

Edgar Filing: Altisource Asset Management Corp - Form 10-Q

Altisource Asset Management Corp
Form 10-Q
April 29, 2014

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 000-54809

Altisource Asset Management Corporation
(Exact name of registrant as specified in its charter)
UNITED STATES VIRGIN ISLANDS 66-0783125
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

402 Strand Street
Frederiksted, United States Virgin Islands 00840-3531
(Address of principal executive office)

(340) 692-1055
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller Reporting Company

Edgar Filing: Altisource Asset Management Corp - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
 No

As of April 25, 2014, 2,241,097 shares of our common stock were outstanding.

Altisource Asset Management Corporation

March 31, 2014

Table of Contents

<u>Part I</u>	<u>1</u>
<u>Item 1. Financial statements (unaudited)</u>	<u>1</u>
<u>Consolidated Balance Sheets</u>	<u>2</u>
<u>Consolidated Statements of Operations</u>	<u>3</u>
<u>Consolidated Statements of Equity</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management's discussion and analysis of financial condition and results of operations</u>	<u>16</u>
<u>Item 3. Quantitative and qualitative disclosures about market risk</u>	<u>35</u>
<u>Item 4. Controls and procedures</u>	<u>36</u>
<u>Part II</u>	<u>36</u>
<u>Item 1A. Risk factors</u>	<u>36</u>
<u>Item 2. Unregistered sales of equity securities and use of proceeds</u>	<u>36</u>
<u>Item 4. Mine safety disclosures</u>	<u>37</u>
<u>Item 6. Exhibits</u>	<u>38</u>
<u>Signatures</u>	<u>39</u>

(table of contents)

References in this report to "we," "our," "us," or the "Company" refer to Altisource Asset Management Corporation and its consolidated subsidiaries, unless otherwise indicated. References in this report to "Residential" refer to Altisource Residential Corporation, unless otherwise indicated. References in this report to "Altisource" refer to Altisource Portfolio Solutions S.A. and its consolidated subsidiaries, unless otherwise indicated. References in this report to "Ocwen" refer to Ocwen Financial Corporation and its consolidated subsidiaries, unless otherwise indicated.

Special note on forward-looking statements

Our disclosure and analysis in this quarterly report on Form 10-Q contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to as the "Securities Act," and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the "Exchange Act." In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this quarterly report reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. Factors that may materially affect such forward-looking statements include, but are not limited to:

- our ability to implement our business strategy and the business strategy of Residential;
- our ability to retain and maintain our strategic relationships with related parties;
- the ability of Residential to generate cash available for distribution to its stockholders under our management;
- our ability to effectively compete with our competitors;
- Residential's ability to complete future or pending transactions;
- our ability to retain Residential as a client;
- the failure of Altisource and Ocwen to effectively perform their obligations under their agreements with us and Residential;
- general economic and market conditions; and
- governmental regulations, taxes and policies.

While forward-looking statements reflect our good faith beliefs, assumptions and expectations, they are not guarantees of future performance. Such forward-looking statements speak only as of their respective dates, and we assume no obligation to update them to reflect changes in underlying assumptions or factors, new information or otherwise. For a further discussion of these and other factors that could cause our future results to differ materially from any forward-looking statements, please see the risk factors set forth in our annual report on Form 10-K for the year ended December 31, 2013.

(table of contents)

Part I

Item 1. Financial statements (unaudited)

Certain information contained herein is presented as of April 25, 2014, which we have concluded is the latest practicable date for financial information prior to the filing of this quarterly report.

1

(table of contents)

Altisource Asset Management Corporation

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

(Unaudited)

	March 31, 2014	December 31, 2013
Assets:		
Real estate assets:		
Land (from consolidated VIE)	\$1,367	\$478
Rental residential properties, net (from consolidated VIE)	6,488	3,092
Real estate owned (from consolidated VIE)	121,895	32,332
	129,750	35,902
Real estate assets held for sale (from consolidated VIE)	4,224	1,186
Mortgage loans (from consolidated VIE)	1,766,142	1,207,163
Cash and cash equivalents (including from consolidated VIE \$48,022 and \$115,988, respectively)	280,466	140,000
Restricted cash (from consolidated VIE)	7,334	5,878
Accounts receivable (including from consolidated VIE \$681 and \$1,428, respectively)	926	1,428
Related party receivables (including from consolidated VIE \$10,444 and \$9,260, respectively)	10,560	9,260
Deferred leasing and financing costs, net (from consolidated VIE)	1,808	2,293
Prepaid expenses and other assets (including from consolidated VIE \$353 and \$1,542, respectively)	1,200	1,994
Total assets	\$2,202,410	\$1,405,104
Liabilities:		
Repurchase agreements (from consolidated VIE)	\$699,950	\$602,382
Accounts payable and accrued liabilities (including from consolidated VIE \$5,835 and \$4,952, respectively)	8,250	6,872
Related party payables (including from consolidated VIE \$359 and \$1,409, respectively)	3,754	2,883
Total liabilities	711,954	612,137
Commitments and contingencies (Note 6)		
Mezzanine Equity		
Preferred stock, \$0.01 par value, 250,000 shares issued and outstanding as of March 31, 2014 and none issued or outstanding as of December 31, 2013; redemption value \$250,000	248,886	—
Equity:		
Common stock, \$.01 par value, 5,000,000 authorized shares; 2,396,203 and 2,353,963 shares issued and outstanding, respectively as of March 31, 2014 and 2,354,774 shares issued and outstanding as of December 31, 2013	24	24
Additional paid-in capital	16,189	12,855
Retained earnings	1,489	(5,339)
Treasury stock, at cost, 42,240 shares as of March 31, 2014 and none as of December 31, 2013	(44,565)	—
Total stockholders' equity	(26,863)	7,540
Noncontrolling interest in consolidated affiliate	1,268,433	785,427
Total equity	1,241,570	792,967

Total liabilities and equity	\$2,202,410	\$1,405,104
------------------------------	-------------	-------------

See accompanying notes to Consolidated Financial Statements.

(table of contents)

Altisource Asset Management Corporation
Consolidated Statements of Operations
(In thousands, except share and per share amounts)
(Unaudited)

	Three months ended March 31, 2014	Three months ended March 31, 2013	
Rental revenues and net gain on investments:			
Rental revenues	\$69	\$—	
Net unrealized gain on mortgage loans	65,130	1,128	
Net realized gain on mortgage loans	9,321	387	
Total revenues	74,520	1,515	
Expenses:			
Residential property operating expenses	1,050	—	
Real estate depreciation and amortization	48	—	
Mortgage loan servicing costs	11,437	392	
Interest expense	5,708	42	
General and administrative	5,955	2,698	
Related party general and administrative	923	207	
Total expenses	25,121	3,339	
Other income	108	—	
Net income (loss) before income taxes	49,507	(1,824)
Income tax expense	766	—	
Net income (loss)	48,741	(1,824)
Net (income) loss attributable to noncontrolling interest in consolidated affiliate	(41,913)	984
Net income (loss) attributable to common stockholders	\$6,828	\$(840)
Earnings (loss) per share of common stock – basic:			
Earnings (loss) per basic share	\$2.88	\$(0.36)
Weighted average common stock outstanding – basic	2,367,202	2,343,213	
Earnings (loss) per share of common stock – diluted:			
Earnings (loss) per diluted share	\$2.39	\$(0.36)
Weighted average common stock outstanding – diluted	2,856,079	2,343,213	

See accompanying notes to consolidated financial statements.

(table of contents)

Altisource Asset Management Corporation
Consolidated Statements of Equity
(In thousands, except share amounts)
(Unaudited)