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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2022**

OR

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

COMMISSION FILE NUMBER: 001-36063

Altisource Asset Management Corporation
(Exact name of registrant as specified in its charter)

U.S. Virgin Islands	**66-0783125**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5100 Tamarind Reef
Christiansted, U.S. Virgin Islands 00820
(Address of principal executive office)

(704) 275-9113
(Registrant's telephone number, including area code)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	AAMC	NYSE American

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

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

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

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☒	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 October 28, 2022, 1,777,205 shares of our common stock were outstanding (excluding 1,647,853 shares held as treasury stock).

Altisource Asset Management Corporation
September 30, 2022
Table of Contents

References in this report to “we,” “our,” “us,” “AAMC” or the “Company” refer to Altisource Asset Management Corporation and its consolidated subsidiaries, unless otherwise indicated. References in this report to “Front Yard” refer to Front Yard Residential Corporation and its consolidated subsidiaries, unless otherwise indicated.

Special note on forward-looking statements

Our disclosure and analysis in this Quarterly Report on Form 10-Q contain, and our officers, directors and authorized spokespersons may make, “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “targets,” “predicts” or “potential” or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

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

- Our ability to develop and implement new businesses or, to the extent such businesses are developed, our ability to make them successful or sustain the performance of any such businesses;
- Developments in the litigation regarding our redemption obligations under the Certificate of Designations of our Series A Convertible Preferred Stock (the “Series A Shares”), including our ability to obtain declaratory relief confirming that we were not obligated to redeem any of the Series A Shares on the March 15, 2020 redemption date if we do not have funds legally available to redeem all, but not less than all, of the Series A Shares requested to be redeemed on that redemption date;
- Current inflationary economic and market conditions, including the current rising interest rate environment and developments in the credit market;
- Access to existing and new debt capital to continue to fund our origination and acquisition platforms;
- The ability of the Company to execute on its Action Plan ("The Plan") submitted to the NYSE American, LLC ("NYSE") to allow the Company to maintain its listing status on the NYSE;
- The failure of our information technology systems, a breach thereto, and our ability to integrate and improve those systems at a pace fast enough to keep up with competitors and security threats; and

While forward-looking statements reflect our good faith beliefs, assumptions, and expectations, they are not guarantees of future performance. Such forward-looking statements speak only as of their respective dates, and we assume no obligation to update them to reflect changes in underlying assumptions, new information or otherwise. For a further discussion of these and other factors that could cause our future results to differ materially from any forward-looking statements, please see Part II, Item 1A in this Quarterly Report on Form 10-Q and “Item 1A. Risk factors” in our Annual Report on Form 10-K for the year ended December 31, 2021.

Available Information

Our internet address is www.altisourceamc.com. Our financial filings with the SEC on investor relations are located at https://ir.altisourceamc.com/financial-information/sec-filings on our website, where we make available, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website, and available in print upon request of any shareholder to our Investor Relations Department (Investor Relations), are our certificate of incorporation and by-laws, charters for our Audit, Compensation, and Nomination/Governance Committees. Within the time period specified by the SEC, we will post on our website any amendment to the Code of Business Conduct and Ethics and any waiver applicable to any executive officer, director, or senior financial officer. Our website also includes information about purchases and sales of our equity securities by our executive officers and directors.

Investor Relations can be contacted at Altisource Asset Management Corporation, 5100 Tamarind Reef, Christiansted, USVI 00820, Attn: Investor Relations, telephone 1-704-275-9113, email: IR@AltisourceAMC.com. We use our website (www.altisourceamc.com) and may use other social media channels, to disclose public information to investors, the media, and others.

Our officers may use social media channels such as Twitter, Instagram, and others to disclose public information. It is possible that certain information we or our officers post on our website and on social media could be deemed material, and we encourage investors, the media and others interested in the Company to review the business and financial information we or our officers post on our website and on the social media channels identified above. The information on our website and those social media channels is not incorporated by reference into this Form 10-Q.

Part I

Item 1. Financial statements (unaudited)

Altisource Asset Management Corporation
Condensed Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	September 30, 2022	December 31, 2021
	(unaudited)	
ASSETS		
Loans held for sale, at fair value	$ 7,158	$ —
Loans held for investment, at fair value	90,514	—
Cash and cash equivalents	10,195	78,349
Restricted cash	3,000	—
Other assets	4,811	3,127
Total assets	$ 115,678	$ 81,476
LIABILITIES AND EQUITY		
Liabilities		
Accrued expenses and other liabilities	$ 3,887	$ 7,145
Lease liabilities	976	859
Credit facility	52,467	—
Total liabilities	57,330	8,004
Commitments and contingencies (Note 7)	—	—
Redeemable preferred stock:		
Preferred stock, $0.01 par value, 250,000 shares authorized as of September 30, 2022 and December 31, 2021. 144,212 shares issued and outstanding and $144,212 redemption value as of September 30, 2022 and 150,000 shares issued and outstanding and $150,000 redemption value as of December 31, 2021.	144,212	150,000
Stockholders' deficit:		
Common stock, $0.01 par value, 5,000,000 authorized shares; 3,425,058 and 1,777,205 shares issued and outstanding, respectively, as of September 30, 2022 and 3,416,541 and 2,055,561 shares issued and outstanding, respectively, as of December 31, 2021.	34	34
Additional paid-in capital	148,900	143,523
Retained earnings	45,635	57,450
Accumulated other comprehensive income	25	54
Treasury stock, at cost, 1,647,853 shares as of September 30, 2022 and 1,360,980 shares as of December 31, 2021.	(280,458)	(277,589)
Total stockholders' deficit	(85,864)	(76,528)
Total Liabilities and Equity	$ 115,678	$ 81,476

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
Revenues:				
Loan interest income	$ 1,739	$ —	$ 2,263	$ —
Loan fee income	166	—	175	—
Servicing fee revenue	1	—	1	—
Total revenues	1,906	—	2,439	—
Expenses:				
Salaries and employee benefits	1,563	878	4,042	4,078
Legal fees	796	2,207	3,532	5,726
Professional fees	262	165	837	1,186
General and administrative	779	585	2,336	1,889
Servicing and asset management expense	252	—	433	—
Acquisition charges	—	1,353	513	1,353
Interest expense	435	—	435	60
Direct loan expense	99	—	99	—
Loan sales and marketing expense	5	—	5	—
Total expenses	4,191	5,188	12,232	14,292
Other income (expense):				
Change in fair value of loans	(1,563)	—	(1,888)	—
Change in fair value of equity securities	—	(3,310)	—	146
Gain on sale of equity securities	—	1,987	—	8,347
Dividend income	—	20	—	3,061
Other	8	8	24	87
Total other (expense) income	(1,555)	(1,295)	(1,864)	11,641
Net loss from continuing operations before income taxes	(3,840)	(6,483)	(11,657)	(2,651)
Income tax expense (benefit)	146	(786)	158	1,175
Net loss from continuing operations	$ (3,986)	$ (5,697)	$ (11,815)	$ (3,826)
Gain on discontinued operations (net of income tax expense of $1,272)	—	—	—	6,213
Net (loss) income attributable to common stockholders	$ (3,986)	$ (5,697)	$ (11,815)	$ 2,387
Continuing operations earnings per share				
Net loss from continuing operations	$ (3,986)	(5,697)	$ (11,815)	(3,826)
Gain on preferred stock transaction	—	16,101	5,122	87,984
Numerator for earnings per share from continuing operations	$ (3,986)	$ 10,404	$ (6,693)	$ 84,158
Earnings per share of common stock – Basic:				
Continuing operations	$ (2.24)	$ 5.06	$ (3.41)	$ 42.41
Discontinued operations	—	—	—	3.13
Total	$ (2.24)	$ 5.06	$ (3.41)	$ 45.54
Weighted average common stock outstanding	1,777,009	2,055,561	1,964,198	1,984,294
Earnings per share of common stock – Diluted:				
Continuing operations	$ (2.24)	$ 4.76	$ (3.41)	$ 39.06
Discontinued operations	—	—	—	2.88
Total	$ (2.24)	$ 4.76	$ (3.41)	$ 41.94
Weighted average common stock outstanding	1,777,009	2,187,585	1,964,198	2,154,597

See accompanying notes to condensed consolidated financial statements.

Altisource Asset Management Corporation
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net (loss) income:	$ (3,986)	$ (5,697)	$ (11,815)	$ 2,387
Other comprehensive loss:				
Currency translation adjustments, net	(10)	—	(29)	(6)
Total other comprehensive loss:	(10)	—	(29)	(6)
Comprehensive (loss) income:	$ (3,996)	$ (5,697)	$ (11,844)	$ 2,381

See accompanying notes to condensed consolidated financial statements.

Altisource Asset Management Corporation
Condensed Consolidated Statements of Stockholders' Deficit
(In thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Deficit
	Number of Shares	Amount					
December 31, 2021	3,416,541	$ 34	$ 143,523	$ 57,450	$ 54	$ (277,589)	$ (76,528)
Common shares issued under share-based compensation plans, net of shares withheld for employee taxes	5,850	—	25	—	—	—	25
Share-based compensation, net of tax	—	—	72	—	—	—	72
Currency translation adjustments, net	—	—	—	—	(6)	—	(6)
Preferred stock conversion	—	—	5,122		—	—	5,122
Net loss	—	—	—	(3,697)	—	—	(3,697)
March 31, 2022	3,422,391	34	148,742	53,753	48	(277,589)	(75,012)
Common shares issued under share-based compensation plans, net of shares withheld for employee taxes	1,667	—	—	—	—	—	—
Share-based compensation, net of tax	—	—	79	—	—	—	79
Currency translation adjustments, net	—	—	—	—	(13)	—	(13)
Net loss	—	—	—	(4,132)	—	—	(4,132)
June 30, 2022	3,424,058	34	148,821	49,621	35	(277,589) 0	(79,078)
Common shares issued under share-based compensation plans, net of shares withheld for employee taxes	1,000	—	—	—	—	—	—
Treasury shares repurchased	—	—	—	—	—	(2,869)	(2,869)
Share-based compensation, net of tax	—	—	79	—	—	—	79
Currency translation adjustments, net	—	—	—	—	(10)	—	(10)
Net loss	—	—	—	(3,986)	—	—	(3,986)
September 30, 2022	3,425,058	$ 34	$ 148,900	$ 45,635	$ 25	$ (280,458)	$ (85,864)

See accompanying notes to condensed consolidated financial statements.

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Deficit
	Number of Shares	Amount					
December 31, 2020	2,966,207	$ 30	$ 46,574	$ 63,426	$ (65)	$ (276,543)	$ (166,578)
Common shares issued under share-based compensation plans, net of shares withheld for employee taxes	153,429	2	(2)	—	—	(800)	(800)
Share-based compensation, net of tax	—	—	2,446	—	—	(219)	2,227
Currency translation adjustments, net				—	(2)		(2)
Acquisition and disposition of subsidiaries				28	125		153
Preferred stock conversion	288,283	2	78,935	—			78,937
Net income	—	—	—	5,856	—	—	5,856
March 31, 2021	3,407,919	34	127,953	69,310	58	(277,562)	(80,207)
Common shares issued under share-based compensation plans, net of shares withheld for employee taxes	8,622	—	—	—	—	—	—
Treasury shares repurchased	—	—	—	—	—	(27)	(27)
Share-based compensation, net of tax	—	—	(581)	—	—	—	(581)
Currency translation adjustments, net	—	—	—	—	(4)	—	(4)
Net income	—	—	—	2,228	—	—	2,228
June 30, 2021	3,416,541	34	127,372	71,538	54	(277,589)	(78,591)
Common shares issued under share-based compensation plans, net of shares withheld for employee taxes	—	—	17	—	—	—	17
Preferred stock conversion	—	—	16,101	—	—	—	16,101
Net loss	—	—	—	(5,697)	—	—	(5,697)
September 30, 2021	3,416,541	$ 34	$ 143,490	$ 65,841	$ 54	$ (277,589)	$ (68,170)

See accompanying notes to condensed consolidated financial statements.

Altisource Asset Management Corporation
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine months ended September 30,	
	2022	2021
Operating activities:		
Net (loss) income	$ (11,815)	$ 2,387
Less: Income from discontinued operations, net of tax	—	6,213
Loss from continuing operations	(11,815)	(3,826)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:		
Depreciation	181	237
Share-based compensation	230	1,883
Amortization of operating lease right-of-use assets	165	105
Change in fair value of loans	1,888	—
Dividend income	—	(3,061)
Change in fair value of equity securities	—	(146)
Gain on securities	—	(8,347)
Changes in operating assets and liabilities, net of effects from discontinued operations and acquisition of subsidiary:		
Originations of held for sale loans	(6,862)	—
Additional fundings of held for sale loans	(401)	—
Other assets and liabilities	(3,836)	(7,202)
Receivable from Front Yard	—	3,414
Net cash used in continuing operations	(20,450)	(16,943)
Net cash provided by discontinued operations	—	5,439
Net cash used in operating activities	(20,450)	(11,504)
Investing activities:		
Purchase of loans held for investment	(98,350)	—
Additional fundings of loans held for investment	(7,185)	—
Principal payments on loans held for investment	13,238	—
Purchase of equity securities	—	(96,950)
Dividends received	—	3,061
Proceeds from sale of equity securities	—	152,796
Investment in property and equipment	—	(511)
Net cash (used in) provided by continuing operations	(92,297)	58,396
Net cash provided by discontinued operations	—	511
Net cash (used in) provided by investing activities	(92,297)	58,907
Financing activities:		
Conversion of preferred stock	(1,893)	(3,740)
Proceeds from borrowed funds	54,733	28,549
Repayment of borrowed funds	(2,266)	(28,549)
Deferred financing fees	(104)	—
Proceeds and payment of tax withholding on stock options exercised, net	25	5
Shares withheld for taxes upon vesting of restricted stock	—	(1,046)
Net payment to subsidiaries included in disposal group	—	(80)
Repurchase of common stock	(2,869)	—
Net cash provided by (used in) continuing operations	47,626	(4,861)
Net cash provided by discontinued operations	—	80
Net cash provided by (used in) financing activities	47,626	(4,781)
Net change in cash and cash equivalents	(65,121)	42,622
Effect of exchange rate changes on cash and cash equivalents	(33)	115
Consolidated cash, cash equivalents and restricted cash, beginning of period	78,349	41,807
Consolidated cash, cash equivalents and restricted cash, end of the period	$ 13,195	$ 84,544

See accompanying notes to condensed consolidated financial statements.

(table of contents)

Altisource Asset Management Corporation
Condensed Consolidated Statements of Cash Flows (Continued)

(In thousands)
(Unaudited)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets:

	As of:	
	September 30, 2022	December 31, 2021
Cash and cash equivalents	$ 10,195	$ 78,349
Restricted cash	3,000	—
Total cash, cash equivalents, and restricted cash	$ 13,195	$ 78,349

	Nine months ended September 30,	
	2022	2021
Supplemental disclosure of cash flow information (continuing and discontinued operations):		
Cash paid for interest	$ 12	$ 60
Income taxes paid	3,794	812
Right-of-use lease assets recognized - operating leases	277	308
Operating lease liabilities recognized	277	—

See accompanying notes to condensed consolidated financial statements.

Altisource Asset Management Corporation
Notes to Condensed Consolidated Financial Statements
September 30, 2022
(Unaudited)

1. Organization and Basis of Presentation

Altisource Asset Management Corporation (“we,” “our,” “us,” or the “Company”) was incorporated in the U.S. Virgin Islands (“USVI”) on March 15, 2012 (our “inception”) and commenced operations on December 21, 2012.Our primary business was to provide asset management and certain corporate governance services to institutional investors. In October 2013, we applied for and were granted registration by the Securities and Exchange Commission (the “SEC”) as a registered investment adviser under Section 203(c) of the Investment Advisers Act of 1940. We historically operated in a single segment focused on providing asset management and certain corporate governance services to investment vehicles. Our primary client was Front Yard Residential Corporation (“Front Yard”), a public real estate investment trust (“REIT”) focused on acquiring and managing quality, affordable single-family rental (“SFR”) properties throughout the United States.

On August 13, 2020, we entered into a Termination and Transition Agreement (the “Termination Agreement”) with Front Yard and Front Yard Residential L.P. (“FYR LP”) to terminate the Amended and Restated Asset Management Agreement, dated as of May 7, 2019 (the “Amended AMA”), by and among Front Yard, FYR LP and AAMC, and to provide for a transition plan to facilitate the internalization of Front Yard’s asset management function (the “Transition Plan”). The Termination Agreement was effective on December 31, 2020, the date that the parties mutually agreed that the Transition Plan had been satisfactorily completed (the “Termination Date”) and the Amended AMA was terminated in its entirety.

As disclosed in our public filings, the Company’s prior business operations ceased in the first week of 2021. During 2021, the Company engaged in a comprehensive search to acquire an operating company with the proceeds received from the sale of its operations in accordance with the Termination Agreement. A range of industries were included in the search, including, but not limited to, real estate lending, cryptocurrency, block-chain technology and insurance operations. Outside professional firms, including among others, Cowen and Company, LLC, an investment bank, and Norton Rose Fulbright LLP, a global law practice, were engaged to provide due diligence, legal and valuation expertise to assist in our search.

In March 2022, AAMC created the Alternative Lending Group (ALG). The Company has committed over $50 million to grow the operations of the ALG to perform the following:

- Build out a niche origination platform as well as a loan acquisition team;
- Fund the originated or acquired alternative loans from a combination of Company equity and existing or future lines of credit;
- Sell the originated and acquired alternative loans through forward commitment and repurchase contracts;
- Leverage senior management’s expertise in this space; and
- Utilize AAMC’s existing operations in India to drive controls and cost efficiencies.

ALG's primary sources of income is derived from mortgage banking activities generated through the origination and acquisition of loans, and their subsequent sale or securitization as well as net interest income from loans while held on the balance sheet for investment.

Basis of presentation and use of estimates

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). All wholly owned subsidiaries are included, and all intercompany accounts and transactions have been eliminated.

The Company changed its balance sheet presentation from classified (distinguishing between short-term and long-term accounts) to unclassified (no such distinction) in the second quarter of 2022. This change was prompted by the Company's strategic decision to launch an alternative lending operation, ALG, in March 2022, as described above. The presentation of an unclassified balance sheet is consistent with that of the Company’s peers within the lending industry. Further, the previous classified presentation was not utilized to derive any metric by which the Company is measured or will be measured on a prospective basis. As the Company is now presenting an unclassified balance sheet, reclassification adjustments have been made to the historical Condensed Consolidated Balance Sheet at December 31, 2021 in order for it to conform with the current unclassified presentation.

In management's opinion, the unaudited interim condensed consolidated financial statements contain all adjustments that are of a normal recurring nature and are necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods. The interim results are not necessarily indicative of results for a full year. We have omitted certain notes and other information from the interim condensed consolidated financial statements presented in this Quarterly Report on Form 10-Q as permitted by SEC rules and regulations. These condensed consolidated financial statements should be read in conjunction with our annual consolidated financial statements included within our Annual Report on Form 10-K for the year ended December 31, 2021.

Use of estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires us 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 condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Loans held for sale or investment, carried at fair market value

We originate and purchase alternative loans. These loans will either be classified as held for investment or held for sale depending upon the determination of management. We have elected to measure these alternative loans at fair value on a loan by loan basis. This option is available when we first recognize a financial asset. Subsequent changes in the fair value of these loans will be recorded in our condensed consolidated statements of operations in the period of the change. Purchased loans, also known as correspondent loans, can be bought with a net strip interest component in that the seller of the loan will receive an agreed upon percentage of the coupon interest generated from the sold loan. This strip component is reflected as service and asset management expense on the condensed consolidated statements of operations.

A fair value measurement represents the price at which an orderly transaction would occur between willing market participants at the measurement date. We estimate the fair values of the loans held for investment or sale based on available inputs from the marketplace. The market for the loans that we have or will invest in is generally illiquid. Establishing fair values for illiquid assets is inherently subjective and is often dependent upon our estimates and modeling assumptions. In circumstances where relevant market inputs cannot be obtained, increased analysis and management judgment are required to estimate fair value. This generally requires us to establish internal assumptions about future cash flows and appropriate risk-adjusted discount rates. Regardless of the valuation inputs we apply, the objective of fair value measurement for assets is unchanged from what it would be if markets were operating at normal activity levels and/or transactions were orderly; that is, to determine the current exit price.

See *Note 3* for further discussion on fair value measurements.

Interest for these loans is recognized as revenue based on the stated coupon when earned and deemed collectible or until a loan becomes more than 90 days past due, at which point the loan is placed on nonaccrual status and any accrued interest is reversed against interest income. When a seriously delinquent loan previously placed on nonaccrual status has been cured, meaning all delinquent principal and interest have been remitted by the borrower, the loan will be placed back on accrual status. Interest accrued as of period end is included within loans held for sale, at fair value or loans held for investment, at fair value in the condensed consolidated balance sheets as applicable.

Redeemable Preferred stock

Issuance of Series A Convertible Preferred Stock in 2014 Private Placement

During the first quarter of 2014, we issued 250,000 shares of convertible preferred stock for $250.0 million ("Series A Shares") to institutional investors. Under the Certificate of Designations of the Series A Shares (the "Certificate"), we have the option to redeem all of the Series A Shares on March 15, 2020 and on each successive five-year anniversary of March 15, 2020 thereafter. In connection with these same redemption dates, each holder of our Series A Shares has the right to give notice requesting us to redeem all of the Series A Shares held by such holder out of legally available funds. In accordance with the terms of the Certificate, if we have legally available funds to redeem all, but not less than all, of the Series A Shares requested to be redeemed on a redemption date, we will deliver to those holders who have requested redemption in accordance with the Certificate a notice of redemption. If we do not have legally available funds to redeem all, but not less than all, of the Series A Shares requested to be redeemed on a redemption date, we will not provide a notice of redemption. The redemption right will be exercisable in connection with each redemption date every five years until the mandatory redemption date in 2044. If we are required to redeem all of the holder's Series A Shares, we are required to do so for cash at a price equal to $1,000 per share (the issuance price) out of funds legally available therefor. Due to the redemption provisions of the Series A Preferred Stock, we classify these shares as mezzanine equity, outside of permanent stockholders' equity.

The holders of our Series A Shares are not entitled to receive dividends with respect to their Series A Shares. The Series A Shares are convertible into shares of our common stock at a conversion price of $1,250 per share (or an exchange rate of 0.8 shares of common stock for Series A Share), subject to certain anti-dilution adjustments.

Upon certain change of control transactions or upon the liquidation, dissolution or winding up of the Company, holders of the Series A Shares will be entitled to receive an amount in cash per Series A Share equal to the greater of:

(i) $1,000 plus the aggregate amount of cash dividends paid on the number of shares of common stock into which such Series A Shares were convertible on each ex-dividend date for such dividends; and
(ii) The number of shares of common stock into which the Series A Shares are then convertible multiplied by the then-current market price of the common stock.

The Certificate confers no voting rights to holders, except with respect to matters that materially and adversely affect the voting powers, rights or preferences of the Series A Shares or as otherwise required by applicable law.

With respect to the distribution of assets upon the liquidation, dissolution or winding up of the Company, the Series A Shares rank senior to our common stock and on parity with all other classes of preferred stock that may be issued by us in the future.

The Series A Shares are recorded net of issuance costs, which were amortized on a straight-line basis through the first potential redemption date in March 2020.

Between January 31, 2020 and February 3, 2020, we received purported notices from all of the holders of our Series A Shares requesting us to redeem an aggregate of $250.0 million liquidation preference of our Series A Shares on March 15, 2020. We did not have legally available funds to redeem all of the Series A Shares on March 15, 2020. As a result, we do not believe, under the terms of the Certificate, that we were obligated to redeem any of the Series A Shares under the Certificate.

Current Litigation

- Luxor (plaintiff) v. AAMC (defendant)

On February 3, 2020, Luxor filed a complaint in the Supreme Court of the State of New York, County of New York, against AAMC for breach of contract, specific performance, unjust enrichment, and related damages and expenses. The complaint alleges that AAMC's position that it will not redeem any of Luxor's Series A Shares on the March 15, 2020 redemption date is a material breach of AAMC's redemption obligations under the Certificate. Luxor seeks an order requiring AAMC to redeem its Series A Shares, recovery of no less than $144,212,000 in damages, which is equal to the amount Luxor would receive if AAMC redeemed all of Luxor's Series A Shares at the redemption price of $1,000 per share set forth in the Certificate, as well as payment of its costs and expenses in the lawsuit. In the alternative, Luxor seeks a return of its initial purchase price of $150,000,000 for the Series A Shares, as well as payment of its costs and expenses in the lawsuit. On May 25, 2020, Luxor's complaint was amended to add Putnam Equity Spectrum Fund and Putnam Capital Spectrum Fund (collectively, "Putnam"), which also invested in the Series A Shares, as plaintiff. On June 12, 2020, AAMC moved to dismiss the Amended Complaint in favor of AAMC's first-filed declaratory judgment action in the U.S. Virgin Islands. On August 4, 2020, the court denied AAMC's motion to dismiss. On February 17, 2021, in accordance with the terms of the Putnam Agreement described below, Putnam agreed to discontinue all claims against AAMC with prejudice related to the Series A shares. Luxor and AAMC have completed discovery in the action. AAMC and Luxor each filed summary judgment motions on July 18, 2022 and replies to those motions on August 18, 2022 and September 15, 2022. The court has scheduled a hearing for December 1, 2022 for oral arguments on the summary judgment motions.

AAMC continues to pursue its strategic business initiatives despite this litigation. If Luxor were to prevail in its lawsuit, our liquidity could be materially and adversely affected.

- AAMC (plaintiff) v. Nathaniel Redleaf (defendant)

On October 31, 2022, AAMC filed a complaint with demand for jury trial in the Superior Court of the Virgin Islands, Division of St. Croix, against Nathaniel Redleaf alleging breach of fiduciary duty to AAMC. Mr. Redleaf was a member of AAMC's Board of Directors for five years and the Company's complaint alleges that he breached his fiduciary duty, by among other things, disclosing AAMC's confidential information to Luxor. AAMC seeks a number of remedies, including compensatory damages, disgorgement of any benefit received by Luxor or Mr. Redleaf as a result of such breaches.

- Luxor Books and Records Demand

On April 26, 2021, Luxor, sent a letter to the Company demanding, under the common law of the USVI, the right to inspect certain books and records of the Company (the "Demand"). According to Luxor, the purpose of the Demand is to investigate whether the Company's Board of Directors may have considered or engaged in transactions with or at the direction of a significant shareholder of the Company or whether the Company's Board of Directors and/or Company management may have mismanaged the Company or engaged in wrongdoing, may not have properly discharged their fiduciary duties, or may have conflicts of interest. Luxor further alleges that it seeks an inspection of the Company books and records to determine whether the current directors should continue to serve on the Company's board or whether a derivative suit should be filed.

On May 10, 2021, the Company sent a letter responding to the Demand and declining to provide the Company's books and records for inspection (the "Response"). The Response states that Luxor does not have a credible basis for the Demand, which is required under the USVI common law; that, as preferred shareholders with no voting rights, Luxor's purpose for the Demand is not reasonably related to Luxor's interests as shareholders of the Company because Luxor cannot vote in connection with Board elections or business transactions of the Company; and that Luxor's Demand serves only to personally benefit Luxor in its private suit against the Company.

Settlement Activities

On February 17, 2021, the Company entered into a settlement agreement dated as of February 17, 2021 (the "Putnam Agreement") with Putnam. Pursuant to the Putnam Agreement, AAMC and Putnam exchanged all of Putnam's 81,800 Series A Shares for 288,283 shares of AAMC's common stock. Additionally, AAMC paid Putnam $1,636,000 within three business days of the effective date of the Putnam Agreement and $1,227,000 on the one-year anniversary of the effective date of the Putnam Agreement, and in return Putnam released AAMC from all claims related to the Series A Shares and enter into a voting rights agreement as more fully described in the Putnam Agreement. Finally, AAMC granted to Putnam a most favored nations provision with respect to future settlements of the Series A Shares. As a result of this settlement, we recognized a one-time gain directly to Additional paid in capital of $71.9 million in the first quarter of 2021.

On August 27, 2021, the Company entered into a settlement agreement (the "Wellington Agreement") with certain funds managed by Wellington Management Company LLP (collectively, "Wellington"). Under the Wellington Agreement, the Company paid Wellington $2,093,000 in exchange for 18,200 Series A Shares ($18.2 million of liquidation preference) held by Wellington, and in return Wellington agreed to release AAMC from all claims related to the Series A Shares. As a result of this settlement, we recognized a one-time gain directly to Additional paid in capital of $16.1 million gain in the third quarter of 2021.

On January 6, 2022, the Company entered into a settlement agreement (the "Settlement Agreement") with two institutional investors. Under the Settlement Agreement, the Company paid the institutional investors approximately $665 thousand in cash in exchange for 5,788 Series A shares ($5.79 million of liquidation preference) held by the institutional investors. As a result of this settlement, the Company recognized a one-time gain directly to Additional paid in capital of approximately $5.1 million in the first quarter of 2022.

On July 18, 2022, the Company entered into an agreement (the "Purchase Agreement") with Putnam in which the Company repurchased 286,873 shares of common stock of the Company owned by Putnam (the "Putnam Shares"). The aggregate purchase price of the Putnam Shares was $2,868,730, or $10 per share.

Pursuant to the Purchase Agreement, the Company and Putnam also agreed to terminate the most favored nation clause granted to Putnam in the Putnam Agreement. The Company and Putnam also agreed to terminate all of Putnam's shareholder voting obligations included in the Putnam Agreement.

Recently issued accounting standards

Recently issued accounting standards adopted

In December 2019, the FASB issued ASU 2019-12, “Income Taxes - Simplifying the Accounting for Income Taxes (Topic 740),” which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. Our adoption of this standard in the first quarter of 2022 did not have a material impact on our financial statements.

Recently issued accounting standards not yet adopted

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting,” which provides practical expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments in this update apply only to contracts, hedging relationships, and other transactions that reference the London interbank offered rate (“LIBOR”) or another reference rate expected to be discontinued as a result of reference rate reform. These amendments are not applicable to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. ASU No. 2020-04 is effective as of March 12, 2020 through December 31, 2022 and may be applied to contract modifications and hedging relationships from the beginning of an interim period that includes or is subsequent to March 12, 2020. We will adopt this standard when LIBOR is discontinued. We are evaluating the impact the new standard will have on our consolidated financial statements and related disclosures, but do not anticipate a material impact.

2. Discontinued Operations

Our primary client prior to December 31, 2020 had been Front Yard Residential Corporation ("Front Yard"), a public real estate investment trust ("REIT") focused on acquiring and managing quality, affordable single-family rental ("SFR") properties throughout the United States. All of our revenue for all periods presented prior to December 31, 2021 was generated through our asset management agreements with Front Yard.

On August 13, 2020, AAMC and Front Yard entered into a Termination and Transition Agreement (the "Termination Agreement"), pursuant to which the Company and Front Yard have agreed to effectively internalize the asset management function of Front Yard. The Termination Agreement provided that the Amended AMA would terminate following a transition period to enable the internalization of Front Yard's asset management function, allow for the assignment of certain vendor contracts and implement the transfer of certain employees to Front Yard and the training of required replacement employees at each company. In addition, Front Yard acquired the equity interests of AAMC's Indian subsidiary, the equity interests of AAMC's Cayman Islands subsidiary, the right to solicit and hire designated AAMC employees that oversaw the management of Front Yard's business and other assets of AAMC that were used in connection with the operation of Front Yard's business.

The transition period ended at the close of business, December 31, 2020, the time that AAMC and Front Yard mutually agreed that all required transition activities had been successfully completed (the "Termination Date"). On the Termination Date, the Amended AMA terminated, and the Company completed the assignment of our lease in Charlotte, North Carolina to Front Yard. Additionally, on December 31, 2020, we completed the sale of our Cayman Islands subsidiary. On January 1, 2021, in connection with the Termination Agreement, the Company completed the sale of our India subsidiary.

The Company had no assets and liabilities related to our discontinued operations that constituted the Disposal Group at September 30, 2022 and December 31, 2021.

Discontinued operations includes (i) the management fee revenues generated under our asset management agreements with Front Yard, (ii) expense reimbursements from Front Yard and the underlying expenses, (iii) the results of operations of our India and Cayman Islands subsidiaries, (iv) the employment costs associated with certain individuals wholly dedicated to Front Yard and (v) the costs associated with our lease in Charlotte, North Carolina, that was assumed by Front Yard on December 31, 2020. The operating results of these items are presented in our consolidated statements of operations as discontinued operations for all periods presented and revenues and expenses directly related to discontinued operations were eliminated from our ongoing operations.

The following condensed table details the components comprising net income from our discontinued operations for the nine months ended September 30, 2021. No income was received in the three months ended September 30, 2021. ($ in thousands)

	Nine months ended September 30, 2021
Other income from discontinued operations:	
Gain on disposal	$ 7,485
Total other income from discontinued operations	7,485
Net income from discontinued operations before income taxes	7,485
Income tax expense	1,272
Net income from discontinued operations	$ 6,213

The following table details cash flow information related to our discontinued operations for the nine months ended September 30, 2021 ($ in thousands):

	Nine months ended September 30, 2021
Total operating cash flows from discontinued operations	$ 5,439
Total investing cash flows from discontinued operations	511
Total financing cash flows from discontinued operations	80

3. Loans Held for Sale or Investment at Fair Value

Our loan portfolio consists of business purpose loans secured by single family, multifamily and commercial real estate that were acquired from third party originators or issued by us. The composition of the loan portfolio by classification as of September 30, 2022 and December 31, 2021, is summarized in the tables below ($ in thousands):

	Held for Sale		Held for Investment	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Total loan commitments	$ 13,526	$ —	$ 110,818	$ —
Less: construction holdbacks (1)	(6,263)	—	(18,521)	—
Total principal outstanding	7,263	—	92,297	—
Change in fair value of loans	(105)	—	(1,783)	—
Total loans at fair value	$ 7,158	$ —	$ 90,514	$ —

(1) Construction holdbacks include in process accounts such as payments, advances, interest reserve, accrued interest and other accounts.

The loan portfolio consists of 146 loans at September 30, 2022, with a weighted average coupon of 9.3%, of which the Company receives a net yield of 8.4% after taking into account the strip interest to the sellers of the loans. The weighted average life of the portfolio is approximately 9 months. 21 loans represent 60% of the total principal outstanding at September 30, 2022. There were no loans on nonaccrual status or 90 days or more past due at September 30, 2022.

The table below represents activity within the loan portfolio by classification for the period shown ($ in thousands):

	Loans Held for Sale	Loans Held for Investment
Balance at December 31, 2021	$ —	$ —
Acquisitions	—	98,350
Originations	6,862	—
Additional fundings (1)	401	7,185
Payoffs and repayments	—	(13,238)
Fair value adjustment	(105)	(1,783)
Balance at September 30, 2022	$ 7,158	$ 90,514

(1) Includes interest reserve in process, accrued interest and deferred fees.

The composition of the total loan commitment by state as of September 30, 2022 is summarized below ($ in thousands):

State	Commitment	Percent of Portfolio
Florida	$ 34,484	27.7 %
New York	23,142	18.6 %
New Jersey	12,487	10.0 %
California	12,119	9.7 %
Washington	9,093	7.3 %
Connecticut	8,404	6.8 %
Texas	4,815	3.9 %
Illinois	4,459	3.6 %
Other	15,341	12.4 %
Total	$ 124,344	100.0 %

For financial reporting purposes of our alternative loans, we follow a fair value hierarchy established under GAAP that is used to determine the fair value of financial instruments. This hierarchy prioritizes relevant market inputs in order to determine an "exit price" at the measurement date, or at the price at which an asset could be sold or a liability could be transferred in an orderly process that is not a forced liquidation or distressed sale. Level 1 inputs are observable inputs that reflect quoted prices for identical assets or liabilities in active markets. Level 2 inputs are observable inputs other than quoted prices for an assets or liabilities that are obtained through corroboration with observable market data. Level 3 inputs are unobservable inputs (e.g., our own data or assumptions) that are used when there is little, if any, relevant market activity for the asset or liability required to be measured at fair value.

In certain cases, inputs used to measure fair value fall into different levels of the fair value hierarchy. In such cases, the level at which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. Our assessment of the significance of a particular input requires judgment and considers factors specific to the asset or liability being measured.

The following table presents the assets that are reported at fair value on a recurring basis as of September 30, 2022, as well as the fair value of hierarchy of the valuation inputs used to measure fair value. We did not have any assets that were reported at fair value as of December 31, 2021. We did not have any liabilities to report at fair value on a recurring basis as of September 30, 2022 and December 31, 2021.

September 30, 2022	**Carrying**	**Fair Value Measurements Using**		
(In thousands)	**Value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Loans held for sale	$ 7,158	$ —	$ —	$ 7,158
Loans held for investment	90,514	—	—	90,514
Total measured	$ 97,672	$ —	$ —	$ 97,672

The estimated fair value for our business purpose loans is determined using discounted cash flow modeling ("DCF") for both performing and nonaccrual loans. For performing loans, the DCF is based on the future expected cash flows of each loan in accordance with its contractual terms net of the strip component. Cash flows for performing loans with construction holdbacks incorporate the draws to complete the required improvements to the underlying property securing the loan. For nonaccrual loans, the estimated cash flows are based on the current fair value of the collateral of the loans, in which the Company will utilize a third-party appraisal to determine the fair value (Level 3). At September 30, 2022 the Company had no nonaccrual loans.

On a loan by loan basis, the weighted average discount rate range utilized for the DCF applied to the net yield to be received by the Company was 10.7% which is greater than the overall yield on the portfolio of 8.4%, resulting in the decrease in value of the portfolio at September 30, 2022. The determination of the discount rate was based on analysis of the current interest rates charged for business purpose loans in conjunction with the increase in rates for other underlying base rates such as the 10-year U.S. treasury bond and the 30 day Secured Overnight Financing Rate ("SOFR") (Level 3).

As of September 30, 2022, the Company had no securities outstanding. We did not transfer any assets from one level to another level during the nine months ended September 30, 2022 and the year ended December 31, 2021.

4. Equity Securities

Investment gains/losses in the three and nine months ended September 30, 2021 and 2021 are summarized as follows ($ in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Equity securities:				
Change in unrealized gains (losses) during the period on securities held at the end of the end of the period	$ —	$ (3,310)	$ —	$ —
Investment gains on securities sold during the period	—	1,987	—	8,347
	—	(1,323)	—	8,347
Front Yard common stock:				
Investment gains on securities sold during the period	—	—	—	146
	—	—	—	146
Total change in fair value of equity securities and Front Yard common stock	$ —	$ (1,323)	$ —	$ 8,493

Investment gains and losses include unrealized gains and losses from changes in fair values during the period on positions that we owned in 2021, as well as gains and losses on positions sold during the period. As reflected in the condensed consolidated statements of cash flows, we received proceeds from sales of Front Yard common stock of $47.5 million in the nine months ended September 30, 2021. No proceeds were received in nine months ended September 30, 2022 because no investments were held. In the preceding table, investment gains/losses on equity securities sold during the period reflect the difference between the sales proceeds and the fair value of the equity securities sold at the beginning of the applicable quarterly period.

5. Borrowings

In August 2022, the Company entered into a $50.0 million Master Repurchase Agreement (the “Line”) with Flagstar Bank FSB (“Flagstar”), a federal savings bank, as a buyer and administrative agent. The Company uses the proceeds from the Line to fund the acquisition and origination of business purpose loans (the “Loans”) secured by residential, multifamily and certain commercial properties. Each draw on the Line can be outstanding up to 180 days. Flagstar has a security interest in the Loans subject to a transaction under the Line and requires the Company to maintain restricted cash of $3 million in a Flagstar deposit account. The Line's maturity is 364 days from the execution date. Flagstar temporarily increased their commitment to Company by $2.5 million to a total of $52.5 million at September 30, 2022. The carrying value of the Line approximates its fair value as of September 30, 2022 due to its short-term nature and floating interest rate terms.

The Line accrues interest at a base 1-Month Term SOFR rate plus a spread dependent upon the type of Loan subject to a transaction. Interest is payable at 90 days. The Company also incurs a fee on the unused portion of the $50.0 million if the average outstanding balance of the Line is less than a threshold level of the total commitment.

The average borrowing rate for the Line was 5.27% and weighted average remaining term on the Line is 129 days as of September 30, 2022.

The outstanding balance of the Line is collateralized by $62.0 million in Loans at September 30, 2022.

The Line provides for certain affirmative and negative covenants applicable to the Company and its subsidiaries. The Company is required to maintain financial covenants including specified levels of: 1) quarter-end tangible net worth; 2) quarter-end liquidity; 3) a quarter-end ratio of total liabilities to tangible net worth; and 4) minimum profitability requirements in 2023. The

Line also contains events of default (subject to certain materiality thresholds and grace periods), including payment defaults, breaches of covenants and representations and warranties, cross defaults, bankruptcy or insolvency proceedings and other events of default which are customary for this type of transaction. The remedies for such events of default include the acceleration of the principal amount outstanding under the Line and the liquidation of Loans subject to a transaction. The Company was in compliance with all covenants and there were no defaults as of September 30, 2022.

In 2021, the Company began borrowing under a standard margin arrangement with our banking institution. The margin account is secured by the securities held in our brokerage account with this institution. We paid interest on all of our borrowings each month when a balance was owed. All indebtedness on the margin agreement was paid off as of December 31, 2021.

6. Leases

We lease office space under operating leases in Christiansted, St. Croix, U.S. Virgin Islands, Tampa, Florida, and Bengaluru, India.

As of September 30, 2022 and December 31, 2021, our weighted average remaining lease term, including applicable extensions, was 3.7 years and 5.1 years, respectively. We determine the discount rate for each lease to be either the discount rate stated in the lease agreement or our estimated rate that we would be charged to finance real estate assets.

During the three and nine months ended September 30, 2022, we recognized rent expense of approximately $92,500 and $190,500, related to long-term operating leases, respectively. During the three and nine months ended September 30, 2021, we recognized rent expense of $50,000 and $150,000, related to long-term operating leases, respectively. We had no short-term rent expense during the three and nine months ended September 30, 2022 and 2021. We include rent expense as a component of general and administrative expenses in the condensed consolidated statements of operations. We had no finance leases during the three and nine months ended September 30, 2022 and 2021.

The following table presents our future lease obligations under our operating leases as of September 30, 2022 ($ in thousands):

	Operating Lease Liabilities
2022 (1)	$ 92
2023	374
2024	232
2025	200
2026	131
Thereafter	76
Total lease payments	1,105
Less: interest	129
Lease liabilities	$ 976

(1) Excludes the nine months ended September 30, 2022.

7. Commitments and Contingencies

Litigation, claims and assessments

Information regarding reportable legal proceedings is contained in the “Commitments and Contingencies” note in the financial statements provided in our Annual Report on Form 10-K for the year ended December 31, 2021. We establish reserves for specific legal proceedings when we determine that the likelihood of an outcome is probable and the amount of loss can be reasonably estimated. We do not currently have any reserves for our legal proceedings. The following updates and restates the description of the previously reported matters:

Litigation regarding Luxor Capital Group, LP and certain of its managed funds and accounts ("Luxor")

Please refer to Note 1 – Section *Series A Convertible Preferred Stock in 2014 Private Placement.*

Executive Arbitrations

Former Chief Executive Officer, Indroneel Chatterjee

On May 3, 2021, Mr. Chatterjee, commenced an arbitration against the Company and each of its directors. The arbitration complaint alleges that the Company's April 16, 2021 for cause termination of Mr. Chatterjee was in breach of Mr. Chatterjee's Amended and Restated Employment Agreement and made extra contractual claims against the Company for not affording Mr. Chatterjee a "fair procedure" and placed him in a "false light" by disclosing Mr. Chatterjee's termination in its public announcement of the for cause termination. In addition, the arbitration complaint also asserts a tort claim against each of the Company's directors relating to that termination and against the Company for its April 16, 2021 public announcement of the for cause termination. Mr. Chatterjee's arbitration complaint seeks unspecified damages for his contract claims including for loss of income, stock and bonus, and punitive damages on his tort claims. On June 10, 2021, the Company and its directors responded to the arbitration complaint and advanced counterclaims against Mr. Chatterjee. On October 20, 2021, the arbitrator granted the Company's motion to dismiss with respect to Mr. Chatterjee's "fair procedure" and "false light" claims, but denied the motion to dismiss the tort claim against each of the directors. Following the close of discovery on July 11, 2022, the Company moved for summary judgment seeking dismissal of Mr. Chatterjee's remaining claims against the Company and against its directors, and further seeking entry of judgment on the majority of the Company's counterclaims. On July 21, 2022, the Company and its directors filed a motion alleging that Mr. Chatterjee had engaged in fraud and seeking as sanctions for that abuse both the dismissal of all of Mr. Chatterjee's claims and the payment of the Company's legal fees resulting from that alleged abuse. Following briefing by all parties on the summary judgment and sanction motions, on October 19, 2022, the arbitrator found that Mr. Chatterjee engaged in serious and repeated misconduct, attempting to perpetrate a fraud on the arbitrator and the Company and accordingly (i) dismissed all of Mr. Chatterjee's remaining claims, both as a sanction for his misconduct and, independently, on the merits of the Respondents' motion for summary judgment; (ii) granted summary judgment on one of the Company's counterclaims requiring Mr. Chatterjee to pay the Company $400,000 (the return of half of his initial signing bonus); and, (iii) ordered that Mr. Chatterjee, as a further sanction for his misconduct, reimburse the Company for all expenses it incurred directly and solely as a result of his misconduct (which dollar amount has not yet been set). The arbitrator has set a trial date for December 12-16, 2022, at which time the company can present its remaining counterclaims.

Erbey Holding Corporation et al. v. Blackrock Management Inc., et al.

On April 12, 2018, a partial stockholder derivative action was filed in the Superior Court of the Virgin Islands, Division of St. Croix under the caption Erbey Holding Corporation, et al. v. Blackrock Financial Management Inc., et al. The action was filed by Erbey Holding Corporation ("Erbey Holding"), John R. Erbey Family Limited Partnership ("JREFLP"), by its general partner Jupiter Capital, Inc., Salt Pond Holdings, LLC ("Salt Pond"), Munus, L.P. ("Munus"), Carisma Trust ("Carisma"), by its trustee, Venia, LLC, and Tribue Limited Partnership (collectively, the "Plaintiffs") each on its own behalf and Salt Pond and Carisma derivatively on behalf of AAMC. The action was filed against Blackrock Financial Management, Inc., Blackrock Investment Management, LLC, Blackrock Investments, LLC, Blackrock Capital Management, Inc., Blackrock, Inc. (collectively, "Blackrock"), Pacific Investment Management Company LLC, PIMCO Investments LLC (collectively, "PIMCO") and John and Jane Does 1-10 (collectively with Blackrock and PIMCO, the "Defendants"). The action alleges a conspiracy by Blackrock and PIMCO to harm Ocwen Financial Corporation ("Ocwen") and AAMC and certain of their subsidiaries, affiliates and related companies and to extract enormous profits at the expense of Ocwen and AAMC by attempting to damage their operations, business relationships and reputations. The complaint alleges that Defendants' conspiratorial activities, which included short-selling activities, were designed to destroy Ocwen and AAMC, and that the Plaintiffs (including AAMC) suffered significant injury, including but not limited to lost value of their stock and/or stock holdings. The action seeks, among other things, an award of monetary damages to AAMC, including treble damages under Section 605, Title IV of the Virgin Islands Code related to the Criminally Influenced and Corrupt Organizations Act, punitive damages and an award of attorney's and other fees and expenses.

Defendants have moved to dismiss the first amended verified complaint. Plaintiffs and AAMC have moved for leave to file a second amended verified complaint to include AAMC as a direct plaintiff, rather than as a derivative party. On March 27, 2019, the Court held oral argument on Defendants' motions to dismiss the first amended verified complaint and Plaintiffs' motion for leave to file the second amended verified complaint. The Court held additional oral argument on the pending motions on October 25, 2021. The Court has not yet decided the pending motions.

At this time, we are not able to predict the ultimate outcome of this matter, nor can we estimate the range of possible damages to be awarded to AAMC, if any. As such, we have not recorded a gain contingency for this matter at September 30, 2022 or December 31, 2021.

8. Share-Based Payments

On May 12, 2022, we granted 22,500 shares of restricted stock to management with a weighted average grant date fair value per share of $9.89. The restricted stock units will vest in three equal annual installments on May 2023, 2024, and 2025 subject to forfeiture or acceleration.
On September 20, 2021, we granted 3,000 shares of restricted stock to management with a weighted average grant date fair value per share of $24.83. 1,000 shares of this grant vested on September 20, 2022. The remaining restricted stock units will vest in two equal annual installments on September 20, 2023 and 2024 subject to forfeiture or acceleration.

On June 28, 2021, we granted 5,000 shares of restricted stock to management with a weighted average grant date fair value per share of $19.64. 1,667 shares of this grant vested on June 28, 2022. The remaining restricted stock units will vest in two equal annual installments on June 28, 2023 and 2024 subject to forfeiture or acceleration.

On February 24, 2021, we granted 82,671 shares of restricted stock to members of management with a weighted average grant date fair value per share of $26.25. The restricted stock units immediately vested.

On October 15, 2020, we granted 10,000 shares of restricted stock to former members of management with a weighted average grant date fair value per share of $19.29. The restricted stock units were to vest in three equal annual installments, on October 15, 2021, 2022, and 2023. These shares were forfeited in April 2021 upon their resignations.

On January 30, 2020, in order to induce our former Chief Executive Officer to join the Company, we granted 60,000 shares of restricted stock and 60,000 stock options to our former Chief Executive Officer. The restricted stock and stock options had a weighted average grant date fair value of $13.11 and $10.61, respectively. The restricted stock units were scheduled to vest in three equal annual installments on January 30, 2021, 2022, and 2023. On April 16, 2021, the former Chief Executive Officer was terminated for cause, and as a result, 40,000 unvested restricted stock units and 60,000 unvested options were forfeited at that date.

Our independent Directors each receive annual grants of restricted stock equal to $60,000 based on the market value of our common stock at the time of the annual stockholders' meeting. These shares of restricted stock vest and are issued after the next annual shareholders meeting, subject to each independent Director attending at least 75% of the Board and committee meetings. During 2021, we granted 7,236 shares of stock pursuant to our Equity Incentive Plans with a weighted average grant date fair value per share of $24.88.

We recorded $0.08 million and $0.23 million of compensation expense related to our share-based compensation for the three and nine months ended September 30, 2022. We recorded $0.2 million and $1.9 million of compensation expense related to our share-based compensation for the three and nine months ended September 30, 2021. As of September 30, 2022 and December 31, 2021, we had an aggregate $0.1 million and $0.3 million, respectively, of total unrecognized share-based compensation cost to be recognized over a weighted average remaining estimated term of 1.3 years and 1.2 years, respectively.

9. Income Taxes

We are domiciled in the USVI and are obligated to pay taxes to the USVI on our income. We applied for tax benefits from the USVI Economic Development Commission (“EDC”) and received our certificate of benefits (the “Certificate”), effective as of February 1, 2013. Pursuant to the Certificate, as long as we comply with its provisions, we will receive a 90% tax credit on our USVI-sourced income taxes until 2043. By letter dated September 16, 2022, the EDC approved an extension of the temporary full-time employment waiver (the “Waiver”) of the Company’s minimum employment requirements to five full-time USVI employees for the period from July 1, 2022 through December 31, 2022.

At September 30, 2022, the Company had one less USVI employee than what is required under the provisions of the Waiver. The Company's Chief Financial Officer relocated to the USVI in 2021 and became an eligible USVI employee in June, 2022. The Company hired Jason Kopcak as President and Chief Operating Officer, now Chief Executive Officer, in May 2022. Mr. Kopcak has relocated to the USVI and will also be an eligible USVI employee after one year of residency. While we expect to meet the requirements of the Waiver in 2022, with the extension, the Company continues to seek to hire USVI employees when possible. The Company also hired an employee in October 2022 who qualifies as a USVI employee.

As of September 30, 2022 and December 31, 2021, we accrued no interest or penalties associated with any unrecognized tax benefits, nor did we recognize any interest expense or penalties during the nine months ended September 30, 2022 and 2021.

The Company recorded tax expense of $146 thousand on a book loss of $3.8 million in the third quarter of 2022. The material differences between the effective tax rate and the statutory tax rate are the EDC benefit discussed above and the fact that the USVI EDC is in a full valuation allowance position and incurred a current quarter loss.

10. Earnings Per Share

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Numerator				
Continuing operations:				
Net loss from continuing operations	$ (3,986)	$ (5,697)	$ (11,815)	$ (3,826)
Gain on preferred stock transaction	—	16,101	5,122	87,984
Numerator for basic and diluted EPS from continuing operations – net income from continuing operations attributable to common stockholders	$ (3,986)	$ 10,404	$ (6,693)	$ 84,158
Discontinued operations:				
Numerator for basic and diluted EPS from discontinued operations - net gain from discontinued operations	$ —	$ —	$ —	$ 6,213
Total:				
Net (loss) income	$ (3,986)	$ (5,697)	$ (11,815)	$ 2,387
Gain on preferred stock transaction	—	16,101	$ 5,122	$ 87,984
Numerator for basic and diluted EPS – net income attributable to common stockholders	$ (3,986)	$ 10,404	$ (6,693)	$ 90,371
Denominator				
Weighted average common stock outstanding – basic	1,777,009	2,055,561	1,964,198	1,984,294
Weighted average common stock outstanding – diluted	1,777,009	2,187,585	1,964,198	2,154,597
Earnings per share of common stock – Basic:				
Continuing operations	$ (2.24)	$ 5.06	$ (3.41)	$ 42.41
Discontinued operations	—	—	—	3.13
Total	$ (2.24)	$ 5.06	$ (3.41)	$ 45.54
Earnings per share of common stock – Diluted:				
Continuing operations	$ (2.24)	$ 4.76	$ (3.41)	$ 39.06
Discontinued operations	—	—	—	2.88
Total	(2.24)	$ 4.76	$ (3.41)	$ 41.94

We excluded the items presented below from the calculation of diluted earnings per share as they were antidilutive to loss per share from continuing operations for the period indicated ($ in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
Denominator				
Restricted stock	24,746	—	14,997	—
Preferred stock, if converted	115,370	—	115,455	—

11. Segment Information

Our primary business prior to December 31, 2020 was to provide asset management and certain corporate governance services to institutional investors. Because substantially all of our revenue was derived from the services we provided to Front Yard, we operated as a single segment focused on providing asset management and corporate governance services.

Currently, ALG is our primary segment which we will be growing in 2022.

12. Subsequent Events

Management has evaluated the impact of all subsequent events through the issuance of these interim condensed consolidated financial statements and determined that there were no subsequent events requiring adjustment or disclosure in the financial statements.

Item 2. Management's discussion and analysis of financial condition and results of operations

Our Business

Altisource Asset Management Corporation (“we,” “our,” “us” or the “Company”) was incorporated in the United States Virgin Islands (“USVI”) on March 15, 2012 (our "inception"), and we commenced operations in December 2012. In October 2013, we applied for and were granted registration by the Securities and Exchange Commission (the “SEC”) as a registered investment adviser under Section 203(c) of the Investment Advisers Act of 1940. We historically operated in a single segment focused on providing asset management and certain corporate governance services to investment vehicles. Our primary client was Front Yard Residential Corporation ("Front Yard"), a public real estate investment trust ("REIT") focused on acquiring and managing quality, affordable single-family rental ("SFR") properties throughout the United States.

On August 13, 2020, we entered into a Termination and Transition Agreement (the “Termination Agreement”) with Front Yard and Front Yard Residential L.P. (“FYR LP”) to terminate the Amended and Restated Asset Management Agreement, dated as of May 7, 2019 (the “Amended AMA”), by and among Front Yard, FYR LP and AAMC, and to provide for a transition plan to facilitate the internalization of Front Yard’s asset management function (the “Transition Plan”). The Termination Agreement was effective on December 31, 2020, the date that the parties mutually agreed that the Transition Plan had been satisfactorily completed (the “Termination Date”) and, the Amended AMA was terminated in its entirety.

As disclosed in our public filings, the Company’s prior business operations ceased in the first week of 2021. During 2021, the Company engaged in a comprehensive search to acquire an operating company with the proceeds received from the sale of its operations in accordance with the Termination Agreement. A range of industries were included in the search, including, but not limited to, real estate lending, cryptocurrency, block-chain technology and insurance operations. Outside professional firms, including among others, Cowen and Company, LLC, an investment bank, and Norton Rose Fulbright LLP, a global law practice, were engaged to provide due diligence, legal and valuation expertise to assist in our search.

Ultimately, in March 2022, AAMC determined to move forward with the newly created Alternative Lending Group (ALG) and grow organically and to pursue an opportunity related to Crypto ATMs.

With a capital commitment of $50 million to grow the operations of ALG, the Company intends to perform the following:

- Build out a niche origination platform as well as a loan acquisition team;
- Fund the originated or acquired alternative loans from a combination of Company equity and future lines of credit;
- Sell the originated and acquired alternative loans through forward commitment and repurchase contracts;
- Leverage senior management’s expertise in this space; and
- Utilize AAMC’s existing operations in India to drive controls and cost efficiencies.

The type of product we expect to originate or acquire are alternative loans that offer opportunities for rapid growth and allow us to tap into underserved markets. We intend to stay agile on the loan product mix, but we are currently focused on markets not addressed by banks, agency aggregators and most traditional lenders, including but not limited to:

- Transitional Loans: bridge loans on single family and commercial real estate;
- Ground-up Construction Loans: assisting developers in projects with the primary focus on workforce housing;
- Investor Loans: Non-agency loans on investment rental properties that are debt service coverage ratio type loans;
- Special Purpose Credit Programs: loans to extend special purpose credit to applicants who meet certain eligibility requirements such as credit assistance programs; and
- “Gig Economy” Loans: Loans to professionals, self-employed borrowers, start-up business owners lacking income documentation to qualify for Agency purchase.

In the near future, we expect our main business segment to be ALG, whose primary sources of income will be derived from mortgage banking activities generated through the origination and acquisition of loans, and their subsequent sale or securitization as well as net interest income from loans while held on the balance sheet.

In addition to ALG operations, AAMC will also invest capital into a Crypto ATM business, including through its Right of First Refusal Agreement with the cryptocurrency company, ForumPay, with the intent to deploy crypto enabled ATMs worldwide. The Crypto ATMs will generally allow users to purchase multiple cryptocurrencies such as Bitcoin, Ethereum and Litecoin, using fiat currency, sell the same cryptocurrencies and eventually remit payments globally either in cryptocurrency or the local fiat currency. We will initially invest $2.0 million and plan to invest more as the opportunity warrants.

For a discussion of the risks associated with the Company's new business, see Item 1A - “Risk Factors” in Part II of this Quarterly Report on Form 10-Q.

Asset Management Agreement with Front Yard

For details on the Amended AMA with Front Yard and a description of the Termination Agreement and its key terms, please see Item 1 - Financial statements (unaudited) - “Note 1. Organization and Basis of Presentation” and “Management Overview” above.

Metrics Affecting our Consolidated Results

Our operating results are affected by various factors and market conditions, including the following:

Revenues

Our revenues primarily consists of loan interest income earned on our loans held for sale and investment, along with other fees earned from the loans.

Expenses

Our expenses consist primarily of salaries and employee benefits, legal and professional fees, general and administrative expenses, servicing and asset management expense, acquisition charges, operational interest expense, direct loan expense, and loan sales and marketing expense. and other loan related expenses. Salaries and employee benefits include the base salaries, incentive bonuses, medical coverage, retirement benefits, non-cash share-based compensation and other benefits provided to our employees for their services. Legal and professional fees include services provided by third-party attorneys, accountants and other service providers of a professional nature. General and administrative expenses include costs related to the general operation and overall administration of our business as well as non-cash share-based compensation expense related to restricted stock awards to our Directors. Servicing and asset management expenses include loan commissions. Acquisition charges reflect professional fees incurred solely for the purpose of assisting the Company in the identification of target companies and subsequent due diligence, valuation, and deal structuring services required to properly assess the viability of the target companies. Operational interest expense, direct loan expense, and loan sales and marketing expense are fees related to loans or the line of credit.

Results of Operations

The following sets forth discussion of our results of operations for the three and nine months ended September 30, 2022 and 2021.

Results of Continuing Operations

The following discussion compares our results of continuing operations for the three and nine months ended September 30, 2022 compared to three and nine months ended September 30, 2021. Our results of operations for the periods presented are not indicative of our expected results in future periods.

Loan Interest Income

Loan interest income was $1.7 million and $2.3 million for three and nine months ended September 30, 2022, respectively. No loan interest income was received in 2021 as we had not developed said lines of business at that time.

Loan Fee Income

Loan fee income was $0.2 million for the three and nine months ended September 30, 2022, respectively. No loan fee income was received in 2021 as we had not developed said line of business at that time.

Salaries and Employee Benefits

Salaries and employee benefits were $1.6 million and $4.0 million during the three and nine months ended September 30, 2022, compared to $0.9 and $4.1 million during the three and nine months ended September 30, 2021. The 2022 quarterly increase was primarily due addition of loan operations and ALG staff. The slight annual decrease from 2022 to 2021 was primarily due to higher salaries in 2022 offset by higher restricted stock expense in 2021.

Legal, Acquisition and Professional Fees

Legal fees were $0.8 million and $3.5 million during the three and nine months ended September 30, 2022 compared to $2.2 million and $5.7 million during the three and nine months ended September 30, 2021, respectively. The 2022 decrease was primarily due to higher legal and consulting fees related to the Luxor litigation and employment issues incurred in 2021. We incurred no acquisition costs in the three months ended September 30, 2022 and $0.5 million in acquisition costs in the nine months ended September 30, 2022. $1.4 million in acquisition costs were incurred in the three and nine months ended September 30, 2021. Professional were $0.3 million and $0.8 million during the three and nine months ended September 30, 2022 compared to $0.2 million and $1.2 million for the three and nine months ended September 30, 2021, respectively.

General and Administrative Expenses

General and administrative expenses were slightly changed at $0.8 million and $2.3 million from $0.6 million and $1.9 million during the three and nine months ended September 30, 2022 and 2021, respectively.

Servicing and Asset Management Expense

Servicing and asset management expenses were $0.3 million and $0.4 million during the three and nine months ended September 30, 2022. No servicing and asset management expense was recorded in 2021 as we had not developed the ALG line of business at that time.

Interest Expense

Interest expenses were $0.4 million during the three and nine months ended September 30, 2022. Interest expense includes interest incurred on our margin account, line of credit and amortized commitment fees. $0.1 million interest expense was recorded in 2021 as we only had a margin account and had not developed the ALG line of business at that time.

Direct Loan Expense

Direct loan expenses were $0.1 million during the three and nine months ended September 30, 2022. Direct loan expenses include loan broker fees, inspection fees, title search and other fees. No direct loan expense was recorded in 2021 as we had not developed the ALG line of business at that time.

Change in Fair Value of Loans

We recognized $1.6 million and $1.9 million expense for the change in fair value of loans three and nine months ended September 30, 2022 No entry was booked in 2021 as we had not developed the ALG line of business at that time.

Dividend and Gain on Sale Income

No dividends were received in three and nine months ended September 30, 2022, because no REIT equity securities were held during that period. Dividend income was $0.0 million and $3.1 million during the three and nine months ended September 30, 2021 on REIT equity securities. No gains were recognized on REIT equity securities during the three and nine months ended September 30, 2022. During the three and nine months ended September 30, 2021, $2.0 million and $8.3 million in gains were recognized on REIT equity securities.

Results of Discontinued Operations

On August 13, 2020, we and Front Yard entered into the Termination Agreement, pursuant to which they have agreed to effectively internalize the asset management function of Front Yard. The termination of the Amended AMA and the sale of the certain assets and operations to Front Yard represented a significant strategic shift that had a major effect on our operations and financial results. Therefore, we have classified the results of our operations related to Front Yard as discontinued operations in our condensed consolidated statements of operations. Discontinued operations includes (i) the management fee revenues generated under our asset management agreements with Front Yard, (ii) expense reimbursements from Front Yard and the underlying expenses, (iii) the results of operations of our India and Cayman Islands subsidiaries, (iv) the employment costs associated with certain individuals wholly dedicated to Front Yard and (v) the costs associated with our lease in Charlotte, North Carolina, that was assumed by Front Yard. On January 1, 2021, we completed the sale of the remainder of the Disposal Group and recorded a pre-tax gain on disposal of $7.5 million. See Item 1 - Financial statements (unaudited) - "Note 2. Discontinued Operations" for further information.

We had no results from discontinued operations in the three and nine months ended September 30, 2022.

Liquidity and Capital Resources

As of September 30, 2022, we had cash and cash equivalents of $10.2 million compared to $78.3 million as of December 31, 2021. The decrease in cash and cash equivalents was primarily due to the purchase of loans in the ALG. As of September 30, 2022, we also had $3.0 million in restricted cash. We are developing new sources of income and capital through our strategic business plan. We believe these sources of liquidity are sufficient to enable us to meet anticipated short-term (one-year) liquidity requirements. Our ongoing cash expenditures consist of: salaries and employee benefits, legal and professional fees, lease obligations, servicing and asset management and other general and administrative expenses.

As referred to in Note 1 in our consolidated financial statements, the Company has settled with certain owners of its Series A Shares which has reduced the outstanding balance from $250 million to approximately $144 million. The remaining outstanding Series A Shares are owned by Luxor in which we are currently in litigation over various claims.

AAMC intends to continue to pursue its strategic business initiatives despite this litigation. See "Our Company." If Luxor were to prevail in its lawsuit, we may need to cease or curtail our business initiatives and our liquidity could be materially and adversely affected. For more information on the legal proceedings with Luxor, see "Item 1A. Risk Factors" and "Item 3. Legal Proceedings" in the Annual Report on Form 10-K for the year ended December 31, 2021.

Loans Held for Sale, at fair value

On September 30, 2022, our loans held for sale, at fair value, was $7.2 million. These loans primarily relate to loans originated by ALG and are included net of loan holdbacks, deferred fees, accrued interest, payments and advances in process, interest reserve in process and market valuation amounts.

Loans Held for Investment, at fair value

On September 30, 2022, our loans held for investment, at fair value, was $90.5 million. These loans primarily relate to business purpose bridge loans for the transitioning of real estate properties and are included net of loan holdbacks, accrued interest, in process and market valuation amounts.

Credit Facility

As of September 30, 2022, our repurchase agreements totaled $52.5 million. See *Note 5* for more detail.

Equity Securities

Between February 9, 2021 and February 17, 2021, we purchased $97 million of equity securities with $68 million of cash on hand and $29 million borrowed under a standard margin arrangement with our banking institution. As of September 30, 2022, all equity securities had been liquidated and the standard margin arrangement was paid in full**.**

Treasury Shares

At September 30, 2022, a total of $271.6 million in shares of our common stock had been repurchased under the authorization by our Board of Directors to repurchase up to $300.0 million in shares of our common stock. Repurchased shares are held as treasury stock and are available for general corporate purposes. As of September 30, 2022, we had an aggregate of $28.4 million remaining available for repurchases under our Board-approved repurchase plan.

Cash Flows

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

	Nine months ended September 30,	
	2022	**2021**
Net cash used in operating activities from continuing operations	$ (20,450)	$ (16,943)
Net cash used in investing activities from continuing operations	(92,297)	58,396
Net cash (used in) provided by financing activities from continuing operations	47,626	(4,861)
Total cash flows relating to continuing operations	$ (65,121)	$ 36,592
Net cash provided by operating activities from discontinued operations	$ —	$ 5,439
Net cash provided by investing activities from discontinued operations	—	511
Net cash provided by financing activities from discontinued operations	—	80
Total cash flows relating to discontinued operations	$ —	$ 6,030

Continuing Operations

Operating Activities from Continuing Operations

Net cash used in operating activities for the nine months ended September 30, 2022 and 2021, respectively, consisted primarily of origination of loans held for sale, payment of ongoing salaries and benefits, annual incentive compensation, and general corporate expenses in excess of revenues.

Investing Activities from Continuing Operations

Net cash used in investing activities for the nine months ended September 30, 2022, consisted primarily of the purchase of loans held for investment, offset by principal payments on loans held for investment. Net cash provided by investing activities for the nine months ended September 30, 2021, consisted primarily of the purchase of securities offset partially by the proceeds received from the sale of Front Yard common stock, partially offset by the purchase of equity securities.

Financing Activities from Continuing Operations

Net cash provided by financing activities for the nine months ended September 30, 2022, primarily relates to funds borrowed and repaid under the Company's line of credit, cash used in the conversion of preferred stock. Net cash used in financing activities for the nine months ended September 30, 2021, consisted primarily of funds borrowed and repaid under the Company's margin loan, cash used in the repurchase of the preferred shares in the Putnam transaction and shares withheld for taxes upon vesting of restricted stock.

Off-balance Sheet Arrangements

We had no off-balance sheet arrangements as of September 30, 2022 or December 31, 2021.

Recent Accounting Pronouncements

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

Critical Accounting Judgments

For a discussion of our critical accounting judgments, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Judgments" in our Annual Report on Form 10-K for the year ended December 31, 2021; and Footnotes 1 and 3 of the Financial Statements.

Item 3. Quantitative and qualitative disclosures about market risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments.

Item 4. Controls and procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this quarterly report. Based upon that evaluation, management has determined that the Company's disclosure controls and procedures were effective as of September 30, 2022.

Changes in Internal Control over Financial Reporting

The Company is assessing and implementing new internal control steps related to its ALG business line. These steps will result in material changes to the internal control process and will include, but are not limited to, the following: implementing reporting steps for fair market value assessments of the loan portfolio; liaising with third party loan servicers and underwriting information providers; integration of a new loan operating system; and monitoring loan performance in accordance with debt facilities. The Company has engaged a third-party consultant to assist in both the documentation and integration of the processes involving the ALG business line. The new processes were in response to the creation and ongoing growth of the new business line and were not undertaken in response to any perceived deficiencies in the Company's internal control over financial reporting.

Other than the new business line steps denoted above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

With the Company being designated as a Smaller Reporting Company (SRC) under the SEC guidelines, management has determined that it will no longer receive an attestation opinion of its internal controls over financial reporting from its external auditor until the Company no longer qualifies as a SRC, upon reaching certain revenue thresholds. This decision was in conjunction with the creation of Company's new business line and the extension of the 2012 Jumpstart Our Business Startups (JOBS) Act in March 2020.

Part II

Item 1. Legal proceedings

For a description of the Company's legal proceedings, refer to Item 1 - Financial Statements (Unaudited) - Note 7, "Commitments and Contingencies" of the interim condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 1A. Risk factors

Our risk factors reflected in our December 31, 2021 Form 10-K (filed on March 31, 2022) have not materially changed as our alternative lending business line risks were incorporated. For additional information regarding our risk factors, you should carefully consider the risk factors disclosed in "Item 1A. Risk factors" in our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2. Unregistered sales of equity securities and use of proceeds

None.

Item 3. Defaults upon senior securities

None.

Item 4. Mine safety disclosures

Not applicable.

Item 5. Other Information

None.

(table of contents)

Item 6. Exhibits

Exhibit Number	Description
2.1	Separation Agreement, dated as of December 21, 2012, between Altisource Asset Management Corporation and Altisource Portfolio Solutions S.A. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the SEC on December 28, 2012).
3.1	Amended and Restated Articles of Incorporation of Altisource Asset Management Corporation (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the SEC on January 5, 2017).
3.2	Fifth Amended and Restated Bylaws of Altisource Asset Management Corporation.
3.3	Certificate of Designations establishing the Company’s Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K filed with the SEC on March 19, 2014).
4.1	Description of Securities (incorporated by reference to Exhibit 4.1 of the Registrant's Annual Report on Form 10-K filed with the SEC on March 3, 2021).
10.1*	Flagstar Master Repurchase Agreement among Grapetree Lending LLC, as Seller, Altisource Asset Management Corporation, as Guarantor, Flagstar Bank FSB, as a Buyer and as Administrative Agent, dated August 1, 2022
10.2*	Flagstar Bank FSB Guaranty Agreement, Altisource Asset Management Corporation, Guarantor, Flagstar Bank FSB, Administrative Agent, dated August 1, 2022.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32.1*†	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act.
32.2*†	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.
† This Certification is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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.

				Altisource Asset Management Corporation
Date:	November 2, 2022	By:	/s/	Jason Kopcak
				Jason Kopcak
				Chief Executive Officer
Date:	November 2, 2022	By:	/s/	Stephen Ramiro Krallman
				Stephen Ramiro Krallman
				Chief Financial Officer

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jason Kopcak, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Altisource Asset Management Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 2, 2022	By:	/s/ Jason Kopcak
			Jason Kopcak
			Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen Ramiro Krallman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Altisource Asset Management Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the Registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 2, 2022	By:	/s/	Stephen Ramiro Krallman
				Stephen Ramiro Krallman
				Chief Financial Officer

Exhibit 32.1

Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Chief Executive Officer of Altisource Asset Management Corporation (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the quarterly report on Form 10-Q for the quarter ended September 30, 2022 ("Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date:	November 2, 2022	By:	/s/	Jason Kopcak
				Jason Kopcak
				Chief Executive Officer

Exhibit 32.2

Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Chief Financial Officer of Altisource Asset Management Corporation (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the quarterly report on Form 10-Q for the quarter ended September 30, 2022 (“Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date:	November 2, 2022	By:	/s/ Stephen Ramiro Krallman
			Stephen Ramiro Krallman
			Chief Financial Officer