

LAS VEGAS SANDS CORP  
Form 8-K  
August 26, 2010

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (date of earliest event reported): August 26, 2010**

**LAS VEGAS SANDS CORP.**

**(Exact name of registrant as specified in its charter)**

**NEVADA**  
**(State or other jurisdiction**  
  
**of incorporation)**

**001-32373**  
**(Commission**  
  
**File Number)**

**27-009920**  
**(IRS Employer**  
**Identification No.)**

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3355 LAS VEGAS BOULEVARD SOUTH

LAS VEGAS, NEVADA  
(Address of principal executive offices)

89109  
(Zip Code)

Registrant's telephone number, including area code: (702) 414-1000

NOT APPLICABLE

(Former name or former address, if changed since last report)

Check the appropriate box if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See General Instruction A.2. below):

- .. Written Communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 7.01 Regulation FD Disclosure.**

On August 26, 2010, Sands China Ltd. ( SCL ), an indirect subsidiary of Las Vegas Sands Corp. (the Company ), with ordinary shares of common stock listed on The Stock Exchange of Hong Kong Limited (the SEHK ), filed its interim results in respect of the six month period ended June 30, 2010 (the Semi-Annual Results Announcement ) with the SEHK. The Semi-Annual Results Announcement is attached as Exhibit 99.1 to this report and is incorporated by reference into this item.

The information in this Form 8-K and Exhibit 99.1 attached hereto shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in any such filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

99.1 Semi-Annual Results Announcement of Sands China Ltd., dated August 26, 2010

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 8-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 26, 2010

**LAS VEGAS SANDS CORP.**

By: /s/ GAYLE M. HYMAN  
Name: **Gayle M. Hyman**  
Title: **Senior Vice President and General Counsel**

**INDEX TO EXHIBITS**

99.1 Semi-Annual Results Announcement of Sands China Ltd., dated August 26, 2010  
yle="vertical-align:bottom;background-color:#cceedd;">

27,761

122.4

%

Iowa

24

2,030

2,178

102.8

%

Kansas

24

2,584

3,004

105.6

%

Kentucky

47

5,722

5,221

120.3

%

Louisiana

38

6,491

6,846

111.6

%

Maine

37

6,915

6,877

110.3

%

Maryland

581

155,135

127,474

142.9

%

Massachusetts

271

74,420

74,619

115.8

%

Michigan

79

12,646

12,639

164.5

%

Minnesota

38

8,015

8,173

122.1

%

Mississippi

25

2,897

2,845

114.2

%

Missouri

71

6,817

5,868

171.3

%

27

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Montana	2	461	560	84.3	%
Nebraska	4	465	440	105.9	%
Nevada	230	73,018	56,329	143.4	%
New Hampshire	11	3,013	3,200	100.8	%
New Jersey	1,062	318,192	250,343	157.5	%
New Mexico	123	17,473	17,040	112.6	%
New York	720	248,166	254,231	113.9	%
North Carolina	215	28,655	27,136	119.2	%
North Dakota	1	123	140	87.9	%
Ohio	113	16,575	14,475	282.2	%
Oklahoma	32	4,136	4,214	122.6	%
Oregon	103	30,424	28,364	116.5	%
Pennsylvania	256	46,795	39,820	143.0	%
Puerto Rico	2	218	285	77.2	%
Rhode Island	49	11,290	6,377	230.1	%
South Carolina	189	33,746	31,193	119.2	%
South Dakota	3	395	325	132.0	%
Tennessee	75	11,062	10,971	121.2	%
Texas	422	48,992	68,197	83.3	%
Utah	52	11,463	11,989	101.9	%
Vermont	9	1,451	1,383	128.9	%
Virginia	136	44,543	42,928	118.6	%
Washington	466	126,931	122,573	115.6	%
West Virginia	8	1,009	838	128.0	%
Wisconsin	57	8,331	6,587	154.3	%
Total mortgage loans	10,089	\$2,708,122	\$2,523,008	130.3	%

Market value is based on the most recent BPO provided to us by the applicable seller for each property in the respective portfolio as of its cut-off date or an updated BPO received since the acquisition was completed.

- (1) Although we performed diligence on a representative sample of the properties to confirm the accuracy of the BPOs provided to us by the sellers, we cannot assure you that the BPOs set forth in this table accurately reflected the actual market value of the related property at the purported time or accurately reflect such market value today.
- (2) Weighted average loan to value (LTV) is based on the loan to value weighted by unpaid principal balance for each state.

## Results of operations

Three months ended March 31, 2015 versus three months ended March 31, 2014

## Rental revenues

Rental revenues increased to \$1.4 million for the three months ended March 31, 2015 compared to \$0.1 million for the three months ended March 31, 2014. The number of leased properties increased to 587 at March 31, 2015 from 35 at March 31, 2014. We also had an additional 151 properties listed for rent at March 31, 2015. We expect to generate increasing rental revenues as we continue to renovate, list and rent additional residential rental properties. Our rental revenues will depend primarily on occupancy levels and rental rates for our residential rental properties. Because our lease terms generally are expected to be two or fewer years, our occupancy levels and rental rates will be highly dependent on localized residential rental markets, our ability to manage maintenance and repair costs and our renters'



desire to remain in our properties.

Net unrealized gain on mortgage loans

Our net unrealized gains on mortgage loans decreased to \$61.1 million for the three months ended March 31, 2015 from \$65.1 million for the three months ended March 31, 2014. This decrease was primarily related to a lower unrealized gains on loans converted to REO status and friction cost due to our servicing transfers during the quarter. The net unrealized gains for the three months ended March 31, 2015 and 2014 can be broken down into the following two components:

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First, we recognized unrealized gains driven by a material change in loan status of \$18.4 million for the three months ended March 31, 2015 compared to \$23.6 million for the three months ended March 31, 2014. During the three months ended March 31, 2015, we converted 724 mortgage loans to REO status compared to 636 mortgage loans converted to REO status during the three months ended March 31, 2014. Upon conversion of these mortgage loans to REO, we marked these properties to the most recent market value, less estimated selling costs in the case of REO properties held for sale; and

Second, we recognized \$42.7 million in unrealized gains for the three months ended March 31, 2015 from the net increase in the fair value of loans during the period compared to \$41.6 million in unrealized gains during the three months ended March 31, 2014. Adjustments to the fair value of loans after acquisition represent, among other factors, a reduction in the time remaining to complete the foreclosure process due to the passage of time since acquisition and a reduction in future foreclosure expenses to the extent we have already incurred them. The reduction in time remaining to complete the foreclosure is driven by the completion of activities in the foreclosure process after we acquired the loans. This reduction in timeline results in reduced carrying costs and reduced future expenses for the loans, each of which increases the fair value of the loans. The increase in the value of the loans is recognized in net unrealized gain on mortgage loans in our consolidated statements of operations.

Through the resolution of non-performing loans, our Existing Portfolio has decreased from 10,963 loans at December 31, 2014 to 10,089 loans at March 31, 2015. The fair value of mortgage loans is based on a number of factors which are difficult to predict and may be subject to adverse changes in value depending on the financial condition of borrowers, as well as geographic, economic, market and other conditions. Therefore, we may experience unrealized losses on our mortgage loans in the future.

Net realized gain on mortgage loans

Net realized gains on mortgage loans increased to \$15.4 million for the three months ended March 31, 2015 from \$9.3 million for the three months ended March 31, 2014. We disposed of 150 mortgage loans in the three months ended March 31, 2015 and 116 mortgage loans in the three months ended March 31, 2014, primarily from short sales and foreclosure sales.

Net realized gain on real estate

Net realized gains on real estate were \$10.6 million for the three months ended March 31, 2015, during which we disposed of 254 residential properties. We disposed of two residential properties during the three months ended March 31, 2014. There were no significant gains or losses on the dispositions in 2014.

Interest income

Interest income increased to \$0.2 million for the three months ended March 31, 2015, as we accreted \$0.2 million into interest income for the three months ended March 31, 2015 with respect to the re-performing loans acquired in June 2014. Interest income was \$0.1 million for the three months ended March 31, 2014

Residential property operating expenses

We incurred \$12.5 million of residential property operating expenses for the three months ended March 31, 2015, compared to \$1.1 million for the three months ended March 31, 2014 with 4,430 REO properties and 587 leased properties at March 31, 2015 compared to 896 REO properties and 35 leased properties at March 31, 2014. We expect to incur increasing residential property operating expenses as we convert more mortgage loans to, and own more

residential properties. Our residential property operating expenses for rental properties will be dependent primarily on residential property taxes and insurance, property management fees, HOA dues, and repair and maintenance expenditures. Our residential property operating expenses for properties held while we are evaluating strategy will be dependent primarily on residential property taxes and insurance, property management fees, HOA dues, utilities, and landscaping.

#### Real estate depreciation and amortization

We incurred \$1.0 million of real estate depreciation and amortization for the three months ended March 31, 2015 compared to a nominal amount of real estate depreciation and amortization for the three months ended March 31, 2014. We expect to incur increasing real estate depreciation and amortization as we convert more mortgage loans to, and own more, residential rental

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properties. Real estate depreciation and amortization are non-cash expenditures which generally are not expected to be indicative of the market value or condition of our residential rental properties.

Real estate selling costs and impairment

Real estate selling costs of REO held for sale were \$10.6 million for the three months ended March 31, 2015 compared to \$0.4 million for the three months ended March 31, 2014. We also recognized \$4.1 million REO valuation impairment for the three months ended March 31, 2015. There was no impairment recognized for the three months ended March 31, 2014. We record residential properties held for sale at the lower of either the carrying amount of REO or its estimated fair value less estimated selling costs. If the carrying amount exceeds the estimated fair value, as adjusted, we record impairment equal to the amount of such excess. If an increase in fair value is noted at a subsequent measurement date, a gain is recognized to the extent of any previous impairment recognized.

Mortgage loan servicing costs

We incurred \$18.3 million of mortgage loan servicing costs, primarily for servicing fees, foreclosure fees and advances of residential property insurance for the three months ended March 31, 2015 compared to \$11.4 million for the three months ended March 31, 2014. We incur mortgage loan servicing and foreclosure costs as our mortgage loan servicers provide servicing for our loans and pay for advances relating to property insurance, foreclosure attorney fees, foreclosure costs, and property preservation. Our loan servicing costs could be higher in a given period if the number of mortgage loans in our portfolio increases.

Interest expense

We incurred \$11.6 million of interest expense for the three months ended March 31, 2015 related to borrowings under our repurchase agreements (including amortization of deferred financing costs) compared to \$5.7 million for the three months ended March 31, 2014. The interest rate under our repurchase agreements is subject to change, based on changes in the relevant index. Market interest rates are currently at historically low levels, and any increase in market interest rates will cause our contractual interest expense to increase. We also expect our interest expense to increase as our debt increases to fund and/or leverage our ownership of existing and additional portfolios.

General and administrative expenses

General and administrative expenses increased to \$4.4 million for the three months ended March 31, 2015 from \$1.0 million for the three months ended March 31, 2014, primarily due to increased litigation-based expenses and higher professional fees. The effect of these increases was partially offset by a decrease in acquisition costs.

Related party general and administrative

We incurred \$16.1 million of related party general and administrative expenses for the three months ended March 31, 2015 compared to \$12.6 million for the three months ended March 31, 2014. These expenses included \$14.9 million in incentive management fees for the three months ended March 31, 2015 which were due to AAMC under the new AMA compared to \$10.9 million for the three months ended March 31, 2014. The remaining related party general and administrative expenses are related to expense reimbursements to AAMC for salaries and benefits attributable to AAMC's personnel providing services on behalf of our business under the original asset management agreement, professional fees and due diligence costs related to the acquisition of loan portfolios.

Liquidity and capital resources

As of March 31, 2015, we had cash and cash equivalents of \$53.2 million compared to \$66.2 million as of December 31, 2014. Our liquidity reflects our ability to meet our current obligations (including our operating expenses and, when applicable, retirement of, and margin calls relating to, our financing arrangements) and make distributions to our stockholders. We are required to distribute at least 90% of our taxable income each year to our stockholders to qualify as a REIT under the Internal Revenue Code. This distribution requirement limits our ability to retain earnings and thereby replenish or increase capital to support our activities.

We were initially funded with \$100.0 million on December 21, 2012. Since our separation, our primary sources of liquidity have been proceeds from equity offerings, borrowings under our repurchase agreements and securitization financings, interest

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payments we receive from our portfolio of assets, cash generated from loan liquidations and cash generated from our rental portfolio. We expect our existing business strategy will require additional debt and/or equity financing. Our manager continues to explore a variety of financing sources to support our growth, including, but not limited to, debt financing through bank warehouse lines of credit, additional and/or amended repurchase agreements, term financing, securitization transactions and additional debt or equity offerings. Based on our current borrowing capacity, leverage ratio, and anticipated additional debt financing transactions, we believe that these sources of liquidity will be sufficient to enable us to meet anticipated short-term (one year) liquidity requirements, including paying expenses on our existing loan portfolio, funding distributions to our stockholders, paying fees to AAMC under the new AMA and general corporate expenses. However, there can be no assurance as to how much additional financing capacity such efforts will produce, what form the financing will take or that such efforts will be successful. If we are unable to renew, replace or expand our sources of financing, our business, financial condition, liquidity and results of operations may be materially and adversely affected.

To date, we have conducted the following equity offerings, repurchase facilities and securitization transactions:

Equity Offerings

We have completed three public equity offerings with aggregate net proceeds of approximately \$1.1 billion. On May 1, 2013, we completed a public offering of 17,250,000 shares of common stock at \$18.75 per share and received net proceeds of approximately \$309.5 million. On October 1, 2013, we completed our second public offering of 17,187,000 shares of common stock at \$21.00 per share and received net proceeds of \$349.4 million. On January 22, 2014, we completed our third public offering of 14,200,000 shares of common stock at \$34.00 per share and received net proceeds of approximately \$467.6 million.

Repurchase Facilities

We also entered into three separate repurchase agreements to finance the acquisition and ownership of residential mortgage loans and REO properties. The maximum aggregate funding available under these repurchase agreements at December 31, 2014 was \$1.2 billion. Following the amendments described below, the maximum aggregate funding available to us under these repurchase agreements as of March 31, 2015 was \$970.5 million, subject to certain sublimits, eligibility requirements and conditions precedent to each funding. As of March 31, 2015, an aggregate of \$929.3 million was outstanding under our repurchase agreements. All obligations of our subsidiaries under the repurchase agreements are fully guaranteed by us.

Each of our repurchase agreements is described below:

Credit Suisse (“CS”) is the lender on the repurchase agreement entered into on March 22, 2013 (the “CS repurchase agreement”) with an initial aggregate maximum borrowing capacity of \$100.0 million. During 2014 the CS repurchase agreement was amended on several occasions, ultimately increasing the aggregate maximum borrowing capacity to \$225.0 million on December 31, 2014 with a maturity date of April 20, 2015, subject to an additional one-year extension with the approval of the lender. On April 20, 2015, we entered into an amended and restated repurchase agreement with CS that increased our aggregate borrowing capacity from \$225.0 million to \$275.0 million, increased the REO sublimit under the facility and extended the maturity date to April 18, 2016.

Deutsche Bank (“DB”) is the lender on the repurchase agreement entered into on September 12, 2013 (the “DB repurchase agreement”). The DB repurchase agreement was amended on December 18, 2013, has an aggregate funding capacity of \$250.0 million and matures on March 11, 2016. The DB repurchase agreement includes a provision that, beginning in April 2015, we will not be able to finance mortgage loans in excess of amounts outstanding under the facility at the end of March 2015. Therefore, our aggregate funding capacity under the DB repurchase agreement was

reduced to \$219.7 million in April 2015, which was the amount outstanding under the facility at the time.

Wells Fargo (“Wells”) is the lender on the repurchase agreement entered into on September 23, 2013 (the “Wells repurchase agreement”) with an initial aggregate maximum borrowing capacity of \$200.0 million. Throughout 2013 and 2014 the Wells repurchase agreement was amended several times increasing the aggregate maximum borrowing capacity to a high of \$1.0 billion, and on December 31, 2014 was reduced to \$750.0 million, subject to certain sublimits, to reflect the securitization of a significant portion of our non-performing loans that previously had been financed under the Wells repurchase agreement. The maturity date of the Wells repurchase agreement was March 23, 2015. However, on February 20, 2015, we exercised our option to extend the termination date of this facility to March 23, 2016 without any additional funding, thereby reducing our aggregate funding capacity under the Wells repurchase agreement to \$525.8 million which was the amount outstanding under the facility on the extension date. We are in

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discussions with Wells to further extend the repurchase agreement with an ability to obtain additional funding. No assurance can be provided that we will be able to renew this facility on reasonable terms, on a timely basis or at all. In the event we cannot extend the agreement with an ability to obtain additional funding, the advance rate will be reduced by 10% after the first 90 days of the extension term and we will not be entitled to draw additional funds under the facility.

Under the terms of each repurchase agreement, as collateral for the funds we draw thereunder, subject to certain conditions, the operating partnership will sell to the applicable lender equity interests in the Delaware statutory trust subsidiary that owns the applicable underlying mortgage assets on our behalf, or the trust will directly sell such underlying mortgage assets. In the event the lender determines the value of the collateral has decreased, the lender has the right to initiate a margin call and require us to post additional collateral or to repay a portion of the outstanding borrowings. The price paid by the lender for each underlying mortgage asset we finance under the applicable repurchase agreement is subject to agreement between the lender and us and is based on a percentage of the market value of the underlying mortgage asset and depends on its delinquency status. Our cost of borrowing under the repurchase agreements generally corresponds to LIBOR, or the lender interest at the lender's cost of funds plus a margin. We are also required to pay certain other customary fees, administrative costs and expenses to maintain and administer the repurchase agreements.

The repurchase agreements require us to maintain various financial and other covenants, including maintaining a minimum adjusted tangible net worth, a maximum ratio of indebtedness to adjusted tangible net worth and specified levels of unrestricted cash. In addition, the repurchase agreements contain customary events of default.

We are currently in compliance with the covenants and other requirements with respect to our repurchase agreements. We monitor our banking partners' ability to perform under the repurchase agreements and have concluded there is currently no reason to doubt that they will continue to perform under the repurchase agreements as contractually obligated.

The following table sets forth data with respect to our repurchase agreements as of and for the three months ended March 31, 2015, March 31, 2014 and December 31, 2014 (\$ in thousands):

	Three months ended March 31, 2015	Three months ended March 31, 2014	Three months ended December 31, 2014
Balance at end of period	\$929,287	\$699,950	\$1,015,000
Maximum month-end balance outstanding during the period	997,161	703,147	1,112,883
Weighted average quarterly balance	970,513	666,132	1,055,776

As amended, the three repurchase agreements provide for the lenders to finance our portfolio at advance rates (or purchase prices) ranging from 40% to 80% of the "asset value" of the mortgage loans and REO properties. Under these repurchase agreements, the "asset value" generally is an amount that is based on the market value of the mortgage loan or REO property. We believe these are typical market terms which are designed to provide protection for the lender to collateralize its advances to us in the event the collateral declines in value. Under each of the repurchase agreements, if the carrying value of the collateral declines beyond certain limits, we would have to either (a) provide additional collateral or (b) repurchase certain assets under the agreement to maintain the applicable advance rate.

The decrease in amounts outstanding under our repurchase agreements from December 31, 2014 to March 31, 2015 relate in part to amounts paid down with the proceeds from the sale of the Class A Notes. Our overall advance rate under the repurchase agreements declined from 55.8% at December 31, 2014 to 52.3% at March 31, 2015 due to the normal attrition of amounts outstanding under the CS Repurchase Agreement that are collateralized with secured notes



issued and retained by us in connection with securitizations completed in 2014. We do not collateralize any of our repurchase facilities with cash.

#### Loan and Security Agreement

On April 10, 2015, we entered into a Loan Agreement with Nomura. The purpose of the Loan Agreement is to finance our beneficial ownership of REO properties. These obligations are fully guaranteed pursuant to a guaranty made by us in favor of Nomura. The Loan Agreement terminates on April 8, 2016. Under the terms of the Loan Agreement, subject to certain conditions, Nomura may advance funds to us from time to time, with such advances collateralized by REO properties. The maximum aggregate advance for the REO properties under the Loan Agreement is \$100.0 million, subject to certain sublimits, eligibility requirements and conditions precedent to each funding.

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The advances paid by Nomura under the Loan Agreement with respect to the REO properties from time to time will be based on a percentage of the market value of the applicable REO properties. Under the terms of the Loan Agreement, we are required to pay to Nomura interest based on the one-month LIBOR plus a spread and certain other customary fees, administrative costs and expenses in connection with Nomura's structuring, management and ongoing administration of the Loan Agreement.

The Loan Agreement requires us to maintain various financial and other covenants, including a minimum adjusted tangible net worth, a maximum ratio of indebtedness to adjusted tangible net worth and specified levels of unrestricted cash. In addition, the Loan Agreement contains events of default (subject to certain materiality thresholds and grace periods), including payment defaults, breaches of covenants and/or certain representations and warranties, cross-defaults, certain material adverse changes, bankruptcy or insolvency proceedings and other events of default customary for this type of transaction. The remedies for such events of default are also customary for this type of transaction and include the acceleration of the principal amount outstanding under the Loan Agreement and the liquidation by Nomura of the REO properties then subject to the Loan Agreement.

#### Securitizations

On November 25, 2014, we completed a securitization transaction in which ARLP Securitization Trust, Series 2014-2 ("ARLP 2014-2") issued \$270.8 million in Class A Notes (the "Class A Notes") and \$234.0 million in Class M Notes (the "Class M Notes"). We initially retained \$95.8 million of the Class A Notes and all of the Class M Notes in our taxable REIT subsidiary ("TRS"). On February 9, 2015, we sold \$50.7 million of the retained Class A Notes to an unrelated third party. The Class A Notes and the Class M Notes are secured solely by the non-performing mortgage loans and REO properties of ARLP 2014-2 and not by any of our other assets. The assets of ARLP 2014-2 are the only source of repayment and interest on the Class A Notes and the Class M Notes. The Class A Notes and the Class M Notes mature on January 26, 2054, and we do not guaranty any of the obligations of ARLP 2014-2 under the terms of the Indenture governing the notes or otherwise. As of March 31, 2015, the book value of the underlying securitized assets held by ARLP 2014-2 was \$332.5 million.

On September 25, 2014, we completed a securitization transaction in which ARLP Securitization Trust, Series 2014-1 ("ARLP 2014-1") issued \$150.0 million in Class A Notes (the "Class A Notes") and \$32.0 million in Class M Notes (the "Class M Notes"). The Class A Notes and the Class M Notes are secured solely by the non-performing mortgage loans and REO properties of ARLP 2014-1 and not by any of our other assets. The assets of ARLP 2014-1 are the only source of repayment and interest on the Class A Notes and the Class M Notes. The Class A Notes and the Class M Notes mature on September 25, 2044, and we do not guaranty any of the obligations of ARLP 2014-1 under the terms of the Indenture governing the notes or otherwise. As of March 31, 2015, the book value of the underlying securitized assets held by ARLP 2014-1 was \$213.8 million.

As described above in "-Repurchase Agreements", we used a portion of the proceeds of the securitizations to repurchase the non-performing loans from the repurchase facilities, as such non-performing loans were used to collateralize the securitization trusts.

We retained all of the Class M Notes issued by ARLP 2014-1 in our TRS. On September 30, 2014, pursuant to a master repurchase agreement, the TRS sold \$15.0 million of the Class M Notes to NewSource, an entity in which we own 100% of the outstanding preferred stock and in which AAMC owns 100% of the outstanding common stock, for a purchase price of \$15.0 million. The master repurchase agreement initially required the TRS to repurchase the Class M Notes from NewSource at a 5.0% yield on December 28, 2014, with the parties having the option to extend the master repurchase agreement for additional 89-day periods. In no event can the master repurchase agreement be extended beyond September 29, 2015. The agreement is currently due to expire on June 25, 2015.

## Cash flows

We report and analyze our cash flows based on operating activities, investing activities and financing activities. The following table sets forth the changes in our cash flows (\$ in thousands):

	Three months ended March 31, 2015	Three months ended March 31, 2014	Change	
Net cash used in operating activities	\$(42,469	)(23,567	)\$(18,902	)
Net cash used in investing activities	80,718	(582,881	)663,599	
Net cash provided by financing activities	(51,169	)538,482	(589,651	)
Total cash flows	\$(12,920	)\$(67,966	)\$55,046	

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The change in net cash used in operating activities for the three months ended March 31, 2015 and 2014 consisted primarily of gains on our mortgage loans and real estate offset by related party mortgage loan servicing costs including servicing fees, foreclosure fees and advances of residential property insurance on delinquent loans, interest expense, professional fees, acquisition costs and expense reimbursements to our manager for salaries and benefits.

The change in net cash used in investing activities for the three months ended March 31, 2015 and 2014 consisted primarily of investments in non-performing loan portfolios, offset by proceeds from the disposition of loans and real estate. During periods in which we purchase a significant number of mortgage loans and conduct substantial renovations of residential real estate, our cash used in investing activities may exceed cash provided by investing activities.

The change in net cash provided by financing activities for the three months ended March 31, 2015 consisted primarily of net repayment of borrowings under repurchase agreements and other secured borrowings and payment of dividends. The change in net cash provided by financing activities for the three months ended March 31, 2014 consisted primarily of the net proceeds from the issuance of common stock, net borrowings under repurchase agreements and payment of dividends. Net cash related to financing activities will generally consist of the incurrence by us of debt, repayment of debt previously incurred by us, payment of dividends and issuance of common stock.

Off-balance sheet arrangements

We have no off-balance sheet arrangements as of March 31, 2015.

Recent accounting pronouncements

See Item 1 - Financial statements (unaudited) - Note 1, "Organization and basis of presentation - Recently issued accounting standards."

Critical accounting judgments

Accounting standards require information in financial statements about the risks and uncertainties inherent in significant estimates, and the application of generally accepted accounting principles involves the exercise of varying degrees of judgment. Certain amounts included in or affecting our financial statements and related disclosures must be estimated requiring us to make certain assumptions with respect to values or conditions that cannot be known with certainty at the time our consolidated financial statements are prepared. These estimates and assumptions affect the amounts we report for our assets and liabilities and our revenues and expenses during the reporting period and our disclosure of contingent assets and liabilities at the date of our consolidated financial statements. Actual results may differ significantly from our estimates and any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known. For additional details on our critical accounting judgments, please see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical accounting judgments" in our annual report on Form 10-K for the year ended December 31, 2014,

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## Non-GAAP measures - Estimated REIT taxable income

Estimated REIT taxable income is a measure that we use in connection with monitoring our compliance with certain REIT requirements. Estimated REIT taxable income should not be considered as an alternative to net income or net income per share as indicators of our operating performance.

The following table is a reconciliation of U.S. GAAP net income to estimated REIT taxable income (\$ in thousands):

	U.S. GAAP Three months ended March 31, 2015	Adjustments <sup>(1)</sup> Three months ended March 31, 2015	Tax Three months ended March 31, 2015
Revenues:			
Rental revenues	\$1,400	\$—	\$1,400
Net unrealized gain on mortgage loans	61,134	(13,009)	48,125
Net realized gains	26,141	(13,403)	12,738
Interest income, advance recoveries and other	240	6,182	6,422
Total revenues	88,915	(20,230)	68,685
Expenses:			
Residential property operating expenses including depreciation	13,457	(1,952)	11,505
Mortgage loan servicing costs	18,266	(13,295)	4,971
General, administrative and other	44,765	(14,214)	30,551
Total expenses	76,488	(29,461)	47,027
Estimated income before income taxes	\$12,427	\$9,231	\$21,658

(1) Adjustments between GAAP earnings and estimated taxable REIT income primarily represent temporary timing differences in the recognition of revenue and expense items, as provided above.

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Item 3. Quantitative and qualitative disclosures about market risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. The primary market risks that we are currently exposed to are real estate risk and interest rate risk. A substantial portion of our investments are, and we expect will continue to be, comprised of non-performing loans and rental properties. The primary driver of the value of both these asset classes is the fair value of the underlying real estate.

Real Estate Risk

Residential property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to: national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing); construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. Decreases in property values could cause us to suffer losses.

Interest Rate Risk

We will be exposed to interest rate risk from our (a) acquisition and ownership of residential mortgage loans and (b) debt financing activities. Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Changes in interest rates may affect the fair value of the residential mortgage loans and real estate underlying our portfolios as well as our financing interest rate expense.

We currently do not intend to hedge the risk associated with the residential mortgage loans and real estate underlying our portfolios. However, although we have not yet done so, we may undertake risk mitigation activities with respect to our debt financing interest rate obligations. We expect that our debt financing will at times be based on a floating rate of interest calculated on a fixed spread over the relevant index, as determined by the particular financing arrangement. A significantly rising interest rate environment could have an adverse effect on the cost of our financing. To mitigate this risk, we may use derivative financial instruments such as interest rate swaps and interest rate options in an effort to reduce the variability of earnings caused by changes in the interest rates we pay on our debt.

These derivative transactions will be entered into solely for risk management purposes, not for investment purposes. When undertaken, these derivative instruments likely will expose us to certain risks such as price and interest rate fluctuations, timing risk, volatility risk, credit risk, counterparty risk and changes in the liquidity of markets. Therefore, although we expect to transact in these derivative instruments purely for risk management, they may not adequately protect us from fluctuations in our financing interest rate obligations.

We currently borrow funds at variable rates using secured financings. At March 31, 2015, we had \$0.9 billion of variable rate debt outstanding not protected by interest rate hedge contracts. The estimated aggregate fair market value of this debt was \$0.9 billion. If the weighted average interest rate on this variable rate debt had been 100 basis points higher or lower, the annual interest expense would increase or decrease by \$9.3 million, respectively.

Item 4. Controls and procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report. Based on such evaluation, such officers have concluded that our disclosure controls and procedures as of the end of the period covered by this

quarterly report were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and to ensure that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II

Item 1. Legal Proceedings

There have been no material new developments in our legal proceedings since the March 2, 2015 filing of our annual report on Form 10-K for the year ended December 31, 2014, except as follows:

The Police Retirement System of Saint Louis v. Erbey, et al. On April 2, 2015, The Police Retirement System of Saint Louis and the defendants entered into a Memorandum of Understanding (“MOU”) reflecting an agreement in principle to settle the action with the settlement consideration being the new AMA. The MOU contemplates the negotiation and execution of a stipulation of settlement. The stipulation of settlement will be subject to customary conditions, including court approval. If the settlement is finally approved by the court, it will resolve and release all claims in the action that were, or could have been brought by or on our behalf challenging any aspect of the Original AMA and the negotiation of, the terms and provisions of, or the approval of the new AMA. In addition, in connection with the settlement, the parties agreed that plaintiff’s counsel will apply to the court for an award of fees and expenses. There can be no assurances that the parties will ultimately enter into a stipulation of settlement or that the court will approve the settlement.

Martin v. Altisource Residential Corporation, et al. On March 27, 2015, a putative shareholder class action complaint was filed in the United States District Court of the Virgin Islands by a purported shareholder of Residential under the caption Martin v. Altisource Residential Corporation, et al., 15-cv-00024. The action names as defendants Residential, Mr. Erbey and certain officers and a former officer of Residential and alleges that the defendants violated federal securities laws by, among other things, making materially false statements and/or failing to disclose material information to Residential’s shareholders regarding Residential’s relationship and transactions with AAMC, Ocwen and Home Loan Servicing Solutions Ltd. These alleged misstatements and omissions include allegations that the defendants failed to adequately disclose Residential’s reliance on Ocwen and the risks relating to its relationship with Ocwen, including that Ocwen was not properly servicing and selling loans, that Ocwen was under investigation by regulators for violating state and federal laws regarding servicing of loans, and Ocwen’s lack of proper internal controls. The complaint also contains allegations that certain of Residential’s disclosure documents were false and misleading because they fail to disclose fully the entire details of a certain asset management agreement between Residential and AAMC that allegedly benefited AAMC to the detriment of Residential’s shareholders. The action seeks, among other things, an award of monetary damages to the putative class in an unspecified amount, and an award of attorney’s and other fees and expenses. We believe the complaint is without merit. At this time, we are not able to predict the ultimate outcome of this matter, nor can we estimate the range of possible loss, if any.

Item 1A. Risk factors

There have been no material changes in our risk factors since December 31, 2014. For information regarding our risk factors, you should carefully consider the risk factors discussed in "Item 1A. Risk factors" in our annual report on Form 10-K for the year ended December 31, 2014 filed on March 2, 2015.

Item 4. Mine safety disclosures

Not applicable.



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## Item 6. Exhibits

## Exhibits

Exhibit  
Number

## Description

2.1	Separation Agreement, dated as of December 21, 2012, between Altisource Residential Corporation and Altisource Portfolio Solutions S.A. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the Commission on December 28, 2012).
3.1	Articles of Restatement of Altisource Residential Corporation (incorporated by reference to Exhibit 3.3 of the registrant's Current Report on Form 8-K filed on April 8, 2013).
3.2	By-laws of Altisource Residential Corporation (incorporated by reference to Exhibit 3.2 of the Registrant's Registration Statement on Form 10 filed with the Commission on December 5, 2012).
10.1	Loan and Security Agreement, dated as of April 10, 2015, among Nomura Corporate Funding Americas, LLC, and ARLP REO I, LLC, on behalf of itself and with respect to QRS Series of ARLP REO I, LLC and TRS Series of ARLP REO I, LLC, ARLP REO II, LLC, on behalf of itself and with respect to QRS Series of ARLP REO II, LLC and TRS Series of ARLP REO II, LLC, ARLP REO III, LLC, on behalf of itself and with respect to QRS Series of ARLP REO III, LLC and TRS Series of ARLP REO III, LLC, ARLP REO IV, LLC, on behalf of itself and with respect to QRS Series of ARLP REO IV, LLC and TRS Series of ARLP REO IV, LLC, ARLP REO V, LLC, on behalf of itself and with respect to QRS Series of ARLP REO V, LLC and TRS Series of ARLP REO V, LLC, ARLP REO VI, LLC, on behalf of itself and with respect to QRS Series of ARLP REO VI, LLC and TRS Series of ARLP REO VI, LLC, and ARLP REO VII, LLC, on behalf of itself and with respect to QRS Series of ARLP REO VII, LLC and TRS Series of ARLP REO VII, LLC and each other Delaware limited liability company that is organized in series that may be subsequently added as a party to the Agreement under a Joinder Agreement.
10.2	Guaranty, dated as of April 10, 2015 made by Altisource Residential Corporation in favor of Nomura Corporate Funding Americas, LLC
10.3	Amended and Restated Master Repurchase Agreement, dated as of April 20, 2015, by and among Credit Suisse First Boston Mortgage Capital LLC, Altisource Residential, L.P., ARNS, Inc., ARLP Trust, ARLP Trust 4, RESI SFR Sub, LLC, and RESI REO Sub, LLC and Altisource Residential Corporation
10.4	Amended and Restated Guaranty Agreement, dated April 20, 2015 by Altisource Residential Corporation in favor of Credit Suisse First Boston Mortgage Capital, LLC
31.1*	Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act

31.2*	Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act
32.1*	Certification of CEO Pursuant to Section 906 of the Sarbanes-Oxley Act
32.2*	Certification of CFO Pursuant to Section 906 of the Sarbanes-Oxley Act
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Extension Labels Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

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\* Filed herewith.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 7, 2015

By: /s/ Altisource Residential Corporation  
Robin N. Lowe  
Robin N. Lowe  
Chief Financial Officer