

Great Ajax Corp.
Form 10-Q
May 02, 2018

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

OR

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

For the transition period from _____ to _____

001-36844

(Commission file number)

GREAT AJAX CORP.

(Exact name of registrant as specified in its charter)

Maryland 47-1271842
State or other jurisdiction (I.R.S. Employer
of incorporation or organization Identification No.)
9400 SW Beaverton-Hillsdale Hwy,
Suite 131 97005
Beaverton, OR 97005 (Zip Code)
(Address of principal executive offices)
503-505-5670
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 or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer

Accelerated filer

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Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging Growth Company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 May 1, 2018, 18,698,420 shares of the registrant's common stock, par value \$0.01 per share, were outstanding, which includes 624,106 operating partnership units that are exchangeable on a one-for-one basis into shares of the registrant's common stock.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Interim Financial Statements

GREAT AJAX CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(\$ in thousands except shares and per share data)	March 31, 2018 (Unaudited)	December 31, 2017
ASSETS		
Cash and cash equivalents	\$47,459	\$53,721
Cash held in trust	26	301
Mortgage loans, net ^(1,4)	1,247,213	1,253,541
Property held-for-sale, net ⁽²⁾	23,769	24,947
Rental property, net	5,228	1,284
Investment in debt securities	6,218	6,285
Receivable from servicer	18,627	17,005
Investment in affiliates	8,727	7,020
Loans purchase deposit	—	26,740
Prepaid expenses and other assets	5,318	4,894
Total assets	\$1,362,585	\$1,395,738
LIABILITIES AND EQUITY		
Liabilities:		
Secured borrowings, net ^(1,3,4)	\$662,494	\$694,040
Borrowings under repurchase transactions	273,199	276,385
Convertible senior notes, net ⁽³⁾	102,764	102,571
Management fee payable	762	750
Accrued expenses and other liabilities	3,723	4,554
Total liabilities	1,042,942	1,078,300
Commitments and contingencies – see Note 7		
Equity:		
Preferred stock \$0.01 par value; 25,000,000 shares authorized, none issued or outstanding	—	—
Common stock \$0.01 par value; 125,000,000 shares authorized, 18,686,420 shares at March 31, 2018 and 18,588,228 shares at December 31, 2017 issued and outstanding	187	186
Additional paid-in capital	256,512	254,847
Retained earnings	37,615	35,556
Accumulated other comprehensive loss	(343)	(233)
Equity attributable to stockholders	293,971	290,356
Non-controlling interests ⁽⁵⁾	25,672	27,082
Total equity	319,643	317,438
Total liabilities and equity	\$1,362,585	\$1,395,738

Mortgage loans, net include \$954,282 and \$996,203 of loans at March 31, 2018 and December 31, 2017, respectively, transferred to securitization trusts that are variable interest entities (“VIEs”); these loans can only be used to settle obligations of the VIEs. Secured borrowings consist of notes issued by VIEs that can only be settled with the assets and cash flows of the VIEs. The creditors do not have recourse to the primary beneficiary (Great Ajax Corp.). See Note 8 — Debt.

(2) Property held-for-sale, net, includes valuation allowances of \$1,878 and \$1,784 at March 31, 2018, and December 31, 2017, respectively.

(3) Secured borrowings and convertible senior notes are presented net of deferred issuance costs.

(4)

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As of March 31, 2018 and December 31, 2017, balances for Mortgage loans, net include \$174.6 million and \$177.1 million, respectively, and Secured borrowings, net of deferred costs includes \$75.9 million and \$88.4 million, respectively, from a 50% owned joint venture which we consolidate under U.S. GAAP.

- (5) Non-controlling interests includes \$12.6 million and \$14.0 million, respectively, from a 50% owned joint venture, which we consolidate under U.S. GAAP.

GREAT AJAX CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(\$ in thousands except shares and per share data)	Three months ended	
	March 31, 2018	March 31, 2017
INCOME		
Interest income	\$25,591	\$ 20,807
Interest expense	(12,494)	(7,651)
Net interest income	13,097	13,156
Income from investment in Manager	135	49
Other income	1,511	462
Total income	14,743	13,667
EXPENSE		
Related party expense – loan servicing fees	2,469	1,881
Related party expense – management fee	1,532	1,072
Loan transaction expense	355	525
Professional fees	609	480
Real estate operating expenses	449	324
Other expense	991	686
Total expense	6,405	4,968
Income before provision for income taxes	8,338	8,699
Provision for income taxes	16	1
Consolidated net income	8,322	8,698
Less: consolidated net income attributable to the non-controlling interest	657	289
Consolidated net income attributable to common stockholders	\$7,665	\$ 8,409
Basic earnings per common share	\$0.41	\$ 0.46
Diluted earnings per common share	\$0.38	\$ 0.46
Weighted average shares – basic	18,508,089	17,976,710
Weighted average shares – diluted	26,395,158	28,791,231

The accompanying notes are an integral part of the consolidated interim financial statements.

GREAT AJAX CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(\$ in thousands)	Three months ended March 31,	
	2018	2017
Consolidated net income attributable to common stockholders	\$7,665	\$8,409
Other comprehensive income (loss):		
Net unrealized (loss) on investment, net of non-controlling interest	(110)	(140)
Comprehensive income	\$7,555	\$8,269

The accompanying notes are an integral part of the consolidated interim financial statements.

GREAT AJAX CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(\$ in thousands)

	Three months ended March 31, March 31, 2018 2017	
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$8,322	\$8,698
Adjustments to reconcile net income to net cash from operating activities		
Stock-based management fee and compensation expense	985	523
Non-cash interest income accretion	(9,917)	(9,840)
Discount accretion on investment in debt securities	(43)	(72)
Gain on sale of property held-for-sale	(582)	(109)
Depreciation of property	22	9
Impairment of real estate owned	408	309
Amortization of debt discount and prepaid financing costs	1,348	1,200
Undistributed income from investment in affiliates	(192)	(139)
Net change in operating assets and liabilities		
Prepaid expenses and other assets	(561)	(205)
Receivable from servicer	(1,751)	(1,377)
Accrued expenses, management fee payable, and other liabilities	(819)	(566)
Net cash from operating activities	(2,780)	(1,569)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of mortgage loans and related balances	(17,566)	(5,572)
Principal paydowns on mortgage loans	30,100	21,306
Proceeds from sale of mortgage loans	—	4,171
Loans purchase refund	26,690	—
Purchase of rental property	(3,463)	—
Proceeds from sale of property held-for-sale	4,807	—
Investment in Great Ajax FS	(1,072)	—
Draws on SBC loans	(117)	—
Distribution from affiliates	185	68
Net cash from investing activities	39,564	19,973
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from repurchase transactions	13,315	34
Repayments on repurchase transactions	(16,501)	(4,677)
Repayments on secured borrowings	(32,431)	(15,455)
Deferred financing costs	(83)	—
Sale of common stock pursuant to dividend reinvestment plan	52	33
Distribution to non-controlling interest	(2,067)	(157)
Dividends paid on common stock	(5,606)	(4,536)
Net cash from financing activities	(43,321)	(24,758)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND CASH HELD IN TRUST	(6,537)	(6,354)
CASH, CASH EQUIVALENTS AND CASH HELD IN TRUST, beginning of period	54,022	36,908
CASH, CASH EQUIVALENTS AND CASH HELD IN TRUST, end of period	\$47,485	\$30,554
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$13,643	\$6,245
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of loans to rental property or property held-for-sale	\$3,958	\$8,100

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Issuance of common stock for management fee and compensation expense	\$985	\$523
Issuance of shares for Great Ajax FS	\$629	\$—
Non-cash adjustments to basis in mortgage loans	\$188	\$350
Unrealized loss on available for sale debt securities	\$110	\$140

The accompanying notes are an integral part of the consolidated interim financial statements.

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GREAT AJAX CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

(\$ in thousands)	Common Stock shares	Common stock amount	Additional Paid-in Capital	Retained Earnings	Accumulated other comprehensive loss	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance at December 31, 2016	18,122,387	\$ 181	\$ 244,880	\$ 27,231	\$ —	\$ 272,292	\$ 10,431	\$ 282,723
Net income	—	—	—	8,409	—	8,409	289	8,698
Issuance of shares under dividend reinvestment plan	2,599	—	33	—	—	33	—	33
Stock-based management fee expense	20,352	—	322	—	—	322	—	322
Stock-based compensation expense	1,660	—	201	—	—	201	—	201
Dividends and distributions	—	—	—	(4,536)	—	(4,536)	(157)	(4,693)
Other comprehensive loss	—	—	—	—	(140)	(140)	—	(140)
Balance at March 31, 2017	18,146,998	\$ 181	\$ 245,436	\$ 31,104	\$ (140)	\$ 276,581	\$ 10,563	\$ 287,144
Balance at December 31, 2017	18,588,228	\$ 186	\$ 254,847	\$ 35,556	\$ (233)	\$ 290,356	\$ 27,082	\$ 317,438
Net income	—	—	—	7,665	—	7,665	657	8,322
Issuance of shares for Great Ajax FS	45,938	1	628	—	—	629	—	629
Issuance of shares under dividend reinvestment plan	3,838	—	52	—	—	52	—	52
Stock-based management fee expense	48,654	—	763	—	—	763	—	763
Stock-based compensation expense	(238)	—	222	—	—	222	—	222
Dividends and distributions	—	—	—	(5,606)	—	(5,606)	(2,067)	(7,673)
Other comprehensive loss	—	—	—	—	(110)	(110)	—	(110)
Balance at March 31, 2018	18,686,420	\$ 187	\$ 256,512	\$ 37,615	\$ (343)	\$ 293,971	\$ 25,672	\$ 319,643

The accompanying notes are an integral part of the consolidated interim financial statements.

GREAT AJAX CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED INTERM FINANCIAL STATEMENTS

March 31, 2018

(Unaudited)

Note 1 — Organization and Basis of Presentation

Great Ajax Corp., a Maryland corporation (the “Company”), is an externally managed real estate company formed on January 30, 2014, and capitalized on March 28, 2014, by its then sole stockholder, Aspen Yo (“Aspen”), a company affiliated with Aspen Capital, the trade name for the Aspen group of companies. The Company was formed to facilitate capital raising activities and to operate as a mortgage real estate investment trust (“REIT”). The Company primarily targets acquisitions of re-performing loans (“RPLs”) including residential mortgage loans and small balance commercial mortgage loans (“SBC loans”) and originations of SBC loans. RPLs are mortgage loans on which at least five of the seven most recent payments have been made, or the most recent payment has been made and accepted pursuant to an agreement, or the full dollar amount, to cover at least five payments has been paid in the last seven months. The SBC loans that the Company intends to opportunistically target, through acquisitions, or originations, generally have a principal balance of up to \$5.0 million and are secured by multi-family residential and commercial mixed use retail/residential properties on which at least five of the seven most recent payments have been made, or the most recent payment has been made and accepted pursuant to an agreement, or the full dollar amount to cover at least five payments has been paid in the last seven months. Additionally, the Company may invest in single-family and smaller commercial properties directly either through a foreclosure event of a loan in its mortgage portfolio or, less frequently, through a direct acquisition. The Company may also target investments in non-performing loans (“NPL”). NPLs are loans on which the most recent three payments have not been made. The Company may acquire NPLs, either directly or with joint venture partners if attractive opportunities exist. The Company’s manager is Thetis Asset Management LLC (the “Manager” or “Thetis”), an affiliated company. The Company owns 19.8% of the Manager and 4.9% of Great Ajax Financial Services (“GAFS” or “The Parent of our Servicer”) which owns Gregory Funding LLC, the Company’s Servicer. The Company’s mortgage loans and real properties are serviced by Gregory Funding LLC (“Gregory” or the “Servicer”), also an affiliated company. The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”).

The Company conducts substantially all of its business through its operating partnership, Great Ajax Operating Partnership L.P., a Delaware limited partnership (the “Operating Partnership”), and its subsidiaries. The Company, through a wholly owned subsidiary, is the sole general partner of the Operating Partnership. GA-TRS is a wholly owned subsidiary of the Operating Partnership that owns the equity interest in the Manager and the Servicer. The Company elected to treat GA-TRS as a taxable REIT subsidiary (“TRS”) under the Code. Great Ajax Funding LLC is a wholly owned subsidiary of the Operating Partnership formed to act as the depositor of mortgage loans into securitization trusts and to hold the subordinated securities issued by such trusts and any additional trusts the Company may form for additional secured borrowings. The Company generally securitizes its mortgage loans through securitization trusts and retains subordinated securities from the secured borrowings. These trusts are considered to be VIEs, and the Company has determined that it is the primary beneficiary of the VIEs. AJX Mortgage Trust I and AJX Mortgage Trust II are wholly owned subsidiaries of the Operating Partnership formed to hold mortgage loans used as collateral for financings under the Company’s repurchase agreements. In addition, the Company, through its Operating Partnership, holds real estate owned properties (“REO”) acquired upon the foreclosure or other settlement of its owned NPLs, as well as through outright purchases. GAJX Real Estate LLC is a wholly owned subsidiary of the Operating Partnership formed to own, maintain, improve and sell REO properties purchased by the Company. The Company has elected to treat GAJX Real Estate LLC as a TRS under the Code.

In February 2018, the Company formed AJX Commercial Properties I to hold multi-family residential properties held as rentals. AJX Commercial Properties I is a wholly-owned subsidiary of the Operating Partnership.

Basis of Presentation and Use of Estimates

The consolidated interim financial statements should be read in conjunction with the Company's consolidated Financial Statements and the notes thereto for the period ended December 31, 2017, included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 8, 2018.

Interim financial statements are unaudited and prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of consolidated financial statements for the interim period presented, have been included. The current period’s results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2018. The consolidated interim financial statements have been prepared in accordance with U.S. GAAP, as contained within the Accounting Standards Codification (“ASC”) of the Financial Accounting Standards Board (“FASB”) and the rules and regulations of the SEC, as applied to interim financial statements.

The Company consolidates the results and balances of securitization trusts which are established to provide debt financing to the Company. The Company also consolidates the results and balances of two subsidiaries with ownership interests

held by third parties. AS Ajax E II LLC ("AS Ajax E II") holds a 5.0% interest in a Delaware trust that was formed to own residential mortgage loans and residential real estate assets; it is 53.1% owned by the Company. Ajax Mortgage Loan Trust 2017-D ("2017-D") is a securitization trust which holds mortgage loans, REO property and secured debt; it is 50% owned by the Company. The Company recognizes a non-controlling interest in its consolidated financial statements for the amount of the investment and income due to the third party investors in both AS Ajax E II and 2017-D. All controlled subsidiaries are included in the consolidated financial statements and all intercompany accounts and transactions have been eliminated in consolidation. The Operating Partnership is a majority owned partnership that has a non-controlling ownership interest that is included in non-controlling interests on the consolidated Balance Sheet. As of March 31, 2018, the Company owned 96.8% of the outstanding operating partnership units ("OP Units") and the remaining 3.2% of the OP Units are owned by an unaffiliated holder. The Company's 19.8% investment in the Manager and 4.9% investment in GAFS are accounted for using the equity method because the Company exercises significant influence on the operations of these entities through common officers and directors. There is no traded or quoted price for the interests in the Manager, the Servicer, or the Parent of the Servicer since each is privately held.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company considers significant estimates to include expected cash flows from mortgage loans and fair value measurements, and the net realizable value of REO properties held-for-sale.

Note 2 — Summary of Significant Accounting Policies

Mortgage loans

Purchased mortgage loans are initially recorded at the purchase price, net of any acquisition fees or costs at the time of acquisition and are considered asset acquisitions. As part of the determination of the bid price for mortgage loans, the Company uses a proprietary discounted cash flow valuation model to project expected cash flows, and consider alternate loan resolution probabilities, including liquidation or conversion to REO. Observable inputs to the model include interest rates, loan amounts, status of payments and property types. Unobservable inputs to the model include discount rates, forecast of future home prices, alternate loan resolution probabilities, resolution timelines, the value of underlying properties and other economic and demographic data.

Loans acquired with deterioration in credit quality

The loans acquired by the Company have generally suffered some credit deterioration subsequent to origination. As a result, the Company is required to account for the mortgage loans pursuant to ASC 310-30, Accounting for Loans with Deterioration in Credit Quality. The Company's recognition of interest income for loans within the scope of ASC 310-30 is based upon its having a reasonable expectation of the amount and timing of the cash flows expected to be collected. When the timing and amount of cash flows expected to be collected are reasonably estimable, the Company uses expected cash flows to apply the interest method of income recognition.

Under ASC 310-30, acquired loans may be aggregated and accounted for as a pool of loans if the loans have common risk characteristics. A pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. RPLs have been determined to have common risk characteristics and are accounted for as a single loan pool for loans acquired within each three-month calendar quarter. Similarly, NPLs have been determined to have common risk characteristics and are accounted for as a single non-performing pool for loans acquired within each three-month calendar quarter. Excluded from the aggregate pools are loans that pay in full subsequent to the acquisition closing date but prior to pooling. Any gain or loss on these loans is recognized as Interest income in the period the loan pays in full.

The Company's accounting for loans under ASC 310-30 gives rise to an accretable yield and a non-accretable amount. The excess of all undiscounted cash flows expected to be collected at acquisition over the initial investment in the loans is the accretable yield. Cash flows expected at acquisition include all cash flows directly related to the acquired loan, including those expected from the underlying collateral. The Company recognizes the accretable yield as Interest income on a prospective level yield basis over the life of the pool. The excess of a loan's contractually required payments over the amount of cash flows expected at the acquisition is the non-accretable amount. The Company's

expectation of the amount of undiscounted cash flows expected to be collected is evaluated at the end of each calendar quarter. If the Company expects to collect greater cash flows over the life of the pool, the accretable yield amount increases and the expected yield to maturity is adjusted on a prospective basis. A provision for loan losses is established when it is probable the Company will not collect all amounts previously estimated to be collectible. Management assesses the credit quality of the portfolio and the adequacy of loan loss reserves on a quarterly basis, or more frequently as necessary. Significant judgment is required in this analysis. Depending on the expected

recovery of its investment, the Company considers the estimated net recoverable value of the loan pools as well as other factors, such as the fair value of the underlying collateral. When a loan pool is determined to be impaired, the amount of loss accrual is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the loan pool's effective interest rate or the fair value of the underlying collateral. Because these determinations are based upon projections of future economic events, which are inherently subjective, the amounts ultimately realized may differ materially from the carrying value as of the reporting date.

Borrower payments on the Company's mortgage loans are classified as principal, interest, payments of fees, or escrow deposits. Amounts applied as interest on the borrower account are similarly classified as interest for accounting purposes and are classified as operating cash flows in the Company's consolidated Statement of Cash Flows. Amounts applied as principal on the borrower account are similarly classified as principal for accounting purposes and are classified as investing cash flows in the consolidated Statement of Cash Flows. Amounts received as payments of fees are recorded in Other income and classified as operating cash flows in the consolidated Statement of Cash Flows. Escrow deposits are recorded on the Servicer's Balance Sheet and do not impact the Company's cash flow. Loans acquired or originated that have not experienced a deterioration in credit quality

While the Company generally acquires loans that have experienced deterioration in credit quality, it does acquire or originate loans that have not experienced a deterioration in credit quality. The Company recognizes any related loan discount and deferred expenses pursuant to ASC 310-20 by amortizing these amounts over the life of the loan.

Accrual of interest on individual loans is discontinued when management believes that, after considering economic and business conditions and collection efforts, the borrower's financial condition is such that collection of interest is doubtful. The Company's policy is to stop accruing interest when a loan's delinquency exceeds 90 days. All interest accrued but not collected for loans that are placed on non-accrual status or subsequently charged-off are reversed against Interest income. Income is subsequently recognized on the cash basis until, in management's judgment, the borrower's ability to make periodic principal and interest payments returns and future payments are reasonably assured, in which case the loan is returned to accrual status.

An individual loan is considered to be impaired when, based on current events and conditions, it is probable the Company will be unable to collect all amounts due (both principal and interest) according to the contractual terms of the loan agreement. Impaired loans are carried at the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's market price, or the fair value of the collateral if the loan is collateral dependent. For individual loans, a troubled debt restructuring is a formal restructuring of a loan where, for economic or legal reasons related to the borrower's financial difficulties, a concession that would not otherwise be considered is granted to the borrower. The concession may be granted in various forms, including providing a below-market interest rate, a reduction in the loan balance or accrued interest, an extension of the maturity date, or a combination of these. An individual loan that has had a troubled debt restructuring is considered to be impaired and is subject to the relevant accounting for impaired loans. Loans are tested quarterly for impairment and impairment reserves are recorded to the extent the net realizable value of the underlying collateral falls below net book value.

If necessary, an allowance for loan losses is established through a provision for loan losses charged to expenses. The allowance is an amount that management believes will be adequate to absorb probable losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans.

Real Estate

The Company acquires REO properties directly through purchases, or when it forecloses on the borrower and takes title to the underlying property or the borrower surrenders the deed in lieu of foreclosure. Property is recorded at cost if purchased, or at the present value of future cash flows if obtained through foreclosure by the Company. Property that the Company expects to actively market for sale is classified as held-for-sale. Property held-for-sale is carried at the lower of its acquisition basis or net realizable value (fair market value less expected selling costs, and any additional costs necessary to prepare the property for sale). Fair market value is determined based on broker price opinions ("BPOs"), appraisals, or other market indicators of fair value including list price or contract price. Net unrealized losses due to changes in market value are recognized through a valuation allowance by charges to income through real estate operating expenses. No depreciation or amortization expense is recognized on properties held-for-sale, and all holding costs are expensed as incurred.

Rental property is property not held-for-sale. Rental properties are intended to be held as long-term investments but may eventually be reclassified as held-for-sale. Property is generally held for investment as rental property if the cash flows from use as a rental exceed the present value of expected cash flows from a sale. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets of three to 39 years. The Company performs an impairment analysis for all rental property using estimated cash flows if events or changes in circumstances indicate that the carrying value may be impaired, such as prolonged vacancy, identification of materially adverse legal or environmental factors, changes in

expected ownership period or a decline in market value to an amount less than cost. This analysis is performed at the property level. The cash flows are estimated based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for rental properties, competition for customers, changes in market rental rates, costs to operate each property and expected ownership periods.

Renovations are performed by the Servicer, and those costs are then reimbursed to the Servicer. Any renovations on properties which the Company elects to hold as rental properties are capitalized as part of the property's basis and depreciated over the remaining estimated useful life of the property. The Company may perform property renovations to maximize the value of a property for either its rental strategy or for resale.

Secured Borrowings

The Company, through securitization trusts, issues callable debt secured by its mortgage loans in the ordinary course of business. The secured borrowings are structured as debt financings, and the loans remain on the Company's consolidated Balance Sheet as the Company is the primary beneficiary of the securitization trusts which are VIEs.

These secured borrowing VIEs are structured as pass through entities that receive principal and interest on the underlying mortgages and distribute those payments to the holders of the notes. The Company's exposure to the obligations of the VIEs is generally limited to its investments in the entities; the creditors do not have recourse to the primary beneficiary. Coupon interest on the debt is recognized using the accrual method of accounting. Deferred issuance costs, including original issue discount and debt issuance costs, are carried on the Company's consolidated Balance Sheets as a deduction from Secured borrowings, and are amortized on an effective yield basis based on the underlying cash flow of the mortgage loans. The Company assumes the debt will be called at the specified call date for purposes of amortizing discount and issuance costs because the Company believes it will have the intent and ability to call the debt on the call date. Changes in the actual or projected underlying cash flows are reflected in the timing and amount of deferred issuance cost amortization.

Repurchase Facilities

The Company enters into repurchase financing facilities under which it nominally sells assets to a counterparty and simultaneously enters into an agreement to repurchase the sold assets at a price equal to the sold amount plus an interest factor. Despite being legally structured as sales and subsequent repurchases, repurchase transactions are generally accounted for as debt secured by the underlying assets. At the maturity of a repurchase financing, unless the repurchase financing is renewed, the Company is required to repay the borrowing including any accrued interest and concurrently receives back its pledged collateral from the lender. The repurchase financings are treated as collateralized financing transactions; pledged assets are recorded as assets in the Company's consolidated Balance Sheets, and debt is recognized at the contractual amount. Interest is recorded at the contractual amount on an accrual basis. Costs associated with the set-up of a repurchasing contract are recorded as deferred issuance cost at inception and amortized over the contractual life of the agreement. Any draw fees associated with individual transactions and any facility fees assessed on the amounts outstanding are recorded as deferred costs when incurred and amortized over the contractual life of the related borrowing.

Convertible Senior Notes

On April 25, 2017, the Company completed the public offer and sale of \$87.5 million in aggregate principal amount of its convertible senior notes (the "notes") due 2024, with a follow-on offering of an additional \$20.5 million in aggregate principal amount completed on August 18, 2017, which, combined with the notes from the April offering, form a single series of securities. The notes bear interest at a rate of 7.25% per annum, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year. The notes will mature on April 30, 2024, unless earlier converted or redeemed. During certain periods and subject to certain conditions the notes will be convertible by their holders into shares of the Company's common stock at a conversion rate of 1.6315 shares of common stock per \$25.00 principal amount of the notes, which represents a conversion price of approximately \$15.32 per share of common stock. The conversion rate, and thus the conversion price, may be subject to adjustment under certain circumstances. Coupon interest on the notes is recognized using the accrual method of accounting. Discount and deferred issuance costs are carried on the Company's consolidated balance sheets as a deduction from the notes, and are amortized to interest expense on an effective yield basis through April 30, 2023, the date at which the notes can be converted. The Company assumes the debt will be converted at the specified conversion date for purposes of amortizing issuance costs because the Company believes such conversion will be in the economic interest of the holders. A discount of

\$2.7 million, representing the fair value of the embedded conversion feature, was recorded to stockholders' equity. No sinking fund has been established for redemption of the principal.

Management Fee and Expense Reimbursement

The Company is a party to the Management Agreement with the Manager, which has a 15-year term, expiring on July 8, 2029. Under the Management Agreement, the Manager implements the Company's business strategy and manages the Company's business and investment activities and day-to-day operations, subject to oversight by the Company's Board of

Directors. Among other services, the Manager, directly or through Aspen affiliates, provides the Company with a management team and necessary administrative and support personnel. Additionally, the Company pays directly for the internal audit function which reports directly to the Audit Committee and the Board of Directors. The Company does not currently have any employees that it pays directly and does not expect to have any employees that it pays directly in the foreseeable future. Each of the Company's executive officers is an employee or officer, or both, of the Manager or the Servicer.

Under the Management Agreement by and between the Company and the Manager as amended and restated on October 27, 2015, the Company pays a quarterly base management fee based on its stockholders' equity, including equity equivalents such as the Company's recent issuance of convertible senior notes, and a quarterly incentive management fee based on its cash distributions to its stockholders. Manager fees are expensed in the quarter incurred and the portion payable in common stock is included in stockholders' equity at quarter end. See Note 9 — Related party transactions.

Servicing Fees

On July 8, 2014, the Company entered into a 15-year Servicing Agreement (the "Servicing Agreement") with the Servicer. Under the Servicing Agreement by and between the Company and the Servicer, the Servicer receives an annual servicing fee rate of 0.65% annually of the Unpaid Principal Balance ("UPB") for loans that are re-performing at acquisition and 1.25% of UPB for loans that are non-performing at acquisition. For certain of the Company's joint ventures, the Servicing fee rate for RPLs is reduced to an annual servicing fee rate of 0.42% annually on a loan-by-loan basis for any loan that makes seven consecutive payments. Servicing fees are paid monthly. The total fees incurred by the Company for these services depend upon the UPB and type of mortgage loans that the Servicer services pursuant to the terms of the servicing agreement. The fees do not change if a re-performing loan becomes non-performing or vice versa. Servicing fees for the Company's real property assets are the greater of (i) the servicing fee applicable to the underlying mortgage loan prior to foreclosure, or (ii) 1.00% annually of the fair market value of the REO as reasonably determined by the Manager or 1.00% annually of the purchase price of any REO otherwise purchased by the Company. The Servicer is reimbursed for all customary, reasonable and necessary out-of-pocket costs and expenses incurred in the performance of its obligations, including the actual cost of any repairs and renovations undertaken on the Company's behalf. The total fees incurred by the Company for these services will be dependent upon the UPB and type of mortgage loans that the Servicer services, property values, previous UPB of the relevant loan, and the number of REO properties. The Servicing Agreement will automatically renew for successive one-year terms, subject to prior written notice of non-renewal. In certain cases, the Company may be obligated to pay a termination fee. The Management Agreement will automatically terminate at the same time as the Servicing Agreement if the Servicing Agreement is terminated for any reason. See Note 9 — Related party transactions.

Stock-based Payments

A portion of the management fee is payable in cash, and a portion of the management fee is in shares of the Company's common stock, which are issued to the Manager in a private placement and are restricted securities under the Securities Act of 1933, as amended (the "Securities Act"). Shares issued to the Manager are determined based on the higher of the most recently reported book value or the average of the closing prices of our common stock on the New York Stock Exchange ("NYSE") on the five business days after the date on which the most recent regular quarterly dividend to holders of our common stock is paid. Management fees paid in common stock are recognized as an expense in the quarter incurred and recorded in equity at quarter end.

Under the Company's 2014 Director Equity Plan (the "Director Plan"), the Company may make stock-based awards to its directors. The Director Plan is designed to promote the Company's interests by attracting and retaining qualified and experienced individuals for service as non-employee directors. The Director Plan is administered by the Company's Board of Directors. The total number of shares of common stock or other stock-based award, including grants of long-term incentive plan units ("LTIP Units") from the Operating Partnership, available for issuance under the Director Plan is 90,000 shares. The Company has issued to each of its independent directors restricted stock awards of 2,000 shares of its common stock upon joining the Board of Directors, which are subject to a one-year vesting period. In addition, each of the Company's independent directors receives an annual fee of \$75,000. The fee is payable quarterly, half in shares of the Company's common stock and half in cash. Stock-based expense for the directors' annual fee is expensed as earned, in equal quarterly amounts during the year, and recorded in equity at quarter end.

On June 7, 2016, the Company's stockholders approved the 2016 Equity Incentive Plan (the "2016 Plan") to attract and retain non-employee directors, executive officers, key employees and service providers, including officers and employees of the Company's affiliates. The 2016 Plan authorized the issuance of up to 5% of the Company's outstanding shares from time to time on a fully diluted basis (assuming, if applicable, the exercise of all outstanding options and the conversion of all warrants and convertible senior notes, including OP Units and LTIP Units, into shares of common stock). Grants of restricted stock to officers of the Company use grant date fair value of the stock as the basis for measuring the cost of the grant. The cost of grants of restricted stock to employees of the Company's affiliates is determined using the stock price as of the date at which the counterparty's performance is complete. Forfeitures are accounted for in the period in which they occur. The shares vest

over three years, with one third of the shares vesting on each of the first, second and third anniversaries of the grant date. The shares may not be sold until the third anniversary of the grant date.

Directors' Fees

The expense related to directors' fees is accrued, and the portion payable in common stock is reflected in consolidated Stockholders' equity in the period in which it is incurred.

Variable Interest Entities

In the normal course of business, the Company enters into various types of transactions with special purpose entities, which have primarily consisted of trusts established for the Company's secured borrowings (See "Secured Borrowings" above and Note 8 to the consolidated Financial Statements). Additionally, from time to time, the Company may enter into joint ventures with unrelated entities. The Company evaluates each transaction and its resulting beneficial interest to determine if the entity formed pursuant to the transaction should be classified as a VIE. If an entity created in a transaction meets the definition of a VIE and the Company determines that it or a consolidated subsidiary is the primary beneficiary, the Company will include the entity in its consolidated financial statements.

Cash and Cash Equivalents

Highly liquid investments with an original maturity of three months or less when purchased are considered cash equivalents. The Company generally maintains cash and cash equivalents at insured banking institutions with minimum assets of \$1 billion. Certain account balances exceed Federal Deposit Insurance Corporation ("FDIC") insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage.

Cash Held in Trust

Cash held in trust consists of restricted cash balances legally due to lenders, and is segregated from the Company's other cash deposits. Cash held in trust is not available to the Company for any purposes other than the settlement of existing obligations to the lender.

Earnings per Share

The Company grants restricted shares which entitle the recipients to receive dividend equivalents during the vesting period on a basis equivalent to the dividends paid to holders of common shares. Unvested share-based compensation awards containing non-forfeitable rights to receive dividends or dividend equivalents (collectively, "dividends") are classified as "participating securities" and are included in the basic earnings per share calculation using the two-class method.

Under the two-class method, all earnings (distributed and undistributed) are allocated to common shares and participating securities, based on their respective rights to receive dividends. Basic earnings per share is determined by dividing net income available to common shareholders, reduced by income attributable to the participating securities, by the weighted-average common shares outstanding during the period.

Diluted earnings per share is determined by dividing net income attributable to diluted shareholders, which adds back to net income the interest expense, net of applicable income taxes, on the Company's convertible senior notes, by the weighted-average common shares outstanding, assuming all dilutive securities, including stock grants, shares that would be issued in the event that OP Units are redeemed for shares of common stock of the Company, shares issued in respect of the stock-based portion of the base fee payable to the Manager and independent directors, and shares that would be issued in the event of conversion of the Company's outstanding convertible senior notes, were issued. In the event the Company were to record a loss, potentially dilutive securities would be excluded from the diluted loss per share calculation, as their effect on loss per share would be anti-dilutive.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy has been established that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

• Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The degree of judgment utilized in measuring fair value generally correlates to the level of pricing observability. Assets and liabilities with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of pricing observability and a lesser degree of judgment utilized in measuring fair value. Conversely, assets and liabilities rarely traded or not quoted will generally have little or no pricing observability and a higher degree of judgment utilized in measuring fair value. Pricing observability is impacted by a number of factors, including the type of asset or liability, whether it is new to the market and not yet established, and the characteristics specific to the transaction.

The fair value of mortgage loans is estimated using the Manager's proprietary pricing model which estimates expected cash flows with the discount rate used in the present value calculation representing the estimated effective yield of the loan. The Company reviews its discount rates periodically to ensure the assumptions used to calculate fair value are in line with market conditions.

The Company's Investment in debt securities is considered to be available for sale, and is carried at fair value with changes in fair value reflected in the Company's consolidated Statements of Comprehensive Income.

The Company calculates the fair value for the secured borrowings on its consolidated Balance Sheets from securitization trusts by using the Company's proprietary pricing model to estimate the cash flows expected to be generated from the underlying collateral with the discount rate used in the present value calculation representing an estimate of the average rate for debt instruments with similar durations and risk factors.

The Company's borrowings under repurchase agreement are short-term in nature, and the Manager believes it can renew the current borrowing arrangements on similar terms in the future. Accordingly, the carrying value of these borrowings approximates fair value.

The Company's convertible senior notes are traded on the NYSE under the ticker symbol "AJXA"; the debt's fair value is determined from the closing price on the balance sheet date.

Property held-for-sale is carried at the lower of its acquisition basis or net realizable value. Fair market value is determined based on broker price opinions, appraisals, or other market indicators of fair value. Net unrealized losses due to changes in market value are recognized through a valuation allowance by charges to income.

Income Taxes

The Company elected REIT status upon the filing of its 2014 income tax return, and has conducted its operations in order to satisfy and maintain eligibility for REIT status. Accordingly, the Company does not believe it will be subject to U.S. federal income tax from the year ended December 31, 2014 forward on the portion of the Company's REIT taxable income that is distributed to the Company's stockholders as long as certain asset, income and stock ownership tests are met. If the Company fails to qualify as a REIT in any taxable year, it generally will not be permitted to qualify for treatment as a REIT for U.S. federal income tax purposes for the four taxable years following the year during which qualification is lost. In addition, notwithstanding the Company's qualification as a REIT, it may also have to pay certain state and local income taxes, because not all states and localities treat REITs in the same manner that they are treated for U.S. federal income tax purposes.

GA-TRS, GAJX Real Estate LLC, and any other TRS that the Company forms will be subject to U.S. federal and state income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences or benefits attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which management expects those temporary differences to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period in which the change occurs. Subject to the Company's judgment, it reduces a deferred tax asset by a valuation allowance if it is "more-likely-than-not" that some or all of the deferred tax asset will not be realized. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in evaluating tax positions, and the Company recognizes tax benefits only if it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authority.

The Company evaluates tax positions taken in its consolidated financial statements under the interpretation for accounting for uncertainty in income taxes. As a result of this evaluation, the Company may recognize a tax benefit from an uncertain tax position only if it is "more-likely-than-not" that the tax position will be sustained on examination by taxing authorities.

The Company's tax returns remain subject to examination and consequently, the taxability of the distributions and other tax positions taken by the Company may be subject to change. Distributions to stockholders generally will be taxable as ordinary income, although a portion of such distributions may be designated as long-term capital gain or qualified dividend income, or may constitute a return of capital. The Company furnishes annually to each stockholder a statement setting forth distributions paid during the preceding year and their U.S. federal income tax treatment.

Investment in Debt Securities

The Company's investment in debt securities as of March 31, 2018 consists of a \$6.2 million investment in subordinated debt securities issued by a related party trust. The notes have a stated final maturity of October 25, 2056. During the year ended December 31, 2017, the Company made a decision to transfer these notes to available-for-sale status in anticipation of reinvesting the proceeds from any sale into additional mortgage loans. Accordingly, the carrying amount of the investment was transferred from held-to-maturity to available for sale status during 2017. The notes are carried at fair value with changes in fair value reflected in the Company's consolidated Statements of Comprehensive Income.

Segment Information

The Company's primary business is acquiring, investing in and managing a portfolio of mortgage loans. The Company operates in a single segment focused on re-performing mortgages, and to a lesser extent non-performing mortgages.

Emerging Growth Company

Section 107 of the Jumpstart Our Business Startups Act (the "JOBS Act") permits an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. Nonetheless, the Company has elected not to use this extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended.

Reclassifications

Certain amounts in the Company's 2017 consolidated Financial Statements have been reclassified to conform to the current period presentation. These reclassifications had no effect on previously reported net income or equity.

Recently Adopted Accounting Standards

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 may be applied using either a full retrospective or a modified retrospective approach. In August 2015, the FASB issued ASU 2015-14 deferring the effective date for ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company's primary revenue stream, income from its investments in mortgage loans, is specifically excluded from the scope of ASU 2014-09 as is its accounting for its investments in debt securities and joint ventures. Additionally, while contracts to sell REO are not excluded from the scope of ASU 2014-09, the Company does not believe its revenue recognition from contracts with buyers of REO would change under ASU 2014-09. Accordingly, the adoption of ASU 2014-09 did not impact the Company's revenue recognition policies. The Company adopted ASU 2014-09 in 2018 and elected to use the modified retrospective transition method which requires application of ASU 2014-09 to uncompleted contracts at the date of adoption however, periods prior to the date of adoption will not be retrospectively revised as the impact of the ASU on uncompleted contracts at the date of adoption had no impact.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall. ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Specifically the guidance (1) requires equity investments to be measured at fair value with changes in fair value recognized in earnings, (2) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (3) eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost, (4) requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (5) requires an entity to present separately in other comprehensive income the portion of the total change in fair value of a liability resulting from a change in the credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option, (6) requires separate presentation of financial assets and liabilities by measurement category and form on the consolidated balance sheets or the notes to the financial statements, and (7) clarifies that the need for a valuation allowance on a deferred tax asset related to an available-for-sale security should be evaluated with other deferred tax assets. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company adopted ASU 2016-01 in 2018 with no effect on its consolidated assets or liabilities, consolidated net income or equity

or cash flows.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance on the presentation and classification of specific cash flow items to improve consistency within the statement of cash flows. This guidance is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2017, with early adoption permitted. The Company adopted ASU 2016-15 in 2018 with no effect on its consolidated assets or liabilities, consolidated net income or equity or cash flows.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses. The main objective of this guidance is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity. To achieve this, the amendments in this guidance replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Specifically, the amendments in this guidance require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. This guidance is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted, beginning with fiscal years after December 15, 2018. The Company is currently evaluating the impact on its consolidated financial statements and related disclosures.

Note 3 — Mortgage Loans

The following table presents information regarding the carrying value for the Mortgage loan categories of RPL, NPL and originated as of March 31, 2018 and December 31, 2017 (\$ in thousands):

Loan portfolio basis by asset type	March 31, December	
	2018	31, 2017
Residential RPLs	\$ 1,187,320	\$ 1,190,019
Purchased SBC (RPL)	7,949	8,605
Originated SBC	11,737	11,620
Residential NPLs	40,207	43,297
Total	\$ 1,247,213	\$ 1,253,541

Included on the Company's consolidated Balance Sheets as of March 31, 2018 and December 31, 2017 are approximately \$1,247.2 million and \$1,253.5 million, respectively, of RPLs, NPLs, and originated SBCs at carrying value. RPLs and NPLs are categorized at acquisition. The carrying value of RPLs and NPLs reflects the original investment amount, plus accretion of interest income, less principal and interest cash flows received. Additionally, originated SBC loans are carried at originated cost, less any loan discount. The carrying value for all loans is decreased by an allowance for loan losses, if any. For the three months ended March 31, 2018 and 2017, the Company recognized no provision for loan loss. For the three months ended March 31, 2018 and 2017, the Company accreted \$25.2 million and \$20.5 million, respectively, into interest income with respect to its RPL and NPL portfolio.

The Company's mortgage loans are secured by real estate. The Company monitors the credit quality of the mortgage loans in its portfolio on an ongoing basis, principally by considering loan payment activity or delinquency status. In addition, the Company assesses the expected cash flows from the mortgage loans, the fair value of the underlying collateral and other factors, and evaluates whether and when it becomes probable that all amounts contractually due will not be collected.

The Company's loan acquisitions for the three months ended March 31, 2018 consisted of 87 purchased RPLs with \$19.7 million UPB. Comparatively during the three months ended March 31, 2017, the Company acquired 24 RPLs with \$3.4 million UPB and two originated SBC loan with \$2.5 million UPB.

The Company acquired no NPLs for the three months ended March 31, 2018 and 2017.

The following table presents information regarding the accretable yield and non-accretable amount for purchased loans acquired during the following periods (\$ in thousands):

	For the three months ended March 31,			
	2018		2017	
	Re-performing loans	Non-performing loans	Re-performing loans	Non-performing loans
Contractually required principal and interest	\$31,623	\$ —	\$ 4,856	\$ —
Non-accretable amount	(9,574)	—	(888)	—
Expected cash flows to be collected	22,049	—	3,968	—

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Accretable yield	(4,483)	—	(824)	—	
Fair value at acquisition	\$17,566	\$	— \$ 3,144	\$	—

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The Company determines the accretable yield on new acquisitions by comparing the expected cash flows from the Company's proprietary cash flow model to the remaining contractual cash flows at acquisition. The difference between the expected cash flows and the portfolio acquisition price is accretable yield. The difference between the remaining contractual cash flows and the expected cash flows is the non-accretable amount. The following table presents the accretable yield and non-accretable amount for loan portfolio purchases for the three months ended March 31, 2018 and 2017. Accretable yield and accretion amounts does not include any of the eight and two originated SBC loans at March 31, 2018 and 2017, respectively (\$ in thousands):

	For the three months ended March 31,			
	2018		2017	
	Re-performing loans	Non-performing loans	Re-performing loans	Non-performing loans
Balance at beginning of period	\$344,141	\$ 7,370	\$239,858	\$ 12,065
Accretable yield additions	4,483	—	824	—
Accretion	(24,502)	(715)	(19,153)	(1,335)
Reclassification from (to) non-accretable amount, net	(6,603)	(370)	22,323	(662)
Balance at end of period	\$317,519	\$ 6,285	\$243,852	\$ 10,068

During the three months ended March 31, 2018, the Company reclassified a net \$7.0 million from accretable yield to non-accretable amount, consisting of a \$6.6 million transfer from accretable yield to non-accretable amount for RPLs, and a \$0.4 million transfer from accretable yield to non-accretable amount for NPLs. Comparatively, during the three months ended 2017, the Company reclassified a net \$21.7 million from non-accretable amount to accretable yield, consisting of a \$22.3 million transfer from non-accretable amount to accretable yield for its RPLs and \$0.7 million from accretable yield to non-accretable amount on NPLs. The Company recalculates the amount of accretable yield and non-accretable amount on a quarterly basis. Reclassifications between the two categories are primarily based upon changes in expected cash flows and actual prepayments, including payoffs in full or in part. Additionally, the accretable yield and non-accretable amounts are revised when loans are reclassified to REO because the future expected cash flows are removed from the pool. For the three months ended March 31, 2018, RPL reclassifications from accretable yield to non-accretable amounts were primarily driven by a higher than expected number of loans that paid in full and from loans removed from the pools upon foreclosure. The three months ended 2017, RPL reclassifications from non-accretable amount to accretable yield were driven by updated assessment of projected loan cash flows as compared to the model as of December 31, 2016. For the three months ended March 31, 2018 and 2017, NPL reclassifications from accretable yield to non-accretable amount were driven primarily by loans removed from the pool upon foreclosure and loan payoffs, both in full or in part, prior to modeled expectations.

The following table sets forth the carrying value of the Company's mortgage loans, and related unpaid principal balance by delinquency status as of March 31, 2018 and December 31, 2017 (\$ in thousands):

	March 31, 2018			December 31, 2017		
	Number of loans	Carrying value	Unpaid principal balance	Number of loans	Carrying value	Unpaid principal balance
Current	3,761	\$693,273	\$802,476	3,998	\$744,300	\$860,572
30	944	160,589	182,834	912	152,685	178,383
60	644	108,790	125,719	577	100,792	117,145
90	1,169	212,051	249,457	1,047	177,841	214,297
Foreclosure	322	72,510	87,827	367	77,923	94,826
Mortgage loans	6,840	\$1,247,213	\$1,448,313	6,901	\$1,253,541	\$1,465,223

Note 4 — Real Estate Assets, Net

The Company primarily acquires REO when a mortgage loan is foreclosed upon and the Company takes title to the property on the foreclosure date or the borrower surrenders the deed in lieu of foreclosure. Additionally, from time to time, the Company may acquire real estate assets in purchase transactions.

Rental Property

As of March 31, 2018, the Company owned 15 REO properties with an aggregate carrying value of \$5.2 million held for investment as rentals, at which time eight properties were rented. One property consists of a 32-unit multi-family apartment

building that was acquired during the first quarter of 2018 that has a current carrying value of \$3.5 million. One property was acquired as an RPL but transitioned to foreclosure prior to boarding by the Servicer, one was acquired through foreclosure, and 12 were transferred from Property held-for-sale. As of December 31, 2017, the Company had 14 REO properties with a carrying value of \$1.3 million held for use as rentals, at which time five were rented. One of these properties was acquired as an RPL but transitioned to foreclosure prior to boarding by the Servicer, three were acquired through foreclosures, and 10 were transferred from Property held-for-sale.

Property Held-for-Sale

The Company classifies REO as held-for-sale if the REO is expected to be actively marketed for sale. As of March 31, 2018 and December 31, 2017, the Company's net investments in REO held-for-sale were \$23.8 million and \$24.9 million, respectively, which include balances of \$2.0 million and \$1.8 million, respectively for properties undergoing renovation or which are otherwise in the process of being brought to market. For the three months ended March 31, 2018 and 2017, all of the additions to REO Property held-for-sale were acquired through foreclosure or deed in lieu of foreclosure, and reclassified out of its mortgage loan portfolio.

The following table presents the activity in the Company's carrying value of property held-for-sale for the three months ended March 31, 2018 and 2017 (\$ in thousands):

	For the three months ended March 31,			
	2018		2017	
	Count	Amount	Count	Amount
Property Held-for-sale				
Balance at beginning of year	136	\$24,947	149	\$23,882
Transfers from mortgage loans	27	3,958	49	8,007
Adjustments to record at lower of cost or fair value	—	(408)	—	(309)
Disposals	(27)	(4,226)	(32)	(4,062)
Net transfers to Rental property ⁽¹⁾	—	(502)	(1)	(179)
Balance at end of year	136	\$23,769	165	\$27,339

(1) Includes net impact of four properties transferred from held-for-sale to rental of \$0.9 million and four properties transferred from rental to held-for-sale of \$0.4 million.

Dispositions

During the three months ended March 31, 2018 and 2017, the Company sold 27 and 32 REO properties respectively, realizing a net gain of approximately \$0.6 million and \$0.1 million, respectively. These amounts are included in Other income on the Company's consolidated Statements of Income. The Company recorded a lower of cost or net realizable value adjustments in Real estate operating expense for the three months ended March 31, 2018 and 2017 of \$0.4 million and \$0.3 million, respectively.

Note 5 — Fair Value

The following tables set forth the fair value of financial assets and liabilities by level within the fair value hierarchy as of March 31, 2018 and December 31, 2017 (\$ in thousands):

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		Level 1	Level 2	Level 3
		Quoted	Observable	
		prices in	inputs	
		active	other	Unobservable
		markets	than Level	inputs
			1	
			prices	
March 31, 2018	Carrying Value			
Financial assets				
Mortgage loans, net	\$1,247,213	\$—	\$—	\$ 1,381,436
Investment in debt securities	\$6,218	\$—	\$ 6,218	\$—
Investment in Manager	\$973	\$—	\$—	\$ 6,192
Investment in AS Ajax E	\$969	\$—	\$ 1,218	\$—
Investment in Great Ajax FS	\$1,701	\$—	\$—	\$ 1,701
Financial liabilities				
Secured borrowings, net	\$662,494	\$—	\$—	\$ 662,023
Borrowings under repurchase agreement	\$273,199	\$—	\$ 273,199	\$—
Convertible senior notes, net	\$102,764	\$ 109,080	\$—	\$—

		Level 1	Level 2	Level 3
		Quoted	Observable	
		prices in	inputs	
		active	other	Unobservable
		markets	than Level	inputs
			1	
			prices	
December 31, 2017	Carrying Value			
Financial assets				
Mortgage loans, net	\$1,253,541	\$—	\$—	\$ 1,375,722
Investment in debt securities	\$6,285	\$—	\$ 6,285	\$—
Investment in Manager	\$850	\$—	\$—	\$ 6,427
Investment in AS Ajax E	\$1,201	\$—	\$ 1,224	\$—
Financial liabilities				
Secured borrowings, net	\$694,040	\$—	\$—	\$ 693,255
Borrowings under repurchase agreement	\$276,385	\$—	\$ 276,385	\$—
Convertible senior notes, net	\$102,571	\$ 109,641	\$—	\$—

The fair value of mortgage loans is estimated using the Manager's proprietary pricing model which estimates expected cash flows with the discount rate used in the present value calculation representing the estimated effective yield of the loan. The value of transfers of mortgage loans to REO is based upon the present value of future expected cash flows of the loans being transferred.

The Company values its Investment in debt securities using estimates provided by banking institutions.

The investment in the Company's Manager is valued by applying an earnings multiple to expected earnings.

The Company's investment in AS Ajax E is valued using estimates provided by banking institutions.

The fair value of the Company's investment in GAFS is presented as the acquisition price as no significant transactions have occurred since the initial closing date of January 26, 2018.

The fair value of secured borrowings is estimated using the Manager's proprietary pricing model which estimates expected cash flows of the underlying mortgage loans which collateralize the debt, and which drive the cash flows used to make interest payments. The discount rate used in the present value calculation represents the estimated effective yield of the underlying mortgages.

The Company's borrowings under repurchase agreement are short-term in nature, and the Company's management believes it can renew the current borrowing arrangements on similar terms in the future. Accordingly, the carrying value of these borrowings approximates fair value.

The Company's Convertible senior notes are traded on the NYSE; the debt's fair value is determined from the NYSE closing price on the Balance Sheet date.

The carrying values of its Cash and cash equivalents, Cash held in trust, Receivable from servicer, Investment in affiliates, Loans purchase deposit, Management fee payable and Other liabilities are equal to or approximate fair value.

Non-financial assets

Property held-for-sale is carried at the lower of its acquisition basis or net realizable value. Fair market value is determined based on appraisals, broker price opinions, or other market indicators of fair value. Since net unrealized losses due to changes in market value are recognized through a valuation allowance by charges to income, aggregate fair value for the Company's REO Property is conservatively stated as its carrying value. The following tables set forth the fair value of non-financial assets by level within the fair value hierarchy as of March 31, 2018 and December 31, 2017 (\$ in thousands):

			Level 1	Level 2	Level 3
		Current quarter fair value adjustment recognized in the consolidated statements of income	Quoted prices in active markets	Observable inputs other than Level 1 prices	Unobservable inputs
March 31, 2018	Carrying Value				
Non-financial assets					
Property held-for-sale	\$23,769	\$ 408	\$ —	\$ —	\$ 23,769

			Level 1	Level 2	Level 3
		Fiscal year 2017 fair value adjustment recognized in the consolidated statements of income	Quoted prices in active markets	Observable inputs other than Level 1 prices	Unobservable inputs
December 31, 2017	Carrying Value				
Non-financial assets					
Property held-for-sale	\$24,947	\$ 2,516	\$ —	\$ —	\$ 24,947

Non-financial assets

Property held-for-sale \$24,947 \$ 2,516 \$ — \$ — \$ 24,947

During the year ended December 31, 2017, the Company transferred the balance of its Property held-for-sale from Level 2 to Level 3 to reflect the additional uncertainty inherent in the estimation process for real estate values.

Note 6 — Affiliates

Unconsolidated Affiliates

During the quarter ended March 31, 2018, the Company agreed to acquire an 8% ownership interest in GAFS. The acquisition is expected to be completed in two transactions. January 26, 2018 was the initial closing date wherein a 4.9% interest in GAFS and three warrants, each exercisable for a 2.45% interest in GAFS upon payment of additional consideration, in exchange for consideration of \$1.1 million of cash and 45,938 shares of the Company's common stock with a value of approximately \$0.6 million. At the date of an additional closing, expected to take place approximately 121 days afterward, depending upon receipt of all necessary approvals, consents and authorizations, an additional 3.1% interest in GAFS, and three warrants, each exercisable for a 1.55% interest in GAFS in exchange for consideration of \$0.7 million of cash and shares of the Company's common stock with a value of approximately \$0.4 million, with the actual number of shares dependent upon the common stock's price at the close of trading on the day immediately preceding the date of the additional closing. The Company accounts for its investment in GAFS using the equity method.

During the year ended December 31, 2017, a small-balance commercial loan secured by a commercial property in Portland, Oregon, in which the Company held a 40.5% interest through a Delaware trust, GA-E 2014-12, was paid off in full. The Company received a distribution of \$2.6 million related to this investment. At March 31, 2018, GA-E 2014-12 held cash of \$5,000 and had accrued expenses of \$3,000. Upon final settlement of all obligations, any remaining cash is expected to be distributed between the investors in proportion to their ownership interests. The Company accounts for its investment in GA-E 2014-12 using the equity method.

Upon the closing of the Company's original private placement in July 2014, the Company received a 19.8% equity interest in the Manager, a privately held company for which there is no public market for its securities. The Company accounts for its investment in the Manager using the equity method.

On March 14, 2016, the Company formed AS Ajax E LLC, to hold an equity interest in a Delaware trust formed to own residential mortgage loans and residential real estate assets. AS Ajax E LLC owns a 5% equity interest in Ajax E Master Trust which holds a portfolio of RPLs. At the time of the original investment, the Company held a 24.2% interest in AS Ajax E LLC. In October 2016, additional capital contributions were made by third parties, and the Company's ownership interest in AS Ajax E was reduced to a lower percentage of the total. At both March 31, 2018 and December 31, 2017, the Company's interest in AS Ajax E was approximately 16.5%. The Company accounts for its investment using the equity method.

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The table below shows the net income, assets and liabilities for the Company's unconsolidated affiliates at 100%, and at the Company's share (\$ in thousands):

Net income, assets and liabilities of unconsolidated affiliates at 100%

	For the three months ended March 31,			
Net income at 100%	2018	2017		
GA-E 2014-12	\$—	\$184		
Thetis Asset Management LLC	\$652	\$241		
AS Ajax E LLC	\$69	\$95		
Great Ajax FS LLC	\$115	\$241		
	March 31, 2018		December 31, 2017	
Assets and Liabilities at 100%	Assets	Liabilities	Assets	Liabilities
GA-E 2014-12	\$5	\$ 3	\$7	\$ 5
Thetis Asset Management LLC	\$7,922	\$ 1,724	\$7,415	\$ 1,674
AS Ajax E LLC	\$7,067	\$ 5	\$7,293	\$ 5
Great Ajax FS LLC	\$68,777	\$ 49,294	\$63,965	\$ 45,145
Net income, assets and liabilities of unconsolidated affiliates at the Company's share				
	For the three months ended March 31,			
Net income at Company share	2018	2017		
GA-E 2014-12	\$—	\$ 75		
Thetis Asset Management LLC	\$129	\$ 48		
AS Ajax E LLC	\$11	\$ 16		
Great Ajax FS LLC ⁽¹⁾⁽²⁾	\$9	\$ —		
			March 31, 2018	December 31, 2017
Assets and Liabilities at the Company's share			Assets	Liabilities
GA-E 2014-12			\$2	\$ 1
Thetis Asset Management LLC			\$1,569	\$ 341
AS Ajax E LLC			\$1,166	\$ 1
Great Ajax FS LLC ⁽²⁾			\$3,370	\$ 2,415
			\$—	\$ —

(1) Net income at the Company's share is not directly proportionate to Net income at 100% due to the timing of the Company's acquisition during the quarter.

(2) Amounts for the Company's share for 2017 are presented as zero since the Company's investment was a 2018 event.

Consolidated affiliates

The Company consolidates the results and balances of securitization trusts which are established to provide debt financing to the Company by securitizing pools of mortgage loans. These trusts are considered to be VIEs, and the Company has determined that it is the primary beneficiary of the VIEs.

The Company also consolidates the activities and balances of its controlled affiliates, which include AS Ajax E II, which was established to hold an equity interest in a Delaware trust formed to own residential mortgage loans and residential real estate assets, and 2017-D, a securitization trust formed to hold mortgage loans, REO property and

secured debt. As of March 31, 2018, AS Ajax E II was 53.1% owned by the Company, with the remainder held by third parties, and 2017-D was 50% owned by a third-party institutional investor. The Company consolidates the results and balances of both AS Ajax E II and 2017-D in its consolidated financial statements, and recognizes a non-controlling interest on its consolidated Balance Sheet for the amount of the investment due to the third party investors at March 31, 2018. Additionally, a non-controlling interest in the earnings of both AS Ajax E II and 2017-D is recognized in the Company's Consolidated Statement of Income for the three months ended March 31, 2018, which consists of the proportionate amount of income attributable to the third party investors.

Note 7 — Commitments and Contingencies

The Company regularly enters into agreements to acquire additional mortgage loans and mortgage-related assets, subject to continuing diligence on such assets and other customary closing conditions. There can be no assurance that the Company will acquire any or all of the mortgage loans identified in any acquisition agreement as of the date of these consolidated financial statements, and it is possible that the terms of such acquisitions may change.

At March 31, 2018, the Company had commitments to purchase, subject to due diligence, 713 RPLs secured by single-family residences with aggregate UPB of \$157.1 million. The Company will only acquire loans that meet the acquisition criteria for its own portfolios, or those of its joint venture partners. See Note 14 - Subsequent Events, for remaining open acquisitions as of the filing date.

The Company will also complete its two-step acquisition of an 8% interest in GAFS, with the additional closing date expected to take place at the end of May, 2018, or approximately 121 days after the initial closing date of January 26, 2018. The Company will acquire an additional 3.1% interest in GAFS, and three warrants, each exercisable for a 1.55% interest in GAFS in exchange for consideration of \$0.7 million of cash and shares of the Company's common stock with a value of approximately \$0.4 million, with the actual number of shares dependent upon the common stock's price at the close of trading on the day immediately preceding the date of the additional closing.

Litigation, Claims and Assessments

From time to time, the Company may be involved in various claims and legal actions arising in the ordinary course of business. As of March 31, 2018, the Company was not a party to, and its properties were not subject to, any pending or threatened legal proceedings that individually or in the aggregate, are expected to have a material impact on its financial condition, results of operations or cash flows.

Note 8 — Debt

Repurchase Agreement

The Company has entered into two repurchase facilities whereby the Company, through two wholly-owned Delaware trusts (the "Trusts"), acquires pools of mortgage loans which are then sold by the Trusts, as "Seller" to two separate counterparties, the "buyer" or "buyers." One facility has a ceiling of \$250.0 million and the other \$200.0 million at any one time. Upon the time of the initial sale to the buyer, the Trust, with a simultaneous agreement, also agrees to repurchase the pools of mortgage loans from the buyer. Mortgage loans sold under these facilities carry interest calculated based on a spread to one-month LIBOR, which are fixed for the term of the borrowing. The purchase price that the Trust realizes upon the initial sale of the mortgage loans to the buyer can vary between 70% and 85% of the asset's acquisition price, depending upon the facility being utilized and/or the quality of the underlying collateral. The obligations of a Trust to repurchase these mortgage loans at a future date are guaranteed by the Operating Partnership. The difference between the market value of the asset and the amount of the repurchase agreement is generally the amount of equity the Company has in the position and is intended to provide the buyer with some protection against fluctuations in the value of the collateral, and/or a failure by the Company to repurchase the asset and repay the borrowing at maturity. The Company has effective control over the assets subject to these transactions; therefore, the Company's repurchase transactions are accounted for as financing arrangements.

The Servicer services these mortgage loans pursuant to the terms of a Servicing Agreement by and among the Servicer and each Buyer which Servicing Agreement has the same fees and expenses terms as the Company's Servicing Agreement described under Note 9 — Related party transactions. The Operating Partnership, as guarantor, will provide to the buyers a limited guaranty of certain losses incurred by the buyers in connection with certain events and/or the Seller's obligations under the mortgage loan purchase agreement, following the breach of certain covenants by the Seller, the occurrence of certain bad acts by the Seller, the occurrence of certain insolvency events of the Seller or other events specified in the Guaranty. As security for its obligations under the Guaranty, the guarantor will pledge the Trust Certificate representing the Guarantor's 100% beneficial interest in the Seller.

Additionally, the Company has sold subordinate securities from its mortgage securitizations in repurchase transactions. The following table sets forth the details of the Company's repurchase transactions and facilities (\$ in thousands):

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March 31, 2018						
Maturity Date	Origination date	Maximum Borrowing Capacity	Amount Outstanding	Amount of Collateral	Percentage of Collateral Coverage	Interest Rate
April 30, 2018	October 31, 2017	\$ 10,601	\$10,601	\$ 15,145	143 %	3.66 %
May 8, 2018	November 8, 2017	15,227	15,227	21,754	143 %	3.69 %
June 7, 2018	February 8, 2018	58,586	58,586	77,065	132 %	3.69 %
November 21, 2018	November 22, 2017	200,000	1,222	7,812	639 %	5.09 %
July 12, 2019	July 15, 2016	250,000	187,563	244,791	131 %	4.36 %
Totals		\$ 534,414	\$ 273,199	\$ 366,567	134 %	4.16 %

December 31, 2017						
Maturity Date	Origination date	Maximum Borrowing Capacity	Amount Outstanding	Amount of Collateral	Percentage of Collateral Coverage	Interest Rate
April 30, 2018	October 31, 2017	\$ 10,601	\$10,601	\$ 15,145	143 %	3.66 %
May 8, 2018	November 8, 2017	15,227	15,227	21,754	143 %	3.69 %
June 7, 2018	December 7, 2017	66,678	66,678	88,904	133 %	3.59 %
November 21, 2018	November 22, 2017	200,000	3,775	8,215	218 %	4.79 %
July 12, 2019	July 15, 2016	250,000	180,104	234,724	130 %	4.03 %
Totals		\$ 542,506	\$ 276,385	\$ 368,742	133 %	3.91 %

The guaranty establishes a master netting arrangement; however, the arrangement does not meet the criteria for offsetting within the Company's consolidated Balance Sheets. A master netting arrangement derives from contractual agreements entered into by two parties to multiple contracts that provides for the net settlement of all contracts covered by the agreements in the event of default under any one contract. The amount outstanding on the Company's repurchase facilities and the carrying value of the Company's loans pledged as collateral are presented as gross amounts in the Company's consolidated balance sheets at March 31, 2018 and December 31, 2017 in the table below (\$ in thousands):

	Gross amounts not offset in balance sheet	
	March 31, 2018	December 31, 2017
Gross amount of recognized liabilities	\$273,199	\$276,385
Gross amount pledged as collateral	366,567	368,742
Net amount	\$93,368	\$92,357

Secured Borrowings

From inception (January 30, 2014) to March 31, 2018, the Company has completed 12 secured borrowings pursuant to Rule 144A under the Securities Act, seven of which were outstanding at March 31, 2018. The secured borrowings are structured as debt financings and not sales through a real estate investment conduit ("REMIC"), and the loans included in the secured borrowings remain on the Company's consolidated balance sheet as the Company is the primary beneficiary of the securitization trusts, which are VIEs. The securitization VIEs are structured as pass through entities that receive principal and interest on the underlying mortgages and distribute those payments to the holders of the notes. The Company's exposure to the obligations of the VIEs is generally limited to its investments in the entities. The notes that are issued by the securitization trusts are secured solely by the mortgages held by the applicable trusts and not by any of the Company's other assets. The mortgage loans of the applicable trusts are the only source of repayment and interest on the notes issued by such trusts. The Company does not guarantee any of the obligations of the trusts under the terms of the agreement governing the notes or otherwise.

The Company's secured borrowings are structured with Class A notes, subordinate notes, and trust certificates, which have rights to the residual interests in the mortgages once the notes are repaid. With the exception of the Company's 2017-D securitization, from which the Company sold a 50% interest in the trust certificate to a third party, the Company has retained the subordinate notes and the trust certificates from the seven secured borrowings outstanding at March 31, 2018.

The Class A notes for the 2017-D securitization are the only debt securities issued in this securitization, with the Class B certificates representing the residual interests in the mortgages subsequent to repayment of the Class A debt. The 2017-D

class A notes carry no step-up in the interest rate. The Company has retained 50% of both the Class A notes and Class B certificates from 2017-D.

The Company's 2017-B securitization carries no provision for a step-up in interest rate on any of the Class A, Class B or Class M notes.

For all of the Company's securitizations the Class A notes are senior, sequential pay, fixed rate notes, and with the exception of 2017-D as noted above, the Class B notes are subordinate, sequential pay, fixed rate notes. The Class M notes issued under 2017-B are mezzanine, sequential pay, fixed rate notes.

For all of the Company's securitizations, except 2017-B and 2017-D which contain no interest rate step-up, if the Class A notes have not been redeemed by the payment date or otherwise paid in full 36 months after issue, or in the case of 2017-C, 48 months after issue, an amount equal to the aggregate interest payment amount that accrued and would otherwise be paid to the subordinate notes will be paid as principal to the Class A notes on that date and each subsequent payment date until the Class A notes are paid in full. After the Class A notes are paid in full, the subordinate notes will resume receiving their respective interest payment amounts and any interest that accrued but was not paid while the Class A notes were outstanding. As the holder of the trust certificates, the Company is entitled to receive any remaining amounts in the trusts after the Class A notes and subordinate notes have been paid in full.

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The following table sets forth the original terms of all securitization notes outstanding at March 31, 2018 at their respective cutoff dates:

Issuing Trust/Issue Date	Security	Original Principal	Interest Rate
Ajax Mortgage Loan Trust 2016-A/ April 2016	Class A notes due 2064	\$101.4 million	4.25 %
	Class B-1 notes due 2064(1,4)	\$7.9 million	5.25 %
	Class B-2 notes due 2064(1,4)	\$7.9 million	5.25 %
	Trust certificates(2)	\$41.3 million	— %
	Deferred issuance costs	\$(2.7) million	— %
Ajax Mortgage Loan Trust 2016-B/ August 2016	Class A notes due 2065	\$84.4 million	4.00 %
	Class B-1 notes due 2065(1,4)	\$6.6 million	5.25 %
	Class B-2 notes due 2065(1,4)	\$6.6 million	5.25 %
	Trust certificates(2)	\$34.1 million	— %
	Deferred issuance costs	\$(1.6) million	— %
Ajax Mortgage Loan Trust 2016-C/ October 2016	Class A notes due 2057	\$102.6 million	4.00 %
	Class B-1 notes due 2057(1,4)	\$7.9 million	5.25 %
	Class B-2 notes due 2057(1,4)	\$7.9 million	5.25 %
	Trust certificates(2)	\$39.4 million	— %
	Deferred issuance costs	\$(1.6) million	— %
Ajax Mortgage Loan Trust 2017-A/ May 2017	Class A notes due 2057	\$140.7 million	3.47 %
	Class B-1 notes due 2057(1)	\$15.1 million	5.25 %
	Class B-2 notes due 2057(1)	\$10.8 million	5.25 %
	Trust certificates(2)	\$49.8 million	— %
	Deferred issuance costs	\$(2.0) million	— %
Ajax Mortgage Loan Trust 2017-B/ December 2017	Class A notes due 2056	\$115.8 million	3.16 %
	Class M-1 notes due 2056(3)	\$9.7 million	3.50 %
	Class M-2 notes due 2056(3)	\$9.5 million	3.50 %
	Class B-1 notes due 2056(1)	\$9.0 million	3.75 %
	Class B-2 notes due 2056(1)	\$7.5 million	3.75 %
	Trust certificates(2)	\$14.3 million	— %
	Deferred issuance costs	\$(1.8) million	— %
Ajax Mortgage Loan Trust 2017-C/ November 2017	Class A notes due 2060	\$130.2 million	3.75 %
	Class B-1 notes due 2060(1)	\$13.0 million	5.25 %
	Trust certificates(2)	\$42.8 million	— %
	Deferred issuance costs	\$(1.7) million	— %
Ajax Mortgage Loan Trust 2017-D/ December 2017	Class A notes due 2057(5)	\$177.8 million	3.75 %
	Class B certificates (5)	\$44.5 million	— %
	Deferred issuance costs	\$(1.1) million	— %

(1) The Class B notes are subordinate, sequential pay, fixed rate notes with Class B-2 notes subordinate to the Class B-1 notes. The Company has retained the Class B notes.

The trust certificates issued by the trusts and the beneficial ownership of the trusts are retained by Great Ajax Funding LLC as the depositor. As the holder of the trust certificates, we are entitled to receive any remaining amounts in the trusts after the Class A notes, Class M notes, where present, and Class B notes have been paid in full.

(2) The Class M notes are subordinate, sequential pay, fixed rate notes with Class M-2 notes subordinate to the Class M-1 notes. We have retained the Class M notes.

(3) These securities are encumbered under a repurchase agreement.

Ajax Mortgage Loan Trust ("AJAXM") 2017-D is a joint venture in which a third party owns 50% of the Class A notes and 50% of the Class B certificates. We are required to consolidate 2017-D under GAAP and are reflecting 100% of the mortgage loans, in Mortgage loans, net. 50% of the Class A notes, which are held by the third party, are included in Secured borrowings, net. The 50% portion of the Class A notes retained by the Company have been encumbered under a repurchase agreement. 50% of the Class B certificates are recognized as Non-controlling interest.

Servicing for the mortgage loans in the Company's securitizations is provided by the Servicer at a servicing fee rate of an annual servicing fee rate of 0.65% of outstanding UPB for RPLs at acquisition and 1.25% of outstanding UPB for loans that are non-performing at acquisition, and is paid monthly. For certain of the Company's joint ventures, the Servicing fee rate for RPLs is reduced to an annual servicing fee rate of 0.42% annually on a loan-by-loan basis for any loan that makes seven consecutive payments. The determination of RPL or NPL status is based on the status of the loan at acquisition and does not change regardless of the loan's subsequent performance. The following table sets forth the status of the notes held by others at March 31, 2018 and December 31, 2017, and the securitization cutoff date:

Class of Notes	Balances at March 31, 2018			Balances at December 31, 2017			Original balances at securitization cutoff date		
	Carrying value of mortgages	Bond principal balance	Percentage of collateral coverage	Carrying value of mortgages	Bond principal balance	Percentage of collateral coverage	Mortgage UPB	Bond principal balance	
2016-A	109,513	79,698	137 %	110,585	82,556	134 %	158,485	101,431	
2016-B	92,656	69,977	132 %	93,772	71,361	131 %	131,746	(1) 84,430	
2016-C	112,814	83,626	135 %	116,357	88,400	132 %	157,808	102,575	
2017-A	169,048	123,087	137 %	170,805	126,507	135 %	216,413	140,669	
2017-B	141,006	112,232	126 %	143,799	115,846	124 %	165,850	115,846	
2017-C	154,612	125,378	123 %	157,015	129,191	122 %	185,942	130,159	
2017-D	174,633	76,335	(3) 229 %	203,870	88,903	(3) 229 %	203,870	(2) 88,903	
	\$954,282	\$670,333	(4) 142 %	\$996,203	\$702,764	(4) 142 %	\$1,584,577	\$968,812	

(1) Includes \$1.9 million of cash collateral.

(2) Includes \$26.7 million of cash collateral intended for use in the acquisition of additional mortgage loans.

The gross amount of senior bonds at March 31, 2018 and December 31, 2017 were \$152.7 million and \$177.8 million however, only \$76.3 million and \$88.9 million are reflected in Secured borrowings, net as the remainder is owned by the Company, respectively.

(3) This represents the gross amount of Secured borrowings and excludes the impact of deferred issuance costs of \$7.8 million and \$8.8 million as of March 31, 2018 and December 31, 2017, respectively.

The Company's obligations under its secured borrowings are not fixed, and the payments on these borrowings are predicated upon cash flows received on the underlying mortgage loans.

Convertible Senior Notes

On April 25, 2017, the Company completed the issuance and sale of \$87.5 million aggregate principal amount of its 7.25% convertible senior notes due 2024 in an underwritten public offering. The net proceeds to the Company from the sale of the notes, after deducting the underwriter's discounts, commissions and offering expenses, were approximately \$84.9 million. The carrying amount of the equity component of the transaction was \$2.5 million representing the fair value to the notes' owners of the right to convert the notes into shares of the Company's common stock. The notes were issued at a 17.5% conversion premium and bear interest at a rate of 7.25% per year, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning on July 15, 2017.

On August 18, 2017, the Company completed the public offer and sale of an additional \$20.5 million in aggregate principal amount of its 7.25% Convertible senior notes due 2024, which combined with the \$87.5 million aggregate principal amount from its April offering, form a single series of notes. The net proceeds to the Company from the August 18, 2017 sale of the notes, after deducting the underwriter's discounts, commissions and offering expenses, were approximately \$20.5 million. The carrying amount of the equity component of the August transaction was \$0.2 million representing the fair value to the notes' owners of the right to convert the notes into shares of the Company's common stock.

The notes in the August transaction were issued at a 6.0% conversion premium and bear interest at a rate of 7.25% per year, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning on July 15, 2017. The notes will mature on April 30, 2024, unless earlier repurchased, redeemed or converted.

Holders may convert their notes at their option prior to April 30, 2023 only under certain circumstances. In addition, the notes will be convertible irrespective of those circumstances from, and including, April 30, 2023 to, and including, the business day immediately preceding the maturity date. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company's election.

The conversion rate currently equals 1.6315 shares of the Company's common stock per \$25.00 principal amount of notes which is equivalent to a conversion price of approximately \$15.32 per share of common stock. The conversion rate, and thus the conversion price, may be subject to adjustment under certain circumstances. As of March 31, 2018, the amount by which the if-converted value falls short of the principal value for the entire series is \$12.5 million.

The Company may not redeem the notes prior to April 30, 2022, and may redeem for cash all or any portion of the notes, at its option, on or after April 30, 2022 if the last reported sale price of its common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No "sinking fund" will be provided for the notes.

At March 31, 2018, the notes' UPB was \$108.0 million, and discount and deferred expenses were \$5.2 million. Interest expense of \$2.2 million was recognized during the quarter ended March 31, 2018 which includes \$0.2 million of amortization of discount and deferred expenses. The discount will be amortized through April 30, 2023, the date at which the notes can be converted. The effective interest rate of the notes at March 31, 2018 was 8.65%.

Note 9 — Related Party Transactions

The Company's consolidated Statements of Income included the following significant related party transactions (\$ in thousands):

For the three months ended March 31, 2018			
	Consolidated Statement of Income location	Counterparty	Amount
Loan servicing fees	Related party expense – loan servicing fees	Gregory	\$ 2,469
Management fee	Related party expense – management fee	Thetis	\$ 1,532
Due diligence and related loan acquisition costs	Loan transaction expense	Gregory	\$ 89
Expense reimbursements	Other fees and expenses	Gregory	\$ 32
Expense reimbursements	Other fees and expenses	Thetis	\$ —
For the three months ended March 31, 2017			
	Consolidated Statement of Income location	Counterparty	Amount
Loan servicing fees	Related party expense – loan servicing fees	Gregory	\$ 1,881
Management fee	Related party expense – management fee	Thetis	\$ 1,072
Due diligence and related loan acquisition costs	Loan transaction expense	Gregory	\$ 37
Expense reimbursements	Other fees and expenses	Gregory	\$ 16
Expense reimbursements	Other fees and expenses	Thetis	\$ 3

The Company's consolidated balance sheets included the following significant related party balances (\$ in thousands):

As of March 31, 2018			
	Consolidated Balance Sheet location	Counterparty	Amount
Receivables from Servicer	Receivable from Servicer	Gregory	\$18,627
Investment in subordinated debt securities	Investment in debt securities	Oileus Residential Loan Trust	\$6,218
Management fee payable	Management fee payable	Thetis	\$762
Servicing fees payable	Accrued expenses and other liabilities	Gregory	\$720
Expense reimbursement receivable	Prepaid expenses and other assets	Thetis	\$—
As of December 31, 2017			
	Consolidated Balance Sheet location	Counterparty	Amount
Receivables from Servicer	Receivable from Servicer	Gregory	\$17,005
Investment in subordinated debt securities	Investment in debt securities	Oileus Residential Loan Trust	\$6,285
Management fee payable	Management fee payable	Thetis	\$750
Servicing fees payable	Accrued expenses and other liabilities	Gregory	\$217
Expense reimbursement receivable	Prepaid expenses and other assets	Thetis	\$—

In October 2016, the Company purchased subordinate debt securities for \$6.3 million from Oileus Residential Loan Trust, a related party. These notes have a stated final maturity of October 25, 2056. At March 31, 2018, these securities were carried on the Company's consolidated balance sheet at an amortized cost basis of \$6.2 million, which approximates fair value. The Company made a decision previously to transfer these notes to available-for-sale status in anticipation of reinvesting the proceeds from any sale into additional mortgage loans. Accordingly, the carrying amount of the investment was transferred from held-to-maturity to available for sale status during 2017. For the three months ended March 31, 2018, the Company recorded unrealized losses of \$0.1 million, which are reflected in the Company's consolidated statements of comprehensive income.

Management Agreement

The Company is a party to the Management Agreement with the Manager, which expires on July 8, 2029. Under the Management Agreement, the Manager implements the Company's business strategy and manages the Company's business and investment activities and day-to-day operations, subject to oversight by the Company's Board of Directors. Among other services, the Manager, directly or through Aspen affiliates, provides the Company with a management team and necessary administrative and support personnel. The Company does not currently have any employees that it pays directly and does not expect to have any employees that it pays directly in the foreseeable future. Each of the Company's executive officers is an employee or officer, or both, of the Manager or the Servicer. Under the Management Agreement, the Company pays both a base management fee and an incentive fee to the Manager. The base management fee equals 1.5% of the Company's stockholders' equity, including equity equivalents such as the Company's issuance of convertible senior notes, per annum and calculated and payable quarterly in arrears.

The initial \$1.0 million of the quarterly base management fee will be payable 75% in cash and 25% in shares of the Company's common stock. Any amount of the base management fee in excess of \$1.0 million will be payable in shares of the Company's common stock until payment is 50% in cash and 50% in shares (the "50/50 split"). Any remaining amount of the quarterly base management fee after the 50/50 split threshold is reached will be payable in equal amounts of cash and shares. The Manager has agreed to hold any shares of common stock received by it as payment of the base management fee for at least three years from the date such shares of common stock are received.

The Manager is also entitled to an incentive fee, payable quarterly and calculated in arrears, of 20% of the amount by which total dividends on common stock and distributions on OP units exceeds 8% of book value on a per share basis. However, no incentive fee will be payable to the Manager with respect to any calendar quarter unless the Company's cumulative core earnings, defined as U.S. GAAP net income or loss less non-cash equity compensation, unrealized gains or losses from mark-to-market adjustments, one-time adjustments to earnings resulting from changes to U.S. GAAP, and certain other non-cash items, is greater than zero for the most recently completed eight calendar quarters.

In the event that the payment of the quarterly base management fee has not reached the 50/50 split, all of the incentive fee will be payable in shares of the Company's

common stock until the 50/50 split occurs. In the event that the total payment of the quarterly base management fee and the incentive fee has reached the 50/50 split, 20% of the remaining incentive fee is payable in shares of the Company's common stock and 80% of the remaining incentive fee is payable in cash. To date, no incentive fees have been paid to the Manager.

The Company also reimburses the Manager for all third-party, out-of-pocket costs incurred by the Manager for managing its business, including third-party diligence and valuation consultants, legal expenses, auditors and other financial services. The reimbursement obligation is not subject to any dollar limitation. Expenses will be reimbursed in cash on a monthly basis.

The Company will be required to pay the Manager a termination fee in the event that the Management Agreement is terminated as a result of (i) a termination by the Company without cause, (ii) its decision not to renew the Management Agreement upon the determination of at least two thirds of the Company's independent directors for reasons including the failure to agree on revised compensation, (iii) a termination by the Manager as a result of the Company becoming regulated as an "investment company" under the Investment Company Act of 1940, as amended (the "Investment Company Act") (other than as a result of the acts or omissions of the Manager in violation of investment guidelines approved by the Company's Board of Directors), or (iv) a termination by the Manager if the Company defaults in the performance of any material term of the Management Agreement (subject to a notice and cure period). The termination fee will be equal to twice the combined base fee and incentive fees payable to the Manager during the 12-month period ended as of the end of the most recently completed fiscal quarter prior to the date of termination.

Servicing Agreement

The Company is also a party to the Servicing Agreement, expiring July 8, 2029, with the Servicer. The Company's overall servicing costs under the Servicing Agreement will vary based on the types of assets serviced.

Servicing fees range from 0.65% to 1.25% annually of current UPB (or the fair market value or purchase price of REO the Company owns or acquires), and are paid monthly. For certain of the Company's joint ventures, the Servicing fee rate for RPLs is reduced to an annual servicing fee rate of 0.42% annually on a loan-by-loan basis for any loan that makes seven consecutive payments. The total fees incurred by the Company for these services depend upon the UPB and type of mortgage loans that the Servicer services pursuant to the terms of the Servicing Agreement. The fees are determined based on the loan's status at acquisition and do not change if a performing loan becomes non-performing or vice versa.

The Company will also reimburse the Servicer for all customary, reasonable and necessary out-of-pocket costs and expenses incurred in the performance of its obligations, including the actual cost of any repairs and renovations to REO properties. The total fees incurred by the Company for these services will be dependent upon the property value, previous UPB of the relevant loan, and the number of REO properties.

If the Servicing Agreement has been terminated other than for cause and/or the Servicer terminates the servicing agreement, the Company will be required to pay a termination fee equal to the aggregate servicing fees payable under the servicing agreement for the immediate preceding 12-month period. See Note 14 - Subsequent events.

Trademark Licenses

Aspen has granted the Company a non-exclusive, non-transferable, non-sublicensable, royalty-free license to use the name "Great Ajax" and the related logo. The Company also has a similar license to use the name "Thetis." The agreement has no specified term. If the Management Agreement expires or is terminated, the trademark license agreement will terminate within 30 days. In the event that this agreement is terminated, all rights and licenses granted thereunder, including, but not limited to, the right to use "Great Ajax" in its name will terminate. Aspen also granted to the Manager a substantially identical non-exclusive, non-transferable, non-sublicensable, royalty-free license use of the name "Thetis."

Note 10 — Stock-based Payments and Director Fees

Pursuant to the terms of the Management Agreement, the Company pays a portion of the base fee to the Manager in shares of its common stock with the number of shares determined based on the higher of the most recently reported book value or the average of the closing prices of its common stock on the NYSE on the five business days after the date on which the most recent regular quarterly dividend to holders of its common stock is paid. The Company

recognized a base management fee to the Manager for the quarter ended March 31, 2018 of \$1.5 million, of which the Company recorded \$0.8 million in 49,156 shares of its common stock. The shares issued to the Manager are restricted securities subject to transfer restrictions, and were issued in private placement transactions, with 49,156 shares still issuable at March 31, 2018. See Note 9 — Related party transactions.

In addition, each of the Company's independent directors receives an annual retainer of \$75,000, payable quarterly, half of which is paid in shares of the Company's common stock on the same basis as the stock portion of the management fee payable to the Manager and half in cash.

The following table sets forth the Company's stock-based management fees and independent director fees (\$ in thousands except share amounts):

Management Fees and Director Fees

	For the three months ended March 31,			
	2018		2017	
	Number of shares	Amount of expense recognized ⁽¹⁾	Number of shares	Amount of expense recognized ⁽¹⁾
Management fees	49,156	\$ 763	21,075	\$ 322
Independent director fees	2,416	38	2,456	38
Totals	51,572	\$ 801	23,531	\$ 360

(1) All management fees and independent director fees are fully expensed in the period in which the underlying expense is incurred.

Restricted Stock

Each independent director is issued a restricted stock award of 2,000 shares of the Company's common stock subject to a one-year vesting period upon initial appointment to the Company's Board. On August 17, 2016, the Company granted 153,000 shares of restricted stock to employees of its Manager and Servicer, which was reduced in 2017 by forfeitures of 4,000 shares and in 2018 by forfeitures of 2,666 shares; and on July 24, 2017, the Company granted 39,000 shares of restricted stock to employees of its Manager and Servicer. The shares vest over three years, with one third of the shares vesting on each of the first, second and third anniversaries of the grant date. The shares may not be sold until the third anniversary of the grant date. The 2017 grant also includes a provision whereby the shares vest automatically upon the death of the grantee. Grants of restricted stock to officers of the Company use grant date fair value of the stock as the basis for measuring the cost of the grant. The cost of grants of restricted stock to employees of the Company's affiliates is determined using the stock price as of the date at which the counterparty's performance is complete.

In the first quarter of 2018, the Company's Board of Directors approved the issuance of 3,000 shares of stock to each independent director, with half of the shares vesting immediately and the other half subject to a one-year vesting period.

The following table sets forth the activity in the Company's restricted stock plans (\$ in thousands, except share and per share amounts):

	Total Grants		Activity	Non-vested shares at March 31, 2018	Per share grant date fair value	Fully-vested shares at March 31, 2018	
	Total shares granted	Total expected cost of grant				Shares	Per share grant date fair value
Three months ended March 31, 2018			Share expense recognized during the year				
Directors' Grants ⁽¹⁾	10,000	\$ 146	—	—	\$—	10,000	\$14.61
Employee and Service Provider Grant, granted 2016 ^(2,4)	146,334	1,978	—140	96,667	13.50	49,667	13.50
Employee and Service Provider Grant, granted 2017 ⁽³⁾	39,000	538	—45	39,000	13.95	—	—
Totals	195,334	\$ 2,662	—\$ 185	135,667	\$13.63	59,667	\$13.69

(1) Vesting period is one year from grant date. Grant is fully vested at March 31, 2018.

(2) Vesting is ratable over three-year period from grant date. Weighted average remaining life of grant at March 31, 2018 is 1.4 years.

(3) Vesting is ratable over three-year period from grant date. Weighted average remaining life of grant at March 31, 2018 is 2.3 years.

(4) Total is shown net of 2017 forfeitures of 4,000 shares and 2018 forfeitures of 2,666.

	Total Grants		Activity	Non-vested shares at March 31, 2017	Per share grant date fair value	Fully-vested shares at March 31, 2017	
	Total shares granted	Total expected cost of grant				Shares	Per share grant date fair value
Three months ended March 31, 2017			Share expense recognized during the year				
Directors' Grants ⁽¹⁾	10,000	\$ 146	—\$ 7	2,000	\$13.79	8,000	\$13.79
Employee and Service Provider Grant, granted 2016 ⁽²⁾	153,000	2,042	—469	153,000	13.50	—	—
Totals	163,000	\$ 2,188	—\$ 176	155,000	\$13.50	8,000	\$13.79

(1) Vesting period is one year from grant date. Weighted average remaining life of grant at March 31, 2017 is 0.3 years.

(2) Vesting is ratable over three-year period from grant date. Weighted average remaining life of grant at March 31, 2017 is 2.4 years.

Note 11 — Income Taxes

As a REIT, the Company must meet certain organizational and operational requirements including the requirement to distribute at least 90% of its annual REIT taxable income to its stockholders. As a REIT, the Company generally will not be subject to U.S. federal income tax to the extent the Company distributes its REIT taxable income to its stockholders and provided the Company satisfies the REIT requirements including certain asset, income, distribution and stock ownership tests. If the Company fails to qualify as a REIT, and does not qualify for certain statutory relief

provisions, it will be subject to U.S. federal, state and local income taxes and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year in which it lost its REIT qualification.

The Company's consolidated Financial Statements include the operations of two TRS entities, GA-TRS and GAJX Real Estate LLC, which are subject to U.S. federal, state and local income taxes on their taxable income.

For the three months ended March 31, 2018, the Company's consolidated taxable income was \$6.8 million; and provisions for income taxes of \$16,000. For the three months ended March 31, 2017, the Company's consolidated Taxable Income was \$7.1 million; and provisions for income taxes of \$1,000. The Company recognized no deferred income tax assets or liabilities on its consolidated balance sheets at March 31, 2018 or 2017. The Company also recorded no interest or penalties for the three months ended March 31, 2018 and 2017.

Note 12 — Earnings per Share

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The following table sets forth the components of basic and diluted EPS (\$ in thousands, except share and per share amounts):

	For the three months ended March 31, 2018		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Consolidated net income attributable to common stockholders	\$7,665	18,508,089	
Allocation of earnings to participating restricted shares	(88)	—	
Consolidated net income attributable to unrestricted common stockholders	\$7,577	18,508,089	\$ 0.41
Effect of dilutive securities			
Operating Partnership units	259	624,106	
Restricted stock grants and Manager and director fee shares	88	215,747	
Interest expense (add back) and assumed conversion of shares from convertible senior notes	2,142	7,047,216	
Diluted EPS			
Consolidated net income attributable to common stockholders and dilutive securities	\$10,066	26,395,158	\$ 0.38
	For the three months ended March 31, 2017		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Consolidated net income attributable to common stockholders	\$8,409	17,976,710	
Allocation of earnings to participating restricted shares	(88)	—	
Consolidated net income attributable to unrestricted common stockholders	\$8,321	17,976,710	\$ 0.46
Effect of dilutive securities			
Operating Partnership units	289	624,106	
Restricted stock grants and Manager and director fee shares	88	190,415	
Diluted EPS			
Consolidated net income attributable to common stockholders and dilutive securities	\$8,698	18,791,231	\$ 0.46

Note 13 — Equity

Common stock

As of March 31, 2018 and December 31, 2017 the Company had 18,686,420 and 18,588,228 shares, respectively, of \$0.01 par value common stock outstanding with 125,000,000 shares authorized at each year end.

Preferred stock

The Company had no shares of preferred stock outstanding at March 31, 2018 and December 31, 2017. There were 25,000,000 shares authorized as of March 31, 2018 and December 31, 2017.

Dividend Reinvestment Plan

The Company sponsors a dividend reinvestment plan through which stockholders may purchase additional shares of the Company's common stock by reinvesting some or all of the cash dividends received on shares of the Company's common stock. During the three months ended March 31, 2018 and 2017, 3,838 and 2,599 shares, respectively, were issued under the plan for total proceeds of approximately \$52,000 and \$33,000, respectively.

At-the-Market Offering

The Company has entered into an equity distribution agreement under which the Company may sell shares of its common stock having an aggregate offering price of up to \$50.0 million from time to time in any method permitted by law deemed to be an "at the market" offering as defined in Rule 415 under the Securities Act of 1933, as amended, or

the Securities Act. During the three months ended March 31, 2018 and 2017 no shares were sold under the at-the-market program.

Accumulated Other Comprehensive Income (Loss)

The Company recognizes temporary holding gains or losses on its investment in debt securities as components of Other comprehensive income (loss). Accumulated other comprehensive income (loss) at March 31, 2018 and December 31, 2017 was as follows (\$ in thousands):

	March 31, December 31,	
	2018	2017
Investment in debt securities:		
Unrealized gains	\$ 9	\$ 9
Unrealized losses	(352)	(242)
Accumulated other comprehensive loss	\$ (343)	\$ (233)

Non-controlling Interest

At March 31, 2018, the Company had non-controlling interests attributable to ownership interests by three legal entities.

The Company's Operating Partnership, which is majority-owned by the Company, had 624,106 partnership units held by an independent third party at March 31, 2018 and December 31, 2017. The Company consolidates the assets, liabilities, revenues and expenses of the Operating Partnership.

During the year ended December 31, 2017, the Company established AS Ajax E II LLC, to purchase and hold an investment in a Delaware trust which holds single family residential real estate loans, SBC loans and other real estate assets. AS Ajax E II LLC is 46.9% held by third parties. As of March 31, 2018 the Company has retained 53.1% of AS Ajax E II LLC and consolidates the assets, liabilities, revenues and expenses of the entity.

During the year ended December 31, 2017, the Company established 2017-D, a securitization trust, which is 50% held by an institutional investor. As of March 31, 2018 the Company has retained 50% of 2017-D and consolidates the assets, liabilities, revenues and expenses of the trust.

Note 14 — Subsequent Events

Loan Acquisitions

On April 26, 2018 the Company closed Ajax Mortgage Loan Trust 2018-A ("2018-A"), a joint venture with two independent third parties, which issued an aggregate of \$128.0 million of senior securities and retained \$32.0 million of equity issued with respect to \$160.0 million UPB of mortgage loans. Ninety-four percent of the UPB was RPLs, and 6.0% was NPLs. The senior securities represent 80% of the UPB of the underlying mortgage loans. The securities may be sold by any party at a future date. The Company retained a 9.4% interest and expects to account for 2018-A as an equity-method investee. Subsequently, the Company acquired for the account of 2018-A an additional 42 RPLs with an aggregate UPB of \$13.2 million in one transaction from a single seller. The loans were acquired at 87.5% of UPB and 61.8% of the estimated market value of the underlying collateral value of \$18.7 million. The Company has also agreed to acquire for the account of 2018-A, subject to due diligence, 810 RPLs and 49 NPLs, with UPB of \$138.3 million and \$5.8 million, respectively, in three transactions from three different sellers. The RPL price equals 92.1% of UPB and 57.1% of the underlying collateral value of \$223.0 million. The NPL price equals 57.5% of UPB and 39.6% of the underlying collateral value of \$8.5 million.

Additionally, the Company has also agreed to acquire, subject to due diligence, 85 RPLs and 504 NPLs with UPB of \$18.1 million and \$123.7 million, respectively, in three transactions from three different sellers. The purchase price of the RPLs equals 91.9% of UPB and 60.0% of the estimated market value of the underlying collateral of \$27.8 million. The purchase price of the NPLs equals 79.5% of UPB and 63.2% of the estimated market value of the underlying collateral of \$155.6 million. Some of these loans may be acquired through a joint venture with institutional investors.

Dividend Declaration

On April 23, 2018, the Company's Board of Directors declared a dividend of \$0.30 per share, to be paid on May 30, 2018 to stockholders of record as of May 15, 2018.

Management Fees

On May 2, 2018, the Company issued 49,156 shares of its common stock to the Manager in payment of the portion of the base management fee which is payable in common stock for the first quarter of 2018 in a private transaction. The management fee expense associated with these shares was recorded as an expense in the first quarter of 2018.

Directors' Retainer

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On May 2, 2018, the Company issued to each of its four independent directors 604 shares of its common stock in payment of half of their quarterly director fees for the first quarter of 2018.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business” and elsewhere in this annual report constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “should,” “would” or the negatives of these terms or other comparable terminology.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider these risks, along with the following factors that could cause actual results to vary from our forward-looking statements:

- the factors referenced in this annual report, including those set forth under “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations”;

- our ability to implement our business strategy;

- difficulties in identifying re-performing loans (“RPLs”), small balance commercial mortgage loans (“SBC loans”) and properties to acquire; the impact of changes to the supply of, value of and the returns on RPLs and SBC loans;

- our ability to compete with our competitors;

- our ability to control our costs;

- the impact of changes in interest rates and the market value of the collateral underlying our RPL and non-performing loan (“NPL”) portfolios or of our other real estate assets;

- our ability to convert NPLs into performing loans, or to modify or otherwise resolve such loans;

- our ability to convert NPLs to properties that can generate attractive returns either through sale or rental;

- our ability to obtain financing arrangements on favorable terms, or at all;

- our ability to retain our engagement of our Manager;

- the failure of the Servicer to perform its obligations under the Servicing Agreement;

- general volatility of the capital markets;

- the impact of adverse real estate, mortgage or housing markets and changes in the general economy;

- changes in our business strategy;

- our failure to qualify or maintain qualification as a real estate investment trust (“REIT”);

- our expectations regarding the time during which we will be an emerging growth company under the Jumpstart Our Business Startups Act (the “JOBS Act”);

- our failure to maintain our exemption from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”); and

- the impact of adverse legislative or regulatory tax changes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this quarterly report on Form 10-Q ("report"), unless the context indicates otherwise, references to "Great Ajax," "we," "the company," "our" and "us" refer to the activities of and the assets and liabilities of the business and operations of Great Ajax Corp.; "operating partnership" refers to Great Ajax Operating Partnership L.P., a Delaware limited partnership; "our Manager" refers to Thetis Asset Management LLC, a Delaware limited liability company; "Aspen Capital" refers to the Aspen Capital group of companies; "Aspen" and "Aspen Yo" refers to Aspen Yo LLC, an Oregon limited liability company that is part of Aspen Capital; "the Servicer" and "Gregory" refer to Gregory Funding LLC, an Oregon limited liability company and our affiliate, and an indirect subsidiary of Aspen Yo.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the unaudited interim consolidated financial statements and related notes included in Item 1.

Consolidated interim financial statements of this report and in Item 8. Financial statements and supplementary data in our most recent Annual Report on Form 10-K, as well as the sections entitled "Risk Factors" in Item 1A. of our most recent Annual Report on Form 10-K and Part II, Item 1A. of this report, as well as other cautionary statements and risks described elsewhere in this report and our most recent Annual Report on Form 10-K.

Overview

Great Ajax Corp. is a Maryland corporation that is organized and operated in a manner intended to allow us to qualify as a REIT. We primarily target RPLs, including residential mortgage loans and SBC loans. RPLs are mortgage loans on which at least five of the seven most recent payments have been made, or the most recent payment has been made and accepted pursuant to an agreement, or the full dollar amount to cover at least five payments has been paid in the last seven months. The SBC loans that we opportunistically purchase or originate have a principal balance of up to \$5 million and are secured by multi-family residential and commercial mixed use retail/residential properties. Purchased SBC loans are generally RPLs on which at least five of the seven most recent payments have been made, or the most recent payment has been made and accepted pursuant to an agreement, or the full dollar amount to cover at least five payments has been paid in the last seven months. Additionally, we may invest in single-family and smaller commercial properties directly either through a foreclosure event of a loan in our mortgage portfolio or, through a direct acquisition. We may also target investments in non-performing loans ("NPL"). NPLs are loans on which the most recent three payments have not been made. We may acquire NPLs either directly or with joint venture partners. We own a 19.8% equity interest in the Manager and a 4.9% equity interest in the parent company of our Servicer. GA-TRS is a wholly owned subsidiary of the Operating Partnership that owns the equity interest in the Manager and the Servicer. We have elected to treat GA-TRS as a taxable REIT subsidiary under the Code. Our mortgage loans and real properties are serviced the Servicer, also an affiliated company.

In September 2014, we formed Great Ajax Funding LLC, a wholly owned subsidiary of the Operating Partnership, to act as the depositor of mortgage loans into securitization trusts and to hold the subordinated securities issued by such trusts and any additional trusts we may form for additional secured borrowings. AJX Mortgage Trust I and AJX Mortgage Trust II are wholly owned subsidiaries of the Operating Partnership formed to hold mortgage loans used as collateral for financings under the our repurchase agreements. On February 1, 2015, we formed GAJX Real Estate LLC, as a wholly owned subsidiary of the Operating Partnership, to own, maintain, improve and sell certain REO purchased by us. We have elected to treat GAJX Real Estate LLC as a TRS under the Code.

In February 2018, we formed AJX Commercial Properties I to hold multi-family residential properties held as rentals. AJX Commercial Properties I is a wholly-owned subsidiary of the Operating Partnership.

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

Our Portfolio

The following table outlines the carrying value of our portfolio of mortgage loan assets and single-family and smaller commercial properties as of March 31, 2018 and December 31, 2017 (\$ in millions):

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	March 31, 2018	December 31, 2017
RPL Residential Mortgage Loans	\$1,187.3	\$1,190.0
RPL SBC Loans	7.9	8.6
Originated SBC Loans	11.7	11.6
NPLs	40.2	43.3
REO	29.0	26.2
Total Real Estate Assets	\$1,276.1	\$1,279.7

We closely monitor the status of our mortgage loans and, through our Servicer, work with our borrowers to improve their payment records.

Market Trends and Outlook

We believe that certain cyclical trends continue to drive a significant realignment within the mortgage sector. These trends and their effects include:

- low interest rates and elevated operating costs resulting from new regulatory requirements that continue to drive sales of residential mortgage assets by banks and other mortgage lenders;
- declining home ownership due to rising prices, low inventory and increased down payment requirements that have increased the demand for single-family and multi-family residential rental properties;
- rising home prices are increasing homeowner equity and reducing the incidence of strategic default;
- low interest rates combined with rising prices has resulted in millions of homeowners being in the money to refinance;
- the Dodd-Frank risk retention rules for asset backed securities have reduced the universe of participants in the securitization markets;
- the lack of a robust market for non-conforming mortgage loans in the aftermath of the financial crisis ; and
- increases in interest rates will result in lower refinancing volume and home prices increases will slow.

The current market landscape is also generating new opportunities in residential mortgage-related whole loan strategies. The origination of subprime and alternative residential mortgage loans remain substantially below 2008 levels and the qualified mortgage and ability-to-repay rule requirements have put pressure on new originations. Additionally, many banks and other mortgage lenders have increased their credit standards and down payment requirements for originating new loans.

The combination of these factors has also resulted in a significant number of families that cannot qualify to obtain new residential mortgage loans. We believe the U.S. federal regulations addressing “qualified mortgages” based, among other factors on employment status, debt-to-income level, impaired credit history or lack of savings, limit mortgage loan availability from traditional mortgage lenders. In addition, we believe that many homeowners displaced by foreclosure or who either cannot afford to own or cannot be approved for a mortgage will prefer to live in single-family rental properties with similar characteristics and amenities to owned homes as well as smaller multi-family residential properties. In certain demographic areas, new households are being formed at a rate that exceeds the new homes being added to the market, which we believe favors future demand for non-federally guaranteed mortgage financing for single-family and smaller multi-family rental properties. For all these reasons, we believe that demand for single-family and smaller multi-family rental properties will increase in the near term and remain at heightened levels for the foreseeable future.

We also believe that banks and other mortgage lenders have strengthened their capital bases and are more aggressively foreclosing on delinquent borrowers or selling these loans to dispose of their inventory. Additionally, many NPL buyers are now interested in reducing their investment duration and have begun selling RPLs.

We believe that investments in residential RPLs with positive equity provide the optimal investment value. As a result, we are currently focusing on acquiring pools of RPLs, though we may acquire NPLs, either directly or with joint venture partners, if attractive opportunities exist.

We also believe there are significant attractive investment opportunities in the SBC loan and property markets and originate as well as purchase these loans particularly in urban areas where there is a sustainable trend of young adults desiring to live near where they work. We focus on densely populated urban areas where we expect positive economic change based on certain demographic, economic and social statistical data. The primary lenders for smaller multi-family and mixed retail/residential properties are community banks and not regional and national banks and

large institutional lenders. We believe the

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primary lenders and loan purchasers are less interested in these assets because they typically require significant commercial and residential mortgage credit and underwriting expertise, special servicing capability and active property management. It is also more difficult to create the large pools that these primary banks, lenders and portfolio acquirers typically desire. Many community banks also remain under financial and regulatory pressure since the financial crisis and are now beginning to sell smaller commercial mortgage loans as property values have begun to increase. We continually monitor opportunities to increase our holdings of these SBC loans and properties.

Factors That May Affect Our Operating Results

Acquisitions. Our operating results depend heavily on sourcing residential RPLs and SBC loans and, when attractive opportunities are identified, of NPLs. We believe that there is currently a large supply of RPLs available to us for acquisition and we believe the available supply provides for a steady acquisition pipeline of assets since large institutions are active sellers in the market. We expect that our residential mortgage loan portfolio may grow at an uneven pace, as opportunities to acquire distressed residential mortgage loans may be irregularly timed and may involve large portfolios of loans, and the timing and extent of our success in acquiring such loans cannot be predicted. In addition, for any given portfolio of loans that we agree to acquire, we typically acquire fewer loans than originally expected, as certain loans may be resolved prior to the closing date or may fail to meet our diligence standards. The number of loans not acquired typically constitutes a small portion of a particular portfolio. In any case where we do not acquire the full portfolio, we make appropriate adjustments to the applicable purchase price.

Financing. Our ability to grow our business by acquiring residential RPLs and SBC loans depends on the availability of adequate financing, including additional equity financing, debt financing or both in order to meet our objectives. We intend to leverage our investments with debt, the level of which may vary based upon the particular characteristics of our portfolio and on market conditions. We have funded and intend to continue to fund our asset acquisitions with non-recourse secured borrowings in which the underlying collateral is not marked-to-market and employ repurchase agreements without the obligation to mark-to-market the underlying collateral to the extent available. We securitize our whole loan portfolios, primarily as a financing tool, when economically efficient to create long-term, fixed rate, non-recourse financing with moderate leverage, while retaining one or more tranches of the subordinate MBS so created. The secured borrowings are structured as debt financings and not real estate investment conduit (“REMIC”) sales, and the loans included in the secured borrowings remain on our consolidated Balance Sheet. We completed the securitization transactions pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), in which we issued notes primarily secured by seasoned, performing and non-performing mortgage loans primarily secured by first liens on one-to-four family residential properties.

To qualify as a REIT under the Code, we generally will need to distribute at least 90% of our taxable income each year (subject to certain adjustments) to our stockholders. This distribution requirement limits our ability to retain earnings and thereby replenish or increase capital to support our activities.

Resolution Methodologies. We, through the Servicer, or our affiliates, employ various loan resolution methodologies with respect to our residential mortgage loans, including loan modification, collateral resolution and collateral disposition. The manner in which a NPL is resolved will affect the amount and timing of revenue we will receive. Our preferred resolution methodology is to modify NPLs. Once successfully modified and there is a period of continued performance, we expect that borrowers will typically refinance these loans at or near the estimated value of the underlying property. We believe modification followed by refinancing generates near-term cash flows, provides the highest possible economic outcome for us and is a socially responsible business strategy because it keeps more families in their homes. In certain circumstances, we may also consider selling these modified loans. Through historical experience, we expect that many of our NPLs will enter into foreclosure or similar proceedings, ultimately becoming REO that we can sell or convert into single-family rental properties that we believe will generate long-term returns for our stockholders. REO property can be converted into single-family rental properties or they may be sold through REO liquidation and short sale processes. We expect the timelines for each of the different processes to vary significantly, and final resolution could take up to 48 months or longer from the loan acquisition date. The exact nature of resolution will depend on a number of factors that are beyond our control, including borrower willingness, property value, availability of refinancing, interest rates, conditions in the financial markets, regulatory environment and other factors. To avoid the 100% prohibited transaction tax on the sale of dealer property by a REIT, we may dispose of assets that may be treated as held “primarily for sale to customers in the ordinary course of a trade or

business” by contributing or selling the asset to a TRS prior to marketing the asset for sale.

The state of the real estate market and home prices will determine proceeds from any sale of real estate. We will opportunistically and on an asset-by-asset basis determine whether to rent any REO we acquire, whether upon foreclosure or otherwise, we may determine to sell such assets if they do not meet our investment criteria. In addition, while we seek to track real estate price trends and estimate the effects of those trends on the valuations of our portfolios of residential mortgage loans, future real estate values are subject to influences beyond our control. Generally, rising home prices are expected to positively affect our results. Conversely, declining real estate prices are expected to negatively affect our results.

Conversion to Rental Property. From time to time we will retain an REO property as a rental property and may acquire rental properties through direct purchases at attractive prices. The key variables that will affect our residential rental revenues over the long-term will be the extent to which we acquire properties, which, in turn, will depend on the amount of our capital invested, average occupancy and rental rates in our owned rental properties. We expect the timeline to convert multi-family and single-family loans, into rental properties will vary significantly by loan, which could result in variations in our revenue and our operating performance from period to period. There are a variety of factors that may inhibit our ability, through the Servicer, to foreclose upon a residential mortgage loan and get access to the real property within the time frames we model as part of our valuation process. These factors include, without limitation: state foreclosure timelines and the associated deferrals (including from litigation); unauthorized occupants of the property; U.S. federal, state or local legislative action or initiatives designed to provide homeowners with assistance in avoiding residential mortgage loan foreclosures that may delay the foreclosure process; U.S. federal government programs that require specific procedures to be followed to explore the non-foreclosure outcome of a residential mortgage loan prior to the commencement of a foreclosure proceeding; and declines in real estate values and high levels of unemployment and underemployment that increase the number of foreclosures and place additional pressure on the already overburdened judicial and administrative systems. We do not expect to retain a material number of single family residential properties for use as rentals. We do, however, intend to focus, on retaining multi-unit residences derived from foreclosures, or outright purchases as rentals.

Expenses. Our expenses primarily consist of the fees and expenses payable by us under the Management Agreement and the Servicing Agreement. Our Manager incurs direct, out-of-pocket costs related to managing our business, which are contractually reimbursable by us. Depreciation and amortization is a non-cash expense associated with the ownership of rental real estate properties and generally remains relatively consistent each year at an asset level since we depreciate our properties on a straight-line basis over a fixed life. Interest expense consists of the costs to borrow money.

Changes in Home Prices. As discussed above, generally, rising home prices are expected to positively affect our results, particularly as it should result in greater levels of re-performance of mortgage loans, faster refinancing of those mortgage loans, more re-capture of principal on greater than 100% LTV (loan-to-value) mortgage loans and increased recovery of the principal of the mortgage loans upon sale of any REO. Conversely, declining real estate prices are expected to negatively affect our results, particularly if the price should decline below our purchase price for the loans and especially if borrowers determine that it is better to strategically default as their equity in their homes decline. While home prices have risen to nearly pre-Great Recession levels in many parts of the United States, there are still significant regions where values have not materially increased. When we analyze loan and property acquisitions we do not take home price appreciation HPA into account except for rural properties for which we model negative HPA related to our expectation of worse than expected property condition.

We typically concentrate our investments in specific urban geographic locations in which we expect stable or better property markets, although we do not use any appreciation expectation in the performance modeling.

Changes in Market Interest Rates. With respect to our business operations, increases in interest rates, in general, may over time cause: (1) the value of our mortgage loan and MBS (retained from our secured borrowings) portfolio to decline; (2) coupons on our adjustable rate mortgages (“ARM”) and hybrid ARM mortgage loans and MBS to reset, although on a delayed basis, to higher interest rates; (3) prepayments on our mortgage loans and MBS portfolio to slow, thereby slowing the amortization of our purchase premiums and the accretion of our purchase discounts; (4) the interest expense associated with our borrowings to increase; and (5) to the extent we enter into interest rate swap agreements as part of our hedging strategy, the value of these agreements to increase. Conversely, decreases in interest rates, in general, may over time cause: (a) prepayments on our mortgage loan and MBS portfolio to increase, thereby accelerating the accretion of our purchase discounts; (b) the value of our mortgage loan and MBS portfolio to increase; (c) coupons on our ARM and hybrid ARM mortgage loans and MBS to reset, although on a delayed basis, to lower interest rates; (d) the interest expense associated with our borrowings to decrease; and (e) to the extent we enter into interest rate swap agreements as part of our hedging strategy, the value of these agreements to decrease.

Market Conditions. Due to the dramatic repricing of real estate assets during the most recent financial crisis and the continuing uncertainty in the direction and continuing strength of the real estate markets, we believe a void in the debt and equity capital available for investing in real estate has been created as many financial institutions, insurance

companies, finance companies and fund managers face insolvency or have determined to reduce or discontinue investment in debt or equity related to real estate. We believe the dislocations in the residential real estate market have resulted or will result in an “over-correction” in the repricing of real estate assets, creating a potential opportunity for us to capitalize on these market dislocations and capital void.

We believe that in spite of the continuing uncertain market environment for mortgage-related assets, current market conditions offer potentially attractive investment opportunities for us, even in the face of a riskier and more volatile market environment, as the depressed trading prices of our target assets have caused a corresponding increase in available yields. We

expect that market conditions will continue to impact our operating results and will cause us to adjust our investment and financing strategies over time as new opportunities emerge and risk profiles of our business change.

Critical Accounting Policies and Estimates

Various elements of our accounting policies, by their nature, are inherently subject to estimation techniques, and other subjective assessments. In particular, we have identified three policies that, due to the judgment and estimates inherent in those policies, are critical to understanding our consolidated financial statements. These policies relate to (i) accounting for Interest income on our mortgage loan portfolio; (ii) accounting for Interest expense on our secured borrowings; and (iii) accounting for Interest expense on our borrowings under repurchase agreements. We believe that the judgment and estimates used in the preparation of our consolidated financial statements are appropriate given the factual circumstances at the time. However, given the sensitivity of our consolidated financial statements to these critical accounting policies, the use of other judgments or estimates could result in material differences in our results of operations or financial condition. For further information on our critical accounting policies, please refer to the Critical accounting policies in our Form 10-K for our calendar year ended December 31, 2017, as there have been no changes to these policies.

Recent Accounting Pronouncements

Refer to the notes to our interim financial statements for a description of relevant recent accounting pronouncements.

Emerging Growth Company

We are subject to reporting and other obligations under the Exchange Act. The Jumpstart Our Business Startups Act (the “JOBS Act”) contains provisions that, among other things, relax certain reporting requirements for “emerging growth companies,” including certain requirements relating to accounting standards and compensation disclosure. We expect to be an “emerging growth company” as defined in the JOBS Act. Section 107 of the JOBS Act permits an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. Nonetheless, the Company has elected not to use this extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended.

Results of Operations

For the three months ended March 31, 2018, we had net income attributable to common stockholders of \$7.7 million, or \$0.41 per share, for basic and \$0.38 for diluted common shares. For the three months ended March 31, 2017, we had net income attributable to common stockholders of \$8.4 million, or \$0.46 per share, for both basic and diluted common shares. Key items for the three months ended March 31, 2018 include:

- Purchased \$17.6 million of RPLs with an aggregate UPB of \$19.7 million and underlying collateral value of \$32.4 million.

- Interest income from mortgage loans and investments portfolio of \$25.6 million; net interest income of \$13.1 million.

- Net income attributable to common stockholders of \$7.7 million.

- Basic earnings per share of \$0.41 per share.

- Taxable income of \$0.37 per share.

- Book value per share of \$15.53 at March 31, 2018.

- Collected \$50.4 million on our mortgage loan and REO portfolios through payments, payoffs and sales of REO.

- Held \$47.5 million of cash and cash equivalents at March 31, 2018.

Table 1: Results of Operations

(\$ in thousands)	For the three months ended	
	March 31, 2018	March 31, 2017
INCOME		
Interest income	\$25,591	\$20,807
Interest expense	(12,494)	(7,651)
Net interest income	13,097	13,156
Income from investment in Manager	135	49
Other income	1,511	462
Total income	\$14,743	\$13,667
EXPENSE		
Related party expense – loan servicing fees	\$2,469	\$1,881
Related party expense – management fees	1,532	1,072
Loan transaction expenses	355	525
Professional fees	609	480
Real estate operating expenses	449	324
Other expense	991	686
Total expense	6,405	4,968
Income before provision for income taxes	\$8,338	\$8,699
Provision for income taxes	16	1
Consolidated net income	\$8,322	\$8,698
Less: consolidated net income attributable to the non-controlling interest	657	289
Consolidated net income attributable to common stockholders	\$7,665	\$8,409
Net Interest Income		

Our primary source of income is accretion earned on our mortgage loan portfolio offset by the interest expense incurred to fund portfolio acquisitions. Net interest income decreased to \$13.1 million for the three months ended March 31, 2018 from \$13.2 million for the three months ended 2017. The key driver of decreased net interest income was higher interest expense due to the issuance of our Convertible senior notes (the “notes”). Overall funding costs have decreased recently as we have continued to take advantage of favorable market conditions for issuing our senior notes in secured borrowing transactions. We continue to see a high volume of payoffs as borrowers continue to refinance or sell the underlying property. Additionally, we continue to experience duration extension in other cohorts of our RPL portfolio resulting from materially lower than expected delinquencies and higher expected future cash flows in the form of interest and principal payments. This results in a significant aggregate increase in expected future cash flows for these loans but a lower current yield and lower expected current period income. The increase in the quality of the portfolio has resulted in a lower cost of funds on our securitization transactions. The average balance of our mortgage loan portfolio increased to \$1,251.9 million for the three months ended March 31, 2018 from \$861.0 million for the three months ended March 31, 2017. Additionally, we collected \$50.4 million in cash payments and proceeds on our mortgage loans and REO held-for-sale for the three months ended March 31, 2018 compared to collections of \$36.2 million for the three months ended 2017.

The interest income detail for the three months ended March 31, 2018 and 2017 are included in the table below (\$ in thousands):

Table 2: Interest income detail

	For the three months ended March 31,	
	2018	2017
Accretable yield recognized on credit impaired loans	\$25,226	\$20,554
Interest income earned on originated SBC loans	219	—
Other Interest Income	141	252
Bank Interest Income	5	1
Total Interest Income	\$25,591	\$20,807

The average yield on our mortgage loan portfolio declined for the three months ended March 31, 2018 and 2017 primarily due to an increase in the percentage of RPLs that have remained performing. RPLs generally have a longer duration than NPLs resulting in increased expected principal and interest collections over the life of the loan but lower current period income as cash collections occur over a longer period.

The average balance of our mortgage loan portfolio and debt outstanding for the three months ended March 31, 2018 and 2017 are included in the table below (\$ in thousands):

Table 3: Average Balances

	For the three months ended March 31,	
	2018	2017
Mortgage loan portfolio ⁽¹⁾	\$1,251,860	\$860,957
Total debt	\$1,064,490	\$669,938

(1) The 2018 average balance for the mortgage loan portfolio is calculated using daily activity. Prior periods are calculated using monthly averages.

Other Income

Other income increased for the three months ended March 31, 2018 as compared to the three months ended 2017 due to increased fee income from the federal government's Home Affordable Modification Program ("HAMP"), increases in late fee collections and higher gains on sales of REO properties. A breakdown of Other income is provided in the table below (\$ in thousands):

Table 4: Other Income

	For the three months ended March 31,	
	2018	2017
HAMP fees	\$604	\$101
Net gain on sale of Property held-for-sale	582	109
Late fee income	189	150
Other income	80	11
Income from equity investments	56	91
Total Other Income	\$1,511	\$462

Expenses

Total expenses for the three months ended March 31, 2018 increased from the three months ended 2017 due to overall growth in the portfolio. Loan servicing fees and Management fee increased in March 31, 2018 relative to 2017 due to continued growth in the Company's asset and equity bases. Professional fees increased over the three months ended 2018 and 2017 due to increases in the volume of underlying transactions. A breakdown of Expenses is provided in the table below (\$ in thousands):

Table 5: Expenses

	For the three months ended March 31,	
	2018	2017 ⁽¹⁾
Related party expense – loan servicing fees	\$2,469	\$1,881
Related party expense – management fee	1,532	1,072
Other expense	991	686
Professional fees	609	480
Real estate operating expenses	449	324
Loan transaction expense	355	525
Total expenses	\$6,405	\$4,968

(1) Includes reclass of prior servicer servicing fee from Related party expense - loan servicing fee to Other Expense. Other expense increased for the three months ended March 31, 2018, primarily due to restricted stock granted to our employees and service providers, increases in borrowing related expenses and travel expenses. Our borrowing related expenses consist primarily of costs of maintaining current BPOs for properties and loans used as collateral under the terms of our repurchase lines of credit. Travel expense is primarily incurred during due diligence prior to and subsequent to portfolio acquisition. Professional fees increased primarily as tax and audit related fees increased due to the growing number of acquired portfolios and our increased size and complexity. A breakdown of other expense is provided in the table below (\$ in thousands):

Table 6: Other Expense

	For the three months ended March 31,	
	2018	2017 ⁽¹⁾
Borrowing related expenses	\$222	\$ 170
Employee and service provider share grants	185	169
Travel, meals, entertainment	133	55
Insurance	130	135
Other expense	125	64
Directors' fees and grants	83	64
Prior servicer servicing fees	75	—
Taxes and regulatory expense	27	13
Communications	11	16
Total other expense	\$991	\$ 686

(1) Includes reclass of prior servicer servicing fee from Related party expense - loan servicing fee to Other Expense.

Equity and Net Book Value per Share

Our net book value per share was \$15.53 and \$15.45 at March 31, 2018 and December 31, 2017, respectively, an increase of \$0.08 due primarily to the \$2.1 million net increase in equity from our earnings after subtracting the effect of dividends paid, and partially from the issuance of shares for partial ownership interest in GAFS, offset by higher distributions to non-controlling interests. While GAAP does not specifically define the parameters for calculating book value, we believe our calculation is representative of our book value on a per share basis, and our Manager believes book value per share is a valuable metric for evaluating our business. The net book value per share is calculated by dividing equity, after adjusting for the anticipated conversion of the notes into shares of common stock, and the subtraction of non-controlling equity interests, by total adjusted shares outstanding, which include OP Units (which are redeemable on a 1-for-1 basis into shares of our common stock) and shares for Manager and director fees which were approved but still unissued as of the date indicated, unvested employee and service provider stock grants

and the common shares from assumed conversion of our Senior convertible notes. A breakdown of our book value per share is set forth in the table below (\$ in thousands except per share amounts):

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Table 7: Book Value per Share

	March 31, 2018	December 31, 2017
Outstanding shares	18,686,420	18,588,228
Adjustments for:		
Operating partnership units	624,106	624,106
Unvested grants of restricted stock, and Manager and director shares earned but not issued as of the date indicated	51,572	51,082
Conversion of convertible senior notes into shares of common stock	7,047,216	7,047,216
Total adjusted shares outstanding	26,409,314	26,310,632
Equity at period end	\$319,643	\$317,438
Net increase in equity from expected conversion of convertible senior notes	105,313	105,313
Net adjustment for equity due to non-controlling interests	(14,833)	(16,314)
Adjusted equity	\$410,123	\$406,437
Book value per share	\$15.53	\$15.45

Mortgage Loan Portfolio

For the three months ended March 31, 2018, we acquired 87 RPLs for an acquisition price of \$17.6 million. For the three months ended March 31, 2017, we acquired 24 RPLs for an acquisition price of \$3.1 million. No NPLs were acquired during the three months ended March 31, 2018 and 2017.

The following table shows loan portfolio acquisitions for the three months ended March 31, 2018, and 2017 (\$ in thousands):

Table 8: Loan Portfolio Acquisitions (excludes loan originations)

	For the three months ended March 31,	
	2018	2017
RPLs		
Count	87	24
UPB	\$19,699	\$3,445
Purchase price	\$17,566	\$3,143
Purchase price % of UPB	89.2 %	91.2 %

During the three months ended March 31, 2018, 149 mortgage loans, representing 1.6% of our ending UPB, were liquidated. Comparatively, during the three months ended 2017, 89 mortgage loans, representing 1.6% of our ending UPB, were liquidated. Our loan portfolio activity for the three months ended March 31, 2018 and 2017 are presented below (\$ in thousands):

Table 9: Loan Portfolio Activity

	For the three months ended March 31,	
	2018	2017
Beginning carrying value ⁽¹⁾	\$1,253,541	\$869,091
Mortgage loan portfolio acquisitions, net cost basis	17,566	5,572
Draws on SBC loans	117	—
Accretion recognized	25,226	20,554
Payments received, net	(45,467)	(32,020)
Reclassifications to REO	(3,958)	(8,100)
Other	188	350
Ending carrying value	\$1,247,213	\$855,447

- (1) Beginning carrying value for January 1, 2017 has been presented net of \$1.5 million of borrower advances reclassified to Prepaid expenses and other assets.

Table 10: Portfolio Composition

As of March 31, 2018 and December 31, 2017, our portfolios consisted of the following (\$ in thousands):

March 31, 2018 ⁽¹⁾		December 31, 2017 ⁽¹⁾	
No. of Loans	6,840	No. of Loans	6,901
Total UPB	\$1,448,313	Total UPB	\$1,465,223
Interest-Bearing Balance	\$1,355,418	Interest-Bearing Balance	\$1,370,563
Deferred Balance ⁽²⁾	\$92,895	Deferred Balance ⁽²⁾	\$94,660
Market Value of Collateral ⁽³⁾	\$1,942,170	Market Value of Collateral ⁽³⁾	\$1,954,661
Price/Total UPB ⁽⁴⁾	81.1 %	Price/Total UPB ⁽⁴⁾	81.0 %
Price/Market Value of Collateral	61.8 %	Price/Market Value of Collateral	61.7 %
Weighted Average Coupon	4.36 %	Weighted Average Coupon	4.33 %
Weighted Average LTV ⁽⁵⁾	87.5 %	Weighted Average LTV ⁽⁵⁾	88.0 %
Weighted Average Remaining Term (months)	321	Weighted Average Remaining Term (months)	324
No. of first liens	6,819	No. of first liens	6,879
No. of second liens	21	No. of second liens	22
No. of Rental Properties	15	No. of Rental Properties	14
Market Value of Rental Properties	\$6,087	Market Value of Rental Properties	\$1,838
Capital Invested in Rental Properties	\$5,325	Capital Invested in Rental Properties	\$1,353
Price/Market Value of Rental Properties	87.5 %	Price/Market Value of Rental Properties	73.6 %
RPLs loans	95.9 %	RPLs loans	95.6 %
NPLs loans	3.2 %	NPLs loans	3.5 %
Originated SBC loans	0.9 %	Originated SBC loans	0.9 %
No. of Other REO	136	No. of Other REO	136
Market Value of Other REO ⁽⁶⁾	\$26,816	Market Value of Other REO ⁽⁶⁾	\$28,080

Includes the impact of 1,003 mortgage loans with a purchase price of \$177.3 million, UPB of \$194.3 million and (1) collateral value of \$295.3 million acquired in the fourth quarter of 2017 through a 50% owned joint venture which we consolidate.

(2) Amounts that have been deferred in connection with a loan modification on which interest does not accrue. These amounts generally become payable at the time of maturity.

(3) As of date of acquisition.

At March 31, 2018 and December 31, 2017, our loan portfolio consists of fixed rate (58.5% of UPB), ARM (10.0% of UPB) and Hybrid ARM (31.5% of UPB); and fixed rate (58.1% of UPB), ARM (10.2% of UPB) and Hybrid ARM (31.7% of UPB), respectively.

(5) UPB as of March 31, 2018 and December 31, 2017, divided by market value of collateral and weighted by the UPB of the loan.

(6) Market value of REO is based on net realizable value. Fair market value is determined based on appraisals, BPOs, or other market indicators of fair value including list price or contract price.

Table 11: Portfolio Characteristics

The following tables present certain characteristics about our mortgage loans by year of origination as of March 31, 2018 and December 31, 2017, respectively (\$ in thousands):

Portfolio at March 31, 2018

	Years of Origination				
	After 2008	2006 – 2008	2001 – 2005	1990 – 2000	Prior to 1990
Number of loans	538	4,103	1,819	357	23
Unpaid principal balance	\$123,050	\$980,472	\$316,483	\$27,504	\$804
Mortgage loan portfolio by year of origination	8.5	% 67.7	% 21.9	% 1.9	% — %
Loan Attributes:					
Weighted average loan age (months)	81.4	133.8	164.6	239.7	374.6
Weighted Average loan-to-value	82.0	% 91.2	% 77.0	% 64.9	% 25.7 %
Delinquency Performance:					
Current	58.2	% 55.3	% 55.2	% 48.1	% 44.3 %
30 days delinquent	9.5	% 12.8	% 13.2	% 15.2	% 13.5 %
60 days delinquent	7.3	% 8.9	% 8.4	% 10.9	% 16.2 %
90+ days delinquent	16.5	% 16.9	% 18.3	% 18.7	% 22.4 %
Foreclosure	8.5	% 6.1	% 4.9	% 7.1	% 3.6 %

Portfolio at December 31, 2017

	Years of Origination				
	After 2008	2006 – 2008	2001 – 2005	1990 – 2000	Prior to 1990
Number of loans	544	4,129	1,833	371	24
Unpaid principal balance	\$124,301	\$991,242	\$320,487	\$28,358	\$835
Mortgage loan portfolio by year of origination	8.5	% 67.7	% 21.9	% 1.9	% 0.1 %
Loan Attributes:					
Weighted average loan age (months)	73.6	130.8	161.6	237.5	371.3
Weighted Average loan-to-value	82.2	% 91.9	% 77.6	% 64.2	% 25.5 %
Delinquency Performance:					
Current	58.3	% 58.6	% 60.6	% 47.9	% 51.6 %
30 days delinquent	9.9	% 12.5	% 11.9	% 13.8	% 10.8 %
60 days delinquent	8.0	% 7.8	% 8.4	% 8.7	% 18.1 %
90+ days delinquent	13.6	% 15.0	% 13.2	% 21.1	% 16.1 %
Foreclosure	10.2	% 6.1	% 5.9	% 8.5	% 3.4 %

Table 12: Loans by State

The following table identifies our mortgage loans by state, number of loans, loan value, collateral value and percentages thereof at March 31, 2018 and December 31, 2017 (\$ in thousands):

March 31, 2018						December 31, 2017					
State	Count	UPB	% UPB	Collateral Value ⁽¹⁾	% of Collateral Value	State	Count	UPB	% UPB	Collateral Value ⁽¹⁾	% of Collateral Value
CA	1,137	411,457	28.4%	586,933	30.2 %	CA	1,124	410,510	28.0%	581,838	29.8 %
FL	804	151,020	10.4%	190,502	9.8 %	FL	813	153,418	10.5%	191,298	9.8 %
NY	333	111,080	7.7 %	165,913	8.5 %	TX	460	48,238	3.3 %	79,820	4.1 %
NJ	294	75,540	5.2 %	90,208	4.6 %	GA	383	52,926	3.6 %	63,587	3.3 %
MD	280	70,238	4.8 %	79,906	4.1 %	NY	341	114,223	7.8 %	170,154	8.7 %
MA	220	49,726	3.4 %	65,226	3.4 %	NJ	301	79,403	5.4 %	95,765	4.9 %
TX	453	48,019	3.3 %	80,289	4.1 %	NC	286	41,703	2.8 %	52,807	2.7 %
IL	216	46,460	3.2 %	51,633	2.7 %	MD	280	70,691	4.8 %	80,029	4.1 %
VA	216	47,101	3.3 %	59,133	3.0 %	MA	223	50,371	3.4 %	66,679	3.4 %
GA	386	53,536	3.7 %	64,940	3.3 %	IL	221	47,508	3.2 %	52,362	2.7 %
NC	283	41,508	2.9 %	52,640	2.7 %	VA	219	47,611	3.2 %	59,924	3.1 %
WA	139	32,878	2.3 %	46,666	2.4 %	PA	191	21,270	1.5 %	28,317	1.4 %
AZ	181	30,791	2.1 %	37,534	1.9 %	AZ	180	30,560	2.1 %	36,862	1.9 %
NV	130	26,921	1.9 %	31,995	1.6 %	SC	145	19,330	1.3 %	26,258	1.3 %
PA	187	21,079	1.5 %	27,915	1.4 %	WA	137	33,049	2.3 %	46,187	2.4 %
SC	142	18,940	1.3 %	25,753	1.3 %	TN	133	15,424	1.1 %	22,005	1.1 %
CO	74	15,047	1.0 %	24,498	1.3 %	NV	130	27,143	1.9 %	31,918	1.6 %
MI	116	18,174	1.3 %	26,892	1.4 %	OH	121	15,005	1.0 %	16,897	0.9 %
TN	130	15,119	1.0 %	21,750	1.1 %	MI	120	18,773	1.3 %	27,949	1.4 %
OH	119	14,705	1.0 %	16,623	0.9 %	IN	106	11,075	0.8 %	13,422	0.7 %
OR	68	13,572	0.9 %	19,594	1.0 %	MO	82	10,729	0.7 %	13,142	0.7 %
CT	67	12,345	0.9 %	15,228	0.8 %	CO	76	15,756	1.1 %	25,263	1.3 %
IN	106	11,010	0.8 %	13,422	0.7 %	OR	70	13,763	0.9 %	20,013	1.0 %
UT	63	10,274	0.7 %	14,926	0.8 %	CT	67	12,392	0.8 %	15,228	0.8 %
MN	65	11,622	0.8 %	14,737	0.7 %	MN	66	11,773	0.8 %	14,910	0.8 %
MO	82	10,656	0.7 %	13,177	0.4 %	UT	66	10,827	0.7 %	15,425	0.8 %
AL	52	6,553	0.5 %	7,547	0.5 %	LA	64	6,641	0.5 %	10,052	0.5 %
LA	62	6,359	0.4 %	9,687	0.4 %	AL	51	6,436	0.4 %	7,393	0.4 %
WI	43	6,364	0.4 %	7,478	0.4 %	KY	44	5,538	0.4 %	6,709	0.3 %
DE	33	6,289	0.4 %	7,015	0.4 %	WI	43	6,403	0.4 %	7,478	0.4 %
DC	21	5,528	0.4 %	8,649	0.3 %	OK	39	3,651	0.2 %	5,096	0.3 %
KY	42	5,068	0.3 %	6,289	0.6 %	DE	34	6,552	0.4 %	7,390	0.4 %
HI	23	8,637	0.6 %	12,109	0.3 %	NM	27	4,443	0.3 %	5,158	0.3 %
NM	27	4,428	0.3 %	5,158	0.3 %	MS	25	2,603	0.2 %	3,092	0.2 %
RI	20	4,362	0.3 %	5,068	0.3 %	HI	24	8,748	0.6 %	12,679	0.6 %
NH	22	3,902	0.3 %	5,582	0.2 %	NH	22	3,912	0.3 %	5,582	0.3 %
OK	37	3,056	0.2 %	4,726	0.2 %	KS	21	1,596	0.1 %	2,412	0.1 %
MS	25	2,587	0.2 %	3,092	0.2 %	RI	21	4,575	0.3 %	5,238	0.3 %
ME	12	1,720	0.1 %	1,958	0.2 %	WV	21	3,037	0.2 %	3,780	0.2 %
ID	16	2,023	0.1 %	3,298	0.2 %	DC	20	5,282	0.4 %	8,369	0.4 %
KS	20	1,470	0.1 %	2,312	0.2 %	IA	20	1,891	0.1 %	2,339	0.1 %
WV	19	2,695	0.2 %	3,374	0.2 %	AR	19	1,670	0.1 %	2,066	0.1 %
PR	9	1,091	0.1 %	1,399	0.1 %	ID	16	2,032	0.1 %	3,298	0.2 %

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AR	18	1,580	0.1	%	1,943	0.1	%	ME	12	1,718	0.1	%	1,958	0.1	%
IA	20	1,879	0.1	%	2,339	0.1	%	PR	9	1,098	0.1	%	1,399	0.1	%
SD	4	730	0.1	%	928	0.1	%	NE	6	742	0.1	%	896	—	%

March 31, 2018						December 31, 2017					
State	Count	UPB	% UPB	Collateral Value(1)	% of Collateral Value	State	Count	UPB	% UPB	Collateral Value(1)	% of Collateral Value
MT	4	614	0.1 %	905	0.1 %	WY	5	609	0.1 %	760	— %
WY	5	606	0.1 %	760	0.1 %	MT	4	620	0.1 %	905	— %
AK	4	508	0.1 %	760	0.1 %	SD	4	733	0.1 %	928	— %
VT	2	472	— %	465	0.1 %	AK	4	511	0.1 %	760	— %
NE	6	739	— %	896	0.1 %	ND	3	239	— %	400	— %
ND	3	235	— %	400	0.1 %	VT	2	472	— %	465	— %
	6,840	1,448,313	100 %	1,942,170	100 %		6,901	1,465,223	100 %	1,954,661	100 %

(1) As of date of acquisition.

Liquidity and Capital Resources

Source and Uses of Cash

Our primary sources of cash have consisted of proceeds from our securities offerings, our secured borrowings, repurchase agreements, principal and interest payments on our loan portfolio, and sales of properties held-for-sale. Depending on market conditions, we expect that our primary financing sources will continue to include secured borrowings, repurchase agreements, and securities offerings in addition to transaction or asset specific funding arrangements and credit facilities (including term loans and revolving facilities). We expect that these sources of funds will be sufficient to meet our short-term and long-term liquidity needs. From time to time, we may invest with third parties and acquire interests in loans and other real estate assets through investments in joint ventures.

As of March 31, 2018, substantially all of our invested capital was in RPLs, NPLs and REO property held-for-sale. We also held approximately \$47.5 million of cash and cash equivalents, a decrease of \$6.2 million from our balance of \$53.7 million at December 31, 2017. Our average daily cash balance during the quarter was \$51.5 million, an increase of \$7.8 million from our average daily cash balance of \$43.7 million during the three months ended December 31, 2017.

Our operating cash outflows, including the effect of restricted cash, for the three months ended March 31, 2018 and 2017 were \$2.8 million and \$1.6 million, respectively. Our primary operating cash inflow is cash interest payments on our mortgage loan pools of \$15.3 million and \$10.7 million for the three months ended March 31, 2018 and 2017, respectively. Operating cash flows are negative for all periods, however, as a result of non-cash interest income accretion of \$9.9 million for the three months ended March 31, 2018 and \$9.8 million for the three months ended 2017. Though the ownership of mortgage loans and other real estate assets is our business, GAAP requires that operating cash flows do not include the cash portion of accretion that we receive through principal payments including proceeds from loans that pay in full or are liquidated in a short sale or third party sale at foreclosure or the proceeds on the sales of our property held-for-sale. These activities are all considered to be Investing activities under GAAP, and the cash flows from these activities are included in the Investing section of our Consolidated Statements of Cash Flows.

For the three months ended March 31, 2018, our investing cash inflows of \$39.6 million were driven primarily by principal payments on and payoffs of our mortgage loan portfolio, proceeds on the sale of our property held-for-sale and a refund of a deposit on loans that were not purchased, offset by acquisitions of mortgage loans. For the three months ended March 31, 2017, our investing cash inflows of \$20.0 million were driven primarily by principal payments on and repayments of our mortgage loan portfolio and proceeds on the sale of our property held-for-sale, offset by net mortgage loan acquisitions. Principal payments, payoffs and proceeds on the sale of our property held-for-sale were \$50.4 million and \$25.4 million for the three months ended March 31, 2018 and 2017, respectively. Our financing cash flows are driven primarily by funding used to acquire mortgage loan pools. We fund our mortgage loan pool acquisitions primarily through secured borrowings, repurchase agreements and the proceeds from our equity offerings. For the three months ended March 31, 2018, we had net financing cash outflows of \$43.3 million as we had nominal loan acquisition activity requiring financing but continued to pay down existing debt obligations. For the

three months ended 2017, we had net cash outflows from financing activities of \$24.8 million driven primarily by the repayments on secured borrowings of \$15.5 million to fund mortgage loan acquisitions. For the three months ended March 31, 2018 and 2017 we paid \$7.7 million and \$4.7 million, respectively, in combined dividends and distributions.

Financing Activities — Equity offerings

For the three months ended March 31, 2018, we did not sell any shares of common stock for proceeds under our At-the-Market Issuance Sales Agreements which we established in October 2016, to sell, through our agents, shares of common stock with an aggregate offering price of up to \$50.0 million. In accordance with the terms of the agreements, we may offer and sell shares of our common stock at any time and from time to time through the sales agents. Sales of the shares, if any, will be made by means of ordinary brokers' transactions on the New York Stock Exchange or otherwise at market prices prevailing at the time of the sale.

Financing Activities — Borrowings and Repurchase Arrangements

During the year ended December 31, 2017, we completed the issuance and sale of \$108.0 million aggregate principal amount of our 7.25% Convertible senior notes due 2024, in two underwritten public offerings, with the notes from both offerings forming a single series of notes. Our net proceeds from the sale of the notes, after deducting the underwriter's discounts, commissions and offering expenses, were approximately \$105.3 million. The carrying amount of the equity component of both transactions was \$2.7 million representing the fair value to the notes' owners of the right to convert the notes into shares of our common stock. The notes bear interest at a rate of 7.25% per year, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year.

From inception (January 30, 2014) to March 31, 2018, we have completed 12 secured borrowings pursuant to Rule 144A under the Securities Act, seven of which were outstanding at March 31, 2018. The secured borrowings are structured as debt financings and not REMIC sales, and the loans included in the secured borrowings remain on our consolidated balance sheet as we are the primary beneficiary of the secured borrowing trusts, which are VIEs. The secured borrowing VIEs are structured as pass through entities that receive principal and interest on the underlying mortgages and distribute those payments to the holders of the notes. Our exposure to the obligations of the VIEs is generally limited to our investments in the entities. The notes that are issued by the secured borrowing trusts are secured solely by the mortgages held by the applicable trusts and not by any of our other assets. The mortgage loans of the applicable trusts are the only source of repayment and interest on the notes issued by such trusts. We do not guarantee any of the obligations of the trusts under the terms of the agreement governing the notes or otherwise. Our secured borrowings are structured with Class A notes, subordinate notes, and trust certificates, which have rights to the residual interests in the mortgages once the notes are repaid. With the exception of the our 2017-D securitization, from which we sold a 50% interest in the residual equity to a third party, we have retained the subordinate notes and the trust certificates from the seven secured borrowings outstanding at March 31, 2018. The Class A notes for the 2017-D securitization are the only debt securities issued in this securitization, with the Class B certificates representing the residual interests in the mortgages subsequent to repayment of the Class A debt. The 2017-D class A notes carry no step-up in the interest rate. We have retained 50% of both the Class A notes and Class B certificates from 2017-D.

Our 2017-B securitization carries no provision for a step-up in interest rate on any of the Class A, Class B or Class M notes.

For all of our securitizations the Class A notes are senior, sequential pay, fixed rate notes, and with the exception of 2017-D as noted above, the Class B notes are subordinate, sequential pay, fixed rate notes. The Class M notes issued under 2017-B are mezzanine, sequential pay, fixed rate notes.

For all of the our securitizations, except 2017-B and 2017-D which contain no interest rate step-up, if the Class A notes have not been redeemed by the payment date or otherwise paid in full 36 months after issue, or in the case of 2017-C, 48 months after issue, an amount equal to the aggregate interest payment amount that accrued and would otherwise be paid to the subordinate notes will be paid as principal to the Class A notes on that date and each subsequent payment date until the Class A notes are paid in full. After the Class A notes are paid in full, the subordinate notes will resume receiving their respective interest payment amounts and any interest that accrued but was not paid while the Class A notes were outstanding. As the holder of the trust certificates, the Company is entitled to receive any remaining amounts in the trusts after the Class A notes and subordinate notes have been paid in full.

The following table sets forth the original terms of all outstanding securitization notes at their respective cutoff dates as of March 31, 2018:

Table 13: Securitizations

Issuing Trust/Issue Date	Security	Original Principal	Interest Rate
Ajax Mortgage Loan Trust 2016-A/ April 2016	Class A notes due 2064	\$101.4 million	4.25 %
	Class B-1 notes due 2064(1,4)	\$7.9 million	5.25 %
	Class B-2 notes due 2064(1,4)	\$7.9 million	5.25 %
	Trust certificates(2)	\$41.3 million	— %
	Deferred issuance costs	\$(2.7) million	— %
Ajax Mortgage Loan Trust 2016-B/ August 2016	Class A notes due 2065	\$84.4 million	4.00 %
	Class B-1 notes due 2065(1,4)	\$6.6 million	5.25 %
	Class B-2 notes due 2065(1,4)	\$6.6 million	5.25 %
	Trust certificates(2)	\$34.1 million	— %
	Deferred issuance costs	\$(1.6) million	— %
Ajax Mortgage Loan Trust 2016-C/ October 2016	Class A notes due 2057	\$102.6 million	4.00 %
	Class B-1 notes due 2057(1,4)	\$7.9 million	5.25 %
	Class B-2 notes due 2057(1,4)	\$7.9 million	5.25 %
	Trust certificates(2)	\$39.4 million	— %
	Deferred issuance costs	\$(1.6) million	— %
Ajax Mortgage Loan Trust 2017-A/ May 2017	Class A notes due 2057	\$140.7 million	3.47 %
	Class B-1 notes due 2057(1)	\$15.1 million	5.25 %
	Class B-2 notes due 2057(1)	\$10.8 million	5.25 %
	Trust certificates(2)	\$49.8 million	— %
	Deferred issuance costs	\$(2.0) million	— %
Ajax Mortgage Loan Trust 2017-B/ December 2017	Class A notes due 2056	\$115.8 million	3.16 %
	Class M-1 notes due 2056(3)	\$9.7 million	3.50 %
	Class M-2 notes due 2056(3)	\$9.5 million	3.50 %
	Class B-1 notes due 2056(1)	\$9.0 million	3.75 %
	Class B-2 notes due 2056(1)	\$7.5 million	3.75 %
	Trust certificates(2)	\$14.3 million	— %
	Deferred issuance costs	\$(1.8) million	— %
Ajax Mortgage Loan Trust 2017-C/ November 2017	Class A notes due 2060	\$130.2 million	3.75 %
	Class B-1 notes due 2060(1)	\$13.0 million	5.25 %
	Trust certificates(2)	\$42.8 million	— %
	Deferred issuance costs	\$(1.7) million	— %
Ajax Mortgage Loan Trust 2017-D/ December 2017	Class A notes due 2057(5)	\$177.8 million	3.75 %
	Class B certificates (5)	\$44.5 million	— %
	Deferred issuance costs	\$(1.1) million	— %

(1) The Class B notes are subordinate, sequential pay, fixed rate notes with Class B-2 notes subordinate to the Class B-1 notes. We have retained the Class B notes.

(2)

The trust certificates issued by the trusts and the beneficial ownership of the trusts are retained by Great Ajax Funding LLC as the depositor. As the holder of the trust certificates, we are entitled to receive any remaining amounts in the trusts after the Class A notes, Class M notes, where present, and Class B notes have been paid in full.

(3) The Class M notes are subordinate, sequential pay, fixed rate notes with Class M-2 notes subordinate to the Class M-1 notes. We retained the Class M notes.

(4) These securities are encumbered under a repurchase agreement.

AJAXM 2017-D is a joint venture in which a third party owns 50% of the Class A notes and 50% of the Class B certificates. We are required to consolidate 2017-D and are reflecting 100% of the mortgage loans, in Mortgage

(5) loans, net. 50% of the Class A notes, which are held by the third party, are included in Secured borrowings, net.

The 50% portion of the Class A notes retained by the Company have been encumbered under a repurchase agreement. 50% of the Class B certificates are recognized as Non-controlling interest.

Repurchase Transactions

We entered into two repurchase facilities whereby we, through two wholly-owned Delaware trusts (the “Trusts”), acquire pools of mortgage loans which are then sold by the Trusts, as “Seller” to two separate counterparties, the “buyer” or “buyers.” One facility has a ceiling of \$250.0 million and the other \$200.0 million at any one time. Upon the time of the initial sale to the buyer, each Trust, with a simultaneous agreement, also agrees to repurchase the pools of mortgage loans from the buyer. Mortgage loans sold under these facilities carry interest calculated based on a spread to one-month LIBOR, which are fixed for the term of the borrowing. The purchase price that the Trust realizes upon the initial sale of the mortgage loans to the buyer can vary between 70% and 85% of the asset’s acquisition price, depending upon the facility being utilized and/or the quality of the underlying collateral. The obligations of the Trust to repurchase these mortgage loans at a future date are guaranteed by the Operating Partnership. The difference between the market value of the asset and the amount of the repurchase agreement is generally the amount of equity we have in the position and is intended to provide the buyer with some protection against fluctuations in the value of the collateral, and/or a failure by us to repurchase the asset and repay the borrowing at maturity. We also entered into three repurchase facilities substantially similar to the mortgage loan repurchase facilities. However, the pledged assets are the class B bonds and certificates from our securitization transactions. We have effective control over the assets subject to these transactions; therefore, our repurchase transactions are accounted for as financing arrangements. A summary of our outstanding repurchase transactions at March 31, 2018 and December 31, 2017 follows (\$ in thousands):

Table 14: Repurchase Transactions by Maturity Date

March 31, 2018						
Maturity Date	Origination date	Maximum Borrowing Capacity	Amount Outstanding	Amount of Collateral	Percentage of Collateral Coverage	Interest Rate
April 30, 2018	October 31, 2017	\$ 10,601	\$ 10,601	\$ 15,145	143 %	3.66 %
May 8, 2018	November 8, 2017	15,227	15,227	21,754	143 %	3.69 %
June 7, 2018	February 8, 2018	58,586	58,586	77,065	132 %	3.69 %
November 21, 2018	November 22, 2017	200,000	1,222	7,812	639 %	5.09 %
July 12, 2019	July 15, 2016	250,000	187,563	244,791	131 %	4.36 %
Totals		\$ 534,414	\$ 273,199	\$ 366,567	134 %	4.16 %
December 31, 2017						
Maturity Date	Origination date	Maximum Borrowing Capacity	Amount Outstanding	Amount of Collateral	Percentage of Collateral Coverage	Interest Rate
April 30, 2018	October 31, 2017	\$ 10,601	\$ 10,601	\$ 15,145	143 %	3.66 %
May 8, 2018	November 8, 2017	15,227	15,227	21,754	143 %	3.69 %
June 7, 2018	December 7, 2017	66,678	66,678	88,904	133 %	3.59 %
November 21, 2018	November 22, 2017	200,000	3,775	8,215	218 %	4.79 %
July 12, 2019	July 15, 2016	250,000	180,104	234,724	130 %	4.03 %
Totals		\$ 542,506	\$ 276,385	\$ 368,742	133 %	3.91 %

As of March 31, 2018, we had \$273.2 million outstanding under our repurchase transactions compared to \$276.4 million as of December 31, 2017. The maximum month-end balance outstanding during the three months ended March 31, 2018 was \$274.9 million, compared to a maximum month-end balance for the three months ended 2017, of \$323.1 million. The following table presents certain details of our repurchase transactions for the three months ended March 31, 2018 and December 31, 2017 (\$ in thousands):

Table 15: Repurchase Balances

	Three months ended	
	March	December
	31, 2018	31, 2017
Balance at the end of period	\$273,199	\$276,385
Maximum month-end balance outstanding during the year	\$274,945	\$323,060
Average balance	\$275,130	\$297,569

The decrease in our average balance from \$297.6 million for the three months ended December 31, 2017 to our average balance of \$275.1 million for the three months ended March 31, 2018 was due to a net decrease in repurchase financing during the three months ended March 31, 2018, as a result of additional investments in mortgage loans.

As of March 31, 2018 and December 31, 2017, we did not have any credit facilities or other outstanding debt obligations other than the repurchase facilities, secured borrowings and our Senior convertible notes.

We are not required by our investment guidelines to maintain any specific debt-to-equity ratio, and we believe that the appropriate leverage for the particular assets we hold depends on the credit quality and risk of those assets, as well as the general availability and terms of stable and reliable financing for those assets.

We may declare dividends based on, among other things, our earnings, our financial condition, our working capital needs, new opportunities, and distribution requirements imposed on REITs. The declaration of dividends to our stockholders and the amount of such dividends are at the discretion of our Board of Directors. On April 23, 2018, our Board of Directors declared a dividend of \$0.30 per share, to be paid on May 30, 2018 to stockholders of record as of May 15, 2018. Our Management Agreement with our Manager requires the payment of an incentive management fee above the amount of the base management fee if we distribute a quarterly dividend out of our taxable income on shares of our common stock in excess of 8% (on an annualized basis) of our stock's book value. Our dividend payments are driven by the amount of our taxable income, subject to IRS rules for maintaining our status as a REIT. Our most recently declared quarterly dividend represents a payment of approximately 7.73% on an annualized basis of our book value of \$15.53 per share at March 31, 2018. If future increases in our taxable income drive our dividend rate higher, we could exceed the threshold for paying an incentive fee to our Manager, and thereby trigger such payment. See Note 9 — Related party transactions.

We believe that our capital resources will be sufficient to enable us to meet anticipated short-term and long-term liquidity requirements.

Off-Balance Sheet Arrangements

Other than the trusts holding assets pledged as security against our borrowings and equity method investments discussed elsewhere in this report, we do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-Balance Sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities nor do we have any commitment or intent to provide funding to any such entities. As such, we are not materially exposed to any market, credit, liquidity or financing risk that could arise if we had engaged in such relationships.

Table 16: Contractual Obligations

A summary of our contractual obligations as of March 31, 2018 and December 31, 2017 is as follows (\$ in thousands):

March 31, 2018	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Convertible senior notes	\$108,000	\$—	\$—	\$—	\$108,000
Borrowings under repurchase agreements	273,199	85,636	187,563	—	—
Interest on convertible senior notes	45,263	8,644	17,511	17,853	1,255
Interest on repurchase agreements	11,020	6,695	4,325	—	—
Total	\$437,482	\$100,975	\$209,399	\$17,853	\$109,255

December 31, 2017

Payments Due by Period

	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Convertible senior notes	\$108,000	\$—	\$—	\$—	\$108,000
Borrowings under repurchase agreements	276,386	96,282	180,104	—	—
Interest on convertible senior notes	47,414	8,626	17,472	18,558	2,758
Interest on repurchase agreements	12,631	8,787	3,844	—	—
Total	\$444,431	\$113,695	\$201,420	\$18,558	\$110,758

Our secured borrowings are not included in the table above as such borrowings are non-recourse to us and are only paid to the extent that cash flows from mortgage loans (in the securitization trust) collateralizing the debt are received. Accordingly, a projection of contractual maturities over the next five years is inapplicable.

Inflation

Virtually all of our assets and liabilities are interest-rate sensitive in nature. As a result, interest rates and other factors influence our performance far more so than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. Our activities and consolidated Balance Sheet are measured with reference to historical cost and/or fair market value without considering inflation.

Subsequent Events

On April 23, 2018, our Board of Directors declared a dividend of \$0.30 per share, to be paid on May 30, 2018 to common stockholders of record as of May 15, 2018.

On April 26, 2018 we closed Ajax Mortgage Loan Trust 2018-A ("2018-A"), a joint venture with two independent third parties, which issued an aggregate of \$128.0 million of senior securities and retained \$32.0 million of equity issued with respect to \$160.0 million UPB of mortgage loans. Ninety-four percent of the UPB was RPLs, and 6.0% was NPLs. The senior securities represent 80% of the UPB of the underlying mortgage loans. The securities may be sold by any party at a future date. We retained a 9.4% interest and expect to account for 2018-A as an equity-method investee. Subsequently, we acquired for the account of 2018-A, an additional 42 RPLs with an aggregate UPB of \$13.2 million in one transaction from a single seller. The loans were acquired at 87.5% of UPB and 61.8% of the estimated market value of the underlying collateral value of \$18.7 million. We also agreed to acquire for the account of 2018-A, subject to due diligence, 810 RPLs and 49 NPLs, with UPB of \$138.3 million and \$5.8 million, respectively, in three transactions from three different sellers. The RPL price equals 92.1% of UPB and 57.1% of the underlying collateral value of \$223.0 million. The NPL price equals 57.5% of UPB and 39.6% of the underlying collateral value of \$8.5 million.

Additionally, we have also agreed to acquire, subject to due diligence, 85 RPLs and 504 NPLs with UPB of \$18.1 million and \$123.7 million, respectively, in three transactions from three different sellers. The purchase price of the RPLs equals 91.9% of UPB and 60.0% of the estimated market value of the underlying collateral of \$27.8 million. The purchase price of the NPLs equals 79.5% of UPB and 63.2% of the estimated market value of the underlying collateral of \$155.6 million. Some of these loans may be acquired through a joint venture with institutional investors. On May 2, 2018, we issued 49,156 shares of our common stock to our Manager in payment of the portion of the base management fee which is payable in common stock for the first quarter of 2018 in a private transaction. The management fee expense associated with these shares was recorded as an expense in the first quarter of 2018.

On May 2, 2018, we issued to each of our four independent directors 604 shares of common stock in payment of half of their quarterly director fees for the first quarter of 2018.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The primary components of our market risk are related to real estate risk, interest rate risk, prepayment risk and credit risk. We seek to actively manage these and other risks and to acquire and hold assets at prices that we believe justify bearing those risks, and to maintain capital levels consistent with those risks.

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;

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demographic factors; and retroactive changes to building or similar codes. Increases in interest rates will result in lower refinancing volume, and home price increases will slow. Decreases in property values could cause us to suffer losses.

Interest Rate Risk

We expect to continue to securitize our whole loan portfolios, primarily as a financing tool, when economically efficient to create long-term, fixed rate, non-recourse financing with moderate leverage, while retaining one or more tranches of the subordinate MBS so created. Interest rates are 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 mortgage loans and real estate underlying our portfolios as well as our financing interest rate expense. Additionally, rises in interest rates may result in a lower refinance volume of our portfolio.

We believe that a rising interest rate environment could have a positive effect on our operations to the extent we own rental real property or seek to sell real property. Rising interest rates could be accompanied by inflation and higher household incomes which generally correlate closely to higher rent levels and property values. It is possible that the value of our real estate assets and our net income could decline in a rising interest rate environment to the extent that our real estate assets are financed with floating rate debt and there is no accompanying increase in loan yield and rental yield or property values.

Prepayment Risk

Prepayment risk is the risk of change, whether an increase or a decrease, in the rate at which principal is returned in respect of the mortgage loans we will own as well as the mortgage loans underlying our retained MBS, including both through voluntary prepayments and through liquidations due to defaults and foreclosures. This rate of prepayment is affected by a variety of factors, including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. Prepayment rates, besides being subject to interest rates and borrower behavior, are also substantially affected by government policy and regulation. Changes in prepayment rates will have varying effects on the different types of assets in our portfolio. We attempt to take these effects into account. We will generally purchase RPLs and NPLs at discounts from UPB and underlying property values. An increase in prepayments would accelerate the repayment of the discount and lead to increased yield on our assets while also causing re-investment risk that we can find additional assets with the same interest and return levels. A decrease in prepayments would likely have the opposite effects.

Credit Risk

We are subject to credit risk in connection with our assets. While we will engage in diligence on assets we will acquire, such due diligence may not reveal all of the risks associated with such assets and may not reveal other weaknesses in such assets, which could lead us to misprice acquisitions. 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), changes or continued weakness in specific industry segments, construction quality, age and design, demographic factors and retroactive changes to building or similar codes.

There are many reasons borrowers will fail to pay including but not limited to, in the case of residential mortgage loans, reductions in personal income, job loss and personal events such as divorce or health problems, and in the case of commercial mortgage loans, reduction in market rents and occupancies and poor property management services by borrowers. We will rely on the Servicer to mitigate our risk. Such mitigation efforts may include loan modifications and prompt foreclosure and property liquidation following a default. If a sufficient number of re-performing borrowers default, our results of operations will suffer and we may not be able to pay our own financing costs.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report on Form 10-Q. The controls evaluation was conducted under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Disclosure controls and procedures are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended (the

“Exchange Act”), such as this Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures are also designed to reasonably assure 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.

Based on the controls evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Form 10-Q, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that material information related to our company and our consolidated subsidiaries is made known to management, including the Chief Executive Officer and Chief Financial Officer, particularly during the period when our periodic reports are being prepared.

Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Neither we nor any of our affiliates are the subject of any material legal or regulatory proceedings. We and our affiliates may be involved, from time to time, in legal proceedings that arise in the ordinary course of business.

Item 1A. Risk Factors

For information regarding factors that could affect our results of operations, financial condition, and liquidity, see the risk factors discussed under “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017. There have been no material changes from these previously disclosed risk factors.

Item 2. Unregistered Sales of Securities

Unregistered Sales of Equity Securities

On January 26, 2018 we issued 45,938 shares of our common stock as part of our agreement to acquire 8% of GAFS. These shares were issued in reliance on the exemption from registration set forth in Section 4(a)(2) of the Securities Act.

On February 16, 2018 we issued 48,654 shares of our common stock to the Manager in payment of the stock-based portion of the management fee due for the first quarter of 2018 in a private transaction. The management fee expense associated with these shares was recorded as an expense in the fourth quarter of 2017. These shares were issued in reliance on the exemption from registration set forth in Section 4(a)(2) of the Securities Act.

On February 16, 2018 we issued each of our independent directors 607 shares of common stock in partial payment of their quarterly director fees for the first quarter of 2018. These shares were issued in reliance on the exemption from registration set forth in Section 4(a)(2) of the Securities Act.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed in the accompanying Exhibit Index are filed or furnished as part of this Quarterly Report on Form 10-Q.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
31.1*	<u>Rule 13a-14(a) Certification of Chief Executive Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Rule 13a-14(a) Certification of Chief Financial Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*	<u>Section 1350 Certification of Chief Executive Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*	<u>Section 1350 Certification of Chief Financial Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Definition Linkbase Document
101.LAB**	XBRL Taxonomy Definition Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

**Furnished herewith.

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.

GREAT AJAX CORP.

Date: May 2, 2018 By: /s/ Lawrence Mendelsohn
Lawrence Mendelsohn
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: May 2, 2018 By: /s/ Mary Doyle
Mary Doyle
Chief Financial Officer
(Principal Financial and Accounting Officer)