banks holding Associated Estates common shares in street name may not vote your Associated Estates common shares on the proposal to adopt the merger agreement, the merger-related named executive officer compensation proposal, or the proposal to adjourn the special meeting, if necessary, absent instruction from you. Therefore, unless you attend the special meeting in person with a properly executed legal proxy from your broker or other nominee, your failure to provide instructions will result in your shares not being present at the meeting and not being voted on those proposals. Consequently, there cannot be any broker non-votes occurring in connection with these proposals at the special meeting.

It is very important that **ALL** of our shareholders vote their Associated Estates common shares, so please promptly complete and return the enclosed proxy card.

Expenses of Proxy Solicitation

Our directors, officers and other employees may solicit proxies in person, by telephone, electronically, by mail or other means, but they will not be specifically compensated for these services. Brokers, banks and other persons will be reimbursed by us for expenses they incur in forwarding proxy material to obtain voting instructions from beneficial shareholders. We have also hired MacKenzie Partners to assist in the solicitation of proxies. The total cost of solicitation of proxies will be borne by us. For a description of the costs and expenses to us of soliciting proxies, see [Proposals to be Considered at the Special Meeting Solicitation Costs](#) on page [].

Shareholders should not send in their share certificates with their proxies. A transmittal form with instructions for the surrender of certificates representing Associated Estates common shares will be mailed to shareholders if the merger is completed.

Recommendations of the Board (page [])

The Board has determined that the merger agreement, the merger and the transactions contemplated by the merger agreement are advisable and fair to and in the best interests of the Company and its shareholders, has unanimously approved the merger agreement and the merger and unanimously recommends that our shareholders vote **FOR** the proposal to adopt the merger agreement. The Board also unanimously recommends that you vote **FOR** the non-binding, advisory merger-related named executive officer compensation proposal and **FOR** any adjournment of the special meeting if necessary to permit solicitation of further proxies if there are not sufficient votes at the time of the special meeting to adopt the merger agreement. For additional information regarding certain factors the Board considered in making its recommendation, please see [The Merger Recommendations of the Board and Reasons for the Merger](#) beginning on page [].

Opinion of the Company's Financial Advisor (page [])

In connection with the merger, Citigroup Global Markets Inc., which we refer to in this proxy statement as Citi, financial advisor to Associated Estates, delivered a written opinion, dated April 21, 2015, to the Board as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received by holders of Associated Estates common shares pursuant to the merger agreement. The full text of Citi's written opinion, dated April 21, 2015, which describes the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken, is attached as [Annex B](#) to this proxy statement and is incorporated herein by reference. The description of Citi's opinion set forth below is qualified in its entirety by reference to the full text of

Citi s opinion. **Citi s opinion was provided for the information of**

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the Board (in its capacity as such) in connection with its evaluation of the merger consideration from a financial point of view and did not address any other terms, aspects or implications of the merger. Citi was not requested to consider, and its opinion did not address, the underlying business decision of Associated Estates to effect the merger, the relative merits of the merger as compared to any alternative business strategies that might exist for Associated Estates or the effect of any other transaction in which Associated Estates might engage or consider. Citi's opinion is not intended to be and does not constitute a recommendation as to how any shareholder should vote or act on any matters relating to the proposed merger or otherwise.

The Merger and the Merger Agreement (pages [] & [])

The rights and obligations of the parties to the merger agreement are governed by the specific terms and conditions of the merger agreement and not by any summary or other information in this proxy statement. Therefore, the information in this proxy statement regarding the merger agreement and the merger is qualified in its entirety by reference to the merger agreement, a copy of which is attached as [Annex A](#) to this proxy statement. We encourage you to read the merger agreement carefully and in its entirety because it is the principal legal agreement that governs the merger.

Structure of the Merger

At the effective time of the merger and subject to the terms of the merger agreement, Associated Estates will be acquired by Parent by means of a merger of Merger Sub with and into Associates Estates. Notwithstanding the foregoing, subject to the terms of the merger agreement, Merger Sub and Parent may cause the transaction structure to be modified if beneficial to Parent's tax planning.

Consideration to be Received in the Merger

At the effective time of the merger, each Associated Estates common share, other than shares that are to be cancelled pursuant to the merger agreement and shares as to which dissenters' rights have been properly exercised, and not subsequently waived, will be converted into the right to receive \$28.75 per share in cash, which we refer to in this proxy statement as the merger consideration, without interest, less any applicable withholding tax. For additional information regarding the cancellation of shares, see [The Merger Agreement Cancellation of Shares](#) beginning on page []. After the effective time of the merger, Associated Estates common shares will no longer be publicly traded.

Associated Estates Share Options

Pursuant to the merger agreement, at the effective time of the merger, each share option to purchase Associated Estates common shares outstanding as of the effective time of the merger (whether or not vested and exercisable prior to the effective time of the merger) will become fully vested, will be cancelled and will be converted into the right to receive an amount in cash equal to the product of the excess of \$28.75 over the per share exercise price of such share option multiplied by the total number of Associated Estates common shares covered by the share option, without interest, less any applicable withholding tax. Any share options that have a per share exercise price that is equal to or greater than \$28.75 will be cancelled without payment at the effective time of the merger. For additional information regarding the treatment of stock options, see [The Merger Agreement Treatment of Equity-Based Awards](#) beginning on page [].

Performance Restricted Shares

Pursuant to the merger agreement, at the effective time of the merger, (1) all Associated Estates restricted shares that remain subject to performance-based vesting criteria, which we refer to as performance restricted

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shares, outstanding immediately prior to the effective time of the merger that relate to a performance period that has expired as of the effective time of the merger will vest in that number of Associated Estates common shares determined at the end of the performance period based on actual performance through the end of the performance period; and (2) each performance restricted share outstanding immediately prior to the effective time of the merger that relates to a performance period that has not expired as of the effective time of the merger will vest in that number of Associated Estates common shares determined as if the applicable performance-based vesting criteria had been achieved at the maximum level. Each such performance restricted share that vests will be treated as an outstanding Associated Estates common share and will be converted into the right to receive \$28.75 per share in cash, without interest, less any applicable withholding tax. In addition, each holder of a performance restricted share will be entitled to receive any accrued but unpaid dividends previously declared by the Company and any interest earned thereon as of the effective time of the merger with respect to such performance restricted share. For additional information regarding the treatment of performance restricted shares, see *The Merger Agreement Treatment of Equity-Based Awards* beginning on page [].

Restricted Shares

Pursuant to the merger agreement, immediately before the effective time of the merger, all Associated Estates restricted shares (other than any performance restricted share), which we refer to as restricted shares, outstanding immediately prior to the effective time of the merger will vest in full, will be treated as outstanding Associated Estates common shares and will each be converted into the right to receive \$28.75 per share in cash, without interest, less any applicable withholding tax. For additional information regarding the treatment of restricted shares, see *The Merger Agreement Treatment of Equity-Based Awards* beginning on page [].

Deferred Compensation Awards

Pursuant to the merger agreement, each equity-based award deferred under any deferred compensation plan, and all accounts that represent amounts notionally invested in Associated Estates common shares under the Company's Directors' Deferred Compensation Plan, will, as of immediately before the effective time of the merger, vest in full and will, as of the effective time of the merger, be converted into the right to have allocated to the holder's account under such deferred compensation plan an amount in cash equal to the product of the number of Associated Estates shares deferred or deemed notionally invested under such deferred compensation plan multiplied by \$28.75 reduced, to the extent applicable, but not below zero, by the exercise price applicable to such award, less any required withholding tax. For additional information regarding the treatment of deferred compensation awards, see *The Merger Agreement Treatment of Equity-Based Awards* beginning on page [].

Conditions to the Merger

A number of conditions must be satisfied or waived before the merger can be completed. See and read carefully *The Merger Agreement Conditions to Completion of the Merger* beginning on page []. We can offer no assurance that all of the conditions will be satisfied or waived or that the merger will occur.

Termination of the Merger Agreement and Termination Fees

The merger agreement may be terminated by the mutual written consent of Parent, Merger Sub and Associated Estates, or by either Parent or Associated Estates, under certain, specified circumstances. Upon termination of the merger agreement under certain, specified circumstances, we may be required to pay a termination fee of \$60,000,000 to Parent. Further, if the merger agreement is terminated due to shareholder adoption of the merger agreement having not been obtained at the special meeting, then we will be required to reimburse Parent for out-of-pocket transaction

expenses in the amount of \$20,000,000. See and read carefully The Merger Agreement Termination beginning on page [] and The Merger Agreement Effect of Termination beginning on page [].

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Acquisition Proposals

The merger agreement provides that from the date of the merger agreement, which we refer to as the signing date, until the effective time of the merger, we are not permitted to directly or indirectly solicit, initiate or knowingly facilitate or encourage (including by way of furnishing non-public information) any inquiries regarding, or the making of any proposal or offer that constitutes, or would reasonably be expected to lead to, a takeover proposal or engage in or otherwise participate in any discussions or negotiations regarding any such proposal. Nevertheless, under certain circumstances before the time the merger agreement is adopted by our shareholders, if we receive an unsolicited written acquisition proposal from a third party that our Board determines in good faith (after consultation with legal counsel and its financial advisor) that the proposal is or would reasonably be expected to lead to a superior proposal, we may furnish nonpublic information to that third party and engage in negotiations regarding a takeover proposal with that third party, subject to specified conditions. See and read carefully *The Merger Agreement – Acquisition Proposals* beginning on page [].

Merger Litigation

Since the execution of the merger agreement, four putative class action and shareholder derivative lawsuits have been filed by purported shareholders of Associated Estates relating to the merger. These lawsuits generally allege the directors of Associated Estates breached their fiduciary duties to Associated Estates and its shareholders by agreeing to enter into the merger agreement for an allegedly unfair price and as the result of an allegedly unfair process.

Among other things, the lawsuits seek injunctive relief against the consummation of the merger. Associated Estates and its directors believe the allegations against them lack merit and intend to defend the lawsuits vigorously. See *The Merger – Certain Litigation Related to the Merger* beginning on page [].

Financing

The obligation of the Brookfield Parties under the merger agreement to complete the merger is not subject to a condition regarding obtaining financing. Parent and Merger Sub have represented that the net proceeds contemplated from the financing, together with other funds available to the Brookfield Parties on the closing date, including any substitute financing, will, in the aggregate, be sufficient to pay the amounts due under the merger agreement, pay related fees and expenses in connection with the merger and to repay or refinance certain outstanding indebtedness of the Company.

We estimate the total funds needed by the Brookfield Parties to pay our shareholders and holders of equity awards the amounts due to them under the merger agreement, pay related fees and expenses in connection with the merger and to repay or refinance certain outstanding indebtedness of the Company and its subsidiaries will be approximately \$2,600,000,000. See *The Merger – Brookfield Financing* beginning on page [] and *The Merger Agreement – Financing* beginning on page [].

Market Price of Associated Estates Common Shares (page [])

Associated Estates common shares are listed on the New York Stock Exchange (the *NYSE*) and the Nasdaq Stock Market (*NASDAQ*) under the symbol *AEC*. The closing price of Associated Estates common shares on the NYSE and NASDAQ on April 21, 2015, the last trading day prior to the public announcement of the execution of the merger agreement, was \$24.48 per share. The closing price of Associated Estates common shares on the NYSE and NASDAQ on [], 2015, the most recent practicable trading day prior to the date of this proxy statement, was \$[] per share.

Table of Contents**Governmental and Regulatory Matters (page [])**

We are not aware of any material governmental license or regulatory permit that may be adversely affected by the merger or of any approval or other action by any domestic or foreign government or governmental administrative or regulatory authority or agency that would be required pursuant to the merger, other than the filing of the certificate of merger with, and the acceptance of the articles for record by, the Secretaries of State of Delaware and Ohio. Should any such approval or other action be required, we currently contemplate that such approval or other action will be sought. There is no current intent to delay the merger pending the outcome of any such matter. There can be no assurance that any such approval or other action, if needed, would be obtained (with or without substantial conditions), or that if such approvals were not obtained or such other actions were not taken, adverse consequences would not result to the Company's business, which could result in a termination of the merger.

Certain United States Federal Income Tax Consequences (page [])

The exchange of Associated Estates common shares for cash pursuant to the merger agreement generally will be a taxable transaction for United States federal income tax purposes. Shareholders that are U.S. Holders (as such term is defined below in The Merger Certain United States Federal Income Tax Consequences) who exchange their Associated Estates common shares in the merger generally will recognize gain or loss in an amount equal to the difference, if any, between the cash received in the merger and their adjusted tax basis in their Associated Estates common shares. Gain recognized on the receipt of cash in exchange for Associated Estates common shares pursuant to the merger by shareholders who are Non-U.S. Holders (as such term is defined below The Merger Certain United States Federal Income Tax Consequences) may also be subject to United States federal income tax in certain circumstances.

You should read The Merger Certain United States Federal Income Tax Consequences beginning on page [] for a more complete discussion of the United States federal income tax consequences of the merger. As discussed below in The Merger Agreement Tax Objectives, Parent may exercise its right to cause the merger agreement to be amended so as to cause the merger to be treated as an asset sale for United States federal income tax purposes. Tax matters can be complicated, and the tax consequences of the merger to you will depend on your particular circumstances, as well as whether Parent exercises its right to cause the merger agreement to be amended. We urge you to consult your own tax advisor to fully understand the tax consequences of the merger to you (including the application and effect of any state, local or foreign income and other tax laws), as well as the tax consequences of a merger treated as an asset sale.

Interests of Associated Estates Directors and Executive Officers in the Merger (page [])

When considering the recommendation of the Board to approve the proposal to adopt the merger agreement, you should be aware that some of our directors and executive officers have interests in the merger that may be different from, or in addition to, their interests as shareholders and the interests of shareholders generally. The Board was aware of these interests during its deliberations on the merits of the merger and in deciding to recommend that you vote for the proposal to adopt the merger agreement at the special meeting. For a more detailed discussion of these interests, see The Merger Interests of Associated Estates Directors and Executive Officers in the Merger beginning on page [].

Dissenters Rights of Associated Estates Common Shareholders (page [])

If the merger is completed, holders of Associated Estates common shares who do not vote in favor of adopting the merger agreement will have the right to seek appraisal of the fair cash value of their shares under Sections 1701.84 and 1701.85 of the Ohio Revised Code (the ORC). This value could be more than, less than, or the same as the merger consideration for Associated Estates common shares. Failure to strictly comply with all procedures required by

Section 1701.85 of the ORC will result in a loss of the right to appraisal.

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Merely voting against the proposal to adopt the merger agreement will not preserve your right to appraisal under the ORC. Also, because a submitted proxy signed but not marked against or abstain will, unless timely revoked, be voted for the proposal to adopt the merger agreement, the submission of a proxy not marked against or abstain will result in the waiver of dissenters' rights. If you hold shares in the name of a broker or other nominee, you should consult with your broker or other nominee to determine the appropriate procedures for the making of a demand for appraisal by your broker or other nominee.

Annex C to this proxy statement contains the full text of Sections 1701.84 and 1701.85 of the ORC, which relate to dissenters' rights. We encourage you to read these provisions carefully and in their entirety, and, in view of their complexity, consult with your legal and financial advisors if you wish to pursue any rights therein.

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**QUESTIONS AND ANSWERS ABOUT THE
SPECIAL MEETING AND THE MERGER**

The Merger

Q. Why am I receiving this proxy statement?

A. The Brookfield Parties have entered into an agreement to acquire Associated Estates under the terms of the merger agreement described in this proxy statement. A copy of the merger agreement is attached to this proxy statement as [Annex A](#).

In order to complete the merger, our shareholders must vote to adopt the merger agreement. We are seeking to obtain this approval at the special meeting to be held on [], 2015. The approval of this proposal by our shareholders is a condition to the effectiveness of the merger. See The Merger Agreement Conditions to Completion of the Merger beginning on page [].

You are also being asked to vote on a proposal to approve, on a non-binding, advisory basis, the merger-related named executive officer compensation proposal, and on a proposal to adjourn the special meeting, if necessary, in order to further solicit proxies if there are not sufficient votes at the time of the special meeting to adopt the merger agreement.

This proxy statement, which you should read carefully, contains important information about the merger, the merger agreement and the special meeting of our shareholders. The enclosed voting materials allow you to vote your shares without attending the special meeting.

Your vote is very important. We encourage you to vote as soon as possible.

Q. What is the position of the Board regarding the merger?

A. The Board has unanimously approved the merger agreement and the merger, and has determined that the merger agreement, the merger and the transactions contemplated by the merger agreement are advisable and fair to and in the best interests of Associated Estates and its shareholders. The Board unanimously recommends that Associated Estates common shareholders vote **FOR** the proposal to adopt the merger agreement at the special meeting. See The Merger Recommendations of the Board and Reasons for the Merger beginning on page [].

Q. What vote of Associated Estates common shareholders is required to adopt the merger agreement?

A. The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the Associated Estates common shares outstanding and entitled to vote at the special meeting. If an Associated Estates shareholder does not vote, it will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement.

Q. How do Associated Estates directors and executive officers intend to vote their Associated Estates common shares in respect of the proposal to adopt the merger agreement?

A. All of our directors and all of our executive officers have informed us that they currently intend to vote all of their Associated Estates common shares **FOR** the proposal to adopt the merger agreement.

Q. What will happen to my Associated Estates common shares after the merger?

A. Upon completion of the merger, each issued and outstanding Associated Estates common share, except for shares that will be cancelled pursuant to the merger agreement and shares as to which dissenters' rights have been properly exercised, and not subsequently waived, will automatically be converted into the right to receive \$28.75 per share in cash, without interest, less any applicable withholding tax, which is referred to as the merger consideration.