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

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2023
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______________ to ______________

001-36844
(Commission file number)

GREAT AJAX CORP.
(Exact name of registrant as specified in its charter)

Maryland	**46-5211870**
State or other jurisdiction of incorporation or organization	**(I.R.S. Employer Identification No.)**

13190 SW 68th Parkway, Suite 110
Tigard, OR 97223
(Address of principal executive offices and Zip Code)
503-505-5670
Registrant's telephone number, including area code

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Common stock, par value $0.01 per share	AJX	New York Stock Exchange
7.25% Convertible Senior Notes due 2024	AJXA	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes☐ No☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes☐ No☒

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer	☐	**Accelerated filer**	☒
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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes☒ No☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. Yes☐ No☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). Yes☐ No☒

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

The aggregate market value of the shares of common stock held by non-affiliates of the registrant as of June 30, 2023 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $140,186,472 based on the price per share of $6.13, the closing price on June 30, 2023.

As of February 26, 2024, 27,460,161 shares of the registrant's common stock, par value $0.01 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement with respect to its 2024 Annual Meeting of Stockholders are incorporated by reference into this Annual Report on Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

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

PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations, " "Business" and elsewhere in this Annual Report constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in the federal securities laws, established by the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "should," "will" and "would" or the negatives of these terms or other comparable terminology.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors including but not limited to:

- our ability to satisfy the closing conditions and consummate the transactions we entered into with Rithm Capital Corp. (together with its subsidiaries, "Rithm") and its affiliates on the agreed upon terms or at all;
- our ability to obtain financing on favorable terms or at all in the event the transactions with Rithm and its affiliates are not consummated in a timely manner or at all;
- the impact of our termination of the Manager in the event we are unable to enter into a management agreement with RCM GA Manager LLC, an affiliate of Rithm ("RCM GA"), in a timely manner or at all;
- the significant losses we have incurred to date from our holdings of non-performing loans ("NPLs"), re-performing loans ("RPLs") and small balance commercial mortgage loans ("SBC loans");
- the expectation that we will continue to incur increasing and significant consolidated net losses from our mortgage asset holdings;
- the declining financial condition of the Servicer and its ability to continue to perform its obligations under the Servicing Agreement;
- difficulties in consummating sales of our NPLs, RPLs and SBC loans at attractive prices and on a prompt timeline or at all and adverse market developments negatively impacting the value of, and the returns expected from, such assets;
- the impact of changes in interest rates and the market value of the collateral underlying our RPL and NPL portfolios or of our other real estate assets;
- changes to our business strategy, including as a result of or following the consummation of the transactions we have entered into with Rithm and its affiliates or in the event that the transactions we have entered into with Rithm and its affiliates are not consummated;
- the impact of adverse real estate, mortgage or housing markets and changes in the general economy;
- our share price has been and may continue to be volatile;
- the broader impacts of increasing interest rates, inflation, and potential for a global economic recession;
- general volatility of the capital markets;
- the impact of adverse legislative or regulatory tax changes;

- our ability to control our costs;
- our failure to qualify or maintain qualification as a real estate investment trust ("REIT"); and
- our failure to maintain our exemption from registration under the Investment Company Act of 1940, as amended (the "Investment Company Act").

Accordingly, you should not rely upon forward-looking statements as an indication of future performance. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or will occur, and actual results, events or circumstances could differ materially from those projected in the forward-looking statements. The forward-looking statements made in this Annual Report relate only to events as of the date on which the statements are made. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. We undertake no obligation and do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events or otherwise, except as required by law.

Summary Risk Factors

The following is a summary of the principal risks that you should carefully consider before investing in shares of our common stock. See the detailed Risk Factors, beginning on page 15 of this document, for a more detailed discussion.

- We may not be able to close the transactions we entered into with Rithm and its affiliates on the agreed upon terms or at all.

- Failure to consummate the transactions with Rithm and its affiliates as currently contemplated or at all could adversely affect the price of our common stock and our future business, financial results and prospects.

- We expect to continue to incur increasing and significant consolidated net losses from our mortgage asset holdings.

- The declining financial condition of the Servicer may impact its ability to adequately perform its obligations under the Servicing Agreement. The failure of the Servicer to service our assets effectively would materially and adversely affect us.

- A significant portion of our residential mortgage loans are, or may become, sub-performing or non-performing loans, which could increase the significant losses we have already incurred to date.

- Difficult conditions in the mortgage, residential real estate and smaller commercial real estate markets as well as general market concerns have adversely affected the value of the assets in which we invest and these conditions may continue to persist for the foreseeable future.

- We may be materially and adversely affected by risks affecting borrowers or the single-family rental properties in which our investments may be concentrated at any given time, as well as from unfavorable changes in the related geographic regions.

- Recent changes in consumer mortgage loan regulations may make it more difficult for borrowers to refinance our purchased mortgage loans.

- A significant change in delinquencies for the loans we own could adversely affect our business, financial condition and results of operations.

- Market conditions and other factors may affect our ability to securitize assets, which could increase our financing costs and adversely affect our results of operations and ability to make distributions.

- Prepayment rates can change, adversely affecting the performance of our assets and our ability to reinvest the proceeds thereof.

- The real estate assets and real estate-related assets we invest in are subject to the risks associated with real property.

- The principal and interest payments on our retained mortgage-backed securities (“MBS”) are not guaranteed by any entity and, therefore, are subject to increased risks, including credit risk.

- The Servicer’s operations are heavily regulated at the U.S. federal, state and local levels and its failure to comply with applicable regulations could materially adversely affect our expenses and results of operations.

- We may incur significant costs in restoring our properties, and we may underestimate the costs or amount of time necessary to complete such restorations.

- We may change our investment strategy, investment guidelines and asset allocation without notice or stockholder consent, which may result in riskier investments. In addition, our charter provides that our board of directors may authorize us not to seek to elect to be taxed as a REIT or to revoke or otherwise terminate our REIT election without the approval of our stockholders.

- Our ability to make distributions to our stockholders will depend on our operating results, our financial condition, financial covenants and other factors and we may not be able to make regular cash distributions at a fixed rate or at all under certain circumstances.

- We use leverage in executing our business strategy, which may adversely affect the return on our assets and may reduce cash available for distribution to our stockholders and increase losses when economic conditions are unfavorable.

- Hedging against interest rate changes and other risks may materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders. We operate in a highly regulated industry and continually changing U.S. federal, state and local laws and regulation could materially adversely affect our business, financial condition and results of operations and our ability to pay dividends to our stockholders.

- We have conflicts of interest with our Manager, the Servicer and Aspen, and certain members of our board of directors, as well as our management team, have, or could have in the future, conflicts of interest due to their respective relationships with these entities, and such conflicts could be resolved in a manner adverse to us.

- Our board of directors has approved a very broad investment policy and guidelines and will not review or approve each investment decision. We may change our investment policy and guidelines without stockholder consent, including following the consummation of or the termination of the transactions with Rithm and its affiliates, which may materially and adversely affect the market price of our common stock and our ability to make distributions to our stockholders.

- Maintenance of our exclusion from regulation as an investment company under the Investment Company Act imposes significant limitations on our operations.

- Our charter generally does not permit ownership in excess of 9.8% of any class or series of our stock, and attempts to acquire our stock in excess of the stock ownership limit will be ineffective unless an exemption is granted by our board of directors. These provisions may restrict change of control or business combination opportunities in which our stockholders might receive a premium for their shares of common stock.

- Failure to qualify as a REIT would subject us to U.S. federal, state and local income taxes, which could adversely affect the value of shares of our common stock and would substantially reduce the cash available for distribution to our stockholders.

- The taxable mortgage pool, or ("TMP"), rules may increase the taxes that we, or certain of our stockholders, may incur and may limit the manner in which we effect future securitizations.

- Failure to comply with applicable tax regulations with respect to GA-TRS LLC ("GA-TRS"), GAJX Real Estate Corp. and any other taxable REIT subsidiary ("TRS") that we form would jeopardize our REIT status and may result in the application of a 100% excise tax.

- Changes to U.S. federal income tax laws could materially and adversely affect us and our stockholders.

Item 1. Business

Overview

Great Ajax Corp. is a Maryland corporation that is organized and operated in a manner intended to allow us to qualify as a REIT. We primarily target acquisitions of (i) RPLs, which are residential mortgage loans on which at least five of the seven most recent payments have been made, or the most recent payment has been made and accepted pursuant to an agreement, or the full dollar amount, to cover at least five payments has been paid in the last seven months and (ii) NPLs, which are residential mortgage loans on which the most recent three payments have not been made. We may acquire RPLs and NPLs either directly or in joint ventures with institutional accredited investors. The joint ventures are structured as securitization trusts, of which we acquire debt securities and beneficial interests. We may also acquire or originate SBC loans. The SBC loans that we target through acquisitions generally have a principal balance of up to $5.0 million and are secured by multi-family residential and commercial mixed use retail/residential properties on which at least five of the seven most recent payments have been made, or the most recent payment has been made and accepted pursuant to an agreement, or the full dollar amount to cover at least five payments has been paid in the last seven months. Additionally, we invest in single-family and smaller commercial properties directly either through a foreclosure event of a loan in our mortgage portfolio, or, less frequently, through a direct acquisition. We own a 19.8% equity interest in our Manager and an 9.5% equity interest in the parent company of our Servicer through GA-TRS, a wholly owned subsidiary of the Operating Partnership. We have elected to treat GA-TRS as a taxable REIT subsidiary under the Code. Our mortgage loans and real properties are serviced by the Servicer, also an affiliated company.

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

Our Operating Partnership, through interests in certain entities, as of December 31, 2023, owns 99.9% of Great Ajax II REIT Inc. which owns Great Ajax II Depositor LLC which then acts as the depositor of mortgage loans into securitization trusts and holds subordinated securities issued by such trusts. Similarly, as of December 31, 2023, the Operating Partnership wholly owned Great Ajax III Depositor LLC, which was formed to act as the depositor into Ajax Mortgage Loan Trust 2021-E ("2021-E"), which is a real estate mortgage investment conduit ("REMIC"). We have securitized mortgage loans through these securitization trusts and retained subordinated securities from the secured borrowings. These trusts are considered to be variable interest entities ("VIEs"), and we have determined that we are the primary beneficiary of the VIEs.

In 2018, we formed Gaea Real Estate Corp. ("Gaea"), as a wholly-owned subsidiary of the Operating Partnership that invests in multifamily properties with a focus on property appreciation and triple net lease veterinary clinics. We elected to treat Gaea as a TRS under the Code for 2018 and elected to treat Gaea as a REIT under the Code in 2019 and thereafter. Also during 2018, we formed Gaea Real Estate Operating Partnership LP, a wholly-owned subsidiary of Gaea, to hold investments in commercial real estate assets, and Gaea Real Estate Operating LLC, to act as its general partner. We also formed Gaea Veterinary Holdings LLC, BFLD Holdings LLC, Gaea Commercial Properties LLC, Gaea Commercial Finance LLC and Gaea

RE Holdings LLC as subsidiaries of Gaea Real Estate Operating Partnership. In 2019, we formed DG Brooklyn Holdings LLC, also a subsidiary of Gaea Real Estate Operating Partnership LP, to hold investments in multi-family properties.

On November 22, 2019, Gaea completed a private capital raise transaction through which it raised $66.3 million from the issuance of its common stock to third parties. Additionally, in January 2022, Gaea completed a second private capital raise in which it raised approximately $30.0 million from the issuance of its common stock and warrants. Also, during the year ended December 31, 2023, GA-TRS received an additional 20,991 shares of Gaea common stock for $0.3 million due to the termination of Gaea's management agreement as Gaea's manager distributed its remaining shares to our Manager, which then our Manager distributed its shares to its investors and this increased our ownership. At December 31, 2023 we owned approximately 22.2% of Gaea. We account for our investment in Gaea under the equity method.

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

Termination of the Merger Agreement

As we previously announced on October 20, 2023, we and Ellington Financial Inc. ("Ellington Financial") mutually terminated our merger agreement with Ellington Financial. The termination was approved by both companies' boards of directors after careful consideration of the proposed merger and the progress made towards completing the transaction. In connection with the termination, Ellington Financial paid us $16.0 million, $5.0 million of which was paid in cash, and $11.0 million of which was paid in cash as consideration for approximately 1,666,666 shares of our common stock. The common stock was purchased at $6.60 per share. The purchase price was determined based on the merger exchange ratio. Ellington Financial holds approximately 6.1% of our stock. An affiliate of Ellington Financial's external manager owned 273,983 shares of our common stock or 1.2% as of June 30, 2023. Ellington Financial remains one of our securitization joint venture partners.

As we discussed when we announced the now terminated transaction, our board regularly evaluates and considers our strategic direction, our objectives and our succession plans, as well as our ongoing business, all with a view to maximizing long-term value for our stockholders. This evaluation and consideration led to our entry into the merger agreement with Ellington Financial. Following termination of the agreement, the board engaged Piper Sandler & Co. as our financial adviser to assist us with a thorough evaluation of strategic alternatives, including, but not limited to, other strategic transactions, potential capital injections involving us and/or our affiliates, other monetization opportunities involving us and/or our affiliates, specific asset sales, or other opportunities.

Amended Bylaws

As part of the transaction with Ellington Financial, our Board of Directors amended and restated our bylaws to include an exclusive forum bylaw, which states that unless we consent in writing to a selection of alternative forum for litigation, the Circuit Court for Baltimore City, Maryland, or if that court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, shall be the sole and exclusive forum for certain types of actions filed against us, all as specified in the Bylaws that are filed herewith.

New Strategic Transaction

On February 26, 2024, we entered into a strategic transaction with Rithm, a global asset manager focused on real estate, credit and financial services. The following summarizes the principal transaction agreements executed by the parties.

Credit Agreement

On February 26, 2024, we entered into a Credit Agreement (the "Credit Agreement") with NIC RMBS LLC, an affiliate of Rithm ("NIC RMBS"), as sole lender, administrative agent and collateral agent. The Credit Agreement provides, subject to certain conditions, for a delayed draw term loan facility (the "Facility"), in an aggregate amount of up to $70.0 million.

The Facility matures on February 25, 2025. Outstanding loans under the Facility will accrue interest at a rate equal to 10.0% per annum. Our obligations under the Credit Agreement are guaranteed by substantially all of our non-special purpose vehicle subsidiaries and are secured by a first-priority lien on substantially all of our and our subsidiaries' assets.

Proceeds under the Credit Agreement, together with cash on hand and proceeds from loan sales, will be used to repay the outstanding 2024 Notes (as defined below) upon their maturity in April 2024.

The Credit Agreement contains customary conditions, representations and warranties, affirmative and negative covenants and events of default. The covenants include certain financial covenants requiring us to maintain compliance with (i) a quarterly minimum net asset value covenant set at the sum of $240.0 million plus 65% of our positive net equity capital activity, (ii) a quarterly minimum ratio covenant of our unencumbered assets to the sum of the aggregate principal amount of the loans outstanding under the Facility and of the outstanding indebtedness under the Operating Partnership's 8.875% Senior Notes due 2027 set at 1.6:1.0, (iii) a quarterly maximum ratio covenant of our consolidated recourse indebtedness to our equity interests set at 4.0:1.0, (iv) a quarterly minimum liquidity covenant of $30.0 million and (v) a maximum ratio covenant of (i) the aggregate principal amount of the loans outstanding under the Facility to (ii) the difference between (a) the fair market value of our and our consolidated subsidiaries' assets minus (b) our and our consolidated subsidiaries' aggregate liabilities of 1.0:1.0.

Changes in Our Management and Board of Directors

On February 26, 2024, we issued a termination notice to our Manager. We are expected to pay the Manager the contractually stipulated termination fee substantially in Common Stock. Subject to receipt of stockholder approval, we will enter into an agreed form of termination and release agreement ("Form of Termination and Release Agreement") with the Manager, and into a new management agreement with RCM GA, in the form agreed upon with RCM GA.

As part of the contemplated transactions, subject to receipt of stockholder approval, our board of directors ("Board of Directors") will be reconstituted as follows: the Board of Directors will become a five-member board, two members of which will be existing directors, one member of which will be a director nominated by Rithm, and two members of which will be new independent directors.

Warrant Agreement

In connection with the Credit Agreement and pursuant to the Purchase Agreement (as described below), on February 26, 2024, we have agreed to issue (the "Warrant Issuance") to Rithm (the "Rithm Holder") five-year warrants (the "Warrants") to purchase shares of Common Stock (such Common Stock issuable upon exercise of the Warrants, the "Warrant Shares"), at an exercise price per Warrant Share of $5.36 which represents a 10% premium to the trailing five-day average closing price of the Common Stock on the New York Stock Exchange ("NYSE") as of the date of the Purchase Agreement. The number of Warrant Shares for which the Warrants may be exercised will equal the greater of 50% of (i) the amount drawn under the Facility and (ii) $35.0 million, in each case, divided by $5.36.

In connection with the Warrant Issuance, we will enter into a warrant agreement with Equiniti Trust Company (the "Form of Warrant Agreement"), in its capacity as our warrant agent ("Warrant Agent"), in the form attached to the Purchase Agreement, pursuant to which the Warrant Agent agrees to act as the warrant agent in connection with, among other things, the issuance, registration, transfer and exercise of the Warrants. The Warrant Agreement includes a form of Warrant setting forth the number of Warrants to be held by the Rithm Holder and the terms and conditions applicable to such Warrants.

The Warrants are exercisable on the earlier of the declaration of effectiveness of a resale registration statement (described below) relating to the Warrant Shares and August 26, 2024. The number of Warrant Shares issuable upon exercise of the

Warrants will be capped at 19.99% of our then-current outstanding Common Stock, unless and until such exercise is approved by our stockholders (as described below). If approval of our stockholders regarding the transactions (as described below) is not obtained, the Warrants will be repurchased by us at a value agreed upon by an independent third-party valuation expert.

Securities Purchase Agreement

On February 26, 2024, we, the Operating Partnership and the Manager entered into a securities purchase agreement (the "Purchase Agreement") with Rithm. Pursuant to the Purchase Agreement, we, in a private placement made in reliance on the exemption from the registration requirement of the Securities Act of 1933, as amended (the "Securities Act"), afforded by Section 4(a)(2) of the Securities Act, agreed to issue and sell, as applicable, to Rithm or its designated affiliate, shares of Common Stock, at a purchase price per share of $4.87 (the "Shares"), which represents the trailing five-day average closing price of the Common Stock on the NYSE as of the date of the Purchase Agreement for gross proceeds of approximately $14.0 million (the "Private Placement"), and (ii) the Warrants on the terms described above.

The Shares to be purchased pursuant to the Private Placement will be issued following receipt of approval of our stockholders and the satisfaction of certain other closing conditions described therein. We expect to use the net proceeds from the Private Placement towards repayment of any amounts borrowed under the Facility and/or repayment of the 2024 Notes.

Registration Rights

In connection with the Warrant Issuance and the Private Placement, we agreed to enter into a registration rights agreement, in the form attached to the Purchase Agreement, with Rithm, pursuant to which, we agreed to use commercially reasonable efforts to prepare and file a shelf registration statement with the Securities and Exchange Commission (the "SEC") to register for resale the Shares and the Warrant Shares as soon as practicable, and to use commercially reasonable efforts to cause the SEC to declare the registration statement effective as soon as practicable.

The Registration Rights Agreement also includes customary piggyback registration and demand underwritten offering rights with respect to the resale from time to time by Rithm or the applicable holder of the Shares or the Warrant Shares.

In connection with the termination of the Manager, and pursuant to the Form of Termination and Release Agreement, we agreed to use commercially reasonable efforts to prepare and file a registration statement to permit the resale of the Common Stock issued to the Manager.

Exchange Agreements

Concurrently with the execution of the Credit Agreement, on February 26, 2024, we, the Operating Partnership and the Manager entered into exchange agreements (each, an "Exchange Agreement") with the current holders (the "Exchanging Investors") of our outstanding Series A Preferred Stock and Series B Preferred Stock (collectively, the "Preferred Stock") and our outstanding warrants (collectively, the "Exchanged Securities"). Pursuant to the Exchange Agreements, the Exchanging Investors agreed to exchange with us their respective Exchanged Securities for an aggregate of 12,046,222 shares of Common Stock, in accordance with the Exchanged Securities' terms (the "Exchange").

Until we obtain stockholder approval, the number of shares of Common Stock we may issue in exchange for the Preferred Stock is limited to up to 19.99% of our outstanding shares of Common Stock. As a result, 2,581,694 of such shares of Common Stock subject to the Exchange will be issued by us following the receipt of the approval of our stockholders. The Exchange is made in reliance on the exemption from the registration requirements of the Securities Act afforded by Section 3(a)(9) of the Securities Act.

Stockholder Approval and Support Agreement

Several of the transactions and the agreements described above require the approval of our stockholders before the transactions may be completed. We will prepare and send to our stockholders a proxy statement which will include the recommendation of our Board of Directors and of a special committee thereof to approve the transactions described above that require stockholder approval, and will, as promptly as reasonably practicable after the proxy statement is cleared by the SEC for mailing to the stockholders, duly call, give notice of, convene and hold a meeting of stockholders for the purpose of seeking stockholder approval.

On February 26, 2024, we entered into support agreements (each, a "Support Agreement") with our directors and executive officers and certain institutional stockholders that, after giving effect to the Exchange, will hold 44% of the outstanding shares of our Common Stock, pursuant to which such stockholders have agreed to support the transactions described above.

Strategy

Until the transactions with Rithm and its affiliates are consummated or in the event the transactions with Rithm and its affiliates are terminated, we expect to continue the strategy developed by our Manager's management team in a REIT structure that we believe provides us access to capital and allows us to compete for more significant investment opportunities in the evolving mortgage markets. This strategy enables us to generate attractive current yields and risk-adjusted total returns for our stockholders. We intend to continue to distribute substantially all of our REIT taxable income to our stockholders in accordance with applicable REIT qualification requirements. Our strategy consists of:

- constructing and owning a portfolio of residential RPLs and SBC loans at discounts to the unpaid principal balance ("UPB") and significant discounts to underlying property values;
- expanding our acquisitions of RPLs, SBC loans, and limited acquisitions of NPLs through joint ventures;
- constructing concentrations of investments in geographic areas, cities and neighborhoods with certain demographic and economic trends and attributes;
- working, through a licensed mortgage servicer, to (1) support the continued performance of RPLs; (2) convert a portion of our NPLs to performing status; (3) determine the optimal loss mitigation strategy on an asset-by-asset basis; and (4) manage the process and timelines for converting NPLs to REO held-for-sale;
- when economically efficient, securitizing our RPL portfolio to create long-term, fixed rate, non-recourse financing, while retaining one or more tranches of any subordinated securities we may create;
- opportunistically mitigating our interest rate and prepayment risk; and
- working through joint ventures with third party investors to acquire pools of mortgage loans and other mortgage related assets, which may create value additive opportunities for us. Depending upon the needs, liquidity and risk profiles of our third party investors, the criteria for asset acquisitions by our joint ventures may differ somewhat from the criteria we would use for asset acquisitions intended exclusively for our own portfolio.

We believe that purchasing RPLs at a discount to UPB and a significant discount to underlying property values, as well as working, through a licensed mortgage servicer, to support continuing or new payments by borrowers, allows us to achieve our targeted returns. However, if actual results differ from our assumptions, particularly if the value of the underlying properties were to decrease significantly, we may not achieve our targeted returns.

We price each loan pool we acquire on a loan-by-loan basis and focus on acquiring loans with the underlying property located in or in close proximity to specific urban centers where we believe that home price appreciation ("HPA") will outpace the national market. We use proprietary models to predict probabilistic future cash flows for each loan and generate cash flow projections. Factors affecting our cash flow projections include resolution method, resolution timeline, foreclosure costs, rehabilitation costs and eviction costs. Some of the variables used are the specific location of the underlying property, loan-to-value ratio, property age and condition, change and rate of change of borrower credit rating, servicing notes, interest rate, monthly payment amount and neighborhood rents. For loan pool acquisitions, we target a 5% and above return on RPLs, including SBC loans, and a 7% and above return on NPLs, without taking into account or giving effect to any borrowings, which we refer to as an unlevered return. We analyze each RPL for re-default probability, loan-to-value ratio, interest rate and structure of the loan and the likely resolution method in the event the loan stops performing. Each RPL is analyzed through both a performing and non-performing path.

While we expect to purchase loans and real properties nationwide, we target specific urban centers (including densely populated suburbs) where we believe that an increasing number of families and young professionals prefer to live in areas that are in close proximity to employment centers, public transportation and retail and other amenities that are typically more common in such areas, creating liquidity and predictability, which we believe, provides greater potential for HPA. By focusing on urban centers and targeted densely populated suburbs we are able to more efficiently manage our portfolio.

We seek to build concentrations of loans and real properties in certain markets. These markets include, but are not limited to, Phoenix, Arizona; Los Angeles and San Diego, California; Miami, Ft. Lauderdale, West Palm Beach, Orlando and Tampa, Florida; Atlanta, Georgia; New York and New Jersey metropolitan area; Charlotte, North Carolina; Houston and Dallas, Texas; Portland, Oregon; and Maryland and Virginia near Washington, DC.

The following provides further detail as to our RPL and SBC loan acquisition strategy:

- We purchase RPLs at a discount from UPB and a significant discount to underlying property value, but the borrower is required to pay interest on the full UPB, leading to a higher current yield. The borrower is also responsible for property taxes, insurance and maintenance, which are all costs that the owner of a REO would otherwise have to pay. In addition, to the extent that the UPB exceeds the home's or commercial property's value, the lender will benefit from all price appreciation, net of carrying and liquidation costs, until such time as the price exceeds the UPB plus any arrearages and expenses. While the return to the mortgage loan owner is thus capped, there is also risk mitigation if the REO value decreases, until the value is less than the price the lender paid for the loan.
- If an RPL becomes an NPL, we, through a licensed mortgage servicer, have a number of ways to mitigate our loss. These loss mitigation techniques include working with the borrower to achieve performance, including through modification of the mortgage loan terms as well as short sale, assisted deed-in-lieu of foreclosure, assisted deed-for-lease, foreclosure and other loss mitigation activities.
- We believe that under most market conditions we are generally able to purchase mortgage loans at lower prices than single-family REO properties because sellers of such loans are able to avoid paying the costs typically associated with sales of real estate, whether single-family residences or smaller commercial properties, such as broker commissions and closing costs of up to 10% of gross proceeds of the sale. We believe this motivates sellers to accept lower prices for the RPLs than they would if selling REO directly.

Our comprehensive loan and property history database and data tracking lead to a deep understanding of our markets. This understanding, coupled with our long-term relationships with loan sellers, we believe allows us to purchase loans at a discount to UPB and a significant discount to current property values. Our database contains foreclosure timelines on an individual county basis and in some instances, also on an individual judge basis. In addition to resolution timeline data, we track data by state, Metropolitan Statistical Area and zip code regarding crime rates, education, electoral participation and other variables that we believe closely correlate with property values.

Our strategy is adaptable to changing market environments, subject to compliance with the income and other tests, which allows us to continue to qualify and maintain our qualification as a REIT for U.S. federal income tax purposes and to maintain our exclusion from regulation as an investment company under the Investment Company Act. As a result, our acquisition and management decisions depend on prevailing market conditions, and our targeted investments may vary over time in response to market conditions. We may change our strategy and policies without a vote of our stockholders, including following the consummation or termination of the transactions with Rithm and its affiliates. Moreover, although our independent directors will periodically review our investment guidelines and our portfolio, they generally will not review particular proposed asset acquisitions or asset management decisions. See "— Investment Guidelines."

Our Portfolio

The following table outlines the carrying value of our portfolio of mortgage loan assets and single-family and smaller commercial properties as of December 31, 2023 and 2022 ($ in millions):

	December 31, 2023	December 31, 2022
Residential RPLs	$ 822.1	$ 872.9
Residential NPLs	92.0	105.1
SBC loans	6.2	11.1
Real estate owned properties, net	3.8	6.3
Investments in securities available-for-sale	131.6	257.1
Investments in securities held-to-maturity	59.7	—
Investment in beneficial interests	104.2	134.6
Total mortgage related assets	$ 1,219.6	$ 1,387.1

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

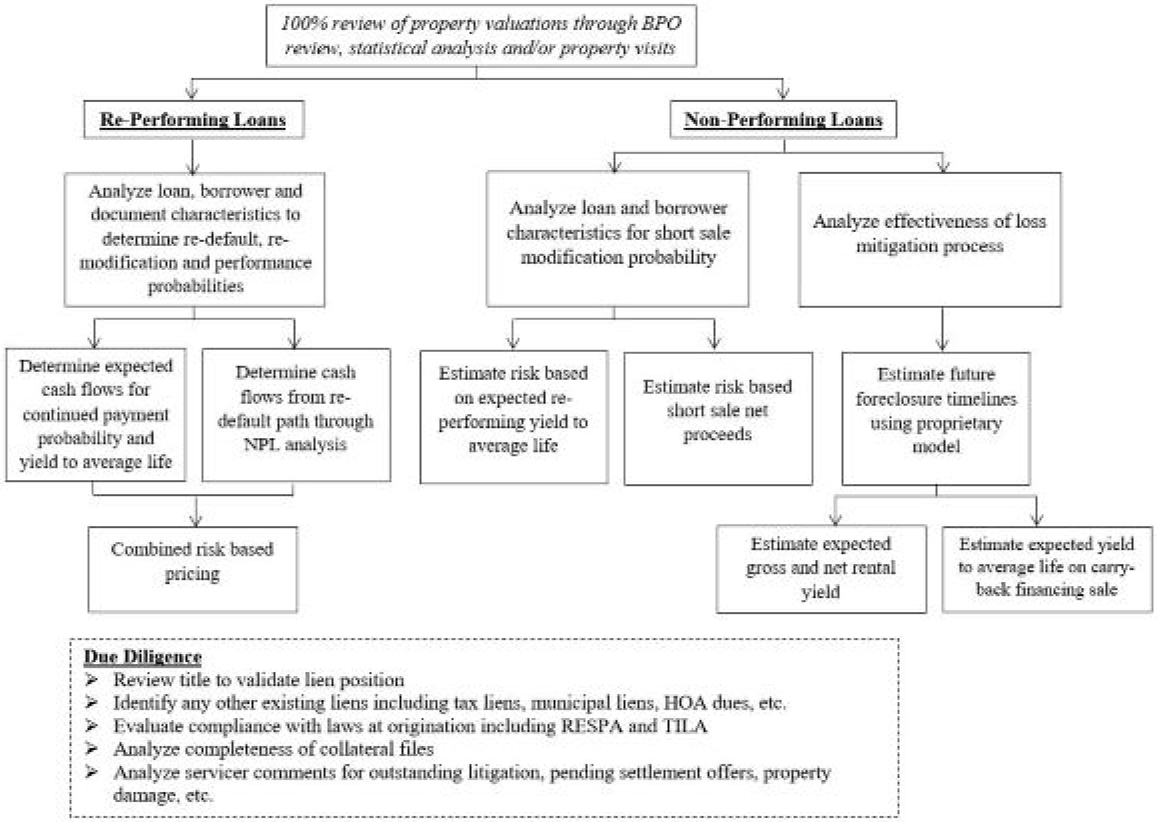
Investment Process

We value our portfolio on a loan-by-loan and property-by-property basis. Purchase prices generally are at a discount to UPB and a significant discount to current property value, based in part on up to two unaffiliated broker price opinions ("BPOs") for every property.

We estimate our resolution timelines using a combination of proprietary data, modeling and historical trends. Our analysis of the resolution or foreclosure timeline for a mortgage loan is based on its history to date with added time cushion. We have developed a robust database of foreclosure timelines on an individual county basis and, in some instances, on an individual judge basis. We also use statistical models to determine the expected modification success probability and the expected short sale success probabilities. We have an extensive due diligence process to validate data consistency, accuracy and compliance and to perform document and third-party lien reviews on all loan files.

The most important factors in analyzing RPLs are the level and duration of continued re-performance, the potential for HPA, prevailing interest rates, the potential for economic growth and the availability of financing for the borrower. The analysis of all mortgage loan and REO acquisitions is also affected by the supply of existing housing and rate of housing starts as higher construction costs, particularly if replacement cost is greater than market price, can slow the rate of starts and new housing inventory and lead to rising rental rates relative to mortgage payments. We evaluate geographic location priorities based on many different factors and data, including, but not limited to, employment rates and the local mismatch between employment rates and housing supply, demographic shifts, cost of new construction, social services, education, crime and voting participation rates.

The following graphic outlines the process the Manager generally uses for assessing RPL and NPL portfolio purchase opportunities:



Investment Guidelines

All of our investment activities are currently conducted by our Manager on our behalf pursuant to the Third Amended and Restated Management Agreement with the Manager, which expires March 5, 2034 (the "Management Agreement"). On February 26, 2024, we issued a termination notice to our Manager. Subject to receipt of stockholder approval, we will enter into a termination and release agreement with the Manager and into a new management agreement with RCM GA, in the form agreed upon with RCM GA. Our principal objective is to generate attractive risk-adjusted returns for our stockholders over the long-term through dividends and capital appreciation.

The Board of Directors has adopted an investment policy designed to facilitate the management of our capital and assets and the maintenance of an investment portfolio profile that meets our objectives. The investment policy will help the Board of Directors oversee our efforts to achieve a return on assets consistent with our business objectives and to maintain adequate liquidity to meet any financial covenants and regular cash requirements.

Any purchase of RPLs, SBC loans or real property is analyzed by the portfolio acquisition group. Our Manager may, without a vote of our stockholders, consider any investment consistent with our investment policy. We may also acquire single-family homes, smaller multi-family residential properties, smaller mixed use retail/residential/office properties and smaller commercial properties either upon foreclosure or other settlement of our owned NPLs or in the market and generally sell such property.

Our Manager is currently authorized to finance our investment positions through repurchase agreements, secured debt and other financing arrangements, provided such agreements are negotiated with counterparties approved by the investment committee. Our Manager believes it is critical to structure any financing facilities to significantly limit the risk to our business from falling collateral values and margin calls. We fund many of our asset acquisitions with non-recourse securitizations in which the underlying collateral is not marked to market and employ repurchase agreements without the obligation to mark to market the underlying collateral to the extent available. We may also hedge our interest rate exposure on our financing activities through the use of interest rate swaps, forwards, futures and options, subject to prior approval from the investment committee, though no such hedges are currently in use. We also acquire loans and other real estate assets through joint ventures.

Our Board of Directors has adopted the following additional investment guidelines:

- investments and acquisitions that exceed 15% of our equity from time to time must be approved by the Investment Supervisory Committee of our Board of Directors;
- no investment shall be made that would cause us to fail to qualify as a REIT for U.S. federal income tax purposes;
- no investment shall be made that would cause us to be regulated as an investment company under the Investment Company Act;
- our assets will be invested within our target assets, as described above; and
- until appropriate investments can be identified, we may pay off short-term debt or invest the proceeds of any offering in interest-bearing, short-term investments, including funds that are consistent with qualifying and maintaining our qualification as a REIT.

Our investment policy and guidelines may be changed from time to time by our Board of Directors without the approval of our stockholders, including following the consummation or termination of the transactions we have entered into with Rithm and its affiliates.

Broad Investment Policy Risks

Our investment policy is very broad and, therefore, our Manager has great latitude in determining the types of assets that are appropriate investments for us, as well as the individual investment decisions. Our Manager may make investments on our behalf with lower rates of return than those anticipated under current market conditions and/or may make investments with greater risks to achieve those anticipated returns. Our Board of Directors periodically reviews our investment policy and guidelines and our investment portfolio but does not review or approve each proposed investment by our Manager unless it falls outside our previously approved investment policy or constitutes a related party transaction. In conducting periodic reviews, our Board of Directors relies primarily on information provided to it by our Manager. Transactions entered into by our Manager may be costly, difficult or impossible to unwind by the time they are reviewed by our Board of Directors.

In addition, we may change our business strategy and investment policy and targeted asset classes at any time without the consent of our stockholders, and this could result in our making investments that are different in type from, and possibly riskier, than our current investments or the investments currently contemplated. Changes in our investment strategy and investment policy and targeted asset classes may increase our exposure to interest rate risk, counterparty risk, default risk and real estate market fluctuations, which could materially and adversely affect us.

Policies with Respect to Certain Transactions

Other than (i) transactions in which a licensed mortgage servicer is the holder of record because we or our subsidiaries may not hold the necessary license to hold those assets directly, but where we are the beneficial owner of at least 95% of the participation rights in those assets, or (ii) as approved by a majority of the independent members of our Board of Directors, we generally will not purchase portfolio assets from, or sell them to, our directors or officers or to our Manager, Aspen or any of their affiliates or engage in any transaction in which they have a direct or indirect pecuniary interest, including in connection with the securitization of any of our mortgage loan assets (other than our agreements with our Manager, the Servicer and Aspen described in more detail herein) without the consent of the Investment Supervisory Committee of the Board of Directors.

Policies with Respect to Certain Other Activities

We intend to raise additional funds through future offerings of equity or debt securities or the retention of cash flow (subject to REIT distribution requirements) or a combination of these methods. In the event that our Board of Directors determines to raise additional equity capital, it has the authority, without stockholder approval, to issue additional common stock or preferred stock in any manner and on such terms and for such consideration as it deems appropriate, at any time, subject to compliance with applicable regulatory requirements.

In addition, we expect to borrow money to finance or refinance the acquisition of RPLs, SBC loans and REO and for general corporate purposes, and we may borrow to finance the payment of dividends. Our investment policy, the assets in our portfolio, the decision to use leverage and the appropriate level of leverage will be based on our Manager's assessment of a variety of factors, including our historical and projected financial condition, liquidity and results of operations, financing covenants, the cash flow generation capability of assets, the availability of credit on favorable terms, our outlook for borrowing costs relative to the unlevered yields on our assets, our intention to qualify and maintain our qualification as a REIT and exemption from the Investment Company Act, applicable law, and other factors, as our Board of Directors may deem relevant from time to time. Our decision to use leverage is at our Manager's discretion and is not subject to the approval of our stockholders. We are not restricted by our governing documents in the amount of leverage that we may use.

We may also invest in the securities of other REITs, other entities engaged in real estate activities or securities of other issuers for the purpose of exercising control over such entities or with the intention of realizing short-term or long-term gains. We do not intend that our investments in securities will require us to register as an investment company under the Investment Company Act, and we would intend to divest such securities before any such registration would be required. We do not intend to underwrite securities of other issuers. We finance our assets with what we believe to be a prudent amount of leverage, which will vary from time to time based upon the particular characteristics of our portfolio, availability of financing and market conditions. We have funded and intend to continue to fund our asset acquisitions with non-recourse securitizations in which the underlying collateral is not marked to market and employ repurchase agreements without the obligation to mark to market the underlying collateral to the extent available. Our repurchase agreements include terms ranging from a maximum borrowing base of 90% of market value to 75% of purchase price, not to exceed 75% of property value. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" for a description of our securitizations, our repurchase financing facility and any other outstanding indebtedness.

In a repurchase agreement, we sell an asset to a counterparty at a discounted value, or the loan amount, and simultaneously agree to repurchase the same asset from such counterparty at a price equal to the loan amount plus interests. Despite being legally structured as sales and subsequent repurchases, repurchase agreements are generally accounted for as debt secured by the underlying assets. During the term of a repurchase agreement, we generally receive the income and other payments distributed with respect to the underlying assets, and pay interest to the counterparty. While the proceeds of our repurchase agreement financings are often used to purchase additional assets subject to the same repurchase agreement, our financing arrangements are not expected to restrict our ability to use proceeds from these arrangements to support our other liquidity needs. Our repurchase agreement arrangements are typically documented under the standard form master repurchase agreement of the Securities Industry and Financial Markets Association, with the ability for both parties to request margin. Given daily market volatility, we and our repurchase agreement counterparties are required to post additional margin collateral to each other from time to time as part of the normal course of our business. Our repurchase agreement financing counterparties generally have the right to determine the value of the underlying collateral for purposes of determining the amount of margin, subject to the terms and conditions of our agreement with the counterparty, including, in certain cases, our right to dispute the counterparty's valuation determination.

We may utilize other types of borrowings in the future, including, but not limited to, debt financing through bank credit facilities, warehouse lines of credit and structured financing arrangements, among others. We may also seek to raise additional capital through public or private offerings of debt or equity securities, depending upon market conditions. However, there can be no assurance as to how much additional financing capacity such efforts will produce, what form the financing will take or that such efforts will be successful. If we are unable to expand our sources of financing, our business, financial condition, liquidity and results of operations may be materially and adversely affected.

Our use of leverage, especially in order to increase the amount of assets supported by our capital base, may have the effect of increasing losses when these assets underperform. Our charter, bylaws and investment policies require no minimum or maximum leverage and our Investment Supervisory Committee has the discretion, subject to the oversight of our Board of Directors, to change both our overall leverage and the leverage used for individual asset classes. Because our strategy is flexible, dynamic and opportunistic, our overall leverage will vary over time and our Board of Directors believes it is appropriate to apply higher leverage to higher quality assets.

We currently do not hedge the risk associated with the mortgage loans and real estate underlying our portfolios. However, we may undertake risk mitigation activities with respect to our debt financing interest rate obligations. We expect that our debt financing may at times be based on a floating rate of interest calculated on a fixed spread over the relevant index, as determined by the particular financing arrangement. A significantly rising interest rate environment could have an adverse effect on the cost of our financing. To mitigate this risk, we may use derivative financial instruments such as interest rate swaps and interest rate options in an effort to reduce the variability of earnings caused by changes in the interest rates we pay on our debt, subject to our maintaining compliance with the terms of the no-action letter so that we are not treated as a commodity pool operator for purposes of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). See "— Operating and Regulatory Structure — Commodity Pool Operator Exemption."

These derivative transactions will be entered into solely for risk management purposes, not for investment purposes. When undertaken, these derivative instruments likely will expose us to certain risks such as price and interest rate fluctuations, timing risk, volatility risk, credit risk, counterparty risk and changes in the liquidity of markets. Therefore, although we expect to transact in these derivative instruments purely for risk management, they may not adequately protect us from fluctuations in our financing interest rate obligations. No such derivative instruments are currently in use.

The Management Agreement

On February 26, 2024, we issued a notice to our Manager to terminate the existing Management Agreement. We and our Manager have agreed that the stipulated termination fee will be paid in shares of our common stock in lieu of cash upon consummation of the transactions with Rithm and its affiliates. Subject to receipt of stockholder approval, we will enter into a termination and release agreement with the Manager and into a new management agreement with RCM GA, an affiliate of Rithm, in the form agreed upon with RCM GA.

We have 19.8% ownership in our Manager. Under the Management Agreement, the Manager implements our business strategy and manages our business and investment activities and day-to-day operations, subject to oversight by our Board of Directors. Among other services, the Manager, directly or through affiliates, provides us with a management team and necessary administrative and support personnel. Additionally, we pay directly for services related to internal audit, a function that reports to the Audit Committee of the Board of Directors. We do not currently have any employees paid directly by us and do not expect to have any other employees that are paid directly by us in the foreseeable future. Each of our executive officers is an employee or officer, or both, of the Manager and/or the Servicer.

Under the Management Agreement, we pay both a base management fee and an incentive fee to the Manager.

The base management fee equals 1.5% of our stockholders' equity per annum, including equity equivalents such as our convertible senior notes, and is calculated and payable quarterly in arrears. We have the option to pay the management fee between 50% to 100% cash at our discretion, and pay the remainder in shares of our common stock. For purposes of calculating the management fee, our stockholders' equity means: the sum of (i) the net proceeds from any issuances of common stock or other equity securities we or the Operating Partnership have issued (without double counting) since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), and (ii) our and our Operating Partnership's (without double counting) retained earnings calculated in accordance with accounting principles generally accepted in the United States ("U.S. GAAP" or "GAAP") at the end of the most recently completed fiscal quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less (A) any amount that we or our Operating Partnership pays to repurchase shares of common stock since inception, (B) any unrealized gains and losses and other non-cash items that have affected consolidated stockholders' equity as reported in our consolidated financial statements prepared in accordance with U.S. GAAP, and (C) one-time events pursuant to changes in U.S. GAAP, and certain non-cash items not otherwise described above, in each case after discussions between the Manager and our independent directors and approval by a majority of our independent directors. As a result, our stockholders' equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders' equity shown on our consolidated financial statements.

In the event we elect to pay the Manager in shares of our common stock, the calculation to determine the number of shares of our common stock to be issued to the Manager is outlined as follows. The initial $1.0 million of the quarterly base management fee is payable 75% in cash and 25% in shares of our common stock. Any amount of the base management fee in excess of $1.0 million is payable in shares of our common stock (at our discretion) until payment is 50% in cash and 50% in shares (the "50/50 split"). Any remaining amount of the quarterly base management fee after the 50/50 split threshold is reached may be payable in equal amounts of cash and shares (at our discretion). The quantity of common stock is determined based on the average of the closing prices of its common stock on the NYSE on the five business days preceding the record date of the most recent regular quarterly dividend to holders of the common stock. The Manager has agreed to hold any shares of common stock received by it as payment of the base management fee for at least three years from the date such shares of common stock are received.

The Manager is also entitled to an incentive fee, payable quarterly and calculated in arrears, which contains both a quarterly and annual component. A quarterly incentive fee is payable to the Manager if the sum of our dividends on our common stock paid out of taxable income and our increase in book value, all relative to the applicable quarter and calculated per-share on an annualized basis, exceed 8%. The Manager will also be entitled to an annual incentive fee if the sum of the our quarterly cash dividends on its common stock paid out of taxable income, special cash dividends on our common stock paid out of taxable income and increase in book value within the applicable calendar year exceed 8% of our book value per share as of the end of the calendar year. However, no incentive fee may be payable to the Manager with respect to any calendar quarter unless our cumulative core earnings, defined as U.S. GAAP net income or loss less non-cash equity compensation, unrealized gains or losses from mark to market adjustments, one-time adjustments to earnings resulting from changes to U.S. GAAP, and certain other non-cash items, is greater than zero for the most recently completed eight calendar quarters. In the event that the payment of the quarterly base management fee has not reached the 50/50 split, all of the incentive fee is payable in shares of our common stock at our discretion and any until the 50/50 split occurs. In the event that the total payment of the quarterly base management fee and the incentive fee has reached the 50/50 split, 20% of the remaining incentive fee is payable in shares of our common stock and 80% of the remaining incentive fee is payable in cash. Notwithstanding the foregoing, we may elect to pay the incentive fee entirely in cash at our discretion.

We also reimburse the Manager for all third party, out-of-pocket costs it incurs for managing our business, including third party due diligence and valuation consultants, legal expenses, auditors and other financial services. The reimbursement obligation is not subject to any dollar limitation. Expenses are reimbursed in cash on a monthly basis.

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

Under the Management Agreement, we pay a quarterly base management fee based on our stockholders' equity, including equity equivalents such as our issuance of convertible senior notes. Also, under the First Amendment to the Third Amended and Restated Management Agreement with the Manager, which has an effective date of March 1, 2023, our quarterly base management fee will include our unsecured debt securities to the extent the proceeds were used to repurchase our preferred stock.

We may be required to pay a quarterly and annual incentive management fee based on our cash distributions to our stockholders and increases in our book value. Manager fees are expensed in the quarter incurred and the portion payable in common stock is included in stockholders' equity at quarter end.

The Servicer

We are also a party to the Servicing Agreement (the "Servicing Agreement"), expiring July 8, 2029, with Gregory. Gregory recently informed us that its financial condition has declined and is expected to further decline as a result of various factors including our loan sales and other transactions described herein. Gregory expects to enter into a transaction to assign substantially all of its servicing rights and obligations to a third-party servicer, subject to the receipt of necessary consents, in the near future. The new servicer would assume all of Gregory's rights and obligations under agreements governing the servicing of loans in private securitizations and for us and certain of our affiliates.

Gregory was formed by the members of our Manager's management team to service "high-touch" assets, which are loans that require substantial and active interaction with the borrower for modification or other resolution. These loans are to less creditworthy borrowers or for properties the value of which has decreased and are more expensive to service because they require more frequent interaction with customers and greater monitoring and oversight. Our Servicer is licensed to service loans in all states where such license is required to conduct its business, and currently has mortgage loan origination staff who are licensed in 14 states. It also holds mortgage lending, debt collection or similar licenses in the states where such licenses are required. Our Servicer is a Freddie Mac authorized servicer, a Home Affordable Modification Program ("HAMP") registered servicer, a Veterans Administration Servicer and has unsupervised Title II Mortgage authorization from the Federal Housing Administration ("FHA"). At December 31, 2023, we owned an 9.5% equity interest in the parent company of our Servicer and warrants to acquire an additional 12.0%, all held through a TRS.

Our Servicer must comply with a wide array of U.S. federal, state and local laws and regulations that regulate, among other things, the manner in which it services our mortgage loans and manages our real property in accordance with the Servicing Agreement, including Consumer Financial Protection Bureau ("CFPB") mortgage servicing regulations promulgated pursuant to the Dodd-Frank Act. These laws and regulations cover a wide range of topics. The laws and regulations are complex and vary greatly among the states and localities. In addition, these laws and regulations often contain vague standards or requirements, which make compliance efforts challenging. From time to time, the Servicer may become party to certain regulatory inquiries or proceedings, which, even if unrelated to the residential mortgage servicing operation, may result in adverse findings, fines, penalties or other assessments and may affect adversely the Servicer's reputation.

The Servicer receives an annual servicing fee ranging from 0.65% annually of UPB to 1.25% annually of UPB. The servicing fee is based upon the status of the loan at acquisition. Servicing fees are paid monthly. The fees do not change if an RPL becomes non-performing or vice versa. The total fees we incur for these services depend upon the UPB and type of mortgage loans that the Servicer services pursuant to the terms of the Servicing Agreement. Servicing fees for our real property assets are the greater of (i) the servicing fee applicable to the underlying mortgage loan prior to foreclosure, or (ii) 1.00% annually of the fair market value of the REO as reasonably determined by the Manager or 1.00% annually of the purchase price of any REO we otherwise purchase.

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

If the Servicing Agreement has been terminated other than for cause or the Servicer terminates the Servicing Agreement, we will be required to pay a termination fee equal to the aggregate servicing fees payable under the Servicing Agreement for the immediate preceding 12-month period.

Our Servicer services our mortgage loans, MBS, REO and other real estate assets. Our Servicer is licensed to service loans or is exempt from licensing in all states in which it does business. Our Servicer is also an approved servicer for the FHA and the Veterans Administration ("VA"). As of the date of this Annual Report, our Servicer is licensed in every state in which licensing is required for such activities.

Our Servicer employs various loan resolution methodologies with respect to our residential mortgage loans, including loan modification, collateral resolution and collateral disposition. To help us achieve our business objective, the Servicer focuses on (1) supporting the continuing performance of our RPLs; (2) converting a portion of our RPLs and NPLs to performing status; and (3) managing the foreclosure process and timelines with respect to the remainder of those loans.

Our preferred resolution methodology is typically to cause the RPLs to continue to perform and NPLs to perform through loan modification. Following a period of continued performance, we expect many borrowers will refinance these loans with other lenders at or near the estimated value of the underlying property, potentially generating attractive returns for us. We believe loan re-performance followed by refinancing generates near-term cash flows, provides the highest possible stable economic outcome for us and is a socially responsible business strategy because it keeps more families in their homes. In certain circumstances, we may also consider selling these newly performing loans. However, based on historical experience, we expect that many of our residential NPLs will enter into foreclosure, ultimately becoming REO that we can sell. If a REO property does not meet our investment criteria, we expect the Servicer to engage in REO liquidation and short sale processes to dispose of the property and generate cash for reinvestment in other acquisitions. We believe that our multifaceted resolution approach generally creates optimal stable returns, as all loans and REO may not be amenable to a single resolution strategy. To avoid the 100% prohibited transaction tax on the sale of dealer property by a REIT, we may dispose of assets that may be treated as held "primarily for sale to customers in the ordinary course of a trade or business" by contributing or selling the assets to a TRS, prior to marketing the asset for sale. For more information regarding our resolution methodologies, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors That May Affect Our Operating Results — Resolution Methodologies."

The Servicer collects and remits mortgage loan payments, responds to borrower inquiries, accounts for principal and interest, holds custodial and escrow funds for payment of property taxes and insurance premiums, counsels or otherwise works with delinquent borrowers, supervises foreclosures and property dispositions and generally administers the loans. In return for these servicing functions, we pay servicing fees to the Servicer equal to specified percentages of the outstanding unpaid principal balance of the loans being serviced. We are entitled to other forms of servicing compensation, rather than the Servicer, such as late payment or modification fees and any prepayment penalties payable by borrowers. Servicing compensation also includes interest income, or the "float," earned on collections that are deposited in various custodial accounts between their receipt and the scheduled or contractual distribution of the funds to investors. Generally, the Servicer does not advance delinquent monthly payments of interest or principal in respect of mortgage loans but will be obligated to make certain servicing advances.

The Servicer also services the mortgage loans underlying the MBS we create and sell to investors pursuant to customary agreements.

Under the Servicing Agreement, the Servicer also provides property management, lease management and renovation management services associated with the real properties we acquire upon conversion of mortgage loans that we own or that we acquire directly and assists in finding third party financing for such properties.

Competition

In acquiring our assets, we compete with other mortgage and hybrid REITs, hedge funds, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, investment banking firms, financial institutions, governmental bodies and other entities. Most of our competitors are significantly larger than us, have greater access to capital and other resources and may have other advantages over us. In addition to existing companies, other companies may be organized for similar purposes, including companies focused on purchasing mortgage assets. A proliferation of such companies may increase the competition for equity capital and thereby adversely affect the price of our shares of common stock. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of assets and establish more relationships than us.

We may not be able to achieve our business objectives due to the competitive risks that we face.

Operating and Regulatory Structure

Tax Requirements

We elected to be taxed as a REIT for U.S. federal income tax purposes beginning with our taxable year ended December 31, 2014. Provided that we continue to maintain our qualification as a REIT, we generally will not be subject to U.S. federal income tax on our REIT taxable income that is currently distributed to our stockholders. REITs are subject to a number of organizational and operational requirements, including a requirement that they currently distribute at least 90% of their annual REIT taxable income excluding net capital gains. We cannot assure you that we will be able to continue to comply with such requirements in the future. Failure to qualify as a REIT in any taxable year would cause us to be subject to U.S. federal income tax on our taxable income at regular corporate rates (and any applicable state and local taxes). Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state, local and non-U.S. taxes on our income. For example, for any business that we conduct through a TRS, the income generated by that subsidiary will be subject to U.S. federal, state and local income tax. GAJX Real Estate Corp. is a wholly owned subsidiary of the Operating Partnership formed to own, maintain, improve and sell certain REO purchased by us. GA-TRS is a wholly owned subsidiary of our Operating Partnership that owns our 19.8% equity interest in our Manager and our 9.5% interest in the parent of our Servicer. We have elected to treat both GAJX Real Estate Corp. and GA-TRS as TRSs under the Code.

Investment Company Act Exclusion

We conduct our operations so that neither we nor any of our subsidiaries is required to register as an investment company under the Investment Company Act. Section 3(a)(1)(A) of the Investment Company Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, which we refer to as the 40% test. Excluded from the term ''investment securities,'' among other things, are securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exclusion from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

We are organized as a holding company and conduct our businesses primarily through wholly owned subsidiaries of our Operating Partnership. Our Operating Partnership holds certain real estate and real estate-related assets, directly and through subsidiaries. Neither we nor our Operating Partnership nor Great Ajax Funding is an investment company under Section 3(a)(1)(C). In addition, we conduct our operations so that neither we nor our Operating Partnership nor Great Ajax Funding come within the definition of an investment company by ensuring that less than 40% of the value of our total assets on an unconsolidated basis consists of "investment securities."

We monitor our compliance with the 40% test and the holdings of our subsidiaries to ensure that each of our subsidiaries is in compliance with an applicable exemption or exclusion from registration as an investment company under the Investment Company Act.

Our 19.8% equity interest in our Manager and our 9.5% equity interest in the parent company of our Servicer are owned by GA-TRS, which is a special purpose subsidiary of our Operating Partnership. GA-TRS may rely on Section 3(c)(1) or 3(c)(7) for its Investment Company Act exclusion and, therefore, our interest in such subsidiary would constitute an ''investment security'' for purposes of determining whether we pass the 40% test. We also may form certain other wholly owned or majority-owned subsidiaries that will invest, subject to our investment guidelines, in other real estate-related assets. These subsidiaries may rely upon the exclusion from the definition of investment company under the Investment Company Act pursuant to Section 3(c)(1) or 3(c)(7) of the Investment Company Act. The securities issued by any wholly owned or majority-owned subsidiary that we may form and that are excluded from the definition of "investment company" based on Section 3(c)(1) or 3(c)(7) of the Investment Company Act, together with any other investment securities we may own, may not have a value in excess of 40% of the value of our total assets on an unconsolidated basis.

In addition, we believe that neither we nor certain of our subsidiaries will be considered investment companies under Section 3(a)(1)(A) of the Investment Company Act because we and they will not engage primarily or hold themselves out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, we and such subsidiaries will be primarily engaged in non-investment company businesses related to real estate. Consequently, we and our subsidiaries expect to be able to conduct our operations such that none will be required to register as an investment company under the Investment Company Act.

Certain of our subsidiaries may also rely upon certain exclusions from the definition of investment company under Section 3(c)(5)(C) of the Investment Company Act. Section 3(c)(5)(C), as interpreted by the staff of the SEC, requires an entity to invest at least 55% of its assets in "mortgages and other liens on and interests in real estate," which we refer to as "qualifying real estate interests," and at least 80% of its assets in qualifying real estate interests plus "real estate-related assets."

On August 31, 2011, the SEC published a concept release entitled "Companies Engaged in the Business of Acquiring Mortgages and Mortgage Related Instruments" (Investment Company Act Rel. No. 29778). This release notes that the SEC is reviewing the Section 3(c)(5)(C) exclusion relied upon by companies similar to us that invest in mortgage loans. There can be no assurance that the laws and regulations governing the Investment Company Act status of companies similar to ours, or the guidance from the SEC or its staff regarding the treatment of assets as qualifying real estate assets or real estate-related assets, will not change in a manner that adversely affects our operations as a result of this review. To the extent that the SEC or its staff provides more specific guidance regarding any of the matters bearing upon our exclusion from the need to register under the Investment Company Act, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies that we have chosen.

The loss of our exemption from regulation pursuant to the Investment Company Act could require us to restructure our operations, sell certain of our assets or abstain from the purchase of certain assets, which could have an adverse effect on our financial condition and results of operations. See "Item 1A. Risk Factors — Risks Related to Our Organizational Structure — Maintenance of our exclusion from registration as an investment company under the Investment Company Act imposes significant limitations on our operations."

Commodity Pool Operator Exemption

Under the Dodd-Frank Act, any investment fund that trades in swaps may be considered a "commodity pool," which would cause its operators to be regulated as a "commodity pool operator," or ("CPO"). We have relied on no-action relief from registration from the Commodity Futures Trading Commission ("CFTC") and filed our claim with the CFTC to perfect the use of the no-action relief from registration. In order to be exempt from registration as a CPO under the no-action relief, we must, among other non-operation requirements: (1) limit our initial margin and premiums required to establish our swap or futures positions to no more than 5% of the fair market value of our total assets; and (2) limit our net income derived annually from our swaps and futures positions that are not "qualifying hedging transactions" to less than 5% of our gross income. The need to operate within these parameters could limit the use of swaps by us below the level that we would otherwise consider optimal or may lead to the registration of our company or our directors as CPOs. See "Item 1A. Risk Factors — Risks Related to Regulatory and Legislative Actions — We may be unable to operate within the parameters that allow us to be excluded from regulation as a commodity pool operator, which would subject us to additional regulation and compliance requirements, and could materially adversely affect our business and financial condition."

Environmental Matters

As an owner of real estate, we are subject to various U.S. federal, state and local environmental laws, regulations and ordinances and also could be liable to third parties resulting from environmental contamination or noncompliance with environmental laws at our properties. Environmental laws can impose liability on an owner or operator of real property for the investigation and remediation of contamination at or migrating from such real property, without regard to whether the owner or operator knew of or was responsible for the presence of the contaminants. The costs of any required investigation or cleanup of these substances could be substantial. The liability is generally not limited under such laws and could exceed the property's value and the aggregate assets of the liable party. The presence of contamination or the failure to remediate contamination at our properties also may expose us to third-party liability for personal injury or property damage or adversely affect our ability to sell, lease or renovate the real estate or to borrow using the real estate as collateral. See also "Item 1A. Risk Factors."

Employees

Exclusive of certain incentive stock grants, we do not currently have any employees who are paid directly by us, and, excluding incentive stock grants, do not expect to have any employees paid directly by us in the foreseeable future. Each of our executive officers is an employee or officer or both, of our Manager or of the Servicer, and they are paid by our Manager or the Servicer, as applicable. Our Manager and the Servicer share employees with other affiliates of Aspen as necessary to implement our business strategy.

Available Information

Our web address is www.greatajax.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") are made available on our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission (the "SEC").

The information on our website does not constitute a part of this Annual Report and is not incorporated by reference. Our reference to the URL for our website is intended to be an inactive textual reference only.

Item 1A. Risk Factors

You should carefully consider the risks described below together with the other information included in this Annual Report. Our business, financial condition or results of operations could be adversely affected by any of these risks. If any of these risks occur, the value of our common stock could decline.

Risks Related to Our Business

We may not be able to close the transactions we entered into with Rithm and its affiliates on the agreed upon terms or at all.

On February 26, 2024, we entered into a series of agreements with Rithm and its affiliates. Several of the transactions and agreements require us to satisfy certain closing conditions before the transactions may be completed, including obtaining approval from our stockholders of such transactions. In addition, under certain limited circumstances, either we or Rithm may choose to terminate the agreements and not proceed with the transactions. There can be no assurance that we will satisfy the required closing conditions in order to close the transactions we have entered into with Rithm and its affiliates on the agreed upon terms or that any consummation of such transactions will yield additional value for our stockholders. While it is currently anticipated that the transactions with Rithm and its affiliates will be completed shortly after we obtain the required stockholder approval for the transactions, there can be no assurance that the conditions to the closing will be satisfied in a timely manner or at all, or that an effect, event, circumstance, occurrence, development or change will not transpire that could delay or prevent these conditions from being satisfied.

Failure to consummate the transactions with Rithm and its affiliates as currently contemplated or at all could adversely affect the price of our common stock and our future business, financial results and prospects.

In the event the transactions with Rithm and its affiliates are consummated on terms different than those contemplated by the applicable agreements or such transactions are not consummated at all, we could be adversely affected and subject to a variety of risks associated with the failure to consummate the transactions, including the following:

- our stockholders may be prevented from realizing the anticipated benefits of us entering into a management agreement with RCM GA;
- the market price of our common stock could decline significantly;
- reputational harm due to the adverse perception of any failure to successfully consummate the transactions with Rithm and its affiliates ;
- us being required, under certain circumstances, to pay a termination fee and expenses to RCM GA;

- incurrence of substantial costs relating to the transactions, such as legal, accounting, financial advisor, filing, printing and mailing fees without the transactions being consummated as contemplated;
- the attention of our management and the Manager may be diverted from their day-to-day business and operational matters as a result of efforts relating to attempting to consummate the transactions; and
- our inability to revoke the termination of the Manager.

Any delay in the consummation of the transactions or any uncertainty relating to the transactions could materially adversely affect our business, financial results and prospects and/or our stock price.

The failure of Gregory to service our assets effectively would materially and adversely affect us.

We rely on Gregory to service and manage our assets, including managing collections on our whole mortgage loans and the mortgage loans underlying our retained MBS. Gregory recently informed us that its financial condition has declined significantly as a result of various factors including our loan sales and the other transactions described herein. Gregory expects to enter into a transaction to assign its servicing rights and obligations to a third-party servicer, subject to the receipt of necessary consents, in the near future. The new servicer would assume all of Gregory's rights and obligations under agreements governing the servicing of loans in private securitizations and for us or our affiliates.

If Gregory (or a third party mortgage servicer) is not vigilant in encouraging borrowers to make their monthly payments, the borrowers may be far less likely to make these payments, which could result in a higher frequency of default. If Gregory (or a third party mortgage servicer) takes longer than we expect to liquidate non-performing assets, our losses may be higher than originally anticipated. We also rely on Gregory to provide all of our property management, lease management and renovation management services associated with the real properties we acquire upon conversion of residential mortgage loans that we own or that we acquire directly. The failure of Gregory (or a third party mortgage servicer) to effectively service our mortgage loan assets, including the mortgage loans underlying any MBS we may own, REO and other real estate-related assets could negatively impact the value of our investments and our performance.

We expect to continue to incur increasing and significant consolidated net losses from our mortgage asset holdings.

For the year ended December 31, 2023, we incurred a net loss attributable to common stockholders of $49.3 million. In addition, the market value of our RPLs, NPLs and SBC loans have significantly deteriorated and we have incurred substantial operating losses as a result. We expect to continue to incur significant and increasing operating losses for the foreseeable future given the current market conditions for our mortgage asset holdings.

In particular, increasing interest rates have had, and are expected to continue to have, significant negative effects on our loan assets. Increases in interest rates, the interrelationships between various rates and interest rate volatility have had, and are expected to continue to have, negative effects on our earnings because it has extended duration. This has resulted in, and is expected to continue to result in, significant decreases in the fair market value of performing loans. It also may impact adversely our ability to securitize, re-securitize or sell our assets on attractive terms. Higher interest rates may reduce the ability or desire of borrowers to refinance their loans. Mortgage related assets may become more illiquid during periods of interest rate volatility. As a result, we also may encounter difficulties refinancing our securitizations and it increases the costs of our repurchase facility financings. Higher interest rates also generally increase our financing costs as we seek to renew or replace borrowing facilities.

The lack of liquidity of our assets has adversely affected our business, including our ability to sell our assets.

We acquire assets, securities or other instruments that are not liquid or publicly traded, and recent market conditions have significantly and negatively affected the liquidity of our assets. As a result of the unfavorable market conditions, we have identified certain mortgage loans that we have either agreed to sell or may propose to market for sale under certain circumstances in the near future. We anticipate that we will record a loss in connection with any loans we ultimately sell. Any delay or inability to consummate any loan sale on attractive terms or at all could materially adversely affect our business, financial results and prospects and/or our stock price.

In addition, mortgage-related assets generally experience periods of illiquidity, including periods of delinquencies and defaults with respect to residential and commercial mortgage loans. Further, validating third-party pricing for illiquid assets may be more subjective than for liquid assets. Any illiquidity of our assets may make it difficult for us to sell such assets if the need or desire arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we previously recorded our assets. We may also face other restrictions on our ability to liquidate any assets for which we have or could be attributed with material non-public information. If we are unable to sell our assets at favorable prices or at all, it could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders. Assets that are illiquid are more difficult to finance, and to the extent that we use leverage to finance assets that become illiquid, we may lose that leverage or have it reduced. Assets tend to become less liquid during times of financial stress, which is often the time that liquidity is most needed. As a result, our ability to sell assets or vary our portfolio in response to changes in economic and other conditions may be limited by liquidity constraints, which could adversely affect our results of operations and financial condition.

Difficult conditions in the mortgage, residential real estate and smaller commercial real estate markets as well as general market concerns have adversely affected the value of the assets in which we invest and these conditions continue to persist for the foreseeable future.

Our business is materially affected by conditions in the residential mortgage market, the residential real estate market, the smaller commercial real estate market, the financial markets and the economy in general. Concerns about the residential mortgage market, inflation, energy costs, geopolitical issues, concerns over the creditworthiness of governments worldwide and the stability of the global banking system, continuing relatively high unemployment and under-employment and the availability and cost of credit have contributed to increased volatility and diminished expectations for the economy and markets going forward. In particular, the residential mortgage market in the United States has experienced a variety of difficulties and changed economic conditions, including defaults, credit losses and liquidity concerns. The smaller commercial real estate mortgage market also may face increased defaults, losses, or liquidity concerns due to economic conditions or government imposed forbearance programs.

Certain commercial banks, investment banks and insurance companies continue to announce losses from exposure to the residential mortgage market. These factors have affected investor perception of the risk associated with mortgage-backed securities, other real estate-related securities and various other asset classes in which we may invest. As a result, values of certain of our assets and the asset classes in which we intend to invest have experienced volatility. Further deterioration of the mortgage market and investor perception of the risks associated with MBS we may retain as part of our securitizations, as well as other assets that we acquire could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

A significant portion of our mortgage loans may become NPLs, which could further increase the significant losses we have incurred to date.

We may acquire mortgage loans where the borrower has failed to make timely payments of principal and/or interest currently or in the past. As part of the mortgage loan portfolios we purchase, we also may acquire performing loans that subsequently become non-performing. Under current market conditions, many of these loans will have current loan-to-value ratios in excess of 100%, meaning the amount owed on the loan exceeds the value of the underlying real estate. Although we expect to purchase loans at significant discounts to UPB and underlying property value, if actual results are different from our assumptions in determining the prices for such loans, particularly if the market value of the underlying property decreases significantly, we may incur significant losses. There are no limits on the percentage of NPLs we may hold. Any loss we incur may be significant and could materially and adversely affect us.

We primarily own higher risk loans, which are more expensive to service than conventional mortgage loans.

A significant percentage of the mortgage loans we own are higher risk loans, meaning that the loans are made to less creditworthy borrowers or for properties the value of which has decreased. These loans are more expensive to service because they require more frequent interaction with customers and greater monitoring and oversight. Additionally, in connection with mortgage market reforms and recent and possible future regulatory developments, servicers of higher risk loans may be subject to increased scrutiny by state and U.S. federal regulators or may experience higher compliance costs, which could result in a further increase in servicing costs. Through the Servicing Agreement, the Servicer currently passes along to us many of the additional third-party expenses incurred by it in servicing these higher risk loans. The greater cost of servicing higher risk loans, which may be further increased through regulatory changes, could adversely affect our business, financial condition and results of operations.

A change in delinquencies for the loans we own could adversely affect our business, financial condition and results of operations.

A significant percentage of the mortgage loans we own are higher risk loans, which tend to have higher delinquency and default rates than GSE and government agency-insured mortgage loans. These higher risk loans, combined with decreases in property values, have caused increases in loan-to-value ratios, resulting in borrowers having little or negative equity in their property, which may provide an incentive to borrowers to strategically default on their loans. Recent laws delay the initiation or completion of foreclosure proceedings on specified types of residential mortgage loans or otherwise limit the ability of mortgage servicers to take actions that may be essential to preserve the value of the mortgage loans. Any such limitations are likely to cause delayed or reduced collections from mortgagors.

The principal and interest payments on our retained MBS are not guaranteed by any entity and, therefore, are subject to increased risks, including credit risk.

We create and retain MBS that are backed by residential mortgage loans that do not conform to the Fannie Mae or Freddie Mac underwriting guidelines. Consequently, the principal and interest on those MBS are not guaranteed by GSEs such as Fannie Mae and Freddie Mac, or securitized through Ginnie Mae. We do not currently expect to acquire third-party non-Agency MBS. Our MBS are and will be subject to many of the risks of the respective underlying mortgage loans. A residential mortgage loan is typically secured by a single-family residential property and is subject to risks of delinquency and foreclosure and risks of loss. The ability of a borrower to repay a loan secured by a residential property depends upon the income or assets of the borrower. A number of factors, including the impact of the, a prolonged economic downturn, unemployment, acts of God, terrorism, social unrest and civil disturbances, may impair borrowers' abilities to repay their mortgage loans. In periods following home price declines, "strategic defaults" (decisions by borrowers to default on their mortgage loans despite having the ability to pay) also may become more prevalent.

In the event of defaults under mortgage loans backing any of our retained MBS, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan. Additionally, in the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process which could have a substantial negative effect on our anticipated return on the foreclosed mortgage loan. If borrowers default on the mortgage loans backing our MBS and we are unable to recover any resulting loss through the foreclosure process, our business, financial condition and results of operations and our ability to make distributions to our stockholders could be materially adversely affected.

Residential mortgage loan modification, refinance, or forbearance programs, future legislative action, and other actions and changes in the general economy may materially and adversely affect the value of and expected returns on RPLs and NPLs.

Our business model depends on the acquisition of a steady supply of RPLs and NPLs, our ability to support continued performance by borrowers, the success of our loan modification and other resolution efforts and to a certain extent, the conversion of a portion of those loans to REO that we can then sell or rent. The number of RPLs and NPLs available for purchase may be reduced by uncertainty in the lending industry and the governmental sector and/or as a result of general economic conditions. Lenders have delayed foreclosure proceedings, offered payment forbearance, renegotiated interest rates, or refinanced loans for borrowers who face foreclosure.

Certain states have imposed or encouraged forbearance programs, aiming at assisting at-risk homeowners or reducing the number of properties going into foreclosure, or may do so in the future. Extended forbearance, foreclosure timelines and eviction timelines could result in lower yields and losses on our mortgage loan and beneficial interest portfolios and losses on our REO held-for-sale. Ongoing disruption in the credit markets could result in margin calls from our financing counterparties and additional mark downs on our Investments in debt securities, beneficial interests and mortgage loans. These programs, any other programs that may replace them, future legislative or regulatory actions, including possible amendments to the bankruptcy laws that result in the modification of outstanding residential mortgage loans, as well as changes in the requirements necessary to qualify for refinancing residential mortgage loans, may materially and adversely affect the value of, and the returns on, our portfolio of RPLs and NPLs.

Other governmental actions may affect our business by hindering the pace of foreclosures. Certain jurisdictions suffer from a backlog of foreclosures, due to a combination of volume constraints and legal actions, including those brought by the U.S. Department of Justice ("DOJ"), the U.S. Department of Housing and Urban Development ("HUD"), State Attorneys General, the Office of the Comptroller of the Currency, and the Federal Reserve Board against mortgage servicers alleging wrongful foreclosure practices. Legal claims brought or threatened by the DOJ, HUD, CFPB and State Attorneys General against residential mortgage servicers have produced large settlements. A portion of the funds from these settlements were directed to homeowners seeking to avoid foreclosure through mortgage modifications, and servicers are required to adopt specified measures to reduce mortgage obligations in certain situations. We expect that the settlements will help many homeowners avoid foreclosures that would otherwise have occurred. It is also possible that other residential mortgage servicers will agree to similar settlements. In addition, the U.S. Congress and numerous state legislatures have considered, proposed or adopted legislation to constrain foreclosures, or may do so in the future. These developments will reduce the number of homes in the process of foreclosure and decrease the supply of properties and assets that meet our investment criteria.

The Dodd-Frank Act also created the CFPB, which supervises consumer financial services companies (including bank and non-bank mortgage lenders and mortgage servicers) and enforces U.S. federal consumer protection laws as they apply to banks, credit unions and other financial services companies, including mortgage servicers, and which has issued many regulations regarding mortgage origination and servicing. These regulations provide for special remedies in favor of consumer mortgage borrowers, particularly upon default and foreclosure. It remains uncertain whether any of these measures significantly affect foreclosure volumes. If foreclosure volumes were to decline significantly, we may experience difficulty in finding target assets at attractive prices, which will materially and adversely affect us. Also, the number of families seeking rental housing might be reduced by such legislation, reducing rental housing demand for properties that we may seek to rent in our markets.

The supply of RPLs, NPLs and SBC loans may decline over time as a result of higher credit standards for new loans and the prices for RPLs, NPLs and SBC loans may increase, which could materially and adversely affect us.

As a result of the continuing effects of the economic crisis in 2008, there has been an increased supply of RPLs and NPLs available for sale. However, in response to the economic crisis, the origination of jumbo, subprime, Alt-A and second-lien residential mortgage loans has dramatically declined as lenders have increased their standards of creditworthiness in originating new loans and fewer homeowners may go into NPL status on their residential mortgage loans. Lenders may continue to rely on heightened credit standards, in light of the economic effects of the current global geopolitical climate or other crises. In addition, the prices at which both residential and SBC RPLs can be acquired may increase due to the entry of new participants into the distressed loan marketplace or a smaller supply of RPLs in the marketplace. For these reasons, along with the continuing slow rate of general improvement in the economy, the supply of RPLs and NPLs that we may acquire may decline over time, which could materially and adversely affect us.

The SBC loans we expect to acquire will be subject to the ability of the commercial property owner to generate net income from operating the property as well as the increased risks of delinquency and foreclosure.

The ability of a commercial mortgage borrower to repay a SBC loan secured by an income-producing property, such as a multi-family residential and commercial mixed use retail/residential property, typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the SBC loan may be impaired. Net operating income of an income producing property can be affected by, among other things, tenant mix, success of tenant businesses, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expense, limit rents that may be charged, or that restrict eviction and replacement of nonpaying tenants, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances. In particular, the number of commercial property delinquencies and foreclosures has and is expected to continue to, significantly increase. In the event of the bankruptcy of a commercial mortgage loan borrower, the SBC loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the SBC loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a SBC loan can be an expensive and lengthy process, which could have a substantial negative effect on our anticipated return on the foreclosed SBC loan.

Our SBC loans in respect of smaller multi-family residential properties or smaller mixed use retail/residential properties may be subject to defaults, foreclosure timeline extension, fraud, commercial price depreciation and unfavorable modification of loan principal amount, interest rate and amortization of principal.

Our SBC loans secured by multi-family or commercial property may be subject to risks of delinquency and foreclosure, and risk of loss that may be greater than similar risks associated with loans made on the security of single-family residential property. The ability of a borrower to repay a loan secured by an income-producing property typically depends primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower’s ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things:

- tenant mix;
- success of tenant businesses;
- property management decisions;
- property location and condition;
- competition from comparable types of properties;
- changes in laws that increase operating expenses or limit rents that may be charged;
- any need to address environmental contamination at the property or the occurrence of any uninsured casualty at the property;
- changes in national, regional or local economic conditions and/or specific industry segments;
- declines in regional or local real estate values;
- declines in regional or local rental or occupancy rates;
- increases in interest rates;
- real estate tax rates and other operating expenses;
- changes in governmental rules, regulations and fiscal policies, including environmental legislation; and
- acts of God, terrorist attacks, social unrest and civil disturbances.

We may be materially and adversely affected by risks affecting borrowers or any single-family rental properties in which our investments may be concentrated at any given time, as well as from unfavorable changes in the related geographic regions.

Our assets are not subject to any geographic, diversification or concentration limitations. Accordingly, our investment portfolio may be concentrated by geography, single-family rental property characteristics and/or borrower demographics, increasing the risk of loss to us if the particular concentration in our portfolio is subject to greater risks or undergoing adverse developments. In addition, adverse conditions in the areas where the properties securing or otherwise underlying our investments are located (including business layoffs or downsizing, industry slowdowns, changing demographics and other factors) and local real estate conditions (such as oversupply or reduced demand) may have an adverse effect on the value of our investments. A material decline in the demand for single-family housing or rentals in these or other areas where we own assets may materially and adversely affect us. Lack of diversification can increase the correlation of non-performance and foreclosure risks among our investments. Historically, our mortgage and real estate assets have been concentrated in Florida and the western and southwestern United States.

Changes in the underwriting standards by Freddie Mac, Fannie Mae or FHA could make it more difficult to refinance our purchased mortgage loans.

Stricter underwriting standards by Freddie Mac, Fannie Mae or the FHA could affect our ability to refinance mortgage loans and the terms on which mortgage loans may be refinanced, which may adversely affect our business and results of operations. For example, in 2010, Freddie Mac and Fannie Mae announced tighter underwriting guidelines, particularly for adjustable rate mortgages, ("ARMs"), and hybrid interest-only ARMs ("Hybrid ARMs"). Specifically, Freddie Mac announced that it would no longer purchase interest-only mortgages and Fannie Mae changed its eligibility criteria for purchasing and securitizing ARMs to protect consumers from potentially dramatic payment increases. If Freddie Mac, Fannie Mae, or the FHA were to adopt other restrictive underwriting standards, that could affect our ability to refinance loans and the terms of those loans.

The whole residential mortgage loans and other residential mortgage assets in which we invest are subject to risk of default, among other risks.

The mortgage loans and other mortgage-related assets that we acquire from time to time may be subject to defaults (including re-default for RPLs), foreclosure moratoria or timeline extensions, fraud, residential price depreciation and unfavorable modification of loan principal amount, interest rate and amortization of principal, or government-mandated payment forbearances, among other factors, which could result in losses to us. Residential mortgage loans are secured by single-family residential property and, are subject to risks of delinquency and foreclosure and risks of loss. The payment of the principal and interest on the mortgage loans we acquire would not typically be guaranteed by any sponsored enterprise ("GSE"), such as Fannie Mae and Freddie Mac, or securitized through Ginnie Mae or any other governmental agency. Additionally, by directly acquiring whole mortgage loans, we do not receive the structural credit enhancements that can benefit senior tranches of MBS. A whole mortgage loan is directly exposed to losses resulting from nonpayment or other default. Therefore, the value of the underlying property, the creditworthiness and financial position of the borrower and the priority and enforceability of the lien will significantly affect the value of such mortgage. The ability of a borrower to repay a loan secured by a residential property typically depends upon the income or assets of the borrower. A number of factors, including a general economic downturn, acts of nature, terrorism, social unrest and civil disturbances, may impair a borrower's ability to repay a mortgage loan. Foreclosure of a mortgage loan can be an expensive and lengthy process, which could have a substantial negative effect on our anticipated return on a foreclosed mortgage loan. In the event of a foreclosure, we may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of such real estate may not be sufficient to recover our cost basis in the loan, and any costs or delays involved in the foreclosure or liquidation process may increase losses.

Whole mortgage loans are also subject to "special hazard" risk such as property damage caused by hazards, such as earthquakes or environmental hazards, not covered by standard property insurance policies. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor in possession to the extent the lien is unenforceable under state law. In addition, claims may be assessed against us on account of our position as a mortgage holder or property owner, including assignee liability, responsibility for tax payments, environmental hazards and other liabilities. In some cases, these liabilities may be "recourse liabilities" or may otherwise lead to losses in excess of the purchase price of the related mortgage or property. Although we acquire mortgage loans at significant discounts from their UPB and underlying property value, in the event of any default under a mortgage loan held directly by us, we bear a risk of loss of the principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on our cash flow from operations and results of operations. The MBS we retain from our own securitizations evidence interests in, or are secured by, pools of residential mortgage loans. Accordingly, the MBS that we hold is subject to all of the risks of the respective underlying mortgage loans.

For certain residential mortgage loans, the Dodd-Frank Act established, through amendment to the Truth in Lending Act ("TILA"), life-of-loan liability on any holder of a residential mortgage loan that takes action on the loan following default (including foreclosure). This liability is premised upon violation of the ATR Rule, as well as violation of the loan originator compensation rule. Borrower remedies, available by way of recoupment or set-off, include statutory damages and attorneys' fees.

If we fail to develop, enhance and implement strategies to adapt to changing conditions in the commercial real estate industry and capital markets, our financial condition and results of operations may be materially and adversely affected by our acquisition of SBC loans.

The manner in which we compete and the types of SBC loans we are able to acquire will be affected by changing conditions resulting from sudden changes in the commercial real estate industry, regulatory environment, the role of credit rating agencies or their rating criteria or process, or the U.S. and global economies generally. If we do not effectively respond to these changes, or if our strategies to respond to these changes are not successful, our financial condition and results of operations may be adversely affected. In addition, we can provide no assurances that we will be successful in executing our business strategy in successfully acquiring SBC loans.

If we acquire and subsequently re-sell any whole mortgage loans, we may be required to repurchase such loans or indemnify investors if we breach representations and warranties.

If we acquire and subsequently re-sell any whole mortgage loans, we would generally be required to make customary representations and warranties about such loans to the loan purchaser. Our residential mortgage loan sale agreements and terms of any securitizations into which we sell loans will generally require us to repurchase or substitute loans in the event we breach a representation or warranty given to the loan purchaser. In addition, we may be required to repurchase loans as a result of borrower fraud or in the event of early payment default on a mortgage loan. Repurchased loans are typically worth only a fraction of the original price. Significant repurchase activity could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders. Further, depending on the level of repurchase and resale activities, we may determine to conduct any such activities through a taxable REIT subsidiary.

We are subject to counterparty risk and may be unable to seek indemnity or require our counterparties to repurchase mortgage loans if they breach representations and warranties, which could cause us to suffer losses.

When selling mortgage loans, sellers typically make customary representations and warranties about such loans. Our residential mortgage loan purchase agreements may entitle us to seek indemnity or demand repurchase or substitution of the loans in the event our counterparty breaches a representation or warranty given to us. However, there can be no assurance that our mortgage loan purchase agreements will contain appropriate representations and warranties, that we will be able to enforce our contractual right to repurchase or substitution, or that our counterparty will remain solvent or otherwise be able to honor its obligations under its mortgage loan purchase agreements. Our inability to obtain indemnity or require repurchase of a significant number of loans could harm our business, financial condition, liquidity, results of operations and our ability to make distributions to our stockholders.

Certain investments in portfolios of whole mortgage loans and other mortgage assets may require us to purchase less desirable mortgage assets as part of an otherwise desirable pool of mortgage assets, which could subject us to additional risks relating to the less desirable mortgage assets.

If we acquire portfolios of whole mortgage loans and other mortgage assets, the portfolio may contain some assets that we would not otherwise seek to acquire on their own. These other assets may subject us to additional risks, including impaired performance and reduce the return on our investments.

To the extent that due diligence is conducted on potential assets, such due diligence may not reveal all of the risks associated with such assets and may not reveal other weaknesses in such assets, which could lead to losses.

Before making an investment, we conduct (either directly or using third parties) certain due diligence. There can be no assurance that we will conduct any specific level of due diligence, or that, among other things, our due diligence processes will uncover all relevant facts or that any purchase will be successful, which could result in losses on these assets, which, in turn, could adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

The failure of a seller of mortgage loans to provide all the necessary documentation to us could adversely affect our ability to leverage our assets or otherwise service the mortgage loans that we will own.

Pursuant to customary provisions in the purchase agreements governing our loan acquisitions, we also generally have the right to cause the sellers to repurchase certain loans if they do not provide proper documentation to evidence ownership or first lien status with respect to such loans within a specified time period. Any delay or inability to obtain such documentation could adversely affect our ability to leverage such loans, and could adversely affect the Servicer's ability to service those mortgage loans and any such repurchases by the sellers would decrease the size of our portfolio.

Market conditions may affect our ability to securitize assets, which could increase our financing costs and adversely affect our results of operations and ability to make distributions.

Our ability to obtain permanent non-recourse financing through securitizations is affected by a number of factors, including:

- conditions in the securities markets, generally;
- conditions in the asset-backed securities markets, specifically;
- yields on our portfolio of mortgage loans;
- the credit quality of our portfolio of mortgage loans; and
- our ability to obtain any necessary credit enhancement.

In recent years, the asset-backed securitization markets have experienced unprecedented disruptions, and securitization volumes have decreased sharply due to, among other reasons, heightened inflation. These recent conditions in the securitization markets include reduced liquidity, increased risk premiums for issuers, reduced investor demand, financial distress among financial guaranty insurance providers, a general tightening of credit and substantial regulatory uncertainty. If these conditions do not improve, they could increase our cost of funding, and could reduce or even eliminate our access to the securitization market. As a result, these conditions could preclude us from securitizing assets acquired for such purpose.

Our ability to sell mortgage loans into securitizations could also be delayed, limited, or precluded by legislative and regulatory reforms applicable to asset-backed securities and the institutions that sponsor, service, rate, or otherwise participate in, or contribute to, the successful execution of a securitization transaction. Other factors could also limit, delay, or preclude our ability to sell assets into securitizations. Provisions of the Dodd-Frank Act have required significant revisions to the legal and regulatory framework that apply to the asset-backed securities markets and securitizations. For example, Section 15G of the Exchange Act, as modified by the Dodd-Frank Act, generally requires the issuer of asset-backed securities to retain not less than five percent of the credit risk of the assets collateralizing the asset-backed securities. While Section 15G includes an exemption for asset-backed securities that are collateralized exclusively by residential mortgages that qualify as "qualified residential mortgages" (as defined in the accompanying regulations), RPLs of the type that we intend to purchase and securitize generally will not qualify for this exemption. We therefore are required to retain five percent or more of the credit risk associated with the assets we securitize.

In addition to these laws and rules, other U.S. federal or state laws and regulations that could affect our ability to sell assets into securitization programs may be proposed, enacted, or implemented. These laws and regulations could effectively preclude us from financing our assets through securitizations or could delay our execution of these types of transactions. Other matters, such as (i) accounting standards applicable to securitization transactions and (ii) capital and leverage requirements applicable to banks and other regulated financial institutions that traditionally purchase and hold asset-backed securities, could also result in less investor demand for securities issued through securitization transactions.

Prepayment rates can change, adversely affecting the performance of our assets and our ability to reinvest the proceeds thereof.

The frequency at which prepayments (including voluntary prepayments by borrowers, loan buyouts and liquidations due to defaults and foreclosures) occur on mortgage loans, including those underlying MBS, is affected by a variety of factors, including, home price appreciation, prevailing level of interest rates as well as economic, demographic, tax, social, legal, and other factors. Generally, borrowers tend to prepay their mortgages when prevailing mortgage rates fall below the interest rates on their mortgage loans. When borrowers prepay their mortgage loans at rates that are faster or slower than expected, it results in prepayments that are faster or slower than expected on the mortgage loans and any related MBS. These faster or slower than expected payments may adversely affect our profitability, although the effects vary because upon prepayment we can receive 100% of the remaining UPB that we had purchased at a significant discount.

We may purchase loans that have a higher interest rate than the prevailing market interest rate. In exchange for this higher interest rate, we may pay a premium to par value to acquire the loan. In accordance with U.S. GAAP, we amortize this premium over the expected term of the security or loan based on our prepayment assumptions or its contractual terms, depending on the type of loan or security purchased. If a loan is prepaid in whole or in part at a faster than its expected rate or contractual term (as applicable), we must expense all or a part of the remaining unamortized portion of the premium that was paid at the time of the purchase, which will adversely affect our profitability.

We also may purchase securities or loans that have a lower interest rate than the prevailing market interest rate. In exchange for this lower interest rate, we may pay a discount to par value to acquire the loan. We accrete this discount over the expected term of the loan based on our prepayment assumptions or its contractual terms, depending on the type of loan or security purchased. If a loan is prepaid at a slower than expected rate, however, we must accrete the remaining portion of the discount at a slower than expected rate. This will extend the expected life of investment portfolio and result in a lower than expected yield on loans purchased at a discount to par.

Prepayment rates generally increase when interest rates fall and decrease when interest rates rise, but changes in prepayment rates are difficult to predict. Prepayments can also occur when borrowers sell the property and use the sale proceeds to prepay the mortgage as part of a physical relocation or when borrowers default on their mortgages and the mortgages are prepaid from the proceeds of a foreclosure sale of the property. The GSE guidelines for repurchasing delinquent loans from MBS trusts and changes in such guidelines also affect prepayment rates. Consequently, prepayment rates also may be affected by conditions in the housing and financial markets, which may result in increased delinquencies on mortgage loans, cost of capital, general economic conditions and the relative interest rates on fixed and adjustable rate loans, which could lead to an acceleration of the payment of the related principal.

The adverse effects of prepayments may affect us in various ways. Particular investments may underperform relative to any hedges that we may have constructed for these assets, resulting in a loss to us. Furthermore, to the extent that faster prepayment rates are due to lower interest rates, the principal payments received from prepayments will tend to be reinvested in lower-yielding assets, which may reduce our income in the long run. Therefore, if actual prepayment rates differ from anticipated prepayment rates, our business, financial condition and results of operations and ability to make distributions to our stockholders could be materially adversely affected.

Slower prepayments may result in lower yields, current period income and cash collections as payments of interest and principal may be collected over a longer time period. While total cash collection may be higher than anticipated over the life of the loan, current period operating results could be adversely impacted.

The real estate assets and real estate-related assets we invest in are subject to the risks associated with real property.

We own real estate directly as well as assets that are secured by real estate. Real estate assets are subject to various risks, including:

- declines in the value of real estate;
- acts of nature, including earthquakes, floods and other natural disasters, which may result in uninsured losses;
- acts of war or terrorism, including the consequences of terrorist attacks, such as those that occurred on September 11, 2001;
- adverse changes in national and local economic and market conditions;

- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- costs of remediation and liabilities associated with environmental conditions such as indoor mold; and
- the potential for uninsured or under-insured property losses.

The occurrence of any of the foregoing or similar events may reduce our return from an affected property or asset and, consequently, materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

We are subject to risks of loss from weather conditions, man-made or natural disasters and climate change.

Weather conditions and man-made or natural disasters such as hurricanes, tornadoes, earthquakes, floods, droughts, fires and other environmental conditions can damage properties that we own or that collateralize our loans. If properties collateralizing our mortgage loans incur damages that reduce the value of the collateral to an amount below the UPB of our loan, borrowers may cease making payments to us on those loans, and any foreclosure efforts may recover substantially less value than the amount we are due or no value at all. Because we seek to build concentrations of mortgage loans and real properties in certain markets, we may be particularly vulnerable to the impact of a localized weather condition, man-made or natural disaster or effects of climate change. Any of these events could adversely impact the demand for, and value of, our assets and could also directly impact the value of our assets through damage, destruction or loss, and could thereafter materially impact the availability or cost of insurance to protect against these events. Although we believe the properties collateralizing our mortgage loans and our remaining owned real estate are adequately covered by insurance, we cannot predict if we or our borrowers will be able to obtain appropriate coverage at a reasonable cost in the future, or if we will be able to continue to pass along all of the costs of insurance to our tenants. Any weather conditions, man-made or natural disasters or effects of climate change, whether or not insured, could have a material adverse effect on our financial performance, the market price of our common shares and our ability to pay dividends. In addition, there is a risk that one or more of our property insurers may not be able to fulfill their obligations with respect to claims payments due to deterioration in their financial condition driven by such events.

Investments in second-lien mortgage loans could subject us to increased risk of losses.

We invest in second-lien mortgage loans or create securitizations with MBS backed by such loans. If a borrower defaults on a second lien mortgage loan or on its senior debt (i.e., a first-lien loan in the case of a residential mortgage loan), or in the event of a borrower bankruptcy, such loan will be satisfied only after all senior debt is paid in full. As a result, if we invest in second-lien mortgage loans and the borrower defaults, we may lose all or a significant part of our investment.

The allocation of capital among our mortgage loans may vary, which may adversely affect our financial performance.

In executing our business plan, we regularly consider the allocation of capital between residential mortgage loans, SBC loans and REO. The allocation of capital may vary due to market conditions, the expected relative return on equity of each, the judgment of our Manager, the demand in the marketplace for certain mortgage loans and REO and the availability of specific investment opportunities. We also consider the availability and cost of our likely sources of capital. If we fail to appropriately allocate capital and resources across mortgage loans or fail to optimize our acquisition and capital raising opportunities, our financial performance may be adversely affected.

Our use of models in connection with the valuation of our assets and determination of the timing and amount of cash flows expected to be collected subjects us to potential risks in the event that such models are incorrect, misleading or based on incomplete information.

As part of the risk management process, we use our Manager's detailed proprietary models to evaluate, depending on the asset class, house price appreciation and depreciation by county, region, prepayment speeds and foreclosure frequency, cost and timing. Models and data are used to value assets or potential assets, assess the timing and amount of cash flows expected to be collected, and may also be used in connection with any hedging of our acquisitions. Many of the models are based on historical trends. These trends may not be indicative of future results. Furthermore, the assumptions underlying the models may prove to be inaccurate, causing the models to also be incorrect. In the event models and data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose us to potential risks. For example, by relying on incorrect models and data, especially valuation or cash flow models, we may be induced to buy certain assets at prices that are too high, to sell certain other assets at prices that are too low, overestimate the timing or amount of cash flows expected to be collected, underestimate the timing or amount of cash flows expected to be collected, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty models and data may prove to be unsuccessful.

Valuations of some of our assets will be inherently uncertain, may be based on estimates, may fluctuate over short periods of time and may differ from the values that would have been used if a ready market for these assets existed.

While in some cases our determination of the fair value of our assets will be based on valuations provided by third-party dealers and pricing services, we will value most of our assets using unobservable inputs based upon our judgment, and such valuations may differ from those provided by third-party dealers and pricing services. Valuations of certain assets are often difficult to obtain or unreliable. In general, dealers and pricing services heavily disclaim their valuations. Additionally, dealers may claim to furnish valuations only as an accommodation and without special compensation, and so they may disclaim any and all liability for any direct, incidental or consequential damages arising out of any inaccuracy or incompleteness in valuations, including any act of negligence or breach of any warranty. Depending on the complexity and illiquidity of an asset, valuations of the same asset can vary substantially from one dealer or pricing service to another. The valuation process has been particularly difficult recently because market events have made valuations of certain assets unpredictable, and the disparity of valuations provided by third-party dealers has widened.

Our business, financial condition and results of operations and our ability to make distributions to our stockholders could be materially adversely affected if our fair value measurements of these assets were materially higher than the values that would exist if a ready market existed for these assets.

An increase in interest rates may cause a decrease in the amount of certain of our target assets that are available for acquisition, which could adversely affect our ability to acquire target assets that satisfy our investment objectives and to generate income and pay dividends.

Rising interest rates generally reduce the demand for mortgage loans due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated may affect the amount of target assets available to us for acquisition, which could adversely affect our ability to acquire assets that satisfy our investment objectives. Rising interest rates may also cause our target assets that were issued prior to an interest rate increase to provide yields that are below prevailing market interest rates. If rising interest rates cause us to be unable to acquire a sufficient volume of our target assets with a yield that is above our borrowing cost, our ability to satisfy our investment objectives and to generate income and pay dividends may be materially and adversely affected.

An increase in interest rates may cause a decrease in the ability of our borrowers to refinance their existing mortgages, and may cause additional economic distress for borrowers with mortgages subject to changes in interest rates, causing our cash collections to decrease, and our anticipated resolution timelines to increase.

Rising interest rates may reduce the desirability of refinancing existing mortgages by increasing a borrower's monthly payments. Rising interest rates may also cause economic distress to borrowers with mortgage terms that subject them to market-based increases in interest rates. Consequently borrowers who might otherwise have refinanced their mortgages may not be able to do so on favorable terms. And borrowers with interest-rate sensitive mortgages may experience payment increases that preclude their ability to makes such payments in a timely manner, if at all. As a result, the duration of our resolution timelines may be extended, with an associated negative impact in our cash collections and/or our earnings.

The Servicer's operations are heavily regulated at the U.S. federal, state and local levels and its failure to comply with applicable regulations could materially adversely affect our expenses and results of operations, and there is no assurance that we could replace the Servicer with servicers that satisfy our requirements or with whom we could enter into agreements on satisfactory terms.

In January 2018, we acquired a 4.9% equity interest in the parent company of our Servicer which increased to 8.0% in May 2018 and then increased to 9.5% in 2023, and we also own warrants to purchase additional equity interests. The Servicer must comply with a wide array of U.S. federal, state and local laws and regulations that regulate, among other things, the manner in which it services our mortgage loans and manages our real property in accordance with the Servicing Agreement, including CFPB mortgage servicing regulations promulgated pursuant to the Dodd-Frank Act. These laws and regulations cover a wide range of topics such as licensing; allowable fees and loan terms; permissible servicing and debt collection practices; limitations on forced-placed insurance; special consumer protections in connection with default and foreclosure; and protection of confidential, nonpublic consumer information (privacy). The volume of new or modified laws and regulations has increased in recent years, and states and individual cities and counties continue to enact laws that either restrict or impose additional obligations in connection with certain loan origination, acquisition and servicing activities in those cities and counties. The laws and regulations are complex and vary greatly among the states and localities, and in some cases, these laws are in direct conflict with each other or with U.S. federal law. In addition, these laws and regulations often contain vague standards or requirements, which make compliance efforts challenging. Material changes in these rules and regulations could increase our expenses under the Servicing Agreement. From time to time, the Servicer may be party to certain regulatory inquiries and proceedings, which, even if unrelated to the residential mortgage servicing operation, may result in adverse findings, fines, penalties or other assessments and may affect adversely its reputation. The Servicer’s failure to comply with applicable laws and regulations could adversely affect our expenses and results of operations. If we were to determine to change servicers, there is no assurance that we could find servicers that satisfy our requirements or with whom we could enter into agreements on satisfactory terms. The Servicer’s failure to comply with these laws and regulations could also indirectly result in damage to our reputation in the industry and adversely affect our ability to effect our business plan.

We rely on the Servicer for our loss mitigation efforts relating to mortgage loan assets, which loss mitigation efforts may be unsuccessful or not cost-effective.

We depend on a variety of services provided by the Servicer, including, among other things, to collect principal and interest payments on our whole mortgage loans as well as the mortgage loans underlying our retained MBS and to perform loss mitigation services. In addition, legislation and regulation that have been enacted or that may be enacted in order to reduce or prevent foreclosures through, among other things, loan modifications, may reduce the value of mortgage loans. Mortgage servicers may be required or incentivized by the U.S. federal government or other jurisdictions to pursue such loan modifications, as well as forbearance plans and other actions intended to prevent foreclosure, even if such loan modifications and other actions are not in the best interests of the owners of the mortgage loans. In addition to legislation and regulation that establish requirements or create financial incentives for mortgage loan servicers to modify loans and take other actions that are intended to prevent foreclosures, federal legislation has also been adopted that creates a safe harbor from liability to creditors for servicers that undertake loan modifications and other actions that are intended to prevent foreclosures. Finally, recent laws and regulations, including CFPB regulations, delay the initiation or completion of foreclosure proceedings on specified types of residential mortgage loans or otherwise limit the ability of mortgage servicers to take actions that may be essential to preserve the value of the mortgage loans underlying the MBS. Any such limitations are likely to cause delayed or reduced collections from mortgagors and generally increase servicing costs. As a result of these legislative and regulatory actions, the Servicer may not perform in our best interests or up to our expectations, which could materially adversely affect our business, financial condition, results of operations and our ability to make distributions to our stockholders.

Certain mortgage loans our Servicer services are higher risk loans, which are more expensive to service than conventional mortgage loans.

Certain mortgage loans our Servicer services are higher risk loans, meaning that the loans are made to less credit worthy borrowers or for properties the value of which has decreased. These loans are more expensive to service because they require more frequent interaction with customers and greater monitoring and oversight. Additionally, in connection with mortgage market reforms and recent and possible future regulatory developments, servicers of higher risk loans are subject to increased scrutiny by state and federal regulators and experience higher compliance costs, which could result in a further increase in servicing costs. Our Servicer may not be able to pass along any of the additional expenses it incurs in servicing higher risk loans to its servicing clients. The greater cost of servicing higher risk loans, which may be further increased through regulatory changes, consent decrees or enforcement, could adversely affect ours and our Servicer’s business, financial condition and results of operations.

Changes in applicable laws or noncompliance with applicable law could materially and adversely affect us.

As an owner of real estate, we are required to comply with numerous U.S. federal, state and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include zoning laws, building codes, landlord-tenant laws and other laws generally applicable to business operations. Noncompliance with laws or regulations could expose us to liability.

Lower revenue growth or significant unanticipated expenditures may result from our need to comply with changes in (i) laws imposing remediation requirements and potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions, (ii) rent control or rent stabilization laws or other residential landlord-tenant laws or (iii) other governmental rules and regulations or enforcement policies affecting the rehabilitation, use and operation of any single-family rental properties we may own, including changes to building codes and fire and life-safety codes.

Our decision whether to rent or sell any REO we acquire upon conversion of NPLs or acquire directly will depend on conditions in the relevant geographic markets, and if our assumptions about rental rates and occupancy levels in our markets are not accurate, our operating results and cash available for distribution could be adversely affected.

We either sell or rent the real property, either single-family residences or smaller commercial properties, that we acquire upon conversion of non-performing mortgage loans or directly. The success of our business model substantially depends on conditions in the applicable sales or rental markets in the relevant geographic markets, including, among other things, occupancy and rent levels. If those assumptions prove to be inaccurate, our operating results and cash available for distribution could be lower than expected, potentially materially.

Rental rates and occupancy levels for single-family residential properties have benefited in recent periods from macroeconomic trends affecting the U.S. economy and residential real estate and mortgage markets in particular, including:

- increases in housing costs which make the traditional concept of home ownership, especially for younger workers, more difficult;
- a tightening of credit that has made it more difficult to finance a home purchase, combined with efforts by consumers generally to reduce their exposure to credit;
- economic and employment conditions that have increased foreclosure rates; and
- a concentration of high-paying employment opportunities in certain large metropolitan areas currently experiencing significant HPA is pricing homes beyond the reach of many buyers, and also forcing reductions in HPA in outlying areas.

The single-family rental market is currently significantly larger than in historical periods. We do not expect the favorable trends in the single-family rental market to continue indefinitely. The strengthening of the U.S. economy and job growth, the current availability of low residential mortgage rates and government-sponsored programs promoting home ownership, may contribute to a stabilization or reversal of the current trend that favors renting rather than homeownership. In addition, we expect that as investors increasingly seek to capitalize on opportunities to purchase undervalued housing properties and convert them to productive uses, the supply of single-family rental properties will decrease and the competition for tenants will intensify. To the extent that a significant portion of our business becomes single-family rentals, a softening of the rental property market in our markets could adversely affect our operating results and cash available for distribution, potentially materially.

We may incur significant costs in restoring our properties, and we may underestimate the costs or amount of time necessary to complete restorations.

Before determining whether to rent or sell any of our properties, the Servicer will perform a detailed assessment, including on-site reviews of such properties, to identify the scope of restoration to be completed. Beyond customary repairs, we may undertake improvements designed to optimize overall property appeal and increase the value and rentability of the property when such improvements can be done cost effectively. To the extent properties are occupied, restorations may be postponed until the premises are vacated. We expect that nearly all of our properties will require some level of restoration immediately upon their acquisition or in the future following expiration of a lease or otherwise. We may acquire properties that we plan to restore extensively. In addition, in order to reposition properties in the rental market, we will be required to make ongoing capital improvements and may need to perform significant restorations and repairs from time to time. Consequently, we are exposed to the risks inherent in property restoration, including potential cost overruns, increases in labor and material costs, delays by contractors in completing work, delays in the timing of receiving necessary work permits and certificates of occupancy and poor workmanship. If our assumptions regarding the cost or timing of restorations across our properties prove to be materially inaccurate, we could be materially and adversely affected.

Contingent or unknown liabilities could materially and adversely affect us.

Our acquisition activities are subject to many risks. We may acquire properties that are subject to unknown or contingent liabilities, including liabilities for or with respect to liens attached to properties, unpaid real estate taxes, utilities or other charges for which a prior owner remains liable, clean-up or remediation of environmental conditions or code violations, claims of vendors or other persons dealing with the acquired properties and tax liabilities, among other things. In each case, our acquisition may be without any, or with only limited, recourse with respect to unknown or contingent liabilities or conditions. As a result, if any such liability were to arise relating to our properties, or if any adverse condition exists with respect to our properties that is in excess of our insurance coverage, we might have to pay substantial sums to settle or cure it, which could materially and adversely affect us. The properties we acquire may also be subject to covenants, conditions or restrictions that restrict the use or ownership of such properties, including zoning laws and regulations and prohibitions on leasing or on tenant evictions, or requirements to obtain the approval of home owner associations prior to leasing. We may not discover such restrictions during the acquisition process and such restrictions may adversely affect our ability to operate such properties as we intend.

Poor tenant selection and defaults by our tenants may materially and adversely affect us.

Our success with any REO that we may seek to rent will depend, in large part, upon our Servicer's ability to attract and retain qualified tenants for our properties, whether residential or commercial. This will depend, in turn, upon our ability to screen applicants, identify good tenants and avoid tenants who may default. We will inevitably make mistakes in our selection of tenants, and we may rent to tenants whose default on our leases or failure to comply with the terms of the lease or other regulations could materially and adversely affect us and the quality and value of our properties. For example, tenants may default on payment of rent, make unreasonable and repeated demands for service or improvements, make unsupported or unjustified complaints to regulatory or political authorities, make use of our properties for illegal purposes, damage or make unauthorized structural changes to our properties that may not be fully covered by security deposits, refuse to leave the property when the lease is terminated, engage in domestic violence or similar disturbances, disturb nearby residents with noise, trash, odors or eyesores, fail to comply with applicable regulations, sub-let to less desirable individuals in violation of our leases or permit unauthorized persons to occupy the property.

In addition, defaulting tenants will often be effectively judgment-proof. The process of evicting a defaulting tenant from a family residence can be adversarial, protracted and costly. Furthermore, some tenants facing eviction may damage or destroy the property. Damage to our properties may significantly delay re-leasing after eviction, necessitate expensive repairs or impair the rental revenue or value of the property. In addition, we will incur turnover costs associated with re-leasing the properties, such as marketing expense and brokerage commissions, and will not collect revenue while the property is vacant. Although we will attempt to work with tenants to prevent such damage or destruction, there can be no assurance that we will be successful in all or most cases. Such tenants will not only cause us not to achieve our financial objectives for the properties in which they live, but may subject us to liability, and may damage our reputation with our other tenants and in the communities where we do business.

A significant uninsured property or liability loss could have a material adverse effect on us.

We carry commercial general liability insurance and property insurance with respect to our rental properties on terms we consider commercially reasonable. There are, however, certain types of losses (such as losses arising from acts of war) that are not insured, in full or in part, because they are either uninsurable or the cost of insurance makes it economically impractical.

If an uninsured property loss or a property loss in excess of insured limits were to occur, we could lose our capital invested in a single-family rental property or group of rental properties as well as the anticipated future revenues from such single-family rental property or group of properties. If an uninsured liability to a third party were to occur, we would incur the cost of defense and settlement with or court ordered damages to that third party. A significant uninsured property or liability loss could materially and adversely affect us.

We may be required to make determinations of a borrower's creditworthiness based on incomplete information or information that we cannot verify, which may cause us to purchase or originate loans that we otherwise would not have purchased or originated and, as a result, may negatively impact our business or reputation.

The commercial real estate lending business depends on the creditworthiness of borrowers, which we must judge. In making such judgment, we may depend on information obtained from non-public sources and the borrowers in making acquisition decisions and such information may be difficult to obtain or may be inaccurate. As a result, we may be required to make decisions based on incomplete information or information that is impossible or impracticable to verify. A determination as to the creditworthiness of a prospective borrower is based on a wide range of information including, without limitation, information relating to the form of entity of the prospective borrower, which may indicate whether the borrower can limit the impact that its other activities have on its ability to pay obligations related to the SBC loan.

We may change our investment strategy, investment guidelines and asset allocation without notice or stockholder consent which may result in riskier investments. In addition, our charter provides that our Board of Directors may authorize us to revoke or otherwise terminate our REIT election without the approval of our stockholders.

Our Board of Directors has the authority to change our investment strategy or asset allocation at any time without notice to or consent from our stockholders. To the extent that our investment strategy changes in the future, we may make investments that are different from, and possibly riskier than, the investments described in this Annual Report. A change in our investment or leverage strategy may increase our exposure to interest rate and real estate market fluctuations or require us to sell a portion of our existing investments, which could result in gains or losses and therefore increase our earnings volatility. Decisions to employ additional leverage in executing our investment strategies could increase the risk inherent in our asset acquisition strategy. Furthermore, a change in our asset allocation could result in our allocating assets in a different manner than as described in this Annual Report.

In addition, our charter provides that our Board of Directors may authorize us to revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to qualify as a REIT. These changes could adversely affect our financial condition, results of operations, the market value of our common stock, and our ability to make distributions to our stockholders.

Our inability to compete effectively in a highly competitive market could adversely affect our ability to implement our business strategy, which could materially and adversely affect us.

Our profitability depends, in large part, on our ability to acquire targeted assets at favorable prices. We face significant competition when acquiring RPLs and SBC loans and our other targeted assets. Our competitors include other mortgage REITs, financial companies, public and private funds, hedge funds, commercial and investment banks and residential and commercial finance companies. Many of our competitors are substantially larger and have considerably greater access to capital and other resources than we do. Furthermore, new companies with significant amounts of capital have recently been formed or have raised additional capital, and may continue to be formed and raise additional capital in the future, and these companies may have objectives that overlap with ours, which may create competition for assets we wish to acquire. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of assets to acquire and establish more relationships than us. We also may have different operating constraints from those of our competitors including, among others, tax-driven constraints such as those arising from our intention to qualify and maintain our qualification as a REIT and restraints imposed on us by our attempt to comply with certain exclusions from the definition of an "investment company" or other exemptions under the Investment Company Act. Furthermore, competition for assets in our targeted asset classes may lead to the price of such assets increasing, may reduce the number of attractive RPL and SBC loan investment opportunities available to us or increase the bargaining power of asset owners seeking to sell, which would increase the prices for these assets. If such events occur, our ability to implement our business strategy could be adversely affected, which could materially and adversely affect us. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations.

Our ability to make distributions to our stockholders depends on our operating results, our financial condition and other factors, and we may not be able to make regular cash distributions at a fixed rate or at all under certain circumstances.

We make distributions to our stockholders in amounts such that we distribute substantially all of our taxable income in each year (subject to certain adjustments). This distribution policy enables us to avoid being subject to U.S. federal income tax on our taxable income that we distribute to our stockholders. However, our ability to make distributions depends on our results of operations, which may experience uneven cash flow because we hold RPLs and NPLs, our earnings, applicable law, our financial condition and such other factors as our Board of Directors may deem relevant from time to time. We will declare and make distributions to our stockholders only to the extent approved by our Board of Directors.

We are highly dependent on communications and information systems operated by third parties, and systems failures could significantly disrupt our business and negatively impact our operating results.

Our business is highly dependent on communications and information systems that allow us to monitor, value, buy, sell, finance and hedge our investments. These systems are operated by third parties, including our affiliates, and, as a result, we have limited ability to ensure continued operation. In the event of systems failure or interruption, we will have limited ability to affect the timing and success of systems restoration. Any failure or interruption of our systems could cause delays or other problems in our securities trading activities which could have a material adverse effect on our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we, through the Servicer, may acquire and store sensitive data on our network, such as our proprietary business information and personally identifiable information of borrowers obligated on loans and our prospective and current mortgages and tenants. The secure processing and maintenance of this information is critical to our business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to our operations and the services we provide to customers or damage our reputation, which could materially and adversely affect us.

We cannot predict the impact future actions by the Federal Reserve will have on our business, and any such actions may negatively impact us.

Over the past year, the Federal Reserve has substantially tightened monetary policy to combat the sharp increase in U.S. inflation. The Federal Reserve has increased its federal funds rate target from 0.0 – 0.25 to the current target of 4.25% - 4.50%. It also stopped its purchases of Treasury and agency securities in March 2022 and then in June 2022, according to its previously announced plan, began reducing the size of its balance sheet by no longer reinvesting proceeds of up to $60 billion (initially $30 billion) of maturing Treasury securities and up to $35 billion (initially $17.5 billion) in maturing agency debt and mortgage-backed securities per month.

The Federal Reserve's shift to tighten monetary policy has resulted in higher interest rates, including for Agency RMBS. These actions may decrease spreads on interest rates, reducing our net interest income. They may also negatively impact our results as we have certain assets and liabilities that are sensitive to changes in interest rates. In addition, increases in interest rates may result in lower refinancing activity and therefore decreased the rate of prepayment on loans underlying our assets.

The Federal Reserve is expected to continue to increase the federal funds rate target and continue reducing its balance sheet. We cannot predict when the Federal Reserve will cease its tightening of monetary policy or move to reduce the federal funds rate target. Further, we cannot predict or control the impact future actions by the Federal Reserve will have on our business. Accordingly, future actions by the Federal Reserve could have a material and adverse effect on our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

Security breaches and other cyber-security incidents could result in a loss of data, interruptions in our business, subject us to regulatory action and increased costs, each of which could have a material adverse effect on our business and results of operations

Our Manager oversees our cybersecurity. Like all companies, we have information technology that may be vulnerable to security breaches, interruptions or failures due to events that may be beyond our control, including, but not limited to, theft, terrorist attacks, malicious ransomware cyber-attacks, computer viruses, hackers and general technology failures. Security breaches and other cyber-security incidents could result in a loss of data, interruptions in our business, subject us to regulatory actions and increased costs, each of which could have a material adverse effect on our business and results of operations.

Cybersecurity may subject us to increased costs as we (i) continue to update our cybersecurity defenses in order to reflect the evolving risks, (ii) monitor our systems for cyber-attacks and security threats, and (iii) seek to determine the extent of our losses in the event of a cybersecurity breach. Additionally, the costs and losses associated with preventing cybersecurity breaches are difficult to predict and quantify and could a material adverse effect on our business and results of operations.

Furthermore, we have no control over the cybersecurity systems used by our third-party service providers, and such third-party service providers may have limited indemnification obligations to us. Any such breach could compromise these systems and networks and the data stored therein could be accessed, modified, publicly disclosed and/or lost or stolen. Any such incident could result in substantial remediation costs, legal claims or proceedings, liability under laws that protect the privacy of personal information, disruption to our operations, damage to our reputation and/or loss of competitive position. Further, we could be exposed to the risks of machine learning technology if such third parties, whether or not known to us, use machine learning technology in their business activities, exposing us to risks pertaining to data privacy, data protection, and intellectual property considerations.

Risks Related to Leverage and Hedging

We use leverage in executing our business strategy, which may adversely affect the return on our assets and may reduce cash available for distribution to our stockholders and increase losses when economic conditions are unfavorable.

We use leverage to finance our investment operations and to enhance our financial returns and potentially to pay dividends. Sources of leverage may include bank credit facilities, warehouse lines of credit, structured financing arrangements (including securitizations) and repurchase agreements, among others. We may also seek to raise additional capital through public or private offerings of debt or equity securities, depending upon market conditions. We may use repurchase agreements to acquire certain assets, including our internally developed MBS, until we can securitize the assets. Because repurchase agreements are short-term borrowing, typically with 30- to 90-day terms (although some may have terms up to 364 days), they are more subject to volatility in interest rates and lenders willingness to extend such borrowings. We currently do not expect a majority of our borrowings to be repurchase agreements or other short-term borrowings. Through the use of leverage, we may acquire positions with market exposure significantly greater than the amount of capital committed to the transaction. We intend to use leverage for the primary purpose of financing acquisitions for our portfolio and not for the purpose of speculating on changes in interest rates. We do not have a targeted debt-to-equity ratio generally or for specific asset classes. We may, however, be limited or restricted in the amount of leverage we may employ by the terms and provisions of any financing or other agreements that we may enter into in the future, and we may be subject to margin calls as a result of our financing activity. Our ability to achieve our investment and leverage objectives depends on our ability to borrow money in sufficient amounts and on favorable terms and, as necessary, to renew or replace borrowings as they mature.

Leverage magnifies both the gains and the losses of our positions. Leverage increases our returns as long as we earn a greater return on investments purchased with borrowed funds than our cost of borrowing such funds. However, if we use leverage to acquire an asset and the value of the asset decreases, the leverage increases our losses. Even if the asset increases in value, if the asset fails to earn a return that equals or exceeds our cost of borrowing, the leverage decreases our returns.

We may be required to post large amounts of cash as collateral or margin to secure our repurchase commitments. In the event of a sudden, precipitous drop in value of our financed assets, we might not be able to liquidate assets quickly enough to repay our borrowings, further magnifying losses. Even a small decrease in the value of a leveraged asset may require us to post additional margin or cash collateral. This may decrease the cash available to us for distributions to stockholders, which could adversely affect the price of our common stock. In addition, our debt service payments reduce cash flow available for distribution to stockholders. We may not be able to meet our debt service obligations. To the extent that we cannot meet our debt service obligations, we risk the loss of some or all of our assets to sale to satisfy our debt obligations.

To the extent we are compelled to liquidate qualifying real estate assets to repay debts, our compliance with the REIT rules regarding our assets and our sources of income could be negatively affected, which could jeopardize our ability to qualify and maintain our qualification as a REIT. Failing to qualify as a REIT would cause us to be subject to U.S. federal income tax (and any applicable state and local taxes) on all of our income and decrease profitability and cash available for distributions to stockholders.

We may not be able to achieve our optimal leverage or target leverage ratios.

We use leverage as a strategy to increase the return to our investors. However, we may not be able to achieve our desired leverage for any of the following reasons:

- we determine that the leverage would expose us to excessive risk;
- our lenders do not make funding available to us at acceptable rates or on acceptable terms; and
- our lenders require that we provide additional collateral to cover our borrowings which may be the case in volatile markets.

In addition, if we exceed our target leverage ratios, the potential adverse impact on our financial condition and results of operation described above may be amplified.

Non-recourse long-term financing structures such as securitizations expose us to risks that could result in losses to us.

We have used and intend to continue to use securitization and other non-recourse long-term financing for our investments if, and to the extent, available. In such structures, lenders typically have only a claim against the assets included in the securitizations rather than a general claim against the owner-entity. Prior to each such financing, we may seek to finance our investments with relatively short-term facilities until a sufficient portfolio is accumulated. As a result, we would be subject to the risk that we would not be able to acquire, during the period that any short-term facilities are available, sufficient eligible assets or securities to maximize the efficiency of a securitization.

We also bear the risk that we may not be able to obtain new short-term facilities or may not be able to renew any short-term facilities after they expire should we need more time to seek and acquire sufficient eligible assets or securities for a securitization. In addition, conditions in the capital markets may make the issuance of any such securitization less attractive to us even when we do have sufficient eligible assets or securities. While we retain and expect to retain the unrated equity component of securitizations and, therefore, still have exposure to any investments included in such securitizations, our inability to enter into such securitizations may increase our overall exposure to risks associated with direct ownership of such investments, including the risk of default. Additionally, the securitization of our portfolio could magnify our exposure to losses because any equity interest we retain in the issuing entity would be subordinate to the notes issued to investors and we would, therefore, absorb all of the losses sustained with respect to a securitized pool of assets before the owners of the notes experience any losses. An inability to securitize our portfolio may adversely affect our performance and our ability to grow our business.

Our inability to refinance any short-term facilities would also increase our risk because borrowings thereunder would likely be recourse to us as an entity. If we are unable to obtain and renew short-term facilities or to consummate securitizations to finance our investments on a long-term basis, we may be required to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price.

Additionally, our secured debt is structured with multiple interest rate step-ups generally beginning after an initial three-year borrowing term. While we fully intend to refinance these borrowings at lower interest rates before the step-up date is reached, we cannot guarantee that we will be able to refinance these borrowings on favorable terms, or at all, potentially exposing us to higher amounts of interest expense.

Our failure to comply with covenants contained in any debt agreement, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our operating results and our financial condition.

We may enter into debt facilities that will require us to comply with various operational, reporting and other covenants that limit us from engaging in certain types of transactions. If there were an event of default under our debt facilities that was not cured or waived, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be immediately due and payable. We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments, either upon maturity or if accelerated, upon an event of default, or that we would be able to refinance or restructure the payments on those debt instruments.

Hedging against interest rate changes and other risks may materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Subject to qualifying and maintaining our qualification as a REIT and exemption from registration under the Investment Company Act, we may pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates. Our hedging activity would vary in scope based on the level and volatility of interest rates, the types of liabilities and assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related assets or liabilities being hedged;
- to the extent hedging transactions do not satisfy certain provisions of the Code or are not made through a TRS, the amount of income that a REIT may earn from hedging transactions to offset interest rate losses is limited by the Code provisions governing REITs;
- the value of derivatives used for hedging is adjusted from time to time in accordance with accounting rules to reflect changes in fair value; and downward adjustments, or “mark to market losses,” would reduce our stockholders’ equity;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay.

Our hedging transactions, which would be intended to limit losses, may actually adversely affect our earnings, which could reduce our cash available for distribution to our stockholders.

Risks Related to Regulatory and Legislative Actions

We operate in a highly regulated industry and continually changing U.S. federal, state and local laws and regulation could materially adversely affect our business, financial condition and results of operations and our ability to pay dividends to our stockholders.

The residential mortgage industry is highly regulated. We and our Manager are required to comply with a wide array of U.S. federal, state and local laws and regulations that regulate, among other things, the manner in which each of us conducts our businesses. These regulations directly impact our business and require constant compliance, monitoring and internal and external audits. A material failure to comply with any of these laws or regulations could subject us and our Manager to lawsuits or governmental actions and damage our reputation, which could materially adversely affect our business, financial condition and results of operations.

U.S. federal, state and local governments frequently propose or enact new laws, regulations and rules related to mortgage loans, including servicing and collection of mortgage loans. Laws, regulations, rules and judicial and administrative decisions relating to mortgage loans include those pertaining to Real Estate Settlement Procedures Act ("RESPA"), equal credit opportunity, fair lending, fair credit reporting, truth in lending, fair debt collection practices, service members protections, compliance with net worth and financial statement delivery requirements, compliance with U.S. federal and state disclosure and licensing requirements, the establishment of maximum interest rates, finance charges and other charges, qualified mortgages, secured transactions, payment processing, escrow, loss mitigation, collection, foreclosure, repossession and claims-handling procedures, and other trade practices and privacy regulations providing for the use and safeguarding of non-public personal financial information of borrowers. Our service providers, including the Servicer and outside foreclosure counsel retained to process foreclosures, must also comply with many of these legal requirements.

In particular, the Dodd-Frank Act resulted in a comprehensive overhaul of the financial services industry in the United States and includes, among other things (i) the creation of a Financial Stability Oversight Council to identify emerging systemic risks posed by financial firms, activities and practices, and to improve cooperation among U.S. federal agencies, (ii) the creation of the CFPB, authorized to promulgate and enforce consumer protection regulations relating to financial products and services, including mortgage lending and servicing, and to exercise supervisory authority over participants in mortgage lending and mortgage servicing, (iii) the establishment of strengthened capital and prudential standards for banks and bank holding companies, (iv) enhanced regulation of financial markets, including the derivatives and securitization markets, and (v) amendments to the TILA, and the RESPA, aimed at improving consumer protections with respect to mortgage originations and mortgage servicing, including disclosures, originator compensation, minimum repayment standards, prepayment considerations, appraisals and loss mitigation and other servicing requirements. Unpredictable events, such as the current ongoing military conflicts, may create economic shocks, to which federal, state, and local governments respond with new borrower and tenant rights and protections. Certain federal and state regulators continue to consider proposals to apply regulatory prudential standards to nonbank servicers, which may impact how our service providers, including the Servicer, are regulated. In addition, the current presidential administration may focus supervision and enforcement tools more aggressively on residential mortgage lenders and servicers, which could result in increased regulatory scrutiny and potentially increased penalties assessed for determinations of non-compliance with applicable requirements.

In addition, although we do not intend to acquire MBS in which the underlying mortgage loans are guaranteed or insured by any GSE or U.S. governmental agency, actions taken by or proposed to be taken by, among others, FHFA, the U.S. Treasury, the Federal Reserve Board or other U.S. governmental agencies that are intended to regulate the origination, underwriting guidelines, servicing guidelines, servicing compensation and other aspects of mortgage loans guaranteed by the GSEs or U.S. governmental agencies (known as "Agency RMBS") can have indirect and sometimes direct effects on our business and business model, results of operations and liquidity. For example, loan originators and servicers, investors and other participants in the mortgage securities markets may use regulatory guidelines intended for Agency RMBS as guidelines or operating procedures in respect of non-Agency RMBS. In addition, changes in underwriting guidelines for Agency RMBS generally affect the supply of similar or complementary non-Agency RMBS.

Our Manager's or our Servicer's failure to comply with these laws, regulations and rules may result in reduced payments by borrowers, modification of the original terms of mortgage loans, permanent forgiveness of debt, restrictions on tenant evictions, delays in the foreclosure process, increased servicing advances, litigation, enforcement actions, and repurchase and indemnification obligations.

We expect that legislative and regulatory changes will continue in the foreseeable future, which may increase our operating expenses, either to comply with applicable law, to deal with regulatory examinations or investigations, or to satisfy our lenders and investors that we are in compliance with those laws, regulations and rules that are applicable to our business. Any of these new, or changes in, laws, regulations or rules could adversely affect our business, financial condition and results of operations.

We may be unable to operate within the parameters that allow us to be excluded from regulation as a commodity pool operator, which would subject us to additional regulation and compliance requirements, and could materially adversely affect our business and financial condition.

The Dodd-Frank Act established a comprehensive new regulatory framework for derivative contracts commonly referred to as "swaps." Under the Dodd-Frank Act, any investment fund that trades in swaps may be considered a "commodity pool," which would cause its operators to be regulated as a "commodity pool operator," or CPO. In December 2012, the Commodity Futures Trading Commission issued the No-Action Letter, giving relief to operators of mortgage REITs from the requirement to register as a CPO. In order to qualify, we must, among other non-operation requirements: (1) limit our initial margin and premiums required to establish our swap or futures positions to no more than 5% of the fair market value of our total assets; and (2) limit our net income derived annually from our swaps and futures positions that are not "qualifying hedging transactions" to less than 5% of our gross income. The need to operate within these parameters could limit the use of swaps by us below the level that we would otherwise consider optimal or may lead to the registration of our company or our directors as commodity pool operators, which will subject us to additional regulatory oversight, compliance and costs.

Certain jurisdictions require licenses to purchase, hold, enforce or sell residential mortgage loans. In the event that any such licensing requirement is applicable and we are not able to obtain such licenses in a timely manner or at all, our ability to implement our business strategy could be adversely affected, which could materially and adversely affect us.

Certain jurisdictions require a license to purchase, hold, enforce or sell residential mortgage loans. We currently do not hold any such licenses, and there is no assurance that we will be able to obtain them or, if obtained, that we will be able to maintain them. In connection with these licenses we would be required to comply with various information reporting and other regulatory requirements to maintain those licenses, and there is no assurance that we will be able to satisfy those requirements on an ongoing basis. Our failure to obtain or maintain such licenses or our inability to enter into another regulatory-compliant structure, such as establishing a trust with a federally chartered bank as trustee to purchase and hold the residential mortgage loans, could restrict our ability to invest in loans in these jurisdictions if such licensing requirements are applicable. In lieu of obtaining such licenses, we may contribute our acquired RPLs to one or more wholly owned trusts whose trustee is a national bank, which may be exempt from state licensing requirements, or the seller of such loans may continue to hold the loans on our behalf until we obtain the applicable state license. If required, we will form one or more subsidiaries that will apply for necessary state licenses. If these subsidiaries obtain the required licenses, any trust holding loans in the applicable jurisdictions may transfer such loans to such subsidiaries, resulting in these loans being held by a state-licensed entity. There can be no assurance that we will be able to obtain the requisite licenses in a timely manner or at all or in all necessary jurisdictions, or that the use of the trusts will reduce the requirement for licensing, any of which could limit our ability to invest in residential mortgage loans. Our failure to obtain and maintain required licenses may expose us to penalties or other claims and may affect our ability to acquire an adequate and desirable supply of mortgage loans to conduct our securitization program and, as a result, could harm our business.

We could be subject to liability for potential violations of predatory lending laws, which could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Residential mortgage loan originators and servicers are required to comply with various U.S. federal, state and local laws and regulations, including anti-predatory lending laws and laws and regulations imposing certain restrictions on requirements on "high cost" loans. Failure of our Manager or service providers to comply with these laws could subject us, as an assignee or purchaser of the related residential mortgage loans, to monetary penalties and could result in impairment in the ability to foreclose such loans or the borrowers rescinding the affected residential mortgage loans. Lawsuits have been brought in various states making claims against assignees or purchasers of high cost loans for violations of state law. Named defendants in these cases have included numerous participants within the secondary mortgage market. If the loans are found to have been originated in violation of predatory or abusive lending laws, we could incur losses, which could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to our stockholders.

Changes to U.S. federal income tax laws could materially and adversely affect us and our stockholders.

The present U.S. federal income tax treatment of REITs and their shareholders may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in our shares. The U.S. federal income tax rules, including those dealing with REITs, are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in statutory changes as well as frequent revisions to regulations and interpretations.

Risks Related to Our Management and Our Relationship with Our Manager, the Servicer and Aspen

The declining financial condition of the Servicer may impact its ability to adequately perform its obligations under the Servicing Agreement. The failure of the Servicer to service our assets effectively would materially and adversely affect us.

Gregory recently informed us that its financial condition has declined significantly as a result of various factors including our loan sales and the other transactions described herein. Gregory expects to enter into a transaction to assign its servicing rights and obligations to a third-party servicer, subject to the receipt of necessary consents, in the near future. The new servicer would assume all of Gregory's rights and obligations under agreements governing the servicing of loans in private securitizations and for us or our affiliates.

We are contractually obligated to service the residential mortgage loans that we acquire and we must operate or provide for the operation of the real estate assets we will own. We do not have any employees, a servicing platform, licenses or technical resources necessary to service our acquired loans. Consequently, we have engaged our Servicer to service our mortgage loans and other real estate assets. If for any reason our Servicer is unable to service these loans or real estate assets at the level and/or the cost that we anticipate, or if we fail to pay our Servicer or otherwise default under the Servicing Agreement, and our Servicer ceases to act as our servicer, alternate service providers may not be readily available on favorable terms, or at all, which could adversely affect our Manager's performance under the Management Agreement and our business and results of operations. Our Servicer's failure to perform the services under the Servicing Agreement would have a material adverse effect on us. Currently, we are our Servicer's largest customer.

Pursuant to the terms of the Servicing Agreement, our Servicer is required to pay taxes, insurance and other charges when the borrower does not have sufficient funds in to pay the amounts themselves or when the loan has converted to REO. Our Servicer generally recovers these amounts from the liquidation proceeds from the underlying loans or REO. In the event our Servicer is unable to fund these borrower or REO charges, we might have to advance the funds to protect our interest in the loan or REO. This advancing in advance of receiving liquidation proceeds could place a strain on our operating capital, our Servicer's operating capital, and our ability to invest in additional assets.

We have conflicts of interest with our Manager, the Servicer and Aspen, and certain members of our Board of Directors, as well as our management team, have, or could have in the future, conflicts of interest due to their respective relationships with these entities, and such conflicts could be resolved in a manner adverse to us.

Conflicts between us and our Manager. Our Manager currently manages our business, investment activities and affairs pursuant to the Management Agreement. On February 26, 2024, we issued a notice to our Manager to terminate our existing Management Agreement. This agreement was not negotiated at arm's length and, accordingly, could contain terms, including the basis of calculation of the amount of the fees payable to our Manager, that are less favorable to us than similar agreements negotiated with unaffiliated third parties. Furthermore, the calculation of our Manager's incentive fee is based on, among other measures, the dividends declared by our Board of Directors. In evaluating investments and other management strategies, the opportunity to earn incentive compensation may lead our Manager to place undue emphasis on the maximization of dividends at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative. This could result in increased risk to the value of our investment portfolio.

As an externally managed REIT, we are entirely managed by our Manager, which negotiates all our agreements and deals with all our contractual counterparties on our behalf. For example, our Manager acts for us in connection with the

Servicing Agreement, including monitoring the performance of our Servicer under the agreement and exercising any available rights or remedies on our behalf. Our Manager and our Servicer are affiliates. Each of our officers is an officer of our Manager or the Servicer.

Conflicts between us and the Servicer. The Servicing Agreement was also not negotiated at arm's length and could contain terms that are less favorable to us than similar agreements negotiated with unaffiliated third parties. In addition, the Servicer is generally not prohibited from providing similar services to other owners of mortgage loans and real estate assets, including other affiliates of Aspen.

Particular risks associated with our license for the name "Great Ajax." If the Management Agreement expires or is terminated for any reason, the trademark license agreement pursuant to which we license the mark "Great Ajax" from Aspen will also terminate within 30 days. Upon any such termination, we would be required to cease doing business using the name "Great Ajax" and would have to change our corporate name, both of which could have a material adverse effect upon our business. All goodwill associated with our use of the mark "Great Ajax" is not our asset and such goodwill cannot be transferred by us to a third party. In addition, we need to obtain the consent of Aspen before we are permitted to register the licensed mark in any jurisdiction in the world. Failure to obtain such consent could have a material adverse effect on us, including our ability to expand our business into new jurisdictions.

Our Management team may engage in other activities and may have interests that conflict with ours. Our Manager and members of its management team may engage in any other business or render similar or different services to others including, without limitation, the direct or indirect sponsorship or management of other investment-based accounts or commingled pools of capital, so long as its services to us are not impaired thereby; provided that it may not engage in any such business or provide such services to any other entity that invests in the asset classes in which we intend to invest so long as we have on hand an average of $25.0 million in capital available for investment over the previous two fiscal quarters or our independent directors determine that we have the ability to raise capital at or above our most recent book value. If this occurs, our Manager or members of its management team may devote a disproportionate amount of time and other resources to acquire or manage properties owned by others. In addition, Aspen has agreed, for itself and its subsidiaries, including our Servicer, to similar restrictions on their ability to compete with us. We will seek to manage any potential conflicts through provisions of our agreements with them and through oversight by independent members of our Board of Directors or general dispute resolution methods. However, there can be no assurance that such measures will be effective, that we will be able to resolve all conflicts with our Manager, our Servicer and Aspen or that the resolution of any such conflicts will be no less favorable to us than if we were dealing with unaffiliated third parties.

We own a 19.8% equity interest in our Manager and an 9.5% equity interest in the parent company of our Servicer through GA-TRS, with warrants to purchase an additional equity interest in GAFS. Flexpoint Great Ajax Holdings LLC ("Flexpoint REIT Investor") an affiliate of an investment fund managed by Flexpoint Ford LLC is one of our larger investors and owns 26.6% of our shares of series A preferred stock as of December 31, 2023. Also, investors consisting of an investment fund for which Wellington Management Company LLP is the investment adviser and one or more other investment advisory clients of Wellington Management Company LLP (collectively, the "Wellington Investors") owns 17.1% of our outstanding common stock as of December 31, 2023. In addition, Flexpoint REIT Investor and one of the Wellington Investors each own 26.7% of our Manager, and 9.0% of Great Ajax FS LLC ("GAFS"), the parent of the Servicer, with warrants to purchase an additional equity interest in GAFS. Mr. Mendelsohn controls 50% of the manager of Aspen, which owns a 26.7% investment in our Manager and a 73.8% interest in GAFS, and has certain economic and/or management rights with respect to approximately 9.2% of the interests in Aspen. Furthermore, each of our executive officers is an executive officer of our Manager or the Servicer or both and has interests in our relationship with them that may be different from the interests of our stockholders. In particular, these individuals, other than the Chief Financial Officer, have a direct interest in the financial success of our Manager or the Servicer, which may encourage these individuals to support strategies in furtherance of their financial success that adversely affect us. Such ownership creates conflicts of interest when such directors or members of our management team are faced with decisions that involve us and our Manager, our Servicer, Aspen or any of their respective subsidiaries. See "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" and "Item 13. Certain Relationships and Related Transactions and Director Independence — Agreements with Anchor Investors."

Our Board of Directors has approved a very broad investment policy and guidelines for our Manager and will not review or approve each investment decision. We may change our investment policy and guidelines without stockholder consent, which may materially and adversely affect the market price of our common stock and our ability to make distributions to our stockholders.

Our Manager is authorized to follow a very broad investment policy and guidelines and, therefore, has great latitude in determining the types of assets that are proper investments for us, as well as the individual investment decisions. In the future, our Manager may make investments with lower rates of return than those anticipated under current market conditions and/or may make investments with greater risks to achieve those anticipated returns. Our Board of Directors will periodically review our investment policy and guidelines and our investment portfolio but will not review or approve each proposed investment by our Manager unless it falls outside the scope of our previously approved investment policy and guidelines or constitutes a related party transaction.

In addition, in conducting periodic reviews, our Board of Directors relies primarily on information provided to it by our Manager. Furthermore, our Manager may use complex strategies. Transactions entered into by our Manager may be costly, difficult or impossible to unwind by the time they are reviewed by our Board of Directors. In addition, we may change our investment policy and guidelines and targeted asset classes at any time without the consent of our stockholders, and this could result in our making investments that are different in type from, and possibly riskier than, our current investments or the investments currently contemplated. Changes in our investment policy and guidelines and targeted asset classes may increase our exposure to interest rate risk, counterparty risk, default risk and real estate market fluctuations, which could materially and adversely affect us.

The incentive fee payable to our Manager under the Management Agreement will be payable quarterly based on the dividends declared by our Board of Directors and may cause our Manager to select investments in more risky assets to increase its incentive compensation.

Our Manager will be entitled to receive incentive compensation based upon, among other measures, the dividends declared by our Board of Directors in its discretion. In evaluating investments and other management strategies, the opportunity to earn incentive compensation may lead our Manager to place undue emphasis on the maximization of dividends at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative. This could result in increased risk to the value of our investment portfolio.

The Servicing Agreement was not negotiated at arm's length.

Under the Servicing Agreement, the Servicer provides us with critically important services, including, among many others, the servicing of our whole mortgage loans, including the mortgage loans underlying our MBS, loan modification services, assisted deed-in-lieu of foreclosure services, assisted deed-for-lease services and other loss mitigation services with respect to our mortgage loans and property management, leasing management and renovation management services with respect to our real property assets and assistance in finding third party financing for such properties. The Servicing Agreement has an initial term of 15 years, expiring July 8, 2029. We may not terminate the Servicing Agreement except for cause or if we terminate the Management Agreement for cause, the Servicer may terminate the Servicing Agreement without cause by providing written notice to us no later than 180 days prior to December 31 of any year, and the Servicing Agreement will terminate effective on the December 31 next following the delivery of such notice. The Servicing Agreement also provides that the Servicer may terminate the agreement within 180 days after receiving notice that the Management Agreement has terminated, without any termination payment by us if the Management Agreement has been terminated for cause. If the Management Agreement has been terminated other than for cause and the Servicer terminates the Servicing Agreement, we will be required to pay a significant termination fee. The Management Agreement will automatically terminate at the same time as the Servicing Agreement if the Servicing Agreement is terminated for any reason. Upon any termination of the Servicing Agreement, it may be difficult for us to secure suitable replacements or we may secure alternative servicers with less effective servicing platforms or at greater expense. In addition, the Servicer has no liability to us for its negligence in performing services for us under the Servicing Agreement, unless that negligence rises to the level of gross negligence or willful misconduct. The material terms of the Servicing Agreement are further described in "Item 1. Business — The Servicer." The Servicing

Agreement was not negotiated at arm's length; accordingly, it may contain terms that are less favorable to us than agreements negotiated with one or more unaffiliated third parties might contain.

Our Manager has a contractually defined duty to us rather than a fiduciary duty.

Under the Management Agreement, our Manager has a contractual, as opposed to a fiduciary, relationship with us that limits its obligations to us to those specifically set forth in the Management Agreement. The ability of our Manager and its officers and employees to engage in other business activities may reduce the time it spends managing us. In addition, unlike the relationship we have with our directors, there is no statutory standard of conduct under the Maryland General Corporation Law (the "MGCL") for officers of a Maryland corporation. Officers of a Maryland corporation, including our officers who are employees of our Manager, are subject to general agency principles including the exercise of reasonable care and skill in the performance of their responsibilities as well as the duties of loyalty, good faith and candid disclosure.

Risks Related to Our Organizational Structure

Maintenance of our exclusion from regulation as an investment company under the Investment Company Act imposes significant limitations on our operations.

We intend to continue to conduct our operations so that neither we nor any of our subsidiaries is required to register as an investment company under the Investment Company Act. We are organized as a holding company and we conduct our business primarily through wholly owned subsidiaries of our Operating Partnership. Neither we nor our Operating Partnership nor Great Ajax Funding is an investment company under Section 3(a)(1)(C). The securities issued by our subsidiaries that are excluded from the definition of "investment company" under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, together with other investment securities we may own, cannot exceed 40% of the value of all our assets (excluding U.S. government securities and cash) on an unconsolidated basis. This requirement limits the types of businesses in which we may engage and the assets we may hold. Our 19.8% equity interest in our Manager and our 9.5% equity interest in the parent company of our Servicer are held by GA-TRS, which is a special purpose subsidiary of our Operating Partnership, and GA-TRS may rely on Section 3(c)(1) or Section 3(c)(7) for its Investment Company Act exclusion and, therefore, our interest in such subsidiary would constitute an "investment security" for purposes of determining whether we pass the 40% test (see "Item 1. Business — Operating and Regulatory Structure — Investment Company Act Exclusion" for additional information regarding the 40% test).

Certain of our subsidiaries may rely on the exclusion provided by Section 3(c)(5)(C) under the Investment Company Act. Section 3(c)(5)(C) of the Investment Company Act is designed for entities "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exclusion generally requires that at least 55% of the entity's assets on an unconsolidated basis consist of qualifying real estate assets and at least 80% of the entity's assets consist of qualifying real estate assets or real estate-related assets. These requirements limit the assets those subsidiaries can own and the timing of sales and purchases of those assets.

To classify the assets held by our subsidiaries as qualifying real estate assets or real estate-related assets, we will rely on no-action letters and other guidance published by the SEC staff regarding those kinds of assets, as well as upon our analyses (in consultation with outside counsel) of guidance published with respect to other types of assets. There can be no assurance that the laws and regulations governing the Investment Company Act status of companies similar to ours, or the guidance from the SEC or its staff regarding the treatment of assets as qualifying real estate assets or real estate-related assets, will not change in a manner that adversely affects our operations. In fact, in August 2011, the SEC published a concept release in which it asked for comments on this exclusion from regulation. To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon our exemption from the need to register under the Investment Company Act, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC staff could further inhibit our ability to pursue the strategies that we have chosen. Furthermore, although we intend to monitor the assets of our subsidiaries regularly, there can be no assurance that our subsidiaries will be able to maintain their exclusion from registration. Any of the foregoing could require us to adjust our strategy, which could limit our ability to make certain investments or require us to sell assets in a manner, at a price or at a time that we otherwise would not have chosen. This could negatively affect the value of our common stock, the sustainability of our business model and our ability to make distributions.

Registration under the Investment Company Act would require us to comply with a variety of substantive requirements that impose, among other things:

- limitations on capital structure;
- restrictions on specified investments;
- restrictions on leverage or senior securities;
- restrictions on unsecured borrowings;
- prohibitions on transactions with affiliates; and
- compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly increase our operating expenses.

If we were required to register as an investment company but failed to do so, we could be prohibited from engaging in our business, and criminal and civil actions could be brought against us.

Registration with the SEC as an investment company would be costly, would subject us to a host of complex regulations and would divert attention from the conduct of our business, which could materially and adversely affect us. In addition, if we purchase or sell any real estate assets to avoid becoming an investment company under the Investment Company Act, our net asset value, the amount of funds available for investment and our ability to pay distributions to our stockholders could be materially adversely affected.

The ownership limit in our charter may discourage a takeover or business combination that may have benefited our stockholders.

To assist us in qualifying as a REIT, among other purposes, our charter generally limits the beneficial or constructive ownership of our (a) common stock by any person to no more than 9.8% in value or in number of shares, whichever is more restrictive, of the aggregate of the outstanding shares of our common stock and (b) capital stock by any person to no more than 9.8% in value or in number of shares, whichever is more restrictive, of the aggregate of the outstanding shares of our capital stock. We have waived these ownership limits, to a certain extent, for Flexpoint REIT Investor, the Wellington Investors and certain other investors. This and other restrictions on ownership and transfer of our shares of stock contained in our charter may discourage a change of control of us and may deter individuals or entities from making tender offers for our common stock on terms that might be financially attractive to you or which may cause a change in our management. In addition to deterring potential transactions that may be favorable to our stockholders, these provisions may also decrease your ability to sell our common stock.

Our stockholders' ability to control our operations is limited.

Our Board of Directors approves our major strategies, including our strategies regarding investments, financing, growth, debt capitalization, REIT qualification and distributions. Our Board of Directors may amend or revise these and other strategies without a vote of our stockholders. Further, Flexpoint REIT Investor and the Wellington Investors own significant portions of our common stock, will continue to have significant influence over us, and may have conflicts of interest with us or you now or in the future.

Certain provisions of Maryland law could inhibit a change in our control.

Certain provisions of the MGCL may have the effect of inhibiting a third party from making a proposal to acquire us or impeding a change of control under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price of our common stock, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock or an affiliate or associate of ours who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then-

outstanding stock) or an affiliate of an interested stockholder for five years after the most recent date on which the stockholder became an interested stockholder, and thereafter require two supermajority stockholder votes to approve any such combination; and
- "control share" provisions that provide that a holder of our "control shares" (defined as voting shares of stock which, when aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), entitle the acquiror to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares," subject to certain exceptions) generally has no voting rights with respect to the control shares except to the extent approved by our stockholders by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We elected to opt out of these provisions of the MGCL, in the case of the business combination provisions, by resolution of our Board of Directors exempting any business combination between us and any other person (provided that such business combination is first approved by our Board of Directors, including a majority of our directors who are not affiliates or associates of such person), and in the case of the control share provisions, pursuant to a provision in our bylaws. We may not opt back in to either of these provisions without the approval of the holders of a majority of our shares of common stock.

Our authorized but unissued common and preferred stock may prevent a change in control of the company.

Our charter authorizes us to issue additional authorized but unissued common stock and preferred stock without stockholder approval. In addition, our Board of Directors may, without stockholder approval, (i) amend our charter to increase or decrease the aggregate number of our shares of stock or the number of shares of any class or series of stock that we have authority to issue and (ii) classify or reclassify any unissued common stock or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares. As a result, among other things, our board may establish a class or series of common stock or preferred stock that could delay or prevent a transaction or a change in control of the company that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit your recourse in the event of actions not in your best interest.

Our charter limits the liability of our present and former directors and officers to us and our stockholders for money damages to the maximum extent permitted under Maryland law. Under current Maryland law, our present and former directors and officers will not have any liability to us or our stockholders for money damages other than liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment and is material to the cause of action.

In addition, our charter authorizes us to indemnify our present and former directors and officers for actions taken by them in those and other capacities to the maximum extent permitted by Maryland law and our bylaws require us to indemnify our present and former directors and officers, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us as a director or officer in these and other capacities. In addition, we may be obligated to pay or reimburse the expenses incurred by our present and former directors and officers without requiring a preliminary determination of their ultimate entitlement to indemnification. As a result, we and our stockholders may have more limited rights against our present and former directors and officers than might otherwise exist absent the current provisions in our charter and bylaws or that might exist with other companies, which could limit your recourse in the event of actions not in your best interests.

Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our stockholders to effect changes to our management.

Our charter provides that, except pursuant to a Special Election Meeting (as defined in the charter), subject to the rights of holders of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed only for "cause" (as defined in our charter), and even then only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors. At a Special Election Meeting, our Manager, the Servicer, Aspen Yo and our directors and officers shall not vote the shares of common stock they beneficially own in the election or removal of directors. At a Special Election Meeting, a majority of the votes entitled to be cast is required to remove a director. Vacancies may be filled only by a majority of the remaining directors in office, even if less than a quorum, for the full term of the directorship in which the vacancy occurred (other than vacancies among any directors elected by the holder or holders of any class or series of preferred stock, if such right exists). These requirements make it more difficult to change our management by removing and replacing directors and may prevent a change in our control that is in the best interests of our stockholders.

Our charter generally does not permit ownership in excess of 9.8% of our common stock or of our stock of all classes and series based on value or number of shares, and attempts to acquire our stock in excess of the stock ownership limit will be ineffective unless an exemption is granted by our Board of Directors. These provisions may restrict change of control or business combination opportunities in which our stockholders might receive a premium for their shares of common stock.

We elected to be taxed as a REIT for U.S. federal income tax purposes beginning with our taxable year ended December 31, 2014. In order for us to continue to qualify as a REIT, no more than 50% of the value of our outstanding shares of capital stock (after taking into account options to acquire shares of stock) may be owned, directly or constructively, by five or fewer individuals during the last half of any calendar year. "Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. In order to help us qualify as a REIT, among other purposes, our charter generally limits the beneficial or constructive ownership of our (a) common stock by any person to no more than 9.8% in value or in number of shares, whichever is more restrictive, of the aggregate of the outstanding shares of our common stock or (b) capital stock by any person to no more than 9.8% in value or in number of shares, whichever is more restrictive, of the aggregate of the outstanding shares of our capital stock. Our Board of Directors, in its sole and absolute discretion, may grant an exemption to certain of these prohibitions, subject to certain conditions and receipt by our Board of Directors of certain representations, covenants and undertakings. Our Board of Directors waived such limit in connection with the ownership by Flexpoint REIT Investor, the Wellington Investors and certain other investors. Our Board of Directors may also from time to time increase this ownership limit for one or more persons and may decrease such limit for all other persons. Any decrease in the ownership limit generally applicable to all stockholders will not be effective for any person whose percentage ownership of our stock is in excess of such decreased ownership limit until such time as such person's percentage ownership of our stock equals or falls below such decreased ownership limit, but any further acquisition of our stock in excess of such decreased ownership limit will be in violation of the decreased ownership limit. Our Board of Directors may not increase the decreased ownership limit (whether for one person or all stockholders) if such increase would allow five or fewer individuals (including certain entities) to beneficially own more than 49.9% in value of our outstanding capital stock.

Our charter's constructive ownership rules are complex and may cause the outstanding shares of our stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 9.8% of the outstanding shares of any class or series of our stock by an individual or entity could cause that individual or entity to own constructively in excess of 9.8% of the outstanding shares of our common stock or of our stock of all classes and series and thus violate the ownership limits or other restrictions on ownership and transfer of our stock. Any attempt by a stockholder to own or transfer our stock in excess of the ownership limit without the consent of our Board of Directors or in a manner that would cause us to be "closely held" under Section 856(h) of the Code (without regard to whether the stock is held during the last half of a taxable year) or would otherwise cause us to fail to qualify as a REIT will result in the stock being automatically transferred to a trustee for a charitable trust or, if the transfer to the charitable trust is not automatically effective to prevent a violation of the stock ownership limit or the restrictions on ownership and transfer of our stock, any such transfer of our shares will be void ab initio. Further, any transfer of our stock that would result in our shares being beneficially owned by fewer than 100 persons will be void ab initio.

These ownership limitations could have the effect of discouraging a takeover or other transaction in which holders of our shares of common stock might receive a premium for their shares of common stock over the then-prevailing market price or which holders might believe to be otherwise in their best interests.

Conflicts of interest could arise in the future as a result of our structure.

Conflicts of interest could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our Operating Partnership or any partner thereof, on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with their oversight of the management of our company. At the same time, we, through our wholly owned subsidiary, will have fiduciary duties, as a general partner, to our Operating Partnership and to any partners thereof under Delaware law in connection with the management of our Operating Partnership. Our duties as a general partner to our Operating Partnership and any of its affiliates may come into conflict with the duties of our directors and officers. In the event of a conflict between the interests of our stockholders and the interests of the affiliates of our Operating Partnership, we will endeavor in good faith to resolve the conflict in a manner not adverse to either our stockholders or the affiliates; provided, that for so long as we own a controlling interest in our Operating Partnership, any such conflict that we, in our sole and absolute discretion, determine cannot be resolved in a manner not adverse to either our stockholders or the affiliates of our Operating Partnership will be resolved in favor of our stockholders.

Risks Related to Our Common Stock

The market price of our common stock may fluctuate, and you could lose all or part of your investment.

The stock market in general has been, and the market price of our common stock in particular will likely be, subject to fluctuation, whether due to, or irrespective of, our operating results and financial condition. Our financial performance, government regulatory action, tax laws, interest rates and market conditions in general could have a significant impact on the future market price of our common stock. Some of the other factors that could negatively affect our share price or result in fluctuations in our share price include:

- weakening of the mortgage loan market;
- actual or anticipated variations in our quarterly operating results;
- increases in market interest rates that lead purchasers of our common stock to demand a higher yield;
- changes in our cumulative core earnings or earnings estimates;
- changes in market valuations of similar companies;
- political and social unrest or instability and military conflicts;
- actions or announcements by our competitors;
- actual or perceived conflicts of interest, or the discontinuance of our strategic relationships, with our Manager, the Servicer or Aspen;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key personnel;
- actions by stockholders;
- speculation in the press or investment community;
- our ability to maintain the listing of our common stock on a national securities exchange;
- failure to qualify or maintain our qualification as a REIT; and
- failure to maintain our exemption from registration under the Investment Company Act.

Our share price has been and may continue to be volatile.

The market price of our shares has been extremely volatile. From January 1, 2023 through October 27, 2023, the trading price of our common stock has been as low as $4.08 per share and as high as $9.24 per share. The market price variation of our shares may not necessarily bear any relationship to our book value, asset values, operating results, financial condition or any other established criteria of value, and may not be indicative of the market price for our shares in the future. In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources.

The preparation of our consolidated financial statements involves the use of estimates, judgments and assumptions, and our consolidated financial statements may be materially affected if such estimates, judgments and assumptions prove to be inaccurate.

Consolidated financial statements prepared in accordance with U.S. GAAP require the use of estimates, judgments and assumptions that affect the reported amounts. Different estimates, judgments and assumptions reasonably could be used that would have a material effect on the consolidated financial statements, and changes in these estimates, judgments and assumptions are likely to occur from period to period in the future. Significant areas of accounting requiring the application of management's judgment include, but are not limited to, determining the fair value of our assets and the timing and amount of cash flows from our assets. These estimates, judgments and assumptions are inherently uncertain and, if they prove to be wrong, we face the risk that charges to income will be required. Any such charges could significantly harm our business, financial condition, results of operations and the price of our securities. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of the accounting estimates, judgments and assumptions that we believe are the most critical to an understanding of our future plan of operations.

If we fail to establish and maintain an effective system of internal controls, we may not be able to determine accurately our financial results or to prevent fraud.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We may in the future discover areas of internal control that need further improvement, and we cannot be certain that we will be successful in maintaining adequate control over our financial reporting and financial processes. Furthermore, as we grow our business, our internal controls will become more complex, and we will require significantly more resources to ensure that our internal controls remain effective. If we or our independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market value of our common stock. Additionally, the existence of any material weakness or significant deficiency would require management to devote significant time and incur significant expense to remediate any such material weakness or significant deficiency and management may not be able to remediate any such material weakness or significant deficiency in a timely manner, or at all.

We have not established a minimum distribution payment level and we cannot assure you of our ability to pay distributions in the future.

To continue to qualify and maintain our qualification as a REIT and generally not be subject to U.S. federal income and excise tax, we make regular quarterly distributions to holders of our common stock out of legally available funds. Our current policy is to pay quarterly distributions that, on an annual basis, will equal all or substantially all of our net taxable income. We have not, however, established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in this Annual Report. All distributions are made at the discretion of our Board of Directors and depend on our earnings, our financial condition, any debt covenants, qualification and maintenance of our REIT qualification, restrictions on making distributions under Maryland law and other factors as our Board of Directors may deem relevant from time to time. We may not be able to make distributions in the future and our Board of Directors may change our distribution policy in the future. We believe that a change in any one of the following factors, among others, could adversely affect our results of operations and impair our ability to pay distributions to our stockholders:

- the profitability of the assets we hold, purchase or originate;
- our ability to make profitable acquisitions and originations;
- margin calls or other expenses that reduce our cash flow;
- defaults in our asset portfolio or decreases in the value of our portfolio; and
- the fact that anticipated operating expense levels may not prove accurate, as actual results may vary from estimates.

We cannot assure you that we will achieve results that will allow us to make a specified level of cash distributions or increases in cash distributions in the future. In addition, some of our distributions may include a return of capital.

We may pay distributions from offering proceeds, borrowings or the sale of assets to the extent that distributions exceed earnings or cash flow from our investment activities.

We may pay distributions from offering proceeds, borrowings or the sale of assets to the extent that distributions exceed earnings or cash flow from our investment activities. Because our assets will consist primarily of RPLs that may not receive payments on a regular basis, we may experience uneven cash flow, making it more difficult to maintain the necessary cash to pay distributions. Such distributions would reduce the amount of cash we have available for investing and other purposes and could be dilutive to our financial results. In addition, funding our distributions from our net proceeds may constitute a return of capital to our investors, which would have the effect of reducing each stockholder's basis in its common stock.

Future sales of our common stock or other securities convertible into our common stock could cause the market value of our common stock to decline and could result in dilution of your shares.

Sales of substantial amounts of shares of our common stock could cause the market price of our common stock to decrease significantly. We cannot predict the effect, if any, of future sales of our common stock, or the availability of shares of our common stock for future sales, on the value of our common stock. Sales of substantial amounts of shares of our common stock, or the perception that such sales could occur, may adversely affect prevailing market values for our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

We are an externally managed company and our day-to-day operations are managed by our Manager and our officers under the oversight of our board of directors. We are reliant on our Manger, identifying, assessing and managing material risks to our business from cybersecurity threats.

We maintain a comprehensive cybersecurity program, including policies and procedures designed to protect our systems, operations, and the data utilized and entrusted to it, including by us, from anticipated threats or hazards. The cybersecurity program is integrated into our enterprise-wide risk management system, illustrated by conducting planning exercises involving disaster recovery testing and designing and implementing systems to include backup and recoverability principles, protecting sensitive data through encryption techniques, hypothetical cybersecurity incidents to test its cyber incident response processes. Learnings from these exercises are reviewed, discussed, and incorporated into its cybersecurity framework as appropriate. We test our cybersecurity defenses through automated and manual scanning, to identify and remediate critical vulnerabilities. We examine our cybersecurity program every year, evaluating its effectiveness in part by considering industry standards and established frameworks and working in conjunction with external advisors in connection with our annual cybersecurity insurance renewals to ensure our program keeps paces with new threats.

We have not experienced a material cybersecurity breach and no risks from cybersecurity threats have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. While we have implemented processes and procedures that we believe are tailored to address and mitigate the cybersecurity threats that our Company faces, there can be no assurances that such an incident will not occur despite our efforts, as more fully described in Item 1A. Risk Factors.

For a discussion of how risks from cybersecurity threats affect our business, and our reliance on our Manager managing these risks, see "Part 1. Item 1A. Risk Factors – Risks Related to Our Company – *Security breaches and other cyber-security incidents could result in a loss of data, interruptions in our business, subject us to regulatory actions, increased costs, each of which could have a material adverse effect on our business and results of operations*" in this Annual Report on Form 10-K.

Cybersecurity Governance

Our board of directors are responsible for understanding the primary risks to our business, including the risks relating to cybersecurity. Our board of directors are informed of such risks through the audit committee on a quarterly basis.

The Chief Technology Officer ("CTO") of our Manager, who holds 20 years of experience in information technology develops and advances the firm's cybersecurity and technology strategy. The CTO reviews our cybersecurity framework.

Our board of directors are responsible for understanding the primary risks to our business. The audit committee of our board of directors is responsible for reviewing our and our Manger's IT security controls with management and evaluating the adequacy of our and our Manager's IT security program, compliance and controls with management. The audit committee receives periodic updates on our cybersecurity programs at the Company, its Manager and its Servicer.

Item 2. Properties

Our principal executive offices are shared with our Manager and our Servicer and are located in 13190 SW 68th Parkway, Suite 110 Tigard, OR 97223. The lease for these premises expires on July 31, 2030; we are not responsible for any lease costs.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our shares of common stock have been listed on the NYSE since February 13, 2015 under the symbol "AJX."

Holders

As of February 26, 2024, there were 242 common stockholders of record.

Dividends

We elected to be taxed as a REIT for U.S. federal income tax purposes beginning with our taxable year ended December 31, 2014. U.S. federal income tax law requires that a REIT distribute each year an amount equal to at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain.

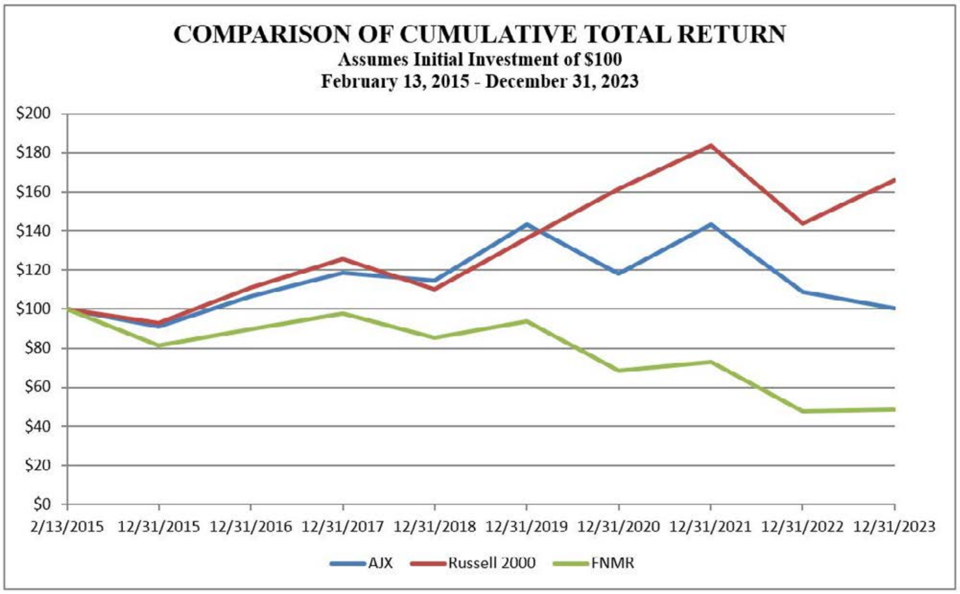
To satisfy the distribution requirement necessary to qualify as a REIT and to avoid paying U.S. federal tax on our income, we make regular quarterly distributions of substantially all of our REIT taxable income to holders of our common stock. Any distribution we make is at the discretion of our Board of Directors and depends upon our earnings and financial condition, qualification and maintenance of REIT status, applicable provisions of the MGCL and such other factors as our Board of Directors deems relevant. For more information regarding risk factors that could materially adversely affect our earnings and financial condition, see "Item 1A. Risk Factors."

To the extent that cash available for distribution is less than our REIT taxable income, we could be required to sell assets, borrow funds or raise equity capital to make cash distributions or make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. We generally are not required to make distributions with respect to activities conducted through GA-TRS or any other TRS that we may form.

We anticipate that our distributions generally will be taxable as capital gain to our stockholders, although a portion of the distributions may be designated by us as ordinary income or may constitute a return of capital. We furnish annually to each of our stockholders a statement setting forth distributions paid during the preceding year and their characterization as ordinary income, return of capital or capital gains.

Performance Graph

The following graph shows the cumulative total shareholder return at market close on February 13, 2015 (the first day of trading of our common stock) through December 31, 2023 for (1) our common stock ("AJX"), (2) the Russell 2000 and (3) the FTSE NAREIT Mortgage REIT index ("FNMR"). The graph and table show the total return on a hypothetical $100 investment in our common shares and in each index, respectively, on February 13, 2015, the first day on which our shares were listed on the NYSE, including the reinvestment of all dividends. The graph and table below shall not be deemed to be "soliciting material" or to be "filed," or to be incorporated by reference in future filings with the SEC, or to be subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act or the Exchange Act.



Unregistered Sales of Equity Securities

In private placement transactions in 2023 pursuant to Section 4(a)(2) of the Securities Act, we issued our five independent directors an aggregate of 13,020 shares of our common stock on May 8, 2023 in payment of part of their quarterly director fees for 2023 and 10,580 shares of our common stock on March 9, 2023 in payment of part of their quarterly director fees for the fourth quarter of 2022.

In private placement transactions in 2022 pursuant to Section 4(a)(2) of the Securities Act, we issued 39,558 shares of our common stock on March 7, 2022 in payment of the stock-based portion of the management fee for the fourth quarter of 2021. We issued our five independent directors an aggregate of 25,790 shares of our common stock on May 9, 2022, August 8, 2022 and November 7, 2022 in payment of part of their quarterly director fees for 2022 and 3,470 shares of our common stock on March 7, 2022 in payment of part of their quarterly director fees for the fourth quarter of 2021.

In private placement transactions in 2021 pursuant to Section 4(a)(2) of the Securities Act, we issued our five independent directors an aggregate of 11,550 shares of our common stock on May 10, 2021, August 9, 2021 and November 8, 2021 in payment of part of their quarterly director fees for 2021. Of the five independent directors, four were in their positions during the fourth quarter of 2020 and were issued an aggregate of 4,280 shares of our common stock on March 8, 2021 in payment of part of their quarterly director fees.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Great Ajax Corp. is a Maryland corporation that is organized and operated in a manner intended to allow us to qualify as a REIT. We primarily target acquisitions of (i) RPLs, which are residential mortgage loans on which at least five of the seven most recent payments have been made, or the most recent payment has been made and accepted pursuant to an agreement, or the full dollar amount, to cover at least five payments has been paid in the last seven months and (ii) NPLs, which are residential mortgage loans on which the most recent three payments have not been made. We may acquire RPLs and NPLs either directly or in joint ventures with institutional accredited investors. The joint ventures are structured as securitization trusts, of which we acquire debt securities and beneficial interests. We may also acquire or originate SBC loans. The SBC loans that we target through acquisitions generally have a principal balance of up to $5.0 million and are secured by multi-family residential and commercial mixed use retail/residential properties on which at least five of the seven most recent payments have been made, or the most recent payment has been made and accepted pursuant to an agreement, or the full dollar amount to cover at least five payments has been paid in the last seven months. Additionally, we invest in single-family and smaller commercial properties directly either through a foreclosure event of a loan in our mortgage portfolio, or, less frequently, through a direct acquisition. We own a 19.8% equity interest in our Manager and an 9.5% equity interest in the parent company of our Servicer through GA-TRS, a wholly owned subsidiary of the Operating Partnership. We have elected to treat GA-TRS as a taxable REIT subsidiary under the Code. Our mortgage loans and real properties are serviced by the Servicer, also an affiliated company.

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

Our Operating Partnership, through interests in certain entities as of December 31, 2023, owns 99.9% of Great Ajax II REIT Inc. which owns Great Ajax II Depositor LLC which then acts as the depositor of mortgage loans into securitization trusts and holds subordinated securities issued by such trusts. Similarly, as of December 31, 2023, the Operating Partnership wholly owned Great Ajax III Depositor LLC, which was formed to act as the depositor into 2021-E, which is a REMIC. We have securitized mortgage loans through these securitization trusts and retained subordinated securities from the secured borrowings. These trusts are considered to be VIEs, and we have determined that we are the primary beneficiary of the VIEs.

In 2018, we formed Gaea as a wholly-owned subsidiary of the Operating Partnership that invests in multifamily properties with a focus on property appreciation and triple net lease veterinary clinics. We elected to treat Gaea as a TRS under the Code for 2018 and elected to treat Gaea as a REIT under the Code in 2019 and thereafter. Also during 2018, we formed Gaea Real Estate Operating Partnership LP, a wholly-owned subsidiary of Gaea, to hold investments in commercial real estate assets, and Gaea Real Estate Operating LLC, to act as its general partner. We also formed Gaea Veterinary Holdings LLC, BFLD Holdings LLC, Gaea Commercial Properties LLC, Gaea Commercial Finance LLC and Gaea RE Holdings LLC as subsidiaries of Gaea Real Estate Operating Partnership. In 2019, we formed DG Brooklyn Holdings LLC, also a subsidiary of Gaea Real Estate Operating Partnership LP, to hold investments in multi-family properties.

On November 22, 2019, Gaea completed a private capital raise transaction through which it raised $66.3 million from the issuance of its common stock to third parties to allow Gaea to continue to advance its investment strategy. Additionally, in January 2022, Gaea completed a second private capital raise in which it raised approximately $30.0 million from the issuance of its common stock and warrants. Also, during the year ended December 31, 2023, GA-TRS received an additional 20,991 shares of Gaea common stock due to the termination of Gaea's management agreement, which increased our ownership. At December 31, 2023, we owned approximately 22.2% of total shares outstanding. We account for our investment in Gaea under the equity method.

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

Termination of the Merger Agreement

As we previously announced on October 20, 2023, we and Ellington Financial mutually terminated our merger agreement with Ellington Financial. The termination was approved by both companies’ boards of directors after careful consideration of the proposed merger and the progress made towards completing the transaction. In connection with the termination, Ellington Financial paid us $16.0 million, $5.0 million of which was paid in cash, and $11.0 million of which was paid in cash as consideration for approximately 1,666,666 shares of our common stock. The common stock was purchased at

$6.60 per share. The purchase price was determined based on the merger exchange ratio. Ellington Financial holds approximately 6.1% of our stock. An affiliate of Ellington Financial's external manager owned 273,983 shares of our common stock or 1.2% as of June 30, 2023. Ellington Financial remains one of our securitization joint venture partners.

As we discussed when we announced the now terminated transaction, our board regularly evaluates and considers our strategic direction, our objectives and our succession plans, as well as our ongoing business, all with a view to maximizing long-term value for our stockholders. This evaluation and consideration led to our entry into the merger agreement with Ellington Financial. Following termination of the agreement, the board engaged Piper Sandler & Co. as our financial adviser to assist us with a thorough evaluation of strategic alternatives, including, but not limited to, other strategic transactions, potential capital injections involving us and/or our affiliates, other monetization opportunities involving us and/or our affiliates, specific asset sales, or other opportunities.

New Strategic Transaction

On February 26, 2024, we entered into a strategic transaction with Rithm, a global asset manager focused on real estate, credit and financial services. For a full description of the transaction, see Item 1 — Business — Overview — New Strategic Transaction.

Our Portfolio

The following table outlines the carrying value of our portfolio of mortgage loan assets and single-family and smaller commercial properties as of December 31, 2023 and 2022 ($ in millions):

	December 31, 2023	December 31, 2022
Residential RPLs	$ 822.1	$ 872.9
Residential NPLs	92.0	105.1
SBC loans	6.2	11.1
Real estate owned properties, net	3.8	6.3
Investments in securities available-for-sale	131.6	257.1
Investments in securities held-to-maturity	59.7	—
Investment in beneficial interests	104.2	134.6
Total mortgage related assets	$ 1,219.6	$ 1,387.1

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

Market Trends and Outlook

In February, March, May and July 2023, the U.S. Federal Reserve (the "Fed") raised its benchmark federal-funds rate by a quarter of a percentage point for each month respectively, for a year to date increase of 1.00 point. The Fed signaled that further rate increases are possible over the course of the year in response to the elevated level of inflation in the United States. Although inflation has eased somewhat over the past few months, it is still unclear how much the Fed will further increase interest rates to bring inflation down to its 2.00% target. According to Freddie Mac, the 30-year fixed rate mortgage rate decreased to an average of 6.63% for the week of February 1, 2024, from 7.63% for the year earlier period.(1)

Ongoing disruption in the credit markets could result in margin calls from our financing counterparties and additional mark downs on our Investments in debt securities, beneficial interests and mortgage loans.

Through the end of the fourth quarter, the recent trends noted below have continued, including:

- rising interest rates have increased our borrowing costs;

- increasing mortgage interest rates and higher home prices, are slowing home purchases and refinancing activity resulting in lower prepayments of our loan and securities portfolios;
- rising home prices and higher mortgage rates have triggered significant NPL borrower re-performance extending duration;
- borrowers that purchased or refinanced in 2020 and 2021 have record low interest rates and will be unlikely to trade up in the current interest rate environment leading to lower inventory for first time buyers and a small population of move up buyers; and
- the Dodd-Frank risk retention rules for asset backed securities have reduced the universe of participants in the securitization markets.

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

We believe that investments in residential RPLs and NPLs with positive equity can provide a good investment value. As a result, we are currently focused on acquiring pools of RPLs and NPLs, at attractive prices. Rising mortgage rates, however, have reduced supply of residential mortgage loans and stronger payment performance has reduced the supply of NPLs.

We also believe there are significant attractive investment opportunities in the SBC loan and property markets and originate as well as purchase these loans, particularly in urban areas where there is a sustainable trend of young adults desiring to live near where they work. We focus on urban areas where we expect positive economic change based on certain demographic, economic and social statistical data. The primary lenders for smaller multi-family and mixed retail/residential properties are community banks and not regional and national banks and large institutional lenders. There has been significant disruption in the commercial real estate loan market as a result of the pandemic and rising interest rates. We believe the primary lenders and loan purchasers are less interested in these assets because they typically require significant commercial and residential mortgage credit and underwriting expertise, special servicing capability and active property management. It is also more difficult to create the large pools of these loans that primary banks, lenders and portfolio acquirers typically desire. We continually monitor opportunities to increase our holdings of these SBC loans and properties.

We also believe that banks that have deposit outflows due to rising interest rates and significant commercial real estate loan exposure will begin to sell certain SBC loans to dispose of their inventory.

(1) Freddie Mac Primary Mortgage Market Survey, U.S. weekly averages as of February 1, 2024.

Factors That May Affect Our Operating Results

Acquisitions. Our operating results depend heavily on sourcing residential RPLs and SBC loans and, when attractive opportunities are identified, NPLs at attractive prices. We expect that our residential mortgage loan portfolio may grow at an uneven pace, as opportunities to acquire distressed residential mortgage loans may be irregularly timed and may involve large portfolios of loans, and the timing and extent of our success in acquiring such loans cannot be predicted. In addition, for any given portfolio of loans that we agree to acquire, we typically acquire fewer loans than originally expected, as certain loans may be resolved prior to the closing date or may fail to meet our diligence standards. The number of loans not acquired typically constitutes a small portion of a particular portfolio. In any case where we do not acquire the full portfolio, we make appropriate adjustments to the applicable purchase price. Acquisitions of RPLs have generally been lower recently primarily due to reduced supply and unfavorable market conditions. In light of current market conditions and certain financial challenges, including the significant losses we have incurred to date and limited sources of financing, we do not expect to be in a position to make a significant number of new acquisitions in the near future.

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

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

Resolution Methodologies. We, through the Servicer, or our affiliates, employ various loan resolution methodologies with respect to our residential mortgage loans, including loan modification, collateral resolution and collateral disposition. The manner in which an NPL is resolved will affect the amount and timing of revenue we will receive. Our preferred resolution methodology is typically to cause the RPLs to continue to perform and NPLs to perform through loan modification. Following a period of continued performance, we expect that borrowers will typically refinance these loans at or near the estimated value of the underlying property. We believe modification followed by refinancing generates near-term cash flows, provides the highest possible economic outcome for us and is a socially responsible business strategy because it keeps more families in their homes. In certain circumstances, we may also consider selling these modified loans. Through historical experience, we expect that many of our NPLs will enter into foreclosure or similar proceedings, ultimately becoming REO that we can sell. We expect the timelines for these different processes to vary significantly. The exact nature of resolution will depend on a number of factors that are beyond our control, including borrower willingness, property value, availability of refinancing, interest rates, conditions in the financial markets, regulatory environment and other factors. To avoid the 100% prohibited transaction tax on the sale of dealer property by a REIT, we may dispose of assets that may be treated as held "primarily for sale to customers in the ordinary course of a trade or business" by contributing or selling the asset to a TRS prior to marketing the asset for sale. The state of the real estate market and home prices will determine proceeds from any sale of real estate.

Conversion to Rental Property. From time to time we may retain an REO property as a rental property. We do not expect to retain a material number of single family residential properties for use as rentals.

Expenses. Our expenses primarily consist of the fees and expenses payable by us under the Management Agreement and the Servicing Agreement. Additionally, our Manager incurs direct, out-of-pocket costs related to managing our business, which are contractually reimbursable by us. Loan transaction expense is the cost of performing due diligence on pools of mortgage loans under consideration for purchase. Professional fees are primarily for legal, accounting and tax services. Real estate operating expense consists of the ownership and operating costs of our REO properties, and includes any charges for impairments to the carrying value of these assets, which may be significant. Those expenses may increase due to extended eviction timelines caused by the pandemic. Interest expense, which is subtracted from our Interest income to arrive at Net interest income, consists of the costs to borrow money.

Changes in Home Prices. As discussed above, generally, rising home prices are expected to positively affect our results, particularly as this should result in greater levels of re-performance of mortgage loans, faster refinancing of those mortgage loans, more re-capture of principal on greater than 100% LTV (loan-to-value) mortgage loans and increased recovery of the principal of the mortgage loans upon sale of any REO. Conversely, declining real estate prices are expected to negatively affect our results, particularly if the home prices should decline below our purchase price for the loans and especially if borrowers determine that it is better to strategically default as their equity in their homes decline. We typically concentrate our investments in specific urban geographic locations in which we expect stable or better property markets. However, when we analyze loan and property acquisitions we do not take home price appreciation ("HPA") into account except for rural properties for which we model negative HPA related to our expectation of worse than expected property condition. While we initially expected the COVID-19 outbreak to have a material downward effect on home prices, we are generally seeing increases in HPA in our target markets. A significant decline in HPA could have an adverse impact on our operating results.

Changes in Market Interest Rates. With respect to our business operations, increases in existing interest rates, in general, may over time cause: (1) the value of our mortgage loan and MBS portfolio to further decline; (2) coupons on our ARM and hybrid ARM mortgage loans and MBS to reset, although on a delayed basis, to higher interest rates; (3) impact adversely our ability to securitize, re-securitize or sell our assets on attractive terms; (4) reduce the ability or desire of borrowers to refinance their loans; (5) mortgage related assets may become more illiquid during periods of interest rate volatility; (6) difficulties refinancing our securitizations and increases in the costs of our repurchase facility financings; (7) increase our financing costs as we seek to renew or replace borrowing facilities; and (8) to the extent we enter into interest rate swap agreements as part of our hedging strategy, the value of these agreements to increase. Conversely, decreases in interest rates, in general, may over time cause: (a) prepayments on our mortgage loan and MBS portfolio to increase, thereby accelerating the accretion of our purchase discounts; (b) the value of our mortgage loan and MBS portfolio to increase; (c) coupons on our ARM and hybrid ARM mortgage loans and MBS to reset, although on a delayed basis, to lower interest rates; (d) the interest expense associated with our borrowings to decrease; and (e) to the extent we enter into interest rate swap agreements as part of our hedging strategy, the value of these agreements to decrease.

Market Conditions. As the Fed continues its current trend toward monetary tightening, mortgage markets are undergoing a great deal of uncertainty with regard to both interest rates and origination volume. We expect that market conditions will continue to impact our operating results and will cause us to adjust our investment and financing strategies over time as new opportunities emerge and risk profiles of our business change.

Critical Accounting Policies and Estimates

(See also Note 2 to the consolidated financial statements for a discussion of our significant accounting policies)

The preparation of financial statements in accordance with GAAP requires us to make a number of judgments and assumptions that affect estimates of the reported amounts within our consolidated financial statements. Critical accounting estimates are important to the presentation of our financial condition and results of operations and require management to make difficult, complex, or subjective judgments and estimates, often regarding matters that are inherently uncertain. Actual results could differ from our estimates, and the use of different judgments and assumptions related to these estimates could have a material impact on our consolidated financial statements. For additional information about our critical accounting estimates and significant accounting policies, see the notes accompanying our consolidated financial statements.

Various elements of our accounting policies, by their nature, are inherently subject to estimation techniques, and other subjective assessments. In particular, we have identified six policies that, due to the judgment and estimates inherent in those policies, are critical to understanding our consolidated financial statements. These policies relate to (i) the allowance for credit losses, (ii) accounting for Interest income on our mortgage loan portfolio; (iii) accounting for Investments in securities available-for-sale ("AFS") and Investments in securities held-to-maturity ("HTM"); (iv) accounting for investments in beneficial interests; (v) accounting for Interest expense on our secured borrowings, repurchase facilities, 2024 Notes and 2027 Notes; and (vi) fair values. We believe that the judgment and estimates used in the preparation of our consolidated financial statements are appropriate given the factual circumstances at the time. However, given the sensitivity of our consolidated financial statements to these critical accounting policies, the use of other judgments or estimates could result in material differences in our results of operations or financial condition.

Allowance for Credit Losses

The allowance for credit losses represents management's estimate of expected credit losses over the contractual term of the mortgage loans and applies to all of our loans classified as held for investment on our consolidated balance sheets.

Determining the appropriateness of the allowance for credit losses is a complex process that is subject to estimates and assumptions requiring significant management judgment about matters that involve a high degree of subjectivity. This process involves the use of models that requires management to make judgments about matters that are difficult to predict, the most significant of which are the probability of default and the severity of expected credit losses. Management regularly evaluates the underlying estimates and models we use when determining the allowance for credit losses and updates our assumptions to reflect our historical experience and current view of broader market conditions.

To the extent actual loan performance differs from management's expectations, our allowance for credit losses could increase or decrease. While no single factor determines the level of our allowance for credit losses, expected borrower performance and underlying property value are two key drivers that factor into our scenario based cash flow projections. Our historical data has demonstrated the number of payments made by a borrower, either in succession or as an aggregate, to be a significant factor in predicting repayment. Additionally, we include an estimate of underlying property value. Accordingly, if our delinquency estimate is overstated and our valuation estimates are overstated, there could be a negative impact on our allowance for credit losses.

Based on our review of the key inputs and our methodology used, we believe our current allowance for credit losses is properly stated at December 31, 2023 and 2022.

Mortgage Loans

We adopted ASU 2016-13, Financial Instruments - Credit Losses, otherwise known as CECL using the prospective transition approach for PCD assets on January 1, 2020. At the time, $10.2 million of loan discount was reclassified to the allowance for expected credit losses with no net impact on the amortized cost basis of the portfolio.

Purchased Credit Deteriorated Loans ("PCD Loans") — As of their acquisition date, the loans we acquired have generally suffered some credit deterioration subsequent to origination. As a result, our recognition of interest income for PCD loans is based upon our having a reasonable expectation of the amount and timing of the cash flows expected to be collected. When the timing and amount of cash flows expected to be collected are reasonably estimable, we use expected cash flows to apply the effective interest method of income recognition.

Acquired loans may be aggregated and accounted for as a pool of loans if the loans have common risk characteristics. A pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. We may adjust our loan pools as the underlying risk factors change over time. We have aggregated our mortgage loan portfolio into loan pools based on similar risk factors. Excluded from the aggregate pools are loans that pay in full subsequent to the acquisition closing date but prior to pooling. Any gain or loss on these loans is recognized as interest income in the period the loan pays in full.

Non-PCD Loans — While we generally acquire loans that have experienced deterioration in credit quality, we may also, from time to time, acquire loans that have not experienced a deterioration in credit quality and originate SBC loans.

We account for our non-PCD loans by estimating any allowance for expected credit losses for our non-PCD loans based on the risk characteristics of the individual loans. If necessary, an allowance for expected credit losses is established through a provision for loan losses. The allowance is the difference between the net present value of the expected future cash flows from the loan and the contractual balance due.

NPLs are carried at the present value of expected future cash flows discounted at the loan’s effective interest rate, the loan’s market price, or the fair value of the collateral if the loan is collateral dependent.

Mortgage Loans Held-for-sale

From time to time we will identify specific loans that we will sell. When the loans are identified and a plan to sell the loans are in place, we will reclassify the loans from Mortgage Loans held-for-investment, net to Mortgage loans held-for-sale, net. When a loan is designated as held-for-sale, it is held at the lower of amortized cost or fair value with any mark to market adjustment recorded on our consolidated statements of operations through other loss/income.

Investments in Securities

Our Investments in Securities Available-for-Sale ("AFS") and Investments in Securities Held-to-Maturity ("HTM") consist of investments in senior and subordinated notes issued by joint ventures which we form with third party institutional accredited investors. Investments in debt securities for which we do not have the positive intent and ability to hold to maturity are classified as AFS. Investments in debt securities for which we have the positive intent, ability, or is required to hold to maturity are classified as HTM.

We recognize income on the AFS debt securities using the effective interest method. Historically, the notes have been classified as AFS and are carried at fair value with changes in fair value reflected in our consolidated statements of comprehensive income. We mark our investments to fair value using prices received from its financing counterparties and believes any unrealized losses on its debt securities are expected to be temporary. Any other-than-temporary losses, which represent the excess of the amortized cost basis over the present value of expected future cash flows, are recognized in the period identified in our consolidated statements of operations.

On January 1, 2023, we transferred a carrying value of $83.0 million of investment securities from AFS to HTM due to sale restrictions pursuant to Article 6(1) of Regulation (EU) 2017/2402 of the European Parliament and of the Council (as amended, the “EU Securitization Regulation” and, together with applicable regulatory and implementing technical standards in relation thereto, the “EU Securitization Rules”). Pursuant to the terms of these debt securities, we must hold at least 5.01% of the nominal value of each class of securities offered or sold to investors (the EU Retained Interest) subject to the EU Securitization Rules. Under the EU Securitization Rules, we are prohibited from selling, transferring or otherwise surrendering all or part of the EU Retained Interest until all such classes are paid in full or redeemed.

Transfers of securities from AFS to HTM are non-cash transactions and are recorded at fair value. Unrealized gains or losses recorded to accumulated other comprehensive income for the transferred securities continue to be reported in accumulated other comprehensive income and are amortized into interest income on a level-yield basis over the remaining life of the securities. This amortization will offset the effect on interest income of the amortization of the discount resulting from the transfer recorded at fair value.

We account for our investments in securities HTM under CECL and carry them at amortized cost. Interest income is recognized using the effective interest method and is based upon us having a reasonable expectation of the amount and timing of the cash flows expected to be collected. Our expectation of the amount of undiscounted cash flows to be collected, and the corresponding need for an allowance for credit loss, is evaluated at the end of each calendar quarter and takes into consideration past events, current conditions, and supportable forecasts about the future. The net present value of changes in expected cash flows as compared to contractual amounts due, whether caused by timing or investment performance, is reported in the period in which it arises and is reflected as an increase or decrease in the allowance for credit loss to the extent an allowance for credit loss is recorded against the investments. If no allowance for credit loss is recorded against the investment, the increase in expected future cash flows is recognized prospectively as an increase in yield.

Risks inherent in our debt securities portfolio, affecting both the valuation of its securities as well as the portfolio's interest income and recovery of principal include the risk of default, delays and inconsistency in the frequency and amount of payments, risks affecting borrowers such as man-made or natural disasters and damage to or delay in realizing the value of the underlying collateral. We monitor the credit quality of the mortgage loans underlying its debt securities on an ongoing basis, principally by considering loan payment activity or delinquency status. In addition, we assess the expected cash flows from the mortgage loans, the fair value of the underlying collateral and other factors and evaluates whether and when it becomes probable that all amounts contractually due will not be collected. Additionally, slower prepayments can result in lower yields on our debt securities acquired at a discount.

Investments in Beneficial Interests

Our Investments in Beneficial Interests consist of the residual investment in the securitization trusts which we form with third party institutional accredited investors. We account for our Investments in Beneficial Interests under CECL, which we adopted using the prospective transition approach. Each beneficial interest is accounted for individually, and we recognize our ratable share of gain, loss, income or expense based on our percentage ownership interest.

Our Investments in Beneficial Interests are carried at amortized cost. Upon acquisition, the investments are recorded as three separate elements: (i) the amount of purchase discount which we expect to recover through eventual repayment of the investment, (ii) an allowance for future expected credit loss and (iii) the par value of the investment. The purchase discount which we expect to recover through eventual repayment of the investment gives rise to an accretable yield. We recognize this accretable yield as interest income on a prospective level yield basis over the life of the investment. Our recognition of interest income is based upon us having a reasonable expectation of the amount and timing of the cash flows expected to be collected. When the timing and amount of cash flows expected to be collected are reasonably estimable, we use these expected cash flows to apply the effective interest method of income recognition.

Our expectation of the amount of undiscounted cash flows to be collected is evaluated at the end of each calendar quarter. The net present value of changes in expected cash flows as compared to contractual amounts due, whether caused by timing or investment performance, is reported in the period in which it arises and is reflected as an increase or decrease in the allowance for expected credit losses to the extent a provision for expected credit losses is recorded against the investment. If no provision for expected credit losses is recorded against the investment, the increase in expected future cash flows is recognized prospectively as an increase in yield.

Risks inherent in our beneficial interest portfolio include the risk of default, delays and inconsistency in the frequency and amount of payments, risks affecting borrowers such as man-made or natural disasters and damage to or delay in realizing the value of the underlying collateral. Additionally, lower than expected prepayments could reduce our yields on our beneficial interest portfolio. We monitor the credit quality of the mortgage loans underlying our beneficial interests on an ongoing basis, principally by considering loan payment activity or delinquency status. In addition, we assess the expected cash flows from the mortgage loans, the fair value of the underlying collateral and other factors, and evaluate whether and when it becomes probable that all amounts contractually due will not be collected.

Debt

Secured Borrowings — Through securitization trusts which are VIEs, we issue callable debt secured by our mortgage loans in the ordinary course of business. The secured borrowings facilitated by the trusts are structured as debt financings, and the mortgage loans used as collateral remain on our consolidated balance sheet as we are the primary beneficiary of the securitization trusts. These secured borrowing VIEs are structured as pass through entities that receive principal and interest on the underlying mortgages and distribute those payments to the holders of the notes. Our exposure to the obligations of the VIEs is generally limited to our investments in the entities; the creditors do not have recourse to the primary beneficiary. Coupon interest expense on the debt is recognized using the accrual method of accounting. Deferred issuance costs, including original issue discount and debt issuance costs, are carried on our consolidated balance sheets as a deduction from Secured borrowings, and are amortized to interest expense on an effective yield basis based on the underlying cash flow of the mortgage loans serving as collateral. We assume the debt will be called at the specified call date for purposes of amortizing discount and issuance costs because we believe it will have the intent and ability to call the debt on the call date. Changes in the actual or projected underlying cash flows are reflected in the timing and amount of deferred issuance cost amortization.

Repurchase Facilities — We enter into repurchase financing facilities under which we nominally sell assets to a counterparty and simultaneously enter into an agreement to repurchase the sold assets at a price equal to the sold amount plus an interest factor. Despite being legally structured as sales and subsequent repurchases, repurchase transactions are generally accounted for as debt secured by the underlying assets. At the maturity of a repurchase financing, unless the repurchase financing is renewed, we are required to repay the borrowing including any accrued interest and concurrently receive back our pledged collateral from the lender. The repurchase financings are treated as collateralized financing transactions; pledged assets are recorded as assets in our consolidated balance sheets, and debt is recognized at the contractual amount. Interest is recorded at the contractual amount on an accrual basis. Costs associated with the set-up of a repurchasing contract are recorded as deferred expense at inception and amortized over the contractual life of the agreement. Any draw fees associated with individual transactions and any facility fees assessed on the amounts outstanding are recorded as expense when incurred.

Convertible Senior Notes

During 2017 and 2018, we completed the public offer and sale of our convertible senior notes due 2024 (the "2024 Notes"). At December 31, 2023 and 2022, the UPB of the debt was $103.5 million and $104.5 million, respectively. The 2024 Notes bear interest at a rate of 7.25% per annum, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year. The 2024 Notes will mature on April 30, 2024, unless earlier repurchased, converted or redeemed. During certain periods and subject to certain conditions the 2024 Notes will be convertible by their holders into shares of our common stock at a current conversion rate of 1.7405 shares of common stock per $25.00 principal amount of the 2024 Notes, which represents a conversion price of approximately $14.36 per share of common stock. The conversion rate, and thus the conversion price, are subject to adjustment under certain circumstances.

Coupon interest on the 2024 Notes is recognized using the accrual method of accounting. Discount and deferred issuance costs are carried on our consolidated balance sheets as a reduction of the carrying value of the 2024 Notes, and are amortized to interest expense on an effective yield basis through April 30, 2023.. We assume the debt will be converted at the specified conversion date for purposes of amortizing issuance costs because we believe such conversion will be in the economic interest of the holders. No sinking fund has been established for redemption of the principal.

On January 1, 2022, we adopted ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in an Entity's Own Equity (Subtopic 815-40)* by recording a reduction in our additional paid-in capital account of $0.7 million and a corresponding increase in the carrying value of our Convertible senior notes of $0.7 million, representing the carrying value of the conversion feature associated with the 2024 Notes.

Notes Payable

During August 2022, our Operating Partnership issued $110.0 million aggregate principal amount of 8.875% senior unsecured notes due September 2027 (the "2027 Notes"). The 2027 Notes have a five-year term and were issued at 99.009% of par value and are fully and unconditionally guaranteed by us and two of our subsidiaries: Great Ajax Operating LLC (the "GP Guarantor") and Great Ajax II Operating Partnership L.P. (the "Subsidiary Guarantor," and together with us and the GP Guarantor, "Guarantors"). Interest on the 2027 Notes is payable semi-annually on March 1 and September 1, with the first payment due and payable on March 1, 2023. The 2027 Notes will mature on September 1, 2027. Net proceeds from the sale of the 2027 Notes totaled approximately $106.1 million, after deducting the discount, commissions, and offering expenses which will be amortized over the term of the unsecured 2027 Notes using the effective interest method.

Fair Value

Fair Value of Financial Instruments — A fair value hierarchy has been established that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- **Level 1** — Quoted prices in active markets for identical assets or liabilities.
- **Level 2** — Observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

Recent Accounting Pronouncements

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

Results of Operations

Key items for the year ended December 31, 2023 include:

- Interest income of $72.3 million; net interest income of $13.0 million
- Net loss attributable to common stockholders of $(49.3) million
- Operating loss of $(8.8) million
- Earnings per share ("EPS") per basic common share was a loss of $(2.01)
- Operating loss per basic common share of $(0.36)
- Taxable income of $0.01 per share attributable to common stockholders after payment of dividends on our preferred stock
- Book value per common share of $9.99 at December 31, 2023
- Formed two joint venture that acquired $325.3 million in UPB of mortgage loans with collateral values of $718.7 million and retained $57.9 million of varying classes of the related debt securities and beneficial interests issued by the joint venture to end the year with $295.4 million of investments in debt securities and beneficial interests
- Refinanced three joint ventures into one new joint ventures with $205.1 million in UPB of mortgage loans with collateral values of $497.4 million and retained $16.1 million of varying classes of related securities issued by the joint venture and sold a single debt security with a carrying value of $30.2 million to end the year with $295.4 million of investments in debt securities and beneficial interests
- Collected total cash of $163.0 million from loan payments, sales of REO and collections from investments in debt securities and beneficial interests
- Held $52.8 million of cash and cash equivalents at December 31, 2023; average daily cash balance was $50.6 million
- As of December 31, 2023, approximately 80.4% of portfolio based on acquisition UPB made at least 12 out of the last 12 payments

We generated a consolidated net loss attributable to common stockholders under GAAP for the year ended December 31, 2023 of $(49.3) million or $(2.01) per common share after preferred dividends, and Operating loss of $(8.8) million or $(0.36) per common share. Operating (loss)/income is a non-GAAP financial measure which adjusts GAAP earnings by removing gains and losses as well as certain other non-core income and expenses and preferred dividends. We consider Operating (loss)/income a useful measure for comparing the results of our ongoing operations over multiple years. Comparatively, our GAAP consolidated net loss and income attributable to common stockholders for the years ended December 31, 2022 and 2021 was $(28.7) million and $34.1 million, or $(1.24) and $1.48 per common share, respectively. Operating income during the years ended December 31, 2022 and 2021 was $17.7 million and $34.1 million, or $0.77 and $1.48 per common share, respectively.

At December 31, 2023, our book value decreased to $9.99 per common share from $13.00 at December 31, 2022, driven by the year-to-date net loss attributable to common stockholders of $49.3 million and dividends on our common stock of $18.4 million, partially offset by the sale of our common stock of $28.2 million, the effect of mark to market net gain adjustments of $6.7 million on our investments in debt securities AFS and amortization of $5.0 million of unrealized losses on our investments in debt securities AFS transferred to HTM.

Table 1: Results of Operations

($ in thousands)	For the year ended December 31, 2023	2022	2021
INCOME			
Interest income	$ 72,332	$ 82,582	$ 93,383
Interest expense	(59,286)	(43,632)	(36,742)
Net interest income	13,046	38,950	56,641
Net (increase)/decrease in the net present value of expected credit losses	(8,137)	8,026	18,223
Net interest income after the impact of changes in the net present value of expected credit losses	4,909	46,976	74,864
(Loss)/income from investment in affiliates, net	(1,308)	(1,218)	699
Loss on joint venture refinancing on beneficial interests	(11,024)	(6,115)	—
Other (loss)/income	(9,651)	(4,007)	2,385
Total (loss)/revenue, net	(17,074)	35,636	77,948
EXPENSE			
Related party expense – loan servicing fees	7,269	7,960	7,433
Related party expense – management fee	7,769	8,326	9,116
Professional fees	3,157	2,052	2,940
Fair value adjustment on put option liability	4,491	11,143	9,462
Other expense	6,985	5,912	5,490
Total expense	29,671	35,393	34,441
Acceleration of put option settlement	—	12,344	—
(Gain)/loss on debt extinguishment	(31)	—	1,439
(Loss)/income before provision for income taxes	(46,714)	(12,101)	42,068
Provision for income taxes	243	2,835	293
Consolidated net (loss)/income	(46,957)	(14,936)	41,775
Less: consolidated net income/(loss) attributable to the non-controlling interest	114	75	(80)
Consolidated net (loss)/income attributable to the Company	(47,071)	(15,011)	41,855
Less: dividends on preferred stock	2,190	5,474	7,798
Less: discount on retirement of preferred stock	—	8,194	—
Consolidated net (loss)/income attributable to common stockholders	$ (49,261)	$ (28,679)	$ 34,057
Basic (loss)/earnings per common share	$ (2.01)	$ (1.24)	$ 1.48
Diluted (loss)/earnings per common share	$ (2.01)	$ (1.24)	$ 1.41

($ in thousands)	For the year ended December 31, 2023	2022	2021
Reconciliation of consolidated net (loss)/income attributable to common stockholders to consolidated operating (loss)/income			
Consolidated net (loss)/income attributable to common stockholders	$ (49,261)	$ (28,679)	$ 34,057
Dividends on preferred stock	(2,190)	(5,474)	(7,798)
Discount on retirement of preferred stock	—	(8,194)	—
Consolidated net (loss)/income attributable to the Company	(47,071)	(15,011)	41,855
Provision for income taxes	(243)	(2,835)	(293)
Consolidated net (income)/loss attributable to the non-controlling interest	(114)	(75)	80
(Loss)/income before provision for income taxes	(46,714)	(12,101)	42,068
Loss on joint venture refinancing on beneficial interests	(11,024)	(6,115)	—
Realized (loss)/gain on sale of securities	(3,347)	(4,775)	201
Net (increase)/decrease in the net present value of expected credit losses	(8,137)	8,026	18,223
Fair value adjustment on put option liability	(4,491)	(11,143)	(9,462)
Acceleration of put option settlement	—	(12,344)	—
Mark to market on mortgage loans held-for-sale, net	(8,559)	—	—
Other adjustments	(2,373)	(3,489)	(1,033)
Consolidated operating (loss)/income	$ (8,783)	$ 17,739	$ 34,139
Basic operating (loss)/income per common share	$ (0.36)	$ 0.77	$ 1.48
Diluted operating (loss)/income per common share	$ (0.36)	$ 0.77	$ 1.42

Interest Income

Our primary source of income is accretion earned on our mortgage loan portfolio offset by the interest expense incurred to fund and hold portfolio acquisitions. Our gross interest income excluding the impact of credit losses decreased to $72.3 million for the year ended December 31, 2023 from $82.6 million for the year ended 2022 and $93.4 million for the year ended 2021 primarily due to lower average balances of our mortgage loan and debt security portfolios.

Interest expense for the year ended December 31, 2023 increased to $59.3 million from $43.6 million for the year ended 2022 and increased from $36.7 million for the year ended 2021 due to increases in the effective interest rate on our borrowings on repurchase lines of credit.

Net interest income after recording the impact of changes in the net present value of expected credit losses decreased to $4.9 million for the year ended December 31, 2023 from $47.0 million for the year ended 2022 and decreased from $74.9 million for the year ended 2021 primarily as a result of a net $8.1 million impact of the net increase in the net present value of expected credit losses for the year ended December 31, 2023 compared to a $8.0 million decrease for the year ended 2022 and $18.2 million decrease for the year ended 2021. The main drivers of the decline in net interest income year over year are lower average balance of our loan portfolio, higher interest rates and reduced recoveries of our allowance for losses year over year. Additionally, for the year ended December 31, 2023, we recorded a reduction in the carrying value of our beneficial interest in the amount of $13.7 million based on lower expected loan sale prices on the redemption date. Loan prices have fallen as the duration of the portfolio extends as more loans are current and higher interest rates and reduced prepayments. Comparatively, of the $8.0 million for the year ended December 31, 2022, $8.1 million relates to our mortgage loan portfolio and $0.1 million to our investments in beneficial interests. Of the $18.2 million for the year ended December 31, 2021, $13.7 million relates to our mortgage loan portfolio and $4.6 million to our investments in beneficial interests.

During the year ended December 31, 2023, we collected $163.0 million in cash payments and proceeds on our mortgage loans, securities and REO held-for-sale compared to $261.2 million and $318.5 million for the years ended December 31, 2022 and 2021, respectively.

The interest income detail for the years ended December 31, 2023, 2022 and 2021 is included in the table below ($ in thousands):

Table 2: Interest Income Detail

	For the year ended December 31,		
	2023	2022	2021
Accretable yield recognized on RPL, NPL and SBC loans	$ 51,326	$ 59,971	$ 66,459
Interest income on debt securities	9,520	10,558	10,963
Accretable yield recognized on beneficial interests	8,036	10,785	15,540
Bank interest income	2,579	703	261
Other interest income	871	565	160
Interest income	$ 72,332	$ 82,582	$ 93,383
Net (increase)/decrease in the net present value of expected credit losses	(8,137)	8,026	18,223
Interest income after the impact of changes in the net present value of expected credit losses	$ 64,195	$ 90,608	$ 111,606

The average carrying balance of our mortgage loan portfolio decreased for the year ended December 31, 2023 versus the prior year of 2022 primarily due to lower acquisition combined with continued paydown of the loans. The average carrying balances of our debt securities and beneficial interests decreased for the year ended December 31, 2023 versus the prior year of 2022 as we did not invest in any new joint ventures with newly acquired loans. The average carrying balance of our debt outstanding decreased for the year ended December 31, 2023 versus the prior year of 2022 commensurate with the paydown of the related assets. The average carrying balances for our portfolio are included in the table below ($ in thousands):

Table 3: Average Balances

	For the year ended December 31,	
	2023	2022
Average mortgage loan portfolio	$ 957,478	$ 1,033,907
Average carrying value of debt securities	$ 240,453	$ 327,387
Average carrying value of beneficial interests	$ 126,776	$ 133,121
Total average asset backed debt	$ 850,607	$ 1,016,804

Loss/Income from Equity Method Investments

We recorded a loss from our investments in affiliates of $1.3 million for the year ended December 31, 2023, a loss of $1.2 million for the year ended 2022 and income of $0.7 million for the year ended 2021. The 2023 loss is primarily a result of the impact of Gaea terminating its management agreement with Thetis Real Estate Management, in which our Manager held a 80.2% interest. The 2022 loss is primarily the impact of the flow through of the mark to market adjustment on shares of our stock held by our Manager and our Servicer. We account for our investments in our Manager and our Servicer using the equity method of accounting.

During the year ended December 31, 2023, we contributed an additional $0.7 million equity interest in Great Ajax FS LLC ("GAFS") to increase our total ownership of GAFS to $2.6 million. As of December 31, 2023, our ownership of GAFS is 9.5%.

During the year ended December 31, 2022, we invested an additional $6.1 million in Gaea to increase our total investment to $25.5 million. In addition to common stock, we received 371,103 warrants to purchase additional shares at $16.41 per share for a two year period following the date that the common stock commences trading on a trading market. Also, during the year ended December 31, 2023, GA-TRS received an additional 20,991 shares of Gaea common stock due to the termination of Gaea's management agreement, which increased our ownership. At December 31, 2023, we owned approximately 22.2% of Gaea.

Loss on Joint Venture Refinancing on Beneficial Interests

During the year ended December 31, 2023, we recorded a $11.0 million loss on joint venture refinancing on beneficial interests. Of the $11.0 million, $1.2 million that was recorded during the third quarter of 2023, was primarily due to recording the final sales price of the loans sold to Ajax Mortgage Loan Trusts 2023-B and 2023-C ("2023-B and -C"). During the second quarter of 2023, we recorded a $8.8 million loss on joint venture refinancing on beneficial interests due to other than temporary impairment due to various joint ventures redeemed or partially paid down and the underlying loans being re-securitized to form 2023-B and -C, which closed during the third quarter of 2023. The remaining $1.0 million of the $11.0 million loss on joint venture refinancing on beneficial interests due to other than temporary impairment occurred during the first quarter of 2023. The $1.0 million relates to the resecuritization of Ajax Mortgage Loan Trusts 2019-E, 2019-G and 2019-H ("2019-E, -G, -H") into Ajax Mortgage Loan Trust 2023-A ("2023-A"). Although we retained a proportionate investment in the securities issued by the new joint ventures, the beneficial interests are accounted for as distinct legal securities and the loss recorded represents the mark to market adjustment on the sale of the underlying loans by the old joint ventures to the new joint ventures.

During the year ended December 31, 2022, we recorded a $6.1 million loss on joint venture refinancing. Of the $6.1 million loss, $2.1 million was due to the resecuritization of Ajax Mortgage Loan Trusts 2019-A and 2019-B ("2019-A and -B") into Ajax Mortgage Loan Trust 2022-B ("2022-B") during the second quarter of 2022. The remaining $4.0 million of the $6.1 million loss on joint venture refinancing occurred during the first quarter of 2022 when we recorded an other than temporary impairment for Ajax Mortgage Loan Trusts 2018-D and 2018-G ("2018-D and -G"), which became a realized loss in the second quarter of 2022, when the loans were resecuritized into Ajax Mortgage Loan Trust 2022-A. Although we retained a proportionate investment in the securities issued by the new joint ventures, the beneficial interests are accounted for as distinct legal securities and the loss recorded represents the mark to market adjustment on the sale of the underlying loans by the old joint ventures to the new joint ventures.

Other Loss/Income

Other loss/income increased for the year ended December 31, 2023 by $5.6 million from 2022. The increase in Other loss/income was driven by a $8.6 million mark to market loss on mortgage loans held-for-sale. During the quarter ended December 31, 2023, we began actively marketing a pool of NPLs. Final bids were received in January 2024 and the loan sale is expected to close in February 2024. We recorded a mark to market loss equal to the difference between the expected sales price and our carrying value. We also recorded a $3.3 million loss on the disposition of debt securities driven by the sales of securities during the year. This was partially offset by an increase in the first quarter in late fee income. Other loss/income decreased for the year ended December 31, 2022 by $6.4 million from 2021, primarily due to a $4.8 million loss on the disposition of debt securities, primarily driven by the sale of securities and a lower of cost or market adjustment on our mortgage loan portfolio of $1.8 million due to extension of a portion of our loan portfolio as previously delinquent borrowers have become more consistent payers. A breakdown of Other income is provided in the table below ($ in thousands):

Table 4: Other (Loss)/Income

	For the year ended December 31,		
	2023	2022[(1)]	2021[(1)]
Other gain/(loss)	$ 2,155	$ (130)	$ 1,291
Net gain on sale of property held-for-sale	100	898	893
(Loss)/gain on sale of securities	(3,347)	(4,775)	201
Mark to market loss on mortgage loans held-for-sale, net	(8,559)	—	—
Total Other (loss)/income	$ (9,651)	$ (4,007)	$ 2,385

(1) Includes a reclass of Late fee income to Other gain/(loss).

Expenses

Total expenses for the year ended December 31, 2023 decreased from the year ended 2022 as a result of our put option expense. Our put option expense increased monthly as the liability accreted to its maximum redemption price. We redeemed a significant portion of the put option liability, along with the corresponding preferred stock, in 2022. Accordingly, the accretion was substantially lower post redemption. Similarly, total expenses for the year ended 2022 increased from 2021 as a result of the accretion on our put option liability and an increase in loan servicing fees as NPLs increased as a percentage of the total portfolio. These were partially offset by lower management fees in 2022 due to a reduction in stockholders' equity. A breakdown of our expenses is provided in the table below ($ in thousands):

Table 5: Expenses

	For the year ended December 31,		
	2023	2022	2021
Related party expense – management fee	$ 7,769	$ 8,326	$ 9,116
Related party expense – loan servicing fees	7,269	7,960	7,433
Other expense	6,985	5,912	5,490
Fair value adjustment on put option liability	4,491	11,143	9,462
Professional fees	3,157	2,052	2,940
Total expense	$ 29,671	$ 35,393	$ 34,441

Other Expense

Other expense for the year ended December 31, 2023 increased from the year ended 2022 primarily due to an increase in real estate operating expense as a result of higher impairment on our REO, taxes and regulatory expense and employee and service provider grants. Other expense for the year ended 2022 increased from 2021 primarily due to an increase in employee and service provider grants and travel, meals and entertainment, partially offset by lower non due diligence lien release. A breakdown of other expense is provided in the table below ($ in thousands):

Table 6: Other Expense

	For the year ended December 31,		
	2023	2022	2021
Employee and service provider share grants	$ 1,347	$ 1,147	$ 900
Real estate operating expense	1,096	434	328
Insurance	1,019	941	964
Directors' fees and grants	902	750	746
Borrowing related expenses	625	714	727
Software licenses and amortization	534	444	407
Travel, meals, entertainment	505	467	193
Taxes and regulatory expense	476	351	368
Other expense	295	459	677
Internal audit services	186	205	180
Total Other expense	$ 6,985	$ 5,912	$ 5,490

Redemption of Put Option Liability and Preferred Stock

During the year ended December 31, 2022, we repurchased and retired 1,882,451 shares of our series A preferred stock and 1,757,010 shares of our series B preferred stock in a series of repurchase transactions. The series A and series B preferred stock was repurchased for an aggregate of $88.7 million at an average price of $24.37 per share, representing a discount of approximately 2.5% to the face value of $25.00 per share. The repurchase of the preferred stock caused the recognition of $8.2 million of preferred stock discount during the year ended December 31, 2022. The repurchase is expected to save us approximately $5.6 million annually in preferred dividends. There was no repurchase of preferred stock during the years ended December 31, 2023 and 2021.

In connection with the retirement of the preferred stock in 2022, we retired 4,549,328 of the corresponding warrants. At issuance, we recorded the warrants as a put option liability due to the holder's ability to put the warrants back to the issuer for settlement in common shares or cash. The warrants had an initial exercise price of $10.00 per share and were historically out of money from issuance. In connection with the retirement of the warrants, we paid $35.0 million and accelerated the unaccreted value of the liability. Prospectively, the put option will accrue at a rate of 10.75% for the Series A Preferred Stock warrants and 13.00% for the Series B Preferred Stock warrants with no compounding. There were no repurchase of warrants during the year ended December 31, 2023 and 2021.

Loss on Debt Extinguishment

During the year ended December 31, 2023, we recorded a $31.0 thousand gain related to the repurchase of $1.0 million aggregate principal on our 2024 Notes. Comparatively, for years ended December 31, 2022 and 2021, we recorded zero and $1.4 million, respectively, related to the acceleration of deferred issuance costs for calling and re-securitizing our secured borrowings at a lower cost of funds.

Equity and Net Book Value per Share

Our net book value per common share was $9.99 and $13.00 at December 31, 2023 and 2022, respectively. The decrease in book value was primarily due to the year to date net loss attributable to common stockholders of $49.3 million and the dividends on our common stock of $18.4 million, partially offset by the recovery of mark to market losses of $6.7 million on our investments in debt securities AFS and the amortization of $5.0 million of unrealized losses on our investments in debt securities AFS transferred to HTM. We believe our calculation is representative of our book value on a per share basis, and our Manager believes book value per share is a valuable metric for evaluating our business. The net book value per share is calculated by taking equity at the balance sheet date (i) less preferred stock and non-controlling interest, (ii) adjusted for any addition for potential conversion of our 2024 Notes, divided by outstanding shares at the balance sheet date adjusted to include (i) unvested restricted stock earned but unissued and (ii) any share equivalents for our 2024 Notes or our put option liability as determined by the dilution requirements for our EPS calculation. A breakdown of our book value per share is set forth in the table below ($ in thousands except per share amounts):

Table 7: Book Value per Common Share

	As of December 31,	
	2023	**2022**
Outstanding shares	27,460,161	23,130,956
Adjustments for[1]:		
Unvested grants of restricted stock and shares earned but not issued as of the date indicated[2]	—	10,580
Settlement of put option in shares[3]	—	—
Total adjusted shares outstanding	27,460,161	23,141,536
Equity at period end[1]	$ 310,895	$ 337,465
Adjustment for equity due to preferred shares	(34,554)	(34,554)
Net adjustment for equity due to non-controlling interests	(1,962)	(2,137)
Adjusted equity	$ 274,379	$ 300,774
Book value per share	$ 9.99	$ 13.00

(1) The conversion of convertible senior notes is not included in the book value calculation as of December 31, 2023 or 2022 as it has an anti-dilutive effect on our earnings per share calculation.

(2) There were no unvested grants of restricted stock and shares earned but not issued as of December 31, 2023 as the independent director fees will be settled 100% in cash.

(3) The settlement of the put option in shares is not included in the book value calculation as of December 31, 2023 or 2022 as it has an anti-dilutive effect on our earnings per share calculation.

Mortgage Loan Portfolio

For the years ended December 31, 2023 and 2022, we purchased $14.2 million and $10.1 million of RPLs with UPB of $17.3 million and $11.2 million, respectively, at 47.9% and 44.7% of property value, respectively, and 82.2% and 89.7% of UPB, respectively. For the years ended December 31, 2023 and 2022 we purchased $0.2 million and $1.3 million of NPLs with UPB of $0.2 million and $1.5 million, respectively, at 60.7% and 54.0% of the underlying property value, respectively, and 93.7% and 87.5% of UPB, respectively. For the years ended December 31, 2023 and 2022, we purchased no SBC loans. We ended the period with $920.3 million of net mortgage loans and aggregate UPB of $957.2 million as of December 31, 2023 and $1.0 billion for both our mortgage loans and aggregate UPB as of December 31, 2022.

The following table shows loan portfolio acquisitions for the years ended December 31, 2023 and 2022 ($ in thousands):

Table 8: Loan Portfolio Acquisitions

	For the year ended December 31,	
	2023	2022
RPLs		
Count	72	45
UPB	$ 17,325	$ 11,233
Purchase price	$ 14,237	$ 10,081
Purchase price % of UPB	82.2 %	89.7 %
NPLs		
Count	1	8
UPB	$ 175	$ 1,524
Purchase price	$ 164	$ 1,333
Purchase price % of UPB	93.7 %	87.5 %

During the year ended December 31, 2023, 384 mortgage loans, representing 7.2% of our ending UPB, were liquidated. Comparatively, during the year ended 2022, 667 mortgage loans, representing 12.5% of our ending UPB, were liquidated. Our loan portfolio activity for the years ended December 31, 2023 and 2022 are presented below ($ in thousands):

Table 9: Loan Portfolio Activity

	For the year ended December 31,			
	2023		2022	
	Mortgage loans held-for-investment, net	Mortgage loans held-for-sale, net	Mortgage loans held-for-investment, net	Mortgage loans held-for-sale, net
Beginning carrying value	$ 989,084	$ —	$ 1,080,434	$ 29,572
Mortgage loans acquired	14,401	—	11,414	—
Accretion recognized	51,325	—	59,971	—
Payments received on loans, net	(129,230)	—	(193,951)	—
Net reclassifications (to)/from mortgage loans held-for-sale, net	(64,277)	64,277	29,572	(29,572)
Mark to market on loans held-for-sale	—	(8,559)	—	—
Reclassifications to REO	(2,379)	—	(4,699)	—
Decrease in net present value of expected credit losses on mortgage loans and lower of cost or market adjustment	5,597	—	6,275	—
Other	30	—	68	—

Ending carrying value	$ 864,551	$ 55,718	$ 989,084	$ —

Table 10: Portfolio Composition

As of December 31, 2023 and 2022, our portfolios consisted of the following ($ in thousands):

December 31, 2023[1]			December 31, 2022		
No. of Loans		5,023	No. of Loans		5,331
Total UPB[2]	$	957,175	Total UPB[2]	$	1,027,511
Interest-Bearing Balance	$	875,209	Interest-Bearing Balance	$	939,115
Deferred Balance[3]	$	81,966	Deferred Balance[3]	$	88,396
Market Value of Collateral[4]	$	2,115,857	Market Value of Collateral[4]	$	2,186,776
Current Purchase Price/Total UPB		81.6 %	Current Purchase Price/Total UPB		81.7 %
Current Purchase Price/Market Value of Collateral		41.5 %	Current Purchase Price/Market Value of Collateral		42.2 %
Weighted Average Coupon		4.51 %	Weighted Average Coupon		4.38 %
Weighted Average LTV[5]		54.2 %	Weighted Average LTV[5]		56.4 %
Weighted Average Remaining Term (months)		288	Weighted Average Remaining Term (months)		293
No. of first liens		4,979	No. of first liens		5,282
No. of second liens		44	No. of second liens		49
RPLs		89.3 %	RPLs		88.3 %
NPLs		10.0 %	NPLs		10.6 %
SBC loans		0.7 %	SBC loans		1.1 %
No. of REO properties held-for-sale		20	No. of REO properties held-for-sale		39
Market Value of REO[6]	$	4,592	Market Value of REO[6]	$	7,437
Carrying value of debt securities and beneficial interests in trusts	$	310,330	Carrying value of debt securities and beneficial interests in trusts	$	417,262
Loans with 12 for 12 payments as an approximate percentage of acquisition UPB[7]		80.4 %	Loans with 12 for 12 payments as an approximate percentage of acquisition UPB[7]		79.6 %
Loans with 24 for 24 payments as an approximate percentage of acquisition UPB[8]		76.9 %	Loans with 24 for 24 payments as an approximate percentage of acquisition UPB[8]		69.8 %

(1) Includes 262 loans that were classified from Mortgage loans held-for investment, net to Mortgage loans held-for-sale, net with a total UPB of $64.2 million and a carrying value of $64.3 million.

(2) At December 31, 2023 and 2022, our loan portfolio consists of fixed rate (60% of UPB), ARM (6.4% of UPB) and Hybrid ARM (33.6% of UPB); and fixed rate (61.2% of UPB), ARM (6.8% of UPB) and Hybrid ARM (32.0% of UPB), respectively.

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

(4) As of the reporting date.

(5) UPB as of December 31, 2023 and 2022, divided by market value of collateral and weighted by the UPB of the loan.

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

(7) Loans that have made at least 12 of the last 12 payments, or for which the full dollar amount to cover at least 12 payments has been made in the last 12 months.

(8) Loans that have made at least 24 of the last 24 payments, or for which the full dollar amount to cover at least 24 payments has been made in the last 24 months.

Table 11: Portfolio Characteristics

The following tables present certain characteristics about our mortgage loans by year of origination as of December 31, 2023 and 2022 ($ in thousands):

Portfolio at December 31, 2023

	Years of Origination[1]		
	After 2008	**2006 – 2008**	**2005 and prior**
Number of loans	578	2,827	1,618
UPB	$ 123,340	$ 616,185	$ 217,650
Percent of mortgage loan portfolio by year of origination	12.9 %	64.4 %	22.7 %
Loan Attributes:			
Weighted average loan age (months)	129.5	203.1	242.2
Weighted average loan-to-value	54.5 %	57.0 %	46.1 %
Delinquency Performance:			
Current	59.0 %	60.9 %	61.5 %
30 days delinquent	9.4 %	12.0 %	11.8 %
60 days delinquent	— %	— %	0.5 %
90+ days delinquent	21.6 %	20.1 %	20.5 %
Foreclosure	10.0 %	7.0 %	5.7 %

(1) Includes 262 loans that were classified from Mortgage loans held-for investment, net to Mortgage loans held-for-sale, net with a total UPB of $64.2 million and a carrying value of $64.3 million.

Portfolio at December 31, 2022

	Years of Origination		
	After 2008	**2006 – 2008**	**2005 and prior**
Number of loans	596	2,998	1,737
UPB	$ 129,867	$ 661,477	$ 236,167
Percent of mortgage loan portfolio by year of origination	12.6 %	64.4 %	23.0 %
Loan Attributes:			
Weighted average loan age (months)	119.3	190.9	230.3
Weighted average loan-to-value	55.2 %	59.5 %	48.6 %
Delinquency Performance:			
Current	58.4 %	59.9 %	58.7 %
30 days delinquent	7.6 %	10.2 %	9.1 %
60 days delinquent	0.1 %	0.1 %	0.5 %
90+ days delinquent	27.3 %	24.2 %	26.6 %
Foreclosure	6.6 %	5.6 %	5.1 %

Table 12: Loans by State

The following table identifies our mortgage loans for our top 10 states by number of loans, loan value, collateral value and percentages thereof at December 31, 2023 and 2022 ($ in thousands):

December 31, 2023						December 31, 2022					
State	**Count**	**UPB**	**% UPB**	**Collateral Value[1]**	**% of Collateral Value**	**State**	**Count**	**UPB**	**% UPB**	**Collateral Value[1]**	**% of Collateral Value**
CA	678	$ 216,124	22.6 %	$ 508,854	24.0 %	CA	704	$ 226,963	22.1 %	$ 525,595	24.0 %
FL	792	159,018	16.6 %	366,829	17.3 %	FL	862	174,303	17.0 %	376,233	17.2 %
NY	344	101,946	10.7 %	209,509	9.9 %	NY	354	107,425	10.5 %	216,384	9.9 %

	December 31, 2023						December 31, 2022				
State	Count	UPB	% UPB	Collateral Value(1)	% of Collateral Value	State	Count	UPB	% UPB	Collateral Value(1)	% of Collateral Value
NJ	274	60,837	6.4 %	115,635	5.5 %	NJ	285	64,085	6.2 %	111,284	5.1 %
MD	198	47,391	5.0 %	79,587	3.8 %	MD	212	50,034	4.9 %	84,185	3.8 %
VA	171	35,359	3.7 %	68,100	3.2 %	VA	176	37,361	3.6 %	67,647	3.1 %
TX	318	31,445	3.3 %	85,808	4.1 %	TX	337	33,903	3.3 %	90,805	4.2 %
GA	264	30,719	3.2 %	77,210	3.6 %	GA	283	33,157	3.2 %	80,103	3.7 %
IL	182	29,826	3.1 %	48,824	2.3 %	IL	194	32,297	3.1 %	50,732	2.3 %
MA	136	27,266	2.8 %	64,592	3.1 %	MA	148	30,086	2.9 %	67,160	3.1 %
Other	1,666	217,244	22.6 %	490,909	23.2 %	Other	1,776	237,897	23.2 %	516,648	23.6 %
Total	5,023	$ 957,175	100.0 %	$ 2,115,857	100.0 %	Total	5,331	$ 1,027,511	100.0 %	$ 2,186,776	100.0 %

(1) As of the reporting date.

Table 13: Debt Securities and Trust Certificate Acquisitions

The following table shows our debt securities and trust certificate acquisitions for the years ended December 31, 2023 and 2022 ($ in thousands):

	For the year ended December 31,	
	2023	2022
Class A securities		
UPB	$ 57,388	$ 102,252
Purchase price(1,2)	$ 53,004	$ 98,227
Purchase price % of UPB	92.4 %	96.1 %
Class M securities		
UPB	$ 7,242	$ 8,120
Purchase price(1,2)	$ 5,054	$ 6,533
Purchase price % of UPB	69.8 %	80.5 %
Class B securities		
UPB	$ 5,805	$ 14,951
Purchase price(1,2)	$ 4,281	$ 11,600
Purchase price % of UPB	73.7 %	77.6 %
Trust certificates		
Purchase price(1,2)	$ 11,751	$ 14,206

(1) The securities were received in exchange for our investments in Ajax Mortgage Loan Trusts 2018-A, 2018-B, 2018-E, 2018-F, 2019-E, 2019-G, 2019-H and 2020-A and include cash and non-cash components for the year ended December 31, 2023.

(2) The securities were received in exchange for our investments in 2018-D and -G and 2019-A and -B and include cash and non-cash components for the year ended December 31, 2022.

Liquidity and Capital Resources

Source and Uses of Cash

Our primary sources of cash have consisted of proceeds from our securities offerings, our secured borrowings, repurchase agreements, principal and interest payments on our loan portfolio, principal paydowns on securities, and sales of properties held-for-sale. Depending on market conditions, we expect that our primary financing sources will continue to include secured borrowings, repurchase agreements, and securities offerings in addition to transaction or asset specific funding arrangements and credit facilities (including term loans and revolving facilities).

We expect to incur significant losses from the sale of certain mortgage loans that we have identified and propose to sell in the near future. These include loans that are on our repurchase lines of credit, as well as loans included in Ajax Mortgage Loan Trust 2021-B and that in aggregate have a UPB of approximately $330.0 million and a carrying value of approximately $320.0 million. For each $100.0 million of loans sold, we anticipate that we may record a $10.0 million loss. Our decision to market these loans for sale was based on market uncertainty and the upcoming maturity of our convertible notes. Additionally, we entered into a term note agreement with NIC RMBS on February 26, 2024. See Note 16 — Subsequent Events.

We also may have difficulty accessing the capital markets on favorable terms or at all. Additionally, market events, including inflation and the related Federal Reserve bank actions, may still adversely impact our future operating cash flows due to the inability of some of our borrowers to make scheduled payments on time or at all, and through increased interest rates on secured borrowings and repurchase lines of credit. From time to time, we may invest with third parties and acquire interests in loans and other real estate assets through investments in joint ventures using special purpose entities that can result in investments AFS, investments held-to-maturity and investments in beneficial interests, which are included on our consolidated balance sheet.

As of December 31, 2023 and 2022, substantially all of our invested capital was in RPLs, NPLs, SBC loans, debt securities, and beneficial interests. We also held approximately $52.8 million of cash and cash equivalents, an increase of $5.0 million from our balance of $47.8 million at December 31, 2022, which was a decrease of $36.6 million from our balance of $84.4 million at 2021. Our average daily cash balance during the year ended December 31, 2023 was $50.6 million, a decrease from our average daily cash balance of $60.9 million during the year ended 2022 and a decrease from our average daily cash balance of $99.1 million during the year ended 2021.

Annual Operating, Investing and Financing Cash Flows

Our operating cash outflows for the year ended December 31, 2023 were $46.5 million. Our operating cash inflows/(outflows) for the year ended December 31, 2022 and 2021 were $1.1 million and $(18.2) million, respectively. Our primary operating cash inflow is cash interest payments on our mortgage loan pools of $43.5 million, $46.6 million and $47.6 million for the years ended December 31, 2023, 2022 and 2021, respectively. Non-cash interest income accretion on our mortgage loans was $8.1 million, $13.8 million and $19.5 million for the years ended December 31, 2023, 2022 and 2021 respectively. Discount accretion on beneficial interests was $8.0 million, $10.8 million and $16.0 million during the years ended December 31, 2023, 2022 and 2021, respectively. Interest income and discount accretion on debt securities was $9.5 million, $10.6 million and $11.0 million during the years ended December 31, 2023, 2022 and 2021, respectively.

Though the ownership of mortgage loans and other real estate assets is our business, U.S. GAAP requires that operating cash flows do not include the portion of principal payments that are allocable to the discount we recognize on our mortgage loans including proceeds from loans that pay in full or are liquidated in a short sale or third party sale at foreclosure or the proceeds on the sales of our property held-for-sale. These activities are all considered to be investing activities under U.S. GAAP, and the cash flows from these activities are included in the investing section of our consolidated statements of cash flows.

For the year ended December 31, 2023, our investing cash inflows of $172.8 million were driven by proceeds from principal payments on and payoffs of our mortgage loan portfolio of $85.7 million and principal and interest collections on our securities of $79.5 million and refinancing and sale of our debt securities and beneficial interests of $61.7 million, partially offset by the purchase of securities of $74.3 million, acquisitions of mortgage loans of $14.4 million and a $0.7 million investment in our Servicer. For the year ended December 31, 2022, our investing cash inflows of $223.1 million were driven by proceeds from principal payments on and payoffs of our mortgage loan portfolio of $147.3 million and principal and interest collections on our securities of $68.2 million and refinancing and sale of our debt securities and beneficial interests of $147.9 million, partially offset by the purchase of securities of $129.1 million, acquisitions of mortgage loans of $11.4 million and a $6.1 million purchase of additional shares in Gaea. For the year ended December 31, 2021, our investing cash outflows of $50.2 million were driven by acquisition of mortgage loans of $286.2 million, SBC loans of $20.7 million, and securities and beneficial interests of $341.8 million, partially offset by principal paydowns on and payoffs of mortgage loans of $218.8 million, proceeds from the sale of mortgage loans of $126.0 million, proceeds from the refinancing and sale of our debt securities and beneficial interests of $90.2 million and principal and interest collections from our debt securities and beneficial interests of $155.2 million.

Our financing cash flows are driven primarily by funding used to acquire mortgage loan pools and debt securities. We fund our mortgage loan pools primarily through secured borrowings and repurchase agreements and we fund our debt securities primarily through repurchase agreements. For the year ended December 31, 2023, we had net financing cash outflows of $121.4 million primarily driven by repayments of $134.9 million on repurchase transactions, pay downs of $57.5 million on our secured borrowings and $20.6 million of dividends on our common and preferred stock, partially offset by additional borrowing through repurchase transactions of $64.8 million and common stock offerings of $28.2 million. For the year ended December 31, 2022, we had net financing cash outflows of $260.8 million primarily driven by repayments of $284.1 million on repurchase transactions and pay downs of existing debt obligations of $111.0 million on secured borrowings, the repurchase of our preferred stock and warrants in the amount of $125.0 million, and dividends on our common and preferred stock of $29.9 million, partially offset by additional borrowing through repurchase transactions of $183.9 million and the issuance of $108.9 million of senior unsecured notes, the proceeds of which were primarily used to repurchase our preferred stock and warrants. For the year ended December 31, 2021, we had net financing cash inflows of $45.7 million due to the borrowings through repurchase transactions of $560.6 million and secured borrowings of $391.0 million, partially offset by repayments of $435.7 million on repurchase transactions, pay downs of $393.0 million on secured borrowings and common and preferred dividends of $28.8 million.

Financing Activities — Equity Offerings

On February 28, 2020, our Board of Directors approved a stock repurchase of up to $25.0 million of our common shares. The amount and timing of any repurchases depends on a number of factors, including but not limited to the price and availability of the common shares, trading volume and general circumstances and market conditions. As of December 31, 2023, we held 1,035,785 shares of treasury stock consisting of 148,834 shares received through distributions of our shares previously held by our Manager, 361,912 shares received through our Servicer and 525,039 shares acquired through open market purchases. As of December 31, 2022, we held 1,031,609 shares of treasury stock consisting of 144,658 shares received through distributions of our shares previously held by our Manager, 361,912 shares received through our Servicer and 525,039 shares acquired through open market purchases.

During the year ended December 31, 2022, we repurchased and retired 1,882,451 shares of our series A preferred stock and 1,757,010 shares of our series B preferred stock in a series of repurchase transactions. The series A and series B preferred stock were repurchased for an aggregate of $88.7 million at an average price of $24.37 per share, representing discounts of approximately 2.5% to the face value of $25.00 per share. The repurchase of the preferred stock caused the recognition of $8.2 million of discount during the year ended December 31, 2022. There were no repurchases of preferred stock during the years ended December 31, 2023 and 2021. The repurchase is expected to reduce preferred dividends by $5.6 million annually. Also, during the year ended December 31, 2022, we repurchased and retired 4,549,328 of our outstanding warrants for $35.0 million, resulting in the acceleration of $12.3 million of accretion expense, which will result in less accretion expense in future periods. There were no repurchases of warrants during the years ended December 31, 2023 and 2021.

During the year ended December 31, 2023, we sold 2,621,742 shares of common stock for proceeds, net of issuance costs of $17.2 million under our At the Market program, which we sell, through our agents, shares of common stock with an aggregate offering price of up to $100.0 million. Comparatively, during the year ended December 31, 2022, we sold 613,337 shares of common stock for proceeds, net of issuance costs of $4.8 million under our At the Market program. During the year ended December 31, 2021, we sold 24,951 shares of common stock for proceeds, net of issuance costs of $0.3 million under our At the Market program. In accordance with the terms of the agreements, we may offer and sell shares of our common stock at any time and from time to time through the sales agents. Sales of the shares, if any, will be made by means of ordinary brokers' transactions on the NYSE or otherwise at market prices prevailing at the time of the sale.

Financing Activities — Secured Borrowings, 2024 Notes and 2027 Notes

Secured Borrowings

From our inception (January 30, 2014) to December 31, 2023, we have completed 18 secured borrowings, not including borrowings we completed for our non-consolidated joint ventures (See "Table 18: Investments in Joint Ventures"), through securitization trusts pursuant to Rule 144A under the Securities Act, five of which were outstanding at December 31, 2023. The secured borrowings are generally structured as debt financings. The loans included in the secured borrowings remain on our consolidated balance sheet as we are the primary beneficiary of the securitizations trusts, which are VIEs. The securitization VIEs are structured as pass through entities that receive principal and interest on the underlying mortgages and distribute those payments to the holders of the notes. Our exposure to the obligations of the VIEs is generally limited to our investments in the entities. The notes that are issued by the securitization trusts are secured solely by the mortgages held by the applicable trusts and not by any of our other assets. The mortgage loans of the applicable trusts are the only source of repayment and interest on the notes issued by such trusts. We do not guarantee any of the obligations of the trusts under the terms of the agreement governing the notes or otherwise.

Our non-rated secured borrowings are generally structured with Class A notes, subordinated notes, and trust certificates, which have rights to the residual interests in the mortgages once the notes are repaid. We have retained the subordinated notes and the applicable trust certificates from one non-rated secured borrowing outstanding at December 31, 2023.

Our rated secured borrowings are generally structured as "REIT TMP" transactions which allows us to issue multiple classes of securities without using a REMIC structure or being subject to an entity level tax. Our rated secured borrowings generally issue classes of debt from AAA through mezzanine. We generally retain the mezzanine and residual certificates in the transactions. We have retained the applicable mezzanine and residual certificates from the other four rated secured borrowings outstanding at December 31, 2023. Our rated secured borrowings are designated in the table below.

At March 31, 2021, our 2017-D secured borrowing contained Class A notes and Class B certificates representing the residual interests in the mortgages held within the securitization trusts subsequent to repayment of the Class A debt. We had retained 50.0% of both the Class A notes and Class B certificates from 2017-D; and the assets and liabilities were included on our consolidated balance sheets. During the second quarter of 2021, the majority of the loans in 2017-D were sold into 2021-C and the Class A note was redeemed. Based on the structure of the transaction we do not consolidate 2021-C under U.S. GAAP.

Our secured borrowings carry no provision for a step-up in interest rate on any of the Class B notes, except for 2021-B.

The following table sets forth the original terms of all outstanding notes from our secured borrowings outstanding at December 31, 2023 at their respective cutoff dates:

Table 14: Secured Borrowings

Issuing Trust/Issue Date	Interest Rate Step-up Date	Security	Original Principal	Interest Rate
Rated				
Ajax Mortgage Loan Trust 2019-D/ July 2019	July 25, 2027	Class A-1 notes due 2065	$140.4 million	2.96 %
	July 25, 2027	Class A-2 notes due 2065	$6.1 million	3.50 %
	July 25, 2027	Class A-3 notes due 2065	$10.1 million	3.50 %

Issuing Trust/Issue Date	Interest Rate Step-up Date	Security	Original Principal	Interest Rate
	July 25, 2027	Class M-1 notes due 2065(1)	$9.3 million	3.50 %
	None	Class B-1 notes due 2065(2)	$7.5 million	3.50 %
	None	Class B-2 notes due 2065(2)	$7.1 million	variable(3)
	None	Class B-3 notes due 2065(2)	$12.8 million	variable(3)
		Deferred issuance costs	$(2.7) million	— %
		Rated		
Ajax Mortgage Loan Trust 2019-F/ November 2019	November 25, 2026	Class A-1 notes due 2059	$110.1 million	2.86 %
	November 25, 2026	Class A-2 notes due 2059	$12.5 million	3.50 %
	November 25, 2026	Class A-3 notes due 2059	$5.1 million	3.50 %
	November 25, 2026	Class M-1 notes due 2059(1)	$6.1 million	3.50 %
	None	Class B-1 notes due 2059(2)	$11.5 million	3.50 %
	None	Class B-2 notes due 2059(2)	$10.4 million	variable(3)
	None	Class B-3 notes due 2059(2)	$15.1 million	variable(3)
		Deferred issuance costs	$(1.8) million	— %
		Rated		
Ajax Mortgage Loan Trust 2020-B/ August 2020	July 25, 2027	Class A-1 notes due 2059	$97.2 million	1.70 %
	July 25, 2027	Class A-2 notes due 2059	$17.3 million	2.86 %
	July 25, 2027	Class M-1 notes due 2059(1)	$7.3 million	3.70 %
	None	Class B-1 notes due 2059(2)	$5.9 million	3.70 %
	None	Class B-2 notes due 2059(2)	$5.1 million	variable(3)
	None	Class B-3 notes due 2059(2)	$23.6 million	variable(3)
		Deferred issuance costs	$(1.8) million	— %
		Rated		
Ajax Mortgage Loan Trust 2021-A/ January 2021	January 25, 2029	Class A-1 notes due 2065	$146.2 million	1.07 %
	January 25, 2029	Class A-2 notes due 2065	$21.1 million	2.35 %
	January 25, 2029	Class M-1 notes due 2065(1)	$7.8 million	3.15 %
	None	Class B-1 notes due 2065(2)	$5.0 million	3.80 %
	None	Class B-2 notes due 2065(2)	$5.0 million	variable(3)
	None	Class B-3 notes due 2065(2)	$21.5 million	variable(3)
		Deferred issuance costs	$(2.5) million	— %
		Non-rated		
Ajax Mortgage Loan Trust 2021-B/ February 2021	August 25, 2024	Class A notes due 2066	$215.9 million	2.24 %
	February 25, 2025	Class B notes due 2066(2)	$20.2 million	4.00 %
		Deferred issuance costs	$(4.3) million	— %

(1) The Class M notes are subordinated, sequential pay, fixed rate notes. We have retained the Class M notes, with the exception of Ajax Mortgage Loan Trust 2021-A.

(2) The Class B notes are subordinated, sequential pay, with B-2 and B-3 notes having variable interest rates and subordinate to the Class B-1 notes. The Class B-1 notes are fixed rate notes. We have retained the Class B notes.

(3) The interest rate is effectively the rate equal to the spread between the gross average rate of interest the trust collects on its mortgage loan portfolio minus the rate derived from the sum of the servicing fee and other expenses of the trust.

2024 Notes (Convertible Senior Notes)

During 2017 and 2018, we completed the public offer and sale of our 2024 Notes, in three separate offerings which form a single series of fungible securities. At December 31, 2023 and 2022, the UPB of the debt was $103.5 million and $104.5 million, respectively. The 2024 Notes bear interest at a rate of 7.25% per annum, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year. The 2024 Notes will mature on April 30, 2024, unless earlier repurchased, converted or redeemed. During certain periods and subject to certain conditions the 2024 Notes will be convertible by their holders into shares of our common stock at a current conversion rate of 1.7405 shares of common stock per $25.00 principal amount of the 2024 Notes, which represents a conversion price of approximately $14.36 per share of common stock. The conversion rate, and thus the conversion price, may be subject to adjustment under certain circumstances. (See "Critical Accounting Policies" above.)

2027 Notes (Unsecured Notes)

During August 2022, our Operating Partnership issued $110.0 million aggregate principal amount of 8.875% 2027 Notes. The 2027 Notes were issued at 99.009% of par value and are fully and unconditionally guaranteed by the Guarantors. (See "Critical Accounting Policies" above.)

Under the indenture governing the 2027 Notes, a subsidiary guarantor's guarantee will terminate upon: (i) the sale, exchange, disposition or other transfer (including by way of consolidation) of the subsidiary guarantor or the sale or disposition of all or substantially all the assets of the subsidiary guarantor otherwise permitted by the indenture, (ii) satisfaction of the requirements for legal or covenant defeasance or discharge of the 2027 Notes, or (iii) no default or event of default has occurred and is continuing under the indenture.

The following table presents summarized financial information for the Guarantors and our Operating Partnership, on a combined basis after eliminating (i) intercompany transactions and balances among the guarantor entities and (ii) equity in earnings from, and any investments in, any subsidiary that is a non-guarantor ($ in thousands):

Table 15: Summary of Issuer and Guarantor Financial Statements

	December 31, 2023	December 31, 2022
Total assets	$ 382,962	$ 455,096
Borrowings under repurchase transactions	158,741	206,872
Convertible senior notes and notes payable, net	210,360	210,302
Other liabilities	44,931	46,401
Total liabilities	414,032	463,575
Total equity (deficit)	(31,070)	(8,479)
Total liabilities and equity	$ 382,962	$ 455,096

	For the year ended December 31, 2023
Total loss on revenue, net	$ (17,839)
Management fees and loan servicing fees	6,491
Other expenses	13,173
Consolidated loss attributable to the Company	(37,503)
Less: dividends on preferred stock	2,190
Consolidated net loss attributable to common stockholders	$ (39,693)

Repurchase Transactions

We have two repurchase facilities whereby we, through two wholly owned Delaware trusts (the "Trusts"), acquire pools of mortgage loans, which are then sold by the Trusts, as "Seller" to two separate counterparties, the "buyer" or "buyers." One facility has a ceiling of $150.0 million and the other $400.0 million at any one time. Upon the time of the initial sale to the buyer, each Trust, with a simultaneous agreement, also agrees to repurchase the pools of mortgage loans from the buyer. Mortgage loans sold under these facilities carry interest calculated based on a spread to one-month SOFR, which are fixed for the term of the borrowing. The purchase price that the Trust realizes upon the initial sale of the mortgage loans to the buyer can vary between 75% and 90% of the asset's acquisition price, depending upon the facility being utilized and/or the quality of the underlying collateral. The obligations of the Trust to repurchase these mortgage loans at a future date are guaranteed by the Operating Partnership. The difference between the market value of the asset and the amount of the repurchase agreement is generally the amount of equity we have in the position and is intended to provide the buyer with some protection against fluctuations in the value of the collateral, and/or a failure by us to repurchase the asset and repay the borrowing at maturity. We also have four repurchase facilities, as of December 31, 2023, substantially similar to the mortgage loan repurchase facilities where the pledged assets are bonds retained from our securitization transactions. These facilities have no effective ceilings. Each repurchase transaction represents its own borrowing. As such, the ceilings associated with these transactions are the amounts currently borrowed at any one time. We have effective control over the assets subject to all of these transactions; therefore, our repurchase transactions are accounted for as financing arrangements.

A summary of our outstanding repurchase transactions at December 31, 2023 and 2022 is as follows ($ in thousands):

Table 16: Repurchase Transactions by Maturity Date

	December 31, 2023			
	Maturity Date	Amount Outstanding	Amount of Collateral	Interest Rate
Barclays - bonds[(1)]		**$ 70,095**	**$ 101,041**	**7.03 %**
A Bonds	January 3, 2024	10,850	15,572	6.90 %
	January 19, 2024	21,762	28,503	6.79 %
	May 3, 2024	9,628	12,329	6.87 %
	May 22, 2024	2,134	3,358	6.97 %
B Bonds	January 26, 2024	3,027	4,998	7.68 %
	March 13, 2024	13,398	20,121	7.13 %
	May 3, 2024	3,608	6,185	7.70 %
	May 22, 2024	4,312	7,565	7.57 %
M Bonds	May 3, 2024	281	499	7.05 %
	May 22, 2024	1,095	1,911	7.17 %
Nomura - bonds[(1)]		**$ 68,623**	**$ 98,448**	**6.98 %**
A Bonds	January 26, 2024	35,184	47,149	7.02 %
	February 15, 2024	5,079	7,449	6.93 %
	March 28, 2024	17,019	23,238	6.74 %
	January 26, 2024	1,024	1,761	7.31 %
B Bonds	February 15, 2024	3,002	5,149	7.33 %
	March 28, 2024	3,900	6,413	7.30 %
M Bonds	January 26, 2024	2,307	5,177	7.30 %
	March 28, 2024	1,108	2,112	6.90 %
JP Morgan - bonds[(1)]		**$ 33,564**	**$ 53,978**	**6.90 %**
A Bonds	February 28, 2024	9,632	12,633	6.73 %
B Bonds	February 28, 2024	6,598	11,140	7.13 %
M Bonds	January 4, 2024	13,541	22,813	6.82 %
M Bonds	January 22, 2024	3,290	6,497	7.23 %

	December 31, 2023						
	Maturity Date	Amount Outstanding		Amount of Collateral			Interest Rate
	February 28, 2024		503		895		7.03 %
Nomura - loans[(2)]	October 5, 2024	**$**	**193,060**	**$**	**277,632**		**7.79 %**
JP Morgan - loans[(3)]	July 10, 2024	**$**	**10,403**	**$**	**14,656**		**8.38 %**
Totals/weighted averages		**$**	**375,745**	**$**	**545,755**	(4)	**7.44 %**

(1) Maximum borrowing capacity subject to pledging sufficient collateral is the equivalent of the amount outstanding as of December 31, 2023.
(2) Maximum borrowing capacity subject to pledging sufficient collateral as of December 31, 2023 was $400.0 million.
(3) Maximum borrowing capacity subject to pledging sufficient collateral as of December 31, 2023 was $150.0 million.
(4) Includes $42.8 million of bonds that are consolidated on our balance sheet for GAAP as of December 31, 2023.

		December 31, 2022						
		Maturity Date	Amount Outstanding		Amount of Collateral			Interest Rate
Barclays - bonds[(1)]			**$**	**126,458**	**$**	**181,667**		**6.10 %**
	A Bonds	January 3, 2023		12,345		18,399		5.33 %
		January 20, 2023		47,591		64,692		5.76 %
		April 26, 2023		27,655		37,216		6.60 %
		May 3, 2023		11,879		15,535		5.97 %
		May 22, 2023		2,107		3,421		6.17 %
	B Bonds	March 13, 2023		12,639		20,755		6.45 %
		April 26, 2023		2,943		5,174		7.00 %
		May 3, 2023		3,627		6,405		6.77 %
		May 22, 2023		4,306		7,606		6.77 %
	M Bonds	May 3, 2023		292		521		6.12 %
		May 22, 2023		1,074		1,943		6.37 %
Nomura - bonds[(1)]			**$**	**35,742**	**$**	**55,303**		**6.02 %**
	A Bonds	January 12, 2023		3,910		5,458		5.32 %
		February 14, 2023		6,481		9,818		5.81 %
		February 24, 2023		3,795		5,178		6.05 %
		March 23, 2023		11,186		17,202		6.08 %
	B Bonds	February 14, 2023		5,619		9,542		6.24 %
		February 24, 2023		1,054		1,689		6.45 %
		March 23, 2023		3,697		6,416		6.48 %
Goldman Sachs - bonds[(1)]			**$**	**3,102**	**$**	**4,044**		**5.58 %**
	A Bonds	January 13, 2023		3,102		4,044		5.58 %
JP Morgan - bonds[(1)]			**$**	**56,656**	**$**	**82,071**		**5.59 %**
	A Bonds	March 7, 2023		11,103		14,836		5.62 %
		March 24, 2023		22,131		30,215		5.41 %
	B Bonds	February 3, 2023		7,846		13,583		5.86 %
	M Bonds	March 7, 2023		490		893		5.85 %
		April 11, 2023		15,086		22,544		5.70 %
Nomura - loans[(2)]		October 5, 2023	**$**	**212,147**	**$**	**292,415**		**6.65 %**
JP Morgan - loans[(3)]		July 10, 2023	**$**	**11,750**	**$**	**17,839**		**6.90 %**
Totals/weighted averages			**$**	**445,855**	**$**	**633,339**	(4)	**6.31 %**

(1) Maximum borrowing capacity subject to pledging sufficient collateral is the equivalent of the amount outstanding as of December 31, 2022.
(2) Maximum borrowing capacity subject to pledging sufficient collateral as of December 31, 2022 was $400.0 million.

(3) Maximum borrowing capacity subject to pledging sufficient collateral as of December 31, 2022 was $150.0 million.
(4) Includes $42.8 million of bonds that are consolidated on our balance sheet for GAAP as of December 31, 2022.

As of December 31, 2023, we had $375.7 million outstanding under our repurchase transactions compared to $445.9 million as of December 31, 2022. The maximum month-end balance outstanding during the year ended December 31, 2023 was $447.3 million, compared to a maximum month-end balance for the year ended 2022 of $548.9 million. The following table presents certain details of our repurchase transactions for the years ended December 31, 2023 and 2022 ($ in thousands):

Table 17: Repurchase Balances

	For the year ended December 31,	
	2023	2022
Balance at the end of year	$ 375,745	$ 445,855
Maximum month-end balance outstanding during the year	$ 447,344	$ 548,876
Average balance	$ 406,010	$ 497,687

The decrease in our average balance from $497.7 million for the year ended December 31, 2022 to $406.0 million for the year ended December 31, 2023 as a result of paydowns and asset sales.

As of December 31, 2023 and 2022, we did not have any credit facilities or other outstanding debt obligations other than the repurchase facilities, secured borrowings, put option liability, 2024 Notes and 2027 Notes.

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

Dividends

We may declare dividends based on, among other things, our earnings, our financial condition, our working capital needs, new opportunities, and distribution requirements imposed on REITs. The declaration of dividends to our stockholders and the amount of such dividends are at the discretion of our Board of Directors.

On February 26, 2024, our Board of Directors declared a dividend of $0.10 per share, to be paid on March 29, 2024 to stockholders of record as of March 15, 2024. Our Management Agreement with our Manager requires the payment of an incentive management fee above the amount of the base management fee if either, (1) for any quarterly incentive fee, the sum of cash dividends on our common stock paid out of our taxable income plus any quarterly increase in book value, all calculated on an annualized basis, exceed 8% of our book value, or (2) for any annual incentive fee, the value of quarterly cash dividends on our common stock plus cash special dividends on our common stock paid out of our taxable income, plus the increase in our book value, taken together exceeds 8% (on an annualized basis) of our stock's book value at the end of the year. During the years ended December 31, 2023 and 2021, we recorded no incentive fee payable to the Manager. Comparatively, during the year ended December 31, 2022 we recorded incentive fees payable to the Manager of $0.3 million. Our dividend payments are driven by the amount of our taxable income, subject to IRS rules for maintaining our status as a REIT.

Our most recently declared quarterly dividend represents a payment of approximately 4.00% on an annualized basis of our book value of $9.99 per share at December 31, 2023. If our taxable income increases, we could exceed the threshold for paying an incentive fee to our Manager, and thereby trigger such payments. See Note 10 — Related Party Transactions.

Off-Balance Sheet Arrangements

Other than our investments in debt securities and beneficial interests issued by joint ventures, which are summarized below by securitization trust, and our equity method investments discussed elsewhere in this report, we do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities nor do we have any commitment or intent to provide funding to any such entities. As such, we are not materially exposed to any market, credit, liquidity or financing risk that could arise if we had engaged in such relationships.

Table 18: Investments in Joint Ventures

We form joint ventures with third party institutional accredited investors to purchase mortgage loans and other mortgage related assets. The debt securities and beneficial interests we carry on our consolidated balance sheets are issued by securitization trusts formed by these joint ventures, which are VIEs, that we have sponsored but which we do not consolidate since we have determined we are not the primary beneficiary.

On January 1, 2023, we transferred a carrying value of $83.0 million of investment securities from AFS to HTM due to sale restrictions pursuant to Article 6(1) of Regulation (EU) 2017/2402 of the European Parliament and of the Council (as amended, the “EU Securitization Regulation” and, together with applicable regulatory and implementing technical standards in relation thereto, the “EU Securitization Rules”). Pursuant to the terms of these debt securities, we must hold at least 5.01% of the nominal value of each class of securities offered or sold to investors (the "EU Retained Interest") subject to the EU Securitization Rules. Under the EU Securitization Rules, we are prohibited from selling, transferring or otherwise surrendering all or part of the EU Retained Interest until all such classes are paid in full or redeemed. The EU risk retention component of our investments in securities is classified as HTM on our consolidated balance sheets.

A summary of our investments in debt securities AFS and HTM issued by joint ventures is presented below ($ in thousands):

				Great Ajax Corp. Ownership			
Issuing Trust/Issue Date	**Security**	**Total Original Outstanding Principal**	**Coupon**	**Ownership Percent**	**Original Stated or Notional Principal Balance Retained**	**Current Owned Stated or Notional Principal Balance Retained**	
Ajax Mortgage Loan Trust 2020-C/ September 2020	Class A notes due 2060	$ 339,365	2.25 %	10.01 %	$ 33,970	$ 360	(4)
	Class B notes due 2060	$ 21,754	5.00 %	10.01 %	$ 2,178	$ 2,178	(4)
Ajax Mortgage Loan Trust 2020-D/ September 2020	Class A notes due 2060	$ 330,721	2.25 %	10.01 %	$ 33,105	$ 3,720	(4)
	Class B notes due 2060	$ 30,867	5.00 %	10.01 %	$ 3,090	$ 3,090	(4)
Ajax Mortgage Loan Trust 2021-C/ April 2021	Class A notes due 2061	$ 194,673	2.12 %	5.01 %	$ 9,753	$ 4,881	(4)
	Class B notes due 2061	$ 18,170	3.72 %	31.90 %	$ 5,796	$ 5,796	(4)
Ajax Mortgage Loan Trust 2021-D/ May 2021	Class A notes due 2060	$ 191,468	2.00 %	6.94 %	$ 13,288	$ 7,168	(4)
	Class B notes due 2060	$ 25,529	4.00 %	20.00 %	$ 5,106	$ 5,106	(4)
Ajax Mortgage Loan Trust 2021-E/ July 2021(1)	Class A notes due 2060	$ 430,760	1.82 % (2)	10.01 %	$ 43,119	$ 31,811	(4)
	Class M notes due 2060	$ 19,415	2.94 %	10.01 %	$ 1,943	$ 1,943	(4)

Issuing Trust/Issue Date	Security	Total Original Outstanding Principal	Coupon	Great Ajax Corp. Ownership: Ownership Percent	Original Stated or Notional Principal Balance Retained	Current Owned Stated or Notional Principal Balance Retained
	Class B-1 and B-2 notes due 2060	$ 38,313	3.73 %	10.01 %	$ 3,835	$ 3,835 (4)
	Class B-3 notes due 2060	$ 29,253	3.73 %	19.57 %	$ 5,725	$ 5,725 (4)
Ajax Mortgage Loan Trust 2021-F/ June 2021	Class A notes due 2061	$ 476,082	1.88 %	5.01 %	$ 23,852	$ 15,125 (4)
	Class B notes due 2061	$ 49,463	3.75 %	12.60 %	$ 6,232	$ 6,232 (4)
Ajax Mortgage Loan Trust 2021-G/ June 2021	Class A notes due 2061	$ 317,573	1.88 %	7.26 %	$ 23,056	$ 14,386 (4)
	Class B notes due 2061	$ 32,995	3.75 %	20.00 %	$ 6,599	$ 6,413 (4)
2021-NPL 1/ November 2021	Class B notes due 2051	$ 23,088	4.63 %	16.33 %	$ 3,771	$ 3,771
Ajax Mortgage Loan Trust 2022-A/ April 2022	Class A notes due 2061	$ 154,921	3.47 % (2)	6.24 % (3)	$ 9,664	$ 7,775
	Class M notes due 2061	$ 21,762	3.00 %	23.28 %	$ 5,066	$ 5,066
Ajax Mortgage Loan Trust 2022-B/ June 2022	Class A notes due 2062	$ 169,924	3.47 % (2)	5.70 % (3)	$ 9,692	$ 7,963
	Class M notes due 2062	$ 17,776	3.00 %	17.18 %	$ 3,054	$ 3,054
2022-RPL 1/ October 2022	Class B notes due 2028	$ 29,364	4.25 %	17.50 %	$ 5,139	$ 5,139
Ajax Mortgage Loan Trust 2023-A/ February 2023	Class A notes due 2062	$ 163,741	3.46 % (2)	5.89 % (3)	$ 9,644	$ 8,851
	Class M notes due 2062	$ 10,561	2.50 %	20.00 %	$ 2,112	$ 2,112
	Class B notes due 2062	$ 20,506	2.50 %	20.00 %	$ 4,101	$ 4,101
Ajax Mortgage Loan Trust 2023-B/ July 2023	Class A notes due 2062	$ 91,312	4.25 %	20.00 %	$ 18,262	$ 16,545
	Class B notes due 2062	$ 8,522	4.25 %	20.00 %	$ 1,704	$ 1,704
Ajax Mortgage Loan Trust 2023-C/ July 2023	Class A notes due 2063	$ 147,386	3.45 % (2)	20.00 % (3)	$ 29,477	$ 28,038
	Class M notes due 2063	$ 25,650	2.50 %	20.00 %	$ 5,130	$ 5,130

(1) Ajax Mortgage Loan Trust 2021-E was formed on July 19, 2021 which was subsequent to completing Ajax Mortgage Loan Trust 2021-F and 2021-G. The trust made an election to be taxed as a REMIC however the residual class was placed with an unrelated third party.
(2) Weighted average of Class A notes.
(3) Weighted average ownership of Class A notes.
(4) Total principal includes 5.01% EU risk retention component classified as investments in securities HTM on our consolidated balance sheets.

A summary of our investments in beneficial interests issued by joint ventures is presented below ($ in thousands):

		Great Ajax Corp. Ownership		
Issuing Trust/Issue Date	Total Original Outstanding Principal	Ownership Percent	Original Stated or Notional Principal Balance Retained	Current Owned Stated or Notional Principal Balance Retained
Ajax Mortgage Loan Trust 2018-B/ June 2018	$ 28,447	20.00 %	$ 5,689	$ 2,122
Ajax Mortgage Loan Trust 2018-D/ September 2018	$ 20,166	20.00 %	$ 4,033	$ 790
Ajax Mortgage Loan Trust 2018-F/ December 2018	$ 43,201	20.00 %	$ 8,640	$ 3,641
Ajax Mortgage Loan Trust 2019-E/ September 2019	$ 43,464	20.00 %	$ 8,693	$ 2,295
Ajax Mortgage Loan Trust 2019-G/ December 2019	$ 33,941	20.00 %	$ 6,788	$ 2,285
Ajax Mortgage Loan Trust 2020-A/ March 2020	$ 59,852	20.00 %	$ 11,970	$ 5,297
Ajax Mortgage Loan Trust 2020-C/ September 2020	$ 73,964	10.01 %	$ 7,404	$ 7,393
Ajax Mortgage Loan Trust 2020-D/ September 2020	$ 79,373	10.01 %	$ 7,945	$ 7,934
Ajax Mortgage Loan Trust 2021-C/ April 2021	$ 46,722	31.90 %	$ 14,904	$ 14,860
Ajax Mortgage Loan Trust 2021-D/ May 2021	$ 38,293	20.00 %	$ 7,659	$ 7,630
Ajax Mortgage Loan Trust 2021-E/ July 2021(1)	$ 518,357	19.57 %	$ 101,471 (2)	$ 1,271
Ajax Mortgage Loan Trust 2021-F/ June 2021	$ 92,743	12.60 %	$ 11,686	$ 11,670
Ajax Mortgage Loan Trust 2021-G/ June 2021	$ 61,864	20.00 %	$ 12,373	$ 11,630
2021-NPL 1/ November 2021	$ 52,773	16.33 %	$ 8,620	$ 8,575
Ajax Mortgage Loan Trust 2022-A/ April 2022(3)	$ 38,784	23.28 %	$ 9,029	$ 8,557
Ajax Mortgage Loan Trust 2022-B/ June 2022(4)	$ 33,125	17.18 %	$ 5,691	$ 5,352
2022-RPL 1/ October 2022	$ 55,326	17.50 %	$ 9,682	$ 9,308

Ajax Mortgage Loan Trust 2023-A/ February 2023	$	10,254	20.00 %	$	2,051	$	1,956
Ajax Mortgage Loan Trust 2023-B/ July 2023	$	29,274	20.00 %	$	5,855	$	5,398
Ajax Mortgage Loan Trust 2023-C/ July 2023	$	30,537	20.00 %	$	6,107	$	6,009

(1) Ajax Mortgage Loan Trust 2021-E was formed on July 19, 2021 which was subsequent to completing Ajax Mortgage Loan Trust 2021-F and 2021-G. The trust made an election to be taxed as a REMIC however the residual class was placed with an unrelated third party.
(2) The trust certificate has no stated principal balance and is tied to the unpaid balance of the underlying mortgage loans.
(3) Includes the addition of Class B notes classified as beneficial interests on our consolidated balance sheets. Total original outstanding principal and principal balance retained of the Class B notes is $25.9 million and $6.0 million, respectively.
(4) Includes the addition of Class B notes classified as Beneficial Interests on our consolidated balance sheets. Total original outstanding principal and principal balance retained of the Class B notes is $22.1 million and $3.8 million, respectively.

Contractual Obligations

Our contractual obligations include obligations under repurchase agreements, our 2024 Notes, our 2027 Notes, accrued interest on the repurchase agreements and notes, and the put obligation on our outstanding warrants.

We use repurchase agreements to finance certain acquisitions of mortgage loans and certain debt securities we retain from our securitizations. At December 31, 2023 and 2022, our repurchase obligations totaled $375.7 million and $445.9 million, respectively. Our repurchase financing is considered short term in nature as the underlying agreements generally renew within one year. (See “Repurchase Transactions” above.)

Our 2024 Notes had outstanding principal balances of $103.5 million and $104.5 million at December 31, 2023 and 2022, respectively. The 2024 Notes will mature on April 30, 2024 unless earlier repurchased, converted or redeemed. During certain periods and subject to certain conditions the 2024 Notes will be convertible by their holders into shares of our common stock at a current conversion rate of 1.7405 shares of common stock per $25.00 principal amount of the notes, which represents a conversion price of approximately $14.36 per share of common stock. The conversion rate, and thus the conversion price, may be subject to adjustment under certain circumstances. (See “Critical Accounting Policies” above.)

Our 2027 Notes had an outstanding principal balance of $110.0 million at both December 31, 2023 and 2022. The 2027 Notes will mature on September 1, 2027. (See "Critical Accounting Policies" above.)

Our accrued interest expense associated with our repurchase obligations at December 31, 2023 and 2022, was $2.3 million and $2.3 million, respectively. Our interest expense expected to be paid on our 2024 Notes at December 31, 2023 and 2022, was $4.1 million and $11.7 million, respectively. Our interest expense expected to be paid on our 2027 Notes at December 31, 2023 and 2022, was $39.1 million and $49.0 million, respectively. Interest expense accrued on our repurchase financings is paid upon the maturity of a financing. Unless the repurchase financing is renewed, we are required to repay the borrowing and any accrued interest and we concurrently receive back our pledged collateral from the lender. Interest expense on our 2024 Notes is paid quarterly in arrears on January 15, April 15, July 15 and October 15 of each year. Interest expense on our 2027 Notes is payable semi-annually on March 1 and September 1, with the first payment due and payable on March 1, 2023.

We have two series of five-year warrants outstanding which allow the holders to purchase an aggregate of 1,950,672 shares of our common stock at an exercise price of $10.00 per share. Each series of warrants includes a put option that allows the holder to sell the warrants back to us at a specified put price on or after July 6, 2023. We believe the most economically beneficial result for the holders will be to exercise the put, which we expect to settle for $16.6 million.

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

Inflation

Virtually all of our assets and liabilities are interest-rate sensitive in nature. Recent and expected rate increases by the Federal Reserve Bank to mitigate inflation have increased and are expected to continue to increase our cost of funds. Increasing mortgage interest rates may also have a negative impact on housing prices. Additionally, inflation that outpaces wage increases could drive a decrease in disposable household income and increase the credit risk of certain borrowers.

Subsequent Events

On February 26, 2024, our Board declared a dividend of $0.10 per share, to be paid on March 29, 2024 to stockholders of record as of March 15, 2024.

In late February 2024, we identified mortgage loans that we proposed to market for sale. These include loans that are on our repurchase lines of credit, as well as loans included in Ajax Mortgage Loan Trust 2021-B and that in aggregate have a UPB of approximately $330.0 million and a carrying value of approximately $320.0 million. We anticipate that we will record a loss in connection with any loans we ultimately sell; any such loss would likely be recorded and reflected in our March 31, 2024 financial statements. For each $100.0 million of loans sold, we anticipate that we may record a $10.0 million loss. Our decision to market these loans for sale was based on market uncertainty and the upcoming maturity of our convertible notes.

On February 26, 2024, we announced the entry into a strategic transaction with Rithm. We will be moving forward promptly with an annual/special stockholders' meeting as previously disclosed.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

Real Estate Risk

Residential property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns, public health crises and other factors); local real estate conditions (such as an oversupply of housing); construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. Increases in interest rates will result in lower refinancing volume, and home price increases will slow. Decreases in property values may cause us to suffer losses.

Interest Rate Risk

We expect to continue to securitize our whole loan portfolios, primarily as a financing tool, when economically efficient to create long-term, fixed rate, non-recourse financing with moderate leverage, while retaining one or more tranches of the subordinate MBS so created. We expect to continue to utilize repurchase lines of credit as an interim financing tool until we have sufficient volume to execute a secured borrowing. Increases in interest rates will increase our cost of funds for new secured borrowings and our cost of funds on repurchase lines of credit on the repurchase reset date. Changes in interest rates may affect the fair value of the mortgage loans and real estate underlying our portfolios as well as our financing interest rate expense. Additionally, rises in interest rates may result in a lower refinance volume of our portfolio.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control.

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

Prepayment Risk

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

Credit Risk

We are subject to credit risk in connection with our assets. While we will engage in diligence on assets we will acquire, such due diligence may not reveal all of the risks associated with such assets and may not reveal other weaknesses in such assets, which could lead us to misprice acquisitions. Property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns, public health crises and other factors), local real estate conditions (such as an oversupply of housing), changes or continued weakness in specific industry segments, construction quality, age and design, demographic factors and retroactive changes to building or similar codes.

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

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements required by this item are set forth in Item 15. of this Annual Report and are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Annual Report on Form 10-K. The evaluation was conducted under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Disclosure controls and procedures are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures are also designed to reasonably assure that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The evaluation of our disclosure controls and procedures included a review of the controls' objectives and design, our implementation of the controls and their effect on the information generated for use in this Form 10-K. This type of evaluation will be performed on a quarterly basis so that the conclusions of management, including the Chief Executive Officer and Chief Financial Officer, concerning the effectiveness of the disclosure controls and procedures can be reported in our periodic reports on Form 10-Q and Form 10-K. The overall goals of these various evaluation activities are to monitor our disclosure controls and procedures, and to modify them as necessary. Our intent is to maintain the disclosure controls and procedures as dynamic systems that change as conditions warrant.

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

Management's Annual Report on Internal Controls Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. In making this assessment, the Company's management used criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013).

Based on its assessment, the Company's management believes that, as of December 31, 2023, the Company's internal control over financial reporting was effective based on those criteria.

Report of the Independent Registered Public Accounting Firm

Our internal control over financial reporting at December 31, 2023 has been audited by Moss Adams LLP. Their attestation report on internal control over financial reporting appears in Part IV, Item 15 and expressed an unqualified opinion. Moss Adams LLP has also audited the consolidated financial statements as of and for the year ended December 31, 2023 and their report expressed an unqualified opinion on those consolidated financial statements.

Changes in Internal Control Over Financial Reporting

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

Item 9B. Other Information

During the year ended December 31, 2023, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement", as each term is defined in Item 408 of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2024 annual/special stockholders' meeting.

Item 11. Executive Compensation

The information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2024 annual/special stockholders' meeting.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2024 annual/special stockholders' meeting.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2024 annual/special stockholders' meeting.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference from the Company's definitive proxy statement for its 2024 annual/special stockholders' meeting.

PART IV

Item 15. Exhibits and Consolidated Financial Statement Schedules

(a)(1) *Financial Statements*.

See the Index to Financial Statements at page F-1 of this report.

(a)(2) *Financial Statement Schedule.*

Schedule IV — Mortgage Loans on Real Estate.

All other financial statement schedules have been omitted since they are either not required, are not applicable or the required information is shown in the consolidated financial statements or related notes.

(a)(3) *Exhibits*.

Exhibit Number	Exhibit Description
2.1	Agreement and Plan of Merger, dated as of June 30, 2023, by and among Ellington Financial Inc., EF Acquisition I LLC and Great Ajax Corp. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed July 3, 2023 (File No. 001-36844)).
3.1	Articles of Amendment and Restatement (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-11 confidentially submitted to the SEC on September 23, 2014 (File No.:333-00787)).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-11 confidentially submitted to the SEC on September 23, 2014 (File No.:333-00787)).
3.3*	Amended and Restated Bylaws, amended and restated as of June 30, 2023.
3.4	Articles Supplementary dated as of April 6, 2020 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 8-K filed on April 7, 2020 (File no. 001-36844)).
3.5	Articles Supplementary dated as of May 7, 2020 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 8-K filed on May 8, 2020 (File No.:001-36844)).

Exhibit Number	Exhibit Description
3.6	Articles of Amendment to Articles Supplementary dated as of May 7, 2020 (incorporated by reference to Exhibit 3.2 to the Company's report on Form 8-K filed on May 8, 2020 (File No.:001-36844)).
4.1	Indenture, dated as of April 19, 2017, by and between the Registrant and Wilmington Savings Fund Society, FSB, as trustee (incorporated by reference to Exhibit 4.1 to the Company's report on Form 8-K filed on April 19, 2017 (File No.:001-36844)).
4.2	First Supplemental Indenture, dated as of April 25, 2017, by and between the Registrant and Wilmington Savings Fund Society, FSB, as trustee (incorporated by reference to Exhibit 4.1 to the Company's report on Form 8-K filed on April 25, 2017 (File No.:001-36844)).
4.3	Form of 7.25% Convertible Senior Note (incorporated by reference to Exhibit 4.2 to the Company's report on Form 8-K filed on April 25, 2017 (File No.:001-36844)).
4.4	Warrants Certificate dated as of May 4, 2020 (incorporated by reference to Exhibit 4.1 to the Company's report on Form 8-K filed on May 8, 2020 (File No.:001-36844)).
4.5	Warrants Certificate dated as of May 4, 2020 (incorporated by reference to Exhibit 4.2 to the Company's report on Form 8-K filed on May 8, 2020 (File No.:001-36844)).
4.6	Indenture, dated as of August 26, 2022, among the Issuer, Great Ajax Corp., and Wilmington Savings Fund Society, FSB, as trustee (incorporated by reference to Exhibit 4.1 to the Company's report on Form 8-K filed on August 26, 2022 (File No.:001-36844)).
4.7	Form of the Issuer’s 8.875% Senior Notes due 2027 (included in Exhibit 4.6) (incorporated by reference to Exhibit 4.2 to the Company's report on Form 8-K filed on August 26, 2022 (File No.:001-36844)).
10.1	Agreement of Limited Partnership of Great Ajax Operating Partnership LP (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-11 confidentially submitted to the SEC on September 23, 2014 (File No.:333-00787)).
10.2	Amended and Restated Management Agreement dated October 27, 2015; incorporated by reference to Exhibit 10.1 to the Company’s report on Form 8-K filed on November 2, 2015 (File No.:001-36844)).
10.3	Servicing Agreement dated as of July 8, 2014 by and among the Servicer and the registrant and its affiliates Great Ajax Operating Partnership L.P. and Little Ajax II LLC (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-11 confidentially submitted to the SEC on September 23, 2014 (File No.:333-00787))
10.4	Form of Indemnification Agreement between registrant and each of its directors and officer (incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-11 confidentially submitted to the SEC on September 23, 2014 (File No.:333-00787)).
10.5	Assignment Agreement made as of July 8, 2014, by and between the entities identified on Exhibit A thereto and the registrant with respect to Little Ajax II LLC (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form S-11 confidentially submitted to the SEC on September 23, 2014 (File No.:333-00787))
10.6	2014 Director Equity Plan (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-11 confidentially submitted to the SEC on September 23, 2014 (File No.:333-00787)).
10.7	2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant’s Current Report on Form 8-K filed with the Commission on June 7, 2016. (File No.:333-00787)).
10.8	Form of Restricted Stock Award (incorporated by reference to Exhibit 10.7 to the Registration Statement on Form S-11 confidentially submitted to the SEC on September 23, 2014 (File No.:333-00787)).
10.9	Registration Rights Agreement made and entered into as of July 8, 2014, by and among the registrant and FBR Capital Markets & Co., as the initial purchaser/placement agent (“FBR”) for the benefit of FBR and certain purchasers of the registrant’s common stock (incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-11 confidentially submitted to the SEC on September 23, 2014 (File No.:333-00787))
10.10	Trademark License Agreement dated as of July 8, 2014 between the registrant and Aspen Yo (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-11 confidentially submitted to the SEC on September 23, 2014 (File No.:333-00787)).
10.11	Registration Rights Agreement made and entered into as of December 16 2014, by and among the registrant and certain purchasers of the registrant’s common stock (incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-11 confidentially submitted to the SEC on December 29, 2014 (File No.:333-00787))
10.12	Second Amended and Restated Management Agreement, dated March 5, 2019, by and among Great Ajax Corporation, Great Ajax Operating Partnership, LP and Thetis Asset Management LLC (incorporated by reference to Exhibit 10.12 to the Company's report on Form 10-K filed on March 6, 2019 (File No.:001-36844))

Exhibit Number	Exhibit Description
10.13	Description of Capital Stock (incorporated by reference to Exhibit 10.13 to the Company's report on Form 10-K filed on March 4, 2020 (File No.:001-36844)).
10.14	Third Amended and Restated Management Agreement, dated April 28, 2020, by and among Great Ajax Corporation, Great Ajax Operating Partnership, LP and Thetis Asset Management LLC (incorporated by reference to Exhibit 10.1 to the Company's report on Form 10-Q filed on May 6, 2020 (File No.:001-36844))
10.15	Securities Purchase Agreement dated as of May 4, 2020 (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K filed on May 8, 2020 (File No.:001-36844)).
10.16	Registration Rights Agreement by and among Great Ajax Corp. and the Purchasers Named herein dated as of May 4, 2020 (incorporated by reference to Exhibit 10.2 to the Company's report on Form 8-K filed on May 8, 2020 (File No.:001-36844)).
10.17	Warrant Agency Agreement by and between Great Ajax Corp. and American Stock Transfer & Trust Company, LLC dated as of May 4, 2020 (incorporated by reference to Exhibit 10.3 on Form 10-Q filed on August 5, 2020 (File No.:001-36844)).
10.18	Employment agreement with Mary Doyle, Great Ajax Corp. Chief Financial Officer, dated March 4, 2022 (incorporated by reference to Exhibit 10.18 to the Company's report on Form 10-K filed on March 3, 2023 (File No.:001-36844)).
10.19	First Amendment to the Third Amended and Restated Management Agreement, dated March 1, 2023, by and among Great Ajax Corporation, Great Ajax Operating Partnership, LP and Thetis Asset Management LLC (incorporated by reference to Exhibit 10.19 to the Company's report on Form 10-K filed on March 3, 2023 (File No.:001-36844))
10.20	Termination Agreement, dated as of October 20, 2023, by and between Great Ajax Corp. and Ellington Financial Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 20, 2023).
10.21	Securities Purchase Agreement by and between Great Ajax Corp. and Ellington Financial Inc. dated October 20, 2023 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 20, 2023).
10.22***	Credit Agreement, dated February 26, 2024, by and among the Company and NIC RMBS LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 26, 2024).
10.23	Form of Termination and Release Agreement, by and among the Company, Great Ajax Operating Partnership LP and Thetis Asset Management LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed February 26, 2024).
10.24	Form of Management Agreement to be entered with by and among the Company, Great Ajax Operating Partnership LP and RCM GA Manager LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed February 26, 2024).
10.25	Form of Warrant Agreement by and between the Company and Equiniti Trust Company (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed February 26, 2024).
10.26	Securities Purchase Agreement, dated February 26, 2024, by and among the Company, Great Ajax Operating Partnership LP, Thetis Asset Management LLC and Rithm Capital Corp. (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed February 26, 2024).
10.27	Form of Registration Rights Agreement by and among the Company and Rithm Capital Corp. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed February 26, 2024).
10.28***	Form Exchange Agreement, dated February 26, 2024, by and among the Company, Great Ajax Operating Partnership LP, Thetis Asset Management LLC and the Exchanging Investors named therein (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed February 26, 2024).
10.29***	Form of Support Agreement, dated February 26, 2024, by and among the Company and certain stockholders (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed February 26, 2024).
21.1*	List of subsidiaries.
23.1*	Consent of Moss Adams LLP.
31.1*	Rule 13a-14(a) Certification of Chief Executive Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Rule 13a-14(a) Certification of Chief Financial Officer of the Company in accordance with Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Section 1350 Certification of Chief Executive Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit Number	Exhibit Description
32.2*	Section 1350 Certification of Chief Financial Officer of the Company in accordance with Section 906 of the Sarbanes-Oxley Act of 2002.
97.1*	Clawback Policy of Great Ajax Corp.
97.2*	Clawback Policy of Great Ajax Operating Partnership L.P.
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 Definition Linkbase Document
101.LAB**	Inline XBRL Taxonomy Definition 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.

** Furnished herewith.

*** Pursuant to Item 601(a)(5) of Regulation S-K, certain schedules have been omitted. The Company agrees to furnish supplementally a copy of any omitted schedule to the SEC upon request.

(b) *Exhibits*.

See Item 15(a)(3) above.

(c) *Financial Statement Schedule*

Schedule IV — Mortgage Loans on Real Estate.

All other financial statement schedules have been omitted since they are either not required, are not applicable or the required information is shown in the consolidated financial statements or related notes.

Item 16. Form 10-K Summary

None.

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, as of February 28, 2024.

GREAT AJAX CORP.
By: /s/ Lawrence Mendelsohn
Lawrence Mendelsohn

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Lawrence Mendelsohn Lawrence Mendelsohn	Chairman and Chief Executive Officer (Principal Executive Officer)	February 28, 2024
/s/ Mary Doyle Mary Doyle	Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2024
/s/ Steven L. Begleiter Steven L. Begleiter	Director	February 28, 2024
/s/ John Condas John Condas	Director	February 28, 2024
/s/ Paul Friedman Paul Friedman	Director	February 28, 2024
/s/ Mary Haggerty Mary Haggerty	Director	February 28, 2024
/s/ Jonathan Bradford Handley, Jr. Jonathan Bradford Handley, Jr.	Director	February 28, 2024
/s/ J. Kirk Ogren, Jr. J. Kirk Ogren, Jr.	Director	February 28, 2024
/s/ Russell Schaub Russell Schaub	President and Director	February 28, 2024

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INDEX TO FINANCIAL STATEMENTS

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Great Ajax Corp.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Great Ajax Corp. and Subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive (loss)/income, cash flows, and changes in equity for each of the three years in the period ended December 31, 2023, and the related notes and schedule (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Controls over Financial Reporting* included in Item 9A. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

Mortgage Loans Held-for-Investment, Net and Interest Income on Loans

As disclosed in Notes 2 and 3 to the consolidated financial statements, the balance of the Company’s mortgage loans held-for-investment, net as of December 31, 2023 was $864.6 million. A significant portion of these loans are acquired loans, which have suffered deterioration in credit quality subsequent to origination and therefore are accounted for as purchased credit deteriorated loans ("PCD loans"). Mortgage loans held-for-investment, net, are carried at an amount representing the present value of the Company’s expected future cash flows, net of an allowance for credit losses.

The amount the Company expects to collect over the life of the mortgage loans is based on the Company’s proprietary cash flow model (“model”), updated on a quarterly basis. The model calculates an accretable yield, which is recorded as interest income using the effective interest method. For the year ended December 31, 2023, the interest income recognized on mortgage loans was $51.3 million. An allowance for credit losses on mortgage loans represents the net present value of the difference between the contractual cash flows of the underlying loans and the expected cash flows determined based on the model. As of December 31, 2023, the allowance for credit losses on loans was $3.4 million.

We identified the valuation of mortgage loans held-for-investment, net and the related recognition of interest income as critical audit matters. The model used to calculate the recorded discount on loans, the allowance for credit losses and the accretion of related interest income consists of observable and unobservable inputs. The principal factors affecting the cash flow projections, which is a complex estimate requiring significant judgment by management, include the following material unobservable inputs: resolution method and timeline, foreclosure likelihood, prepayment rates, and value of underlying properties. The significant unobservable inputs make auditing the valuation of mortgage loans held-for-investment and occurrence and accuracy of interest income on mortgage loans complex and involves a high degree of auditor judgment.

The primary procedures we performed to address this critical audit matter included:

- Testing the design, implementation and operating effectiveness of controls relating to the accounting for PCD loans, allowance for credit losses on mortgage loans and accretion of interest income on mortgage loans.

- Evaluating the reasonableness and appropriateness of management’s assumptions and sources of data used in the cash flow projections including resolution methods and timelines, foreclosure likelihood, prepayment rates, and value of underlying properties.

- For a selection of individual loans, recalculating cash flow projections, independently corroborating management's inputs used in the model, and evaluating the model outputs for reasonableness and accuracy.

- Recalculating the accretable yield recognized on loan pools based on the actual cash collected to date and estimated future cash flows.

- Evaluating the expected interest income recognized on loan pools based on the carrying value of the loans and an expected accretable yield.

- Evaluating the reasonableness of projected cash flows against actual cash collections, and evaluating significant variances, if any, to determine whether the methodology and assumptions utilized are appropriate.

Investments in Beneficial Interests and Interest Income on Beneficial Interests

As disclosed in Notes 2 and 5 to the consolidated financial statements, the Company's investments in beneficial interests consist of investments in the trust certificates issued by joint ventures which the Company forms with third party investors. The trust certificates are net of residual interest issued by Company sponsored securitization trusts, which are determined to be variable interest entities ("VIE"). Management has determined the Company is not the primary beneficiary of these VIEs and therefore does not consolidate such entities. The Company's net investments in beneficial interests as of December 31, 2023 was $104.2 million. The same model discussed above in mortgage loans and interest income on loans is utilized to estimate expected cash flows to be collected on the underlying pools of mortgage loans held by the securitization trusts.

As discussed above, the amount the Company expects to collect over the life of the investments in beneficial interests is based on the Company's model, updated on a quarterly basis. The model calculates an accretable yield which is recorded as interest income using the effective interest method. For the year ended December 31, 2023, the interest income recognized on investments in beneficial interests was $8.0 million. An allowance for credit losses on investments in beneficial interest represents the net present value of the difference between the contractual cash flows of the underlying mortgage loans and the expected cash flows determined based on the model. As of December 31, 2023, the allowance for credit losses on investments in beneficial interests was $6.9 million.

We identified the valuation of investments in beneficial interests and the related recognition of interest income as critical audit matters. The model used to calculate the recorded investments in beneficial interests, the allowance for credit losses and the related recognition of interest income utilizes observable and unobservable inputs. The principal factors affecting the cash flow projections, which is a complex estimate requiring significant judgment by management, include the following material unobservable inputs: resolution method and timeline, foreclosure likelihood, prepayment rates, and value of underlying properties. The significant unobservable inputs make auditing the valuation of investments in beneficial interests and occurrence and accuracy of the related interest income complex and involves a high degree of auditor judgment.

The primary procedures we performed to address this critical audit matter included:

- Testing the design, implementation and operating effectiveness of controls relating to the accounting for investments in beneficial interests, allowance for credit losses on beneficial interests and related accretion of interest income.

- Evaluating the reasonableness and appropriateness of management's assumptions and sources of data used in the cash flow projections related to contractual and terminal cash flows used to estimate the value of investments in beneficial interests.

- For a selection of investments in beneficial interests, performing tests to compare historical transaction values against management's valuation estimates to evaluate the model outputs for reasonableness and accuracy.

- Recalculating the accretable yield recognized on investments in beneficial interests based on the actual cash collected to date and estimated future cash flows.

- Evaluating the expected interest income recognized on investments in beneficial interests based on the carrying value and an expected accretable yield.

- Evaluating the reasonableness of projected cash flows against actual cash collections, and evaluating significant variances, if any, to determine whether the methodology and assumptions utilized are appropriate.

Evaluation of Variable Interest Entities for Consolidation

As disclosed in Notes 2 and 9 to the consolidated financial statements, the Company enters into various types of transactions with special purpose entities, which have primarily consisted of trusts established for the Company's secured borrowings, investments in debt securities, and beneficial interests. Additionally, the Company may enter into joint ventures with unrelated entities, which generally involves the formation of a special purpose entity. The Company evaluates each transaction and its resulting beneficial interest to determine if the entity formed pursuant to the transaction should be classified as a variable interest entity ("VIE"). If an entity created in a transaction meets the definition of a VIE and the Company determines that it, or a consolidated subsidiary is the primary beneficiary, the Company will include the VIE in its consolidated financial statements. If such an entity is deemed to not be consolidated, the Company records only its investment in the special purpose entity.

We identified the Company's evaluation of variable interest entities for consolidation as a critical audit matter. The guidance on applying variable interest determination is complex and focuses on identifying the reporting entity with power to make decisions that most significantly impact the economic performance of the entity being evaluated for consolidation and whether the entity with power has the rights to receive benefits that could be significant. Identifying variable interests generally requires a qualitative assessment that focuses on the purpose and design of an entity and auditing managements determination involves significant auditor judgment due to the nature and extent of audit evidence and effort required to address these matters.

The primary procedures we performed to address this critical audit matter included:

- Testing the design, implementation and operating effectiveness of controls relating to management's evaluation of special purpose entities for purposes of concluding on consolidation requirements.

- Evaluating the reasonableness and appropriateness of management's evaluation of each VIE and determination of primary beneficiary of the VIE through a decision-making workflow.

- Reading pertinent supporting organizational documents and agreements associated with each VIE to agree key terms with those used in management's evaluation of each VIE.

- Consulting with our internal specialists on the conclusions reached for each VIE originated during the year.

/s/ Moss Adams LLP

Portland, Oregon
February 28, 2024

We have served as the Company's auditor since 2014.

GREAT AJAX CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

($ in thousands except per share data)	December 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	$ 52,834	$ 47,845
Mortgage loans held-for-sale, net	55,718	—
Mortgage loans held-for-investment, net(1,2)	864,551	989,084
Real estate owned properties, net(3)	3,785	6,333
Investments in securities available-for-sale(4)	131,558	257,062
Investments in securities held-to-maturity(5)	59,691	—
Investments in beneficial interests(6)	104,162	134,552
Receivable from servicer	7,307	7,450
Investment in affiliates	28,000	30,185
Prepaid expenses and other assets	28,685	11,915
Total assets	$ 1,336,291	$ 1,484,426
LIABILITIES AND EQUITY		
Liabilities:		
Secured borrowings, net(1,7)	$ 411,212	$ 467,205
Borrowings under repurchase transactions	375,745	445,855
Convertible senior notes, net(7)	103,516	104,256
Notes payable, net(7)	106,844	106,046
Management fee payable	1,998	1,720
Put option liability	16,644	12,153
Accrued expenses and other liabilities	9,437	9,726
Total liabilities	1,025,396	1,146,961
Commitments and contingencies – see Note 8		
Equity:		
Preferred stock $0.01 par value; 25,000,000 shares authorized		
Series A 7.25% Fixed-to-Floating Rate Cumulative Redeemable, $25.00 liquidation preference per share, 424,949 shares issued and outstanding at both December 31, 2023 and 2022	9,411	9,411
Series B 5.00% Fixed-to-Floating Rate Cumulative Redeemable, $25.00 liquidation preference per share, 1,135,590 shares issued and outstanding at both December 31, 2023 and 2022	25,143	25,143
Common stock $0.01 par value; 125,000,000 shares authorized, 27,460,161 issued and outstanding at December 31, 2023 and 23,130,956 shares issued and outstanding at December 31, 2022	285	241
Additional paid-in capital	352,060	322,439
Treasury stock	(9,557)	(9,532)
Retained (deficit)/earnings	(54,382)	13,275
Accumulated other comprehensive loss	(14,027)	(25,649)
Equity attributable to stockholders	308,933	335,328
Non-controlling interests(8)	1,962	2,137
Total equity	310,895	337,465
Total liabilities and equity	$ 1,336,291	$ 1,484,426

(1) Mortgage loans held-for-investment, net include $628.6 million and $675.8 million of loans at December 31, 2023 and 2022, respectively, transferred to securitization trusts that are variable interest entities ("VIEs"); these loans can only be used to settle obligations of the VIEs. Secured borrowings consist of notes issued by VIEs that can only be settled with the assets and cash flows of the VIEs. The creditors do not have recourse to the primary beneficiary

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

(Great Ajax Corp.). See Note 9 — Debt. Mortgage loans held-for-investment, net include $3.4 million and $6.1 million of allowance for expected credit losses at December 31, 2023 and 2022, respectively.

(2) As of December 31, 2023 and 2022, balances for Mortgage loans held-for-investment, net include $0.6 million and $0.9 million, respectively, from a 50.0% owned joint venture, which the Company consolidates under U.S. Generally Accepted Accounting Principles ("U.S. GAAP" or "GAAP").

(3) Real estate owned properties, net, are presented net of valuation allowances of $1.2 million and $0.7 million at December 31, 2023 and 2022, respectively.

(4) Investments in securities available-for-sale ("AFS") are presented at fair value. As of December 31, 2023, Investments in securities AFS include an amortized cost basis of $139.6 million and a net unrealized loss of $8.0 million. As of December 31, 2022, Investments in securities AFS include an amortized cost basis of $282.7 million and net unrealized loss of $25.6 million.

(5) On January 1, 2023, the Company transferred certain of its investments in securities to held-to-maturity ("HTM") due to European risk retention regulations. As of December 31, 2023, Investments in securities HTM includes an allowance for expected credit losses of zero and remaining discount of $6.0 million related to the unamortized unrealized loss in AOCI.

(6) Investments in beneficial interests includes allowance for expected credit losses of $6.9 million and zero at December 31, 2023 and 2022, respectively.

(7) Secured borrowings, net are presented net of deferred issuance costs of $3.1 million at December 31, 2023 and $4.7 million at December 31, 2022. Convertible senior notes, net are presented net of deferred issuance costs of zero and $0.3 million at December 31, 2023 and 2022, respectively. Notes payable, net are presented net of deferred issuance costs and discount of $3.2 million at December 31, 2023 and $4.0 million at December 31, 2022.

(8) As of December 31, 2023, non-controlling interests includes $0.8 million from a 50.0% owned joint venture, $1.0 million from a 53.1% owned subsidiary and $0.1 million from a 99.9% owned subsidiary which the Company consolidates. As of December 31, 2022, non-controlling interests includes $1.0 million from a 50.0% owned joint venture, $1.1 million from a 53.1% owned subsidiary and $0.1 million from a 99.9% owned subsidiary which the Company consolidates.

GREAT AJAX CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

($ in thousands except per share data)	Year ended December 31, 2023	2022	2021
INCOME			
Interest income	$ 72,332	$ 82,582	$ 93,383
Interest expense	(59,286)	(43,632)	(36,742)
Net interest income	13,046	38,950	56,641
Net (increase)/decrease in the net present value of expected credit losses	(8,137)	8,026	18,223
Net interest income after the impact of changes in the net present value of expected credit losses	4,909	46,976	74,864
(Loss)/income from investment in affiliates, net	(1,308)	(1,218)	699
Loss on joint venture refinancing on beneficial interests	(11,024)	(6,115)	—
Other (loss)/income	(9,651)	(4,007)	2,385
Total (loss)/revenue, net	(17,074)	35,636	77,948
EXPENSE			
Related party expense – loan servicing fees	7,269	7,960	7,433
Related party expense – management fee	7,769	8,326	9,116
Professional fees	3,157	2,052	2,940
Fair value adjustment on put option liability	4,491	11,143	9,462
Other expense	6,985	5,912	5,490
Total expense	29,671	35,393	34,441
Acceleration of put option settlement	—	12,344	—
(Gain)/loss on debt extinguishment	(31)	—	1,439
(Loss)/income before provision for income taxes	(46,714)	(12,101)	42,068
Provision for income taxes	243	2,835	293
Consolidated net (loss)/income	(46,957)	(14,936)	41,775
Less: consolidated net income/(loss) attributable to the non-controlling interest	114	75	(80)
Consolidated net (loss)/income attributable to the Company	(47,071)	(15,011)	41,855
Less: dividends on preferred stock	2,190	5,474	7,798
Less: discount on retirement of preferred stock	—	8,194	—
Consolidated net (loss)/income attributable to common stockholders	$ (49,261)	$ (28,679)	$ 34,057
Basic (loss)/earnings per common share	$ (2.01)	$ (1.24)	$ 1.48
Diluted (loss)/earnings per common share	$ (2.01)	$ (1.24)	$ 1.41
Weighted average shares – basic	24,286,999	22,747,635	22,852,948
Weighted average shares – diluted	24,286,999	23,037,578	30,262,467

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

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

	Year ended December 31,		
($ in thousands)	2023	2022	2021
Consolidated net (loss)/income attributable to common stockholders	$ (49,261)	$ (28,679)	$ 34,057
Other comprehensive (loss)/income:			
Unrealized gain/(loss) on available-for-sale securities	6,668	(26,669)	645
Amortization of unrealized loss on debt securities available-for-sale transferred to held-to-maturity	4,954	—	—
Income tax expense related to items of other comprehensive income	—	—	—
Comprehensive (loss)/income	$ (37,639)	$ (55,348)	$ 34,702

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

GREAT AJAX CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in thousands)	Year ended December 31, 2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated net (loss)/income	$ (46,957)	$ (14,936)	$ 41,775
Adjustments to reconcile net income to net cash from operating activities			
Stock-based management fee and compensation expense	1,484	1,930	1,312
Mark to market on mortgage loans held-for-sale, net	8,559	—	—
Discount accretion on mortgage loans	(8,091)	(13,798)	(19,451)
Interest and discount accretion on investment in debt securities	(9,499)	(10,558)	(10,963)
Discount accretion on investment in beneficial interests	(8,009)	(10,836)	(15,997)
Gain on sale of mortgage loans	—	—	(122)
(Gain)/loss on debt extinguishment	(31)	—	1,439
Gain on sale of real estate owned properties	(100)	(898)	(893)
Loss/(gain) on sale of securities	3,347	4,775	(201)
Impairment of real estate owned	1,096	376	293
Credit loss expense on mortgage loans and beneficial interests	279	433	1,299
Net increase/(decrease) in the net present value of expected credit losses	8,137	(8,026)	(18,223)
Loss on loans and joint venture refinancing on beneficial interests	11,024	7,959	—
Amortization of debt discount and prepaid financing costs	2,711	3,718	6,164
Undistributed loss/(income) from investment in affiliates	1,308	1,218	(699)
Fair value adjustment on put option liability	4,491	11,143	9,462
Preferred stock non-cash	—	(108)	—
Acceleration of put option settlement	—	12,344	—
Other non-cash charges	—	52	4
Net change in operating assets and liabilities			
Prepaid expenses and other assets	(16,821)	1,231	(10,939)
Receivable from Servicer	115	13,464	(5,144)
Accrued expenses, management fee payable, and other liabilities	493	1,652	2,648
Net cash from operating activities	(46,464)	1,135	(18,236)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of mortgage loans and related balances	(14,401)	(11,414)	(286,219)
Principal paydowns on mortgage loans	85,716	147,312	218,762
Draws on small balance commercial loans	—	—	(20,689)
Proceeds from sale of mortgage loans	—	—	125,975
Purchase of securities available-for-sale and beneficial interests	(74,274)	(129,061)	(341,788)
Proceeds from refinancing and sale of securities available-for-sale and beneficial interests	61,689	147,903	90,229
Principal collection on debt securities available-for-sale and beneficial interests	79,509	68,236	155,187
Principal and interest collection on debt securities held-to-maturity	29,799	—	—
Proceeds from sale of property held-for-sale	3,931	4,977	6,843
Purchase of rental property and property held-for-sale	—	(27)	(277)
Investment in equity method investments	(980)	(5,801)	—
Distribution from affiliates	1,831	965	1,778
Net cash from investing activities	172,820	223,090	(50,199)
CASH FLOWS FROM FINANCING ACTIVITIES			

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

Proceeds from repurchase transactions	64,808	183,891	560,627
Repayments on repurchase transactions	(134,934)	(284,090)	(435,705)
Proceeds from origination of secured borrowings	—	—	391,028
Repayments on secured borrowings	(57,540)	(111,028)	(393,005)
Payment of prepaid financing costs on secured borrowings	—	—	(7,726)
Purchase of bonds of non-controlling interest in subsidiaries	—	—	(5,887)
Repurchase of the Company's senior convertible notes	(952)	(75)	(8,762)
Proceeds from notes payable	—	108,910	—
Payment of prepaid financing costs on notes payable	(55)	(2,806)	—
Repurchase of preferred stock and warrants	—	(124,958)	—
Repurchase of common stock	—	(4,653)	(16)
Sale of common stock, net of offering costs	28,181	4,778	251
Sale of common stock pursuant to dividend reinvestment plan	—	288	241
Acquisition of non-controlling interest in subsidiary	—	—	(11,362)
Distribution to non-controlling interests	(289)	(1,116)	(15,196)
Dividends paid on common stock and preferred stock	(20,586)	(29,947)	(28,774)
Net cash from financing activities	(121,367)	(260,806)	45,714
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,989	(36,581)	(22,721)
CASH AND CASH EQUIVALENTS, beginning of period	47,845	84,426	107,147
CASH AND CASH EQUIVALENTS, end of period	$ 52,834	$ 47,845	$ 84,426
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest	$ 56,221	$ 41,153	$ 29,521
Cash paid for income taxes	$ 445	$ 2,607	$ 358
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Transfer of debt securities from investments in securities available-for-sale to investments in securities held-to-maturity	$ 83,052	$ —	$ —
Net transfer of loans from/(to) mortgage held-for-investment, net to/(from) mortgage loans held-for-sale, net	$ 64,277	$ (29,572)	$ 159,733
Unrealized gain/(loss) on available-for-sale securities	$ 6,668	$ (26,669)	$ 645
Amortization of unrealized loss on debt securities transferred to held-to-maturity	$ 4,954	$ —	$ —
Net transfer of loans to rental property or property held-for-sale	$ 2,379	$ 4,699	$ 3,511
Issuance of common stock for management fee and compensation expense	$ 1,484	$ 1,930	$ 1,312
Non-cash adjustments to basis in mortgage loans	$ 28	$ 18	$ 3,193
Treasury stock received through distributions from investment in Manager	$ 25	$ 451	$ 516
Treasury stock received from Servicer	$ —	$ 2,737	$ —

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

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

For the years ended December 31, 2021 through December 31, 2023

($ in thousands)	Preferred stock - series A shares	Preferred stock - series A amount	Preferred stock - series B shares	Preferred stock - series B amount	Common stock shares	Common stock amount	Treasury stock	Additional paid-in capital	Retained earnings/(deficit)	Accumulated other comprehensive income/(loss)	Total stockholders' equity	Non-controlling interest	Total equity
Balance at December 31, 2020	2,307,400	$ 51,100	2,892,600	$ 64,044	22,978,339	$ 231	$ (1,159)	$317,424	$ 53,346	$ 375	$485,361	$ 29,130	$514,491
Net income	—	—	—	—	—	—	—	—	41,855	—	41,855	(80)	41,775
Sale of shares	—	—	—	—	24,951	—	—	251	—	—	251	—	251
Acquisition of non-controlling interest in subsidiary	—	—	—	—	—	—	—	(3,056)	—	—	(3,056)	(8,306)	(11,362)
Issuance of shares under dividend reinvestment plan	—	—	—	—	18,750	1	—	240	—	—	241	—	241
Distribution to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	(17,186)	(17,186)
Stock-based compensation expense	—	—	—	—	164,862	1	—	1,311	—	—	1,312	—	1,312
Dividends declared ($0.91 per share) and distributions	—	—	—	—	—	—	—	—	(28,774)	—	(28,774)	(380)	(29,154)
Convertible senior notes repurchase	—	—	—	—	—	—	—	(8)	—	—	(8)	—	(8)
Other comprehensive income	—	—	—	—	—	—	—	—	—	645	645	—	645
Treasury stock	—	—	—	—	(40,127)	—	(532)	—	—	—	(532)	—	(532)

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

($ in thousands)	Preferred stock - series A shares	Preferred stock - series A amount	Preferred stock - series B shares	Preferred stock - series B amount	Common stock shares	Common stock amount	Treasury stock	Additional paid-in capital	Retained earnings/(deficit)	Accumulated other comprehensive income/(loss)	Total stockholders' equity	Non-controlling interest	Total equity
	For the years ended December 31, 2021 through December 31, 2023												
Balance at December 31, 2021	2,307,400	$ 51,100	2,892,600	$ 64,044	23,146,775	$ 233	$ (1,691)	$316,162	$ 66,427	$ 1,020	$497,295	$ 3,178	$500,473
Net loss	—	—	—	—	—	—	—	—	(15,011)	—	(15,011)	75	(14,936)
Sale of shares	—	—	—	—	613,337	6	—	4,772	—	—	4,778	—	4,778
Issuance of shares under dividend reinvestment plan	—	—	—	—	27,154	—	—	288	—	—	288	—	288
Distribution to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	(871)	(871)
Stock-based management fee expense	—	—	—	—	39,558	1	—	436	—	—	437	—	437
Stock-based compensation expense	—	—	—	—	188,371	1	—	1,492	—	—	1,493	—	1,493
Dividends declared ($1.06 per share) and distributions	—	—	—	—	—	—	—	—	(29,947)	—	(29,947)	(245)	(30,192)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	(26,669)	(26,669)	—	(26,669)
Repurchase of preferred stock	(1,882,451)	(41,689)	(1,757,010)	(38,901)	—	—	—	—	(8,194)	—	(88,784)	—	(88,784)
Reclass of conversion premium - convertible notes	—	—	—	—	—	—	—	(711)	—	—	(711)	—	(711)
Treasury stock	—	—	—	—	(884,239)	—	(7,841)	—	—	—	(7,841)	—	(7,841)
Balance at December 31, 2022	424,949	$ 9,411	1,135,590	$ 25,143	23,130,956	$ 241	$ (9,532)	$322,439	$ 13,275	$(25,649)	$335,328	$ 2,137	$337,465

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

($ in thousands)	For the years ended December 31, 2021 through December 31, 2023												
	Preferred stock - series A shares	Preferred stock - series A amount	Preferred stock - series B shares	Preferred stock - series B amount	Common stock shares	Common stock amount	Treasury stock	Additional paid-in capital	Retained earnings/(deficit)	Accumulated other comprehensive income/(loss)	Total stockholders' equity	Non-controlling interest	Total equity
Net loss	—	—	—	—	—	—	—	—	(47,071)	—	(47,071)	114	(46,957)
Sale of shares	—	—	—	—	4,288,408	43	—	28,138	—	—	28,181	—	28,181
Distribution to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	(154)	(154)
Stock-based compensation expense	—	—	—	—	44,973	1	—	1,483	—	—	1,484	—	1,484
Dividends declared ($0.76 per share) and distributions	—	—	—	—	—	—	—	—	(20,586)	—	(20,586)	(135)	(20,721)
Amortization of unrealized loss on debt securities available-for-sale transferred to held-to-	—	—	—	—	—	—	—	—	—	4,954	4,954	—	4,954
Other comprehensive income	—	—	—	—	—	—	—	—	—	6,668	6,668	—	6,668
Treasury stock	—	—	—	—	(4,176)	—	(25)	—	—	—	(25)	—	(25)
Balance at December 31, 2023	424,949	$ 9,411	1,135,590	$ 25,143	27,460,161	$ 285	$ (9,557)	$ 352,060	$ (54,382)	$ (14,027)	$ 308,933	$ 1,962	$ 310,895

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

Note 1 — Organization and Basis of Presentation

Great Ajax Corp., a Maryland corporation (the “Company”), is an externally managed real estate company formed on January 30, 2014, and capitalized on March 28, 2014, by its then sole stockholder, Aspen Yo (“Aspen”), a company affiliated with Aspen Capital, the trade name for the Aspen group of companies. The Company facilitates capital raising activities and operates as a mortgage real estate investment trust (“REIT”). The Company primarily targets acquisitions of (i) re-performing loans (“RPLs”), which are residential mortgage loans on which at least five of the seven most recent payments have been made, or the most recent payment has been made and accepted pursuant to an agreement, or the full dollar amount, to cover at least five payments has been paid in the last seven months and (ii) non-performing loans ("NPLs"), which are residential mortgage loans on which the most recent three payments have not been made. The Company may acquire RPLs and NPLs either directly or in joint ventures with institutional accredited investors. The joint ventures are structured as securitization trusts, of which the Company acquires debt securities and beneficial interests. The Company may also acquire or originate small balance commercial loans (“SBC loans”). The SBC loans that the Company opportunistically targets generally have a principal balance of up to $5.0 million and are secured by multi-family residential and commercial mixed use retail/residential properties on which at least five of the seven most recent payments have been made, or the most recent payment has been made and accepted pursuant to an agreement, or the full dollar amount to cover at least five payments has been paid in the last seven months. Additionally, the Company invests in single-family and smaller commercial properties directly either through a foreclosure event of a loan in its mortgage portfolio or, less frequently, through a direct acquisition. The Company’s manager is Thetis Asset Management LLC (the “Manager” or “Thetis”), an affiliated company. The Company owns 19.8% of the Manager and 9.5% of Great Ajax FS LLC ("GAFS" or "The Parent of the Servicer") which owns substantially all of the interest in Gregory Funding LLC ("Gregory" or the "Servicer"), the Company's loan and real property servicer that is also an affiliated company. The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”).

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

The Operating Partnership, through interests in certain entities, as of December 31, 2023, held 99.9% of Great Ajax II REIT Inc., which owns Great Ajax II Depositor LLC, which was formed to act as the depositor of mortgage loans into securitization trusts and to hold the subordinated securities issued by such trusts. Similarly, as of December 31, 2023, the Operating Partnership wholly owned Great Ajax III Depositor LLC, which was formed to act as the depositor into Ajax Mortgage Loan Trust 2021-E ("2021-E"), which is a real estate mortgage investment conduit ("REMIC"). The Company has securitized mortgage loans through these securitization trusts and retained subordinated securities from the secured borrowings. These trusts are considered to be VIEs, and the Company has determined that it is the primary beneficiary of the VIEs.

In 2018, the Company formed Gaea Real Estate Corp. ("Gaea") to invest in multifamily properties with a focus on property appreciation and triple net lease veterinary clinics. The Company elected to treat Gaea as a TRS under the Code in 2018 and elected to treat Gaea as a REIT under the Code in 2019 and thereafter. Also during 2018, the Company formed Gaea Real Estate Operating Partnership LP, a wholly-owned subsidiary of Gaea, to hold investments in commercial real estate assets, and Gaea Real Estate Operating LLC, to act as its general partner. The Company also formed Gaea Veterinary Holdings LLC, BFLD Holdings LLC, Gaea Commercial Properties LLC, Gaea Commercial Finance LLC and Gaea RE Holdings LLC as subsidiaries of Gaea Real Estate Operating Partnership. In 2019, the Company formed DG Brooklyn Holdings LLC, also a subsidiary of Gaea Real Estate Operating Partnership LP, to hold investments in multi-family properties.

On November 22, 2019, Gaea completed a private capital raise transaction through which it raised $66.3 million from the issuance of its common stock to third parties to allow Gaea to continue to advance its investment strategy. Additionally, in January 2022, Gaea completed a second private capital raise in which it raised approximately $30.0 million from the issuance of its common stock and warrants. Also, during the year ended December 31, 2023, GA-TRS received an additional 20,991 shares of Gaea common stock for $0.3 million due to the termination of Gaea's management agreement, which increased the Company's ownership. At December 31, 2023, the Company owned approximately 22.2% of Gaea. The Company accounts for its investment in Gaea under the equity method.

Basis of Presentation and Use of Estimates

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), as contained within the Accounting Standards Codification (“ASC”) of the Financial Accounting Standards Board (“FASB”) and the rules and regulations of the SEC, as applied to financial statements.

The Company consolidates the results and balances of three subsidiaries with non-controlling ownership interests held by third parties. AS Ajax E II LLC ("AS Ajax E II") holds a 5.0% interest in a Delaware trust that owns residential mortgage loans and residential real estate assets; AS Ajax E II is 53.1% owned by the Company at both December 31, 2023 and 2022. Ajax Mortgage Loan Trust 2017-D ("2017-D") is a securitization trust that holds mortgage loans, REO property and secured borrowings; 2017-D is 50.0% owned by the Company. Great Ajax II REIT Inc. wholly owns Great Ajax II Depositor LLC which acts as the depositor of mortgage loans into securitization trusts and holds the subordinated securities issued by such trusts and any additional trusts the Company may form for additional secured borrowings is 99.9% owned by the Company as of December 31, 2023 and 2022. The Company recognizes non-controlling interests in its consolidated financial statements for the amounts of the investments and income due to the third party investors for its consolidated subsidiaries.

During the second quarter of 2021, the majority of loans held by 2017-D were sold into Ajax Mortgage Loan Trust 2021-C ("2021-C"), a related party joint venture with third party institutional investors. The Company held a 50.0% ownership of the remaining loans held by 2017-D at both December 31, 2023 and 2022.

During the first quarter of 2021, the Company acquired the outstanding non-controlling ownership interest in Ajax Mortgage Loan Trust 2018-C ("2018-C"), a subsidiary that had been 63.0% owned by the Company with its results included in the Company's consolidated financial statements. As a result, at both December 31, 2023 and 2022, there were no non-controlling ownership interests in 2018-C held by third parties.

As of December 31, 2023 and 2022, the Operating Partnership wholly owned Great Ajax III Depositor LLC, which was formed to act as the depositor into Ajax Mortgage Loan Trust 2021-E ("2021-E"), which is a REMIC.

During January 2023, the Company contributed an additional $0.7 million equity interest in GAFS. As of December 31, 2023 and 2022, the Company's ownership of GAFS was 9.5% and 8.0%, respectively.

The Company’s 19.8% ownership of the Manager and 9.5% ownership of GAFS are accounted for using the equity method because the Company can exercise influence on the operations of these entities through common officers and directors. There is no traded or quoted price for the interests in either the Manager or GAFS.

During year ended December 31, 2021, the Company acquired the remaining outstanding 66.0% of the Class B notes and trust certificates in Ajax Mortgage Loan Trust 2019-C ("2019-C") from its joint venture partner and retired the outstanding $95.2 million liability for the senior bond which carried an interest rate higher than the Company's current borrowing rate at that time. As a result the Company now owns a 100.0% interest in the loans that were formerly in 2019-C.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company considers significant estimates to include expected cash flows from its holdings of mortgage loans and beneficial interests in trusts, and their resolution methods and timelines, including foreclosure costs, eviction costs and property rehabilitation costs. Other significant estimates are fair value measurements, and the net realizable value of REO properties held-for-sale.

Note 2 — Summary of Significant Accounting Policies

Mortgage Loans

Purchased Credit Deteriorated Loans ("PCD loans")

As of their acquisition date, the loans acquired by the Company have generally suffered some credit deterioration subsequent to origination. As a result, the Company's recognition of interest income for PCD loans is typically based upon it having a reasonable expectation of the amount and timing of the cash flows expected to be collected. When the timing and amount of cash flows expected to be collected are reasonably estimable, the Company uses expected cash flows to apply the effective interest method of income recognition. The Company adopted ASU 2016-13, *Financial Instruments - Credit Losses*, otherwise known as CECL using the prospective transition approach for PCD assets on January 1, 2020.

Acquired loans may be aggregated and accounted for as a pool of loans if the loans have common risk characteristics. A pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. The Company may adjust its loan pools as the underlying risks change over time. The Company has aggregated its mortgage loan portfolio into loan pools based on similar risk factors. Excluded from the aggregate pools are loans that pay in full subsequent to the acquisition closing date but prior to pooling. Any gain or loss on these loans is recognized as interest income in the period the loan pays in full.

The Company's accounting for PCD loans gives rise to an accretable yield and an allowance for expected credit losses. Upon the acquisition of PCD loans the Company records the acquisition as three separate elements for (i) the amount of purchase discount which the Company expects to recover through eventual repayment by the borrower, (ii) an allowance for future expected credit loss and (iii) the unpaid principal balance ("UPB") of the loan. The purchase price discount which the Company expects at the time of acquisition to collect over the life of the loans is the accretable yield. Expected cash flows from acquired loans include all cash flows directly related to the loan, including those expected from the underlying collateral. The Company recognizes the accretable yield as interest income on a prospective level yield basis over the life of the pool. The Company's expectation of the amount of undiscounted cash flows to be collected is evaluated at the end of each calendar quarter. The net present value of changes in expected cash flows as compared to contractual amounts due, whether caused by timing or loan performance, is reported in the period in which it arises and is reflected as an increase or decrease in the provision for expected credit losses to the extent a provision for expected credit losses is recorded against the pool of mortgage loans. If no provision for expected credit losses is recorded against the pool of assets, the increase in expected future cash flows is recognized prospectively as an increase in yield. Additionally, slower than expected prepayments can result in lower yields as the Company's mortgage loans were acquired at discounts.

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

Borrower payments on the Company’s mortgage loans are classified as principal, interest, payments of fees, or escrow deposits. Amounts applied as interest on the borrower account are similarly classified as interest for accounting purposes and are classified as operating cash flows in the Company’s consolidated statement of cash flows. Amounts applied as principal on the borrower account including amounts contractually due from borrowers that exceed the Company’s basis in loans purchased at a discount, are similarly classified as principal for accounting purposes and are classified as investing cash flows in the consolidated statement of cash flows as required under U.S. GAAP. Amounts received as payments of fees are recorded in Other income and classified as operating cash flows in the consolidated statement of cash flows. Escrow deposits are recorded on the Servicer’s balance sheet and do not impact the Company’s cash flow.

Non-PCD Loans

While the Company generally acquires loans that have experienced deterioration in credit quality, from time to time, it may acquire loans that have not experienced a deterioration in credit quality or originate SBC loans.

The Company accounts for its non-PCD loans by estimating any allowance for expected credit losses for its non-PCD loans based on the risk characteristics of the individual loans. If necessary, an allowance for expected credit losses is established through a provision for loan losses. The allowance is the difference between the net present value of the expected future cash flows from the loan and the contractual balance due. Non-performing collateral dependent loans are carried at net realizable value of collateral.

Mortgage Loans Held-for-sale

From time to time the Company will identify specific loans that it will sell. When the loans are identified and a plan to sell the loans are in place, the Company will reclassify the loans from Mortgage Loans held-for-investment, net to Mortgage loans held-for-sale, net. When a loan is designated as held-for-sale, it is held at the lower of amortized cost or fair value with any mark to market adjustment recorded on the Company's consolidated statements of operations through other loss/income.

Investments in Securities

The Company’s Investments in Securities Available-for-Sale ("AFS") and Investments in Securities Held-to-Maturity ("HTM") consist of investments in senior and subordinated notes issued by joint ventures which the Company forms with third party institutional accredited investors. Investments in debt securities for which the Company does not have the positive intent and ability to hold to maturity are classified as AFS. Investments in debt securities for which the Company has the positive intent, ability, or is required to hold to maturity are classified as HTM.

The Company recognizes income on the AFS debt securities using the effective interest method. Historically, the notes have been classified as AFS and are carried at fair value with changes in fair value reflected in the Company's consolidated statements of comprehensive income. The Company marks its investments to fair value using prices received from its financing counterparties and believes any unrealized losses on its debt securities are expected to be temporary. Any other-than-temporary losses, which represent the excess of the amortized cost basis over the present value of expected future cash flows, are recognized in the period identified in the Company’s consolidated statements of operations.

On January 1, 2023, the Company transferred a carrying value of $83.0 million of investment securities from AFS to HTM due to sale restrictions pursuant to Article 6(1) of Regulation (EU) 2017/2402 of the European Parliament and of the Council (as amended, the “EU Securitization Regulation” and, together with applicable regulatory and implementing technical standards in relation thereto, the “EU Securitization Rules”). Pursuant to the terms of these debt securities, the Company must hold at least 5.01% of the nominal value of each class of securities offered or sold to investors (the EU Retained Interest) subject to the EU Securitization Rules. Under the EU Securitization Rules, the Company is prohibited from selling, transferring or otherwise surrendering all or part of the EU Retained Interest until all such classes are paid in full or redeemed.

Transfers of securities from AFS to HTM are non-cash transactions and are recorded at fair value. Unrealized gains or losses recorded to accumulated other comprehensive income for the transferred securities continue to be reported in accumulated other comprehensive income and are amortized into interest income on a level-yield basis over the remaining life of the securities. This amortization will offset the effect on interest income of the amortization of the discount resulting from the transfer recorded at fair value.

The Company accounts for its investments in securities HTM under CECL and carries them at amortized cost. Interest income is recognized using the effective interest method and is based upon the Company having a reasonable expectation of the amount and timing of the cash flows expected to be collected. The Company's expectation of the amount of undiscounted cash flows to be collected, and the corresponding need for an allowance for credit loss, is evaluated at the end of each calendar quarter and takes into consideration past events, current conditions, and supportable forecasts about the future. The net present value of changes in expected cash flows as compared to contractual amounts due, whether caused by timing or investment performance, is reported in the period in which it arises and is reflected as an increase or decrease in the allowance for credit loss to the extent an allowance for credit loss is recorded against the investments. If no allowance for credit loss is recorded against the investment, the increase in expected future cash flows is recognized prospectively as an increase in yield.

Risks inherent in the Company's debt securities portfolio, affecting both the valuation of its securities as well as the portfolio's interest income and recovery of principal include the risk of default, delays and inconsistency in the frequency and amount of payments, risks affecting borrowers such as man-made or natural disasters and damage to or delay in realizing the value of the underlying collateral. The Company monitors the credit quality of the mortgage loans underlying its debt securities on an ongoing basis, principally by considering loan payment activity or delinquency status. In addition, the Company assesses the expected cash flows from the mortgage loans, the fair value of the underlying collateral and other factors and evaluates whether and when it becomes probable that all amounts contractually due will not be collected. Additionally, slower prepayments can result in lower yields on the Company's debt securities acquired at a discount.

Investments in Beneficial Interests

The Company's Investments in Beneficial Interests consist of the residual investment in the securitization trusts which the Company forms with third party institutional accredited investors. The Company accounts for its Investments in Beneficial Interests under CECL, which it adopted using the prospective transition approach. Each beneficial interest is accounted for individually, and the Company recognizes its ratable share of gain, loss, income or expense based on its percentage ownership interest.

The Company's Investments in Beneficial Interests are carried at amortized cost. Upon acquisition, the investments are recorded as three separate elements: (i) the amount of purchase discount which the Company expects to recover through eventual repayment of the investment, (ii) an allowance for future expected credit loss and (iii) the par value of the investment. The purchase discount which the Company expects to recover through eventual repayment of the investment gives rise to an accretable yield. The Company recognizes this accretable yield as interest income on a prospective level yield basis over the life of the investment. The Company's recognition of interest income is based upon it having a reasonable expectation of the amount and timing of the cash flows expected to be collected. When the timing and amount of cash flows expected to be collected are reasonably estimable, the Company uses these expected cash flows to apply the effective interest method of income recognition.

The Company's expectation of the amount of undiscounted cash flows to be collected is evaluated at the end of each calendar quarter. The net present value of changes in expected cash flows as compared to contractual amounts due, whether caused by timing or investment performance, is reported in the period in which it arises and is reflected as an increase or decrease in the allowance for expected credit losses to the extent a provision for expected credit losses is recorded against the investment. If no provision for expected credit losses is recorded against the investment, the increase in expected future cash flows is recognized prospectively as an increase in yield.

Risks inherent in the Company's beneficial interest portfolio include the risk of default, delays and inconsistency in the frequency and amount of payments, risks affecting borrowers such as man-made or natural disasters and damage to or delay in realizing the value of the underlying collateral. Additionally, lower than expected prepayments could reduce the Company's yields on its beneficial interest portfolio. The Company monitors the credit quality of the mortgage loans underlying its beneficial interests on an ongoing basis, principally by considering loan payment activity or delinquency status. In addition, the Company assesses the expected cash flows from the mortgage loans, the fair value of the underlying collateral and other factors, and evaluates whether and when it becomes probable that all amounts contractually due will not be collected.

Real Estate

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

Rental property is property not held-for-sale. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets of up to 27.5 years. The Company performs an impairment analysis for rental property using estimated cash flows if events or changes in circumstances indicate that the carrying value may be impaired.

Preferred Stock

During the year ended December 31, 2020, the Company issued an aggregate of $125.0 million, net of offering costs, of preferred stock in two series and warrants to institutional accredited investors in a series of private placements. The Company issued 2,307,400 shares of 7.25% Series A Fixed-to-Floating Rate Preferred Stock and 2,892,600 shares of 5.00% Series B Fixed-to-Floating Rate Preferred Stock. The shares have a liquidation preference of $25.00 per share.

During the year ended December 31, 2022, the Company completed a series of preferred share repurchases. The Company repurchased and retired 1,882,451 shares of its 7.25% Series A Fixed-to-Floating Rate Preferred Stock and 1,757,010 shares of its 5.00% Series B Fixed-to-Floating Rate Preferred Stock.

Put Option Liability

As part of the Company's capital raise transactions during the three months ended June 30, 2020, the Company issued two series of five-year warrants to purchase an aggregate of 6,500,000 shares of the Company's common stock at an exercise price of $10.00 per share.

The warrants include a put option that allows the holder to sell the warrants to the Company at a specified put price on or after July 6, 2023. U.S. GAAP requires the Company to account for the outstanding warrants as if the put option will be exercised by the holders. The warrants were recorded as a liability in the Company's consolidated balance sheets with an original basis of $9.5 million. Because the warrants have been substantially out of the money since issuance, the Company assumed the put option would be exercised and accreted the liability to the initial redemption value. During the year ended December 31, 2022, the Company repurchased and retired a portion of its warrants. The remaining warrants continued to accrete to their redemption value in July 2023. The warrants continue to accrue at a rate of 10.75% for the put option attached to the Series A Preferred Stock warrants and 13.00% for the put option attached to the Series B Preferred Stock warrants on the initial future put obligation with no compounding. The rate is determined by subtracting the dividend rate on the preferred stock from 18.0%.

Secured Borrowings

The Company, through securitization trusts which are VIEs, issues callable debt secured by its mortgage loans in the ordinary course of business. The secured borrowings facilitated by the trusts are structured as debt financings, and the mortgage loans used as collateral remain on the Company’s consolidated balance sheet as the Company is the primary beneficiary of the securitization trusts. These secured borrowing VIEs are structured as pass through entities that receive principal and interest on the underlying mortgages and distribute those payments to the holders of the notes. The Company’s exposure to the obligations of the VIEs is generally limited to its investments in the entities; the creditors do not have recourse to the primary beneficiary. Coupon interest expense on the debt is recognized using the accrual method of accounting. Deferred issuance costs, including original issue discount and debt issuance costs, are carried on the Company’s consolidated balance sheets as a deduction from Secured borrowings, and are amortized to interest expense on an effective yield basis based on the underlying cash flow of the mortgage loans serving as collateral. The Company's unrated securitizations have a call provision and the Company assumes the debt will be called at the specified call date for purposes of amortizing discount and issuance costs because the Company believes it will have the intent and ability to call the debt on the call date. Changes in the actual or projected underlying cash flows are reflected in the timing and amount of deferred issuance cost amortization. See Note 8 — Commitments and Contingencies.

Repurchase Facilities

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

Convertible Senior Notes

During 2017 and 2018, the Company completed the public offer and sale of its convertible senior notes due 2024 (the "2024 Notes"). At December 31, 2023 and 2022, the UPB of the debt was $103.5 million and $104.5 million, respectively. The 2024 Notes bear interest at a rate of 7.25% per annum, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year. The 2024 Notes will mature on April 30, 2024, unless earlier repurchased, converted or redeemed. During certain periods and subject to certain conditions, the 2024 Notes will be convertible by their holders into shares of the Company's common stock at a current conversion rate of 1.7405 shares of common stock per $25.00 principal amount of the notes, which represents a conversion price of approximately $14.36 per share of common stock. The conversion rate, and thus the conversion price, are subject to adjustment under certain circumstances.

Coupon interest on the 2024 Notes is recognized using the accrual method of accounting. Discount and deferred issuance costs are carried on the Company’s consolidated balance sheets as a reduction of the carrying value of the 2024 Notes, and are amortized to interest expense on an effective yield basis through April 30, 2023. The Company assumes the debt will be converted at the specified conversion date for purposes of amortizing issuance costs because the Company believes such conversion will be in the economic interest of the holders. No sinking fund has been established for redemption of the principal but the Company has entered into a term loan agreement with NIC RMBS LLC, an affiliate as Rithm ("NIC RMBS"), to support redemption of the notes on April 30, 2024. See Note 16 — Subsequent Events.

On January 1, 2022, the Company adopted ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in an Entity's Own Equity (Subtopic 815-40)* by recording a reduction in its additional paid-in capital account of $0.7 million and a corresponding increase in the carrying value of its Convertible senior notes of $0.7 million, representing the carrying value of the conversion feature associated with the notes. See — Recently Adopted Accounting Standards, below.

Notes Payable

During August 2022, the Operating Partnership issued $110.0 million aggregate principal amount of 8.875% senior unsecured notes due September 2027 (the "2027 Notes"). The 2027 Notes have a five year term and were issued at 99.009% of par value and are fully and unconditionally guaranteed by the Company and two of its subsidiaries: Great Ajax Operating LLC (the "GP Guarantor") and Great Ajax II Operating Partnership L.P. (the "Subsidiary Guarantor," and together with the Company and the GP Guarantor, the "Guarantors"). The 2027 Notes are included in the Company's liabilities in its consolidated balance sheet at December 31, 2023 and 2022. Interest on the 2027 Notes is payable semi-annually on March 1 and September 1, with the first payment due and payable on March 1, 2023. The 2027 Notes will mature on September 1, 2027. Net proceeds from the sale of the 2027 Notes totaled approximately $106.1 million, after deducting the discount, commissions, and offering expenses which will be amortized over the term of the 2027 Notes using the effective interest method. The Company used $90.0 million of the proceeds to repurchase and retire a portion of its outstanding 7.25% Series A and 5.00% Series B Fixed-to-Floating Rate Preferred Stock at a discount, and a proportionate amount of outstanding warrants. The remainder of the proceeds is expected to be used for general corporate purposes. At both December 31, 2023 and 2022, the UPB of the 2027 Notes was $110.0 million.

Management Fee and Expense Reimbursement

The Company is a party to the Third Amended and Restated Management Agreement with the Manager (the "Management Agreement") by and between the Company and the Manager, dated as of April 28, 2020, as amended on March 1, 2023, expiring on March 5, 2034. Under the Management Agreement, the Manager implements the Company's business strategy and manages the Company's business and investment activities and day-to-day operations subject to oversight by the Company's Board of Directors. Among other services, the Manager provides the Company with a management team and necessary administrative and support personnel. Additionally, the Company pays directly for the internal audit function that reports directly to the Audit Committee and the Board of Directors. The Company does not currently have any employees that it pays directly and does not expect to have any employees that it pays directly in the foreseeable future. Each of the Company's executive officers is an employee or officer, or both, of the Manager or the Servicer.

Under the Management Agreement, the Company pays a quarterly base management fee based on its stockholders' equity, including equity equivalents such as the Company's issuance of convertible senior notes. Also, under the First Amendment to the Third Amended and Restated Management Agreement with the Manager, which has an effective date of March 1, 2023, the Company's quarterly base management fee will include, in its computation of equity managed, its unsecured debt securities to the extent the proceeds were used to repurchase the Company's preferred stock.

The Company may be required to pay a quarterly incentive management fee based on its cash distributions to its stockholders and the change in book value, and has the option to pay up to 100% of the base and incentive fees in cash or in shares of the Company's common stock. Management fees are expensed in the quarter incurred and the portion payable in common stock, if any, is accrued at quarter end. See Note 10 — Related Party Transactions.

Servicing Fees

The Company is also a party to a Servicing Agreement (the "Servicing Agreement"), expiring July 8, 2029, with the Servicer. Under the Servicing Agreement by and between the Company and the Servicer, the Servicer receives an annual servicing fee ranging from 0.65% annually of the UPB of loans that are re-performing at acquisition to 1.25% annually of UPB of loans that are non-performing at acquisition. Servicing fees are paid monthly. The total fees incurred by the Company for these services depends upon the UPB and type of mortgage loans that the Servicer services pursuant to the terms of the Servicing Agreement. The fees do not change if an RPL becomes non-performing or vice versa. Servicing fees for the Company's real property assets are the greater of (i) the servicing fee applicable to the underlying mortgage loan prior to foreclosure, or (ii) 1.00% annually of the fair market value of the REO as reasonably determined by the Manager or 1.00%

annually of the purchase price of any REO otherwise purchased by the Company. The Servicer is reimbursed for all customary, reasonable and necessary out-of-pocket costs and expenses incurred in the performance of its obligations, including the actual cost of any repairs and renovations undertaken on the Company's behalf.

The total fees incurred by the Company for these services will be dependent upon the UPB and the type of mortgage loans that the Servicer services, for fees based on mortgage loans, and property values, previous UPB of the relevant loan, and the number of REO properties for fees based on REO properties. The Servicing Agreement will automatically renew for successive one-year terms, subject to prior written notice of non-renewal. In certain cases, the Company may be obligated to pay a termination fee. The Management Agreement will automatically terminate at the same time as the Servicing Agreement if the Servicing Agreement is terminated for any reason. See Note 10 — Related Party Transactions.

Stock-based Payments and Directors' Fees

At least a portion of the management fee is payable in cash, and a portion of the management fee may be payable (at the Company's discretion) in shares of the Company's common stock, which are issued to the Manager in a private placement and are restricted securities under the Securities Act of 1933, as amended (the "Securities Act"). The number of shares issued to the Manager (if any) is determined based on the average of the closing prices of the Company's common stock on the New York Stock Exchange ("NYSE") on the five business days preceding the record date of the most recent regular quarterly dividend to holders of the common stock. Any management fees paid in common stock are recognized as an expense in the quarter incurred and accrued at quarter end. The shares vest immediately upon issuance. The Manager has agreed to hold any shares of common stock received by it as payment of the base management fee for at least three years from the date such shares of common stock are received.

Under the Company's 2014 Director Equity Plan (the "Director Plan"), the Company may make stock-based awards to its directors. The Director Plan is designed to promote the Company's interests by attracting and retaining qualified and experienced individuals for service as non-employee directors. The Director Plan is administered by the Company's Board of Directors. The total number of shares of common stock or other stock-based awards, including grants of long-term incentive plan units ("LTIP Units") from the Operating Partnership, available for issuance under the Director Plan is 35,000 shares. The Company issued to each of its independent directors restricted stock awards of 2,000 shares of its common stock upon joining the Board of Directors. The Company may also periodically issue additional restricted stock awards to its independent directors under the Director Plan. Stock-based expense for the directors' annual fee and the committee chairperson's annual fee is expensed as earned, in equal quarterly amounts during the year, and accrued at quarter end.

Each of the Company's independent directors receives an annual retainer of $140,000, payable quarterly, 50% of which is payable in shares of the Company's common stock and 50% in cash. However, the Company has the option to pay the annual retainer with up to 100% in cash at its discretion. The committee chairpersons also receive annual fees for their services. The chairpersons of the Compensation and Corporate Governance committees each received an annual retainer of $15,000, payable quarterly, 100% in cash. The chairperson of the Audit committee received an annual fee of $20,000, payable quarterly, 100% in cash. During the second quarter of 2023, the Board approved the appointment of the lead director and an additional payment to the lead director of $20,000 per year, payable quarterly, 100% in cash was approved by the Compensation committee. Also, during the second quarter of 2023, due to conflicts of interests by certain Board members, the Board established a special committee, comprised solely of independent directors (the "Special Committee") to evaluate and review the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, as well as other strategic opportunities. The directors on the Special Committee will receive a one-time cash payment of $20,000, except for the lead director who will receive a one-time cash payment of $30,000. The expense related to directors' fees is accrued, and the portion payable in common stock is accrued in the period in which it is incurred.

Under the Company's 2016 Equity Incentive Plan (the "2016 Plan") the Company may make stock-based awards to attract and retain non-employee directors, executive officers, key employees and service providers, including officers and employees of the Company's affiliates. The 2016 Plan authorized the issuance of up to 5% of the Company's outstanding shares from time to time on a fully diluted basis (assuming, if applicable, the conversion of any outstanding warrants and convertible senior notes into shares of common stock). Grants of restricted stock under the 2016 Plan use grant date fair value of the stock as the basis for measuring the cost of the grant. Forfeitures of granted shares are accounted for in the period in which they occur. Share grants vest over the relevant service periods. The grant shares may not be sold by the recipient until the end of the service period, even if certain of the shares were subject to a ratable vesting and were fully vested before completion of the service period.

Variable Interest Entities

In the normal course of business, the Company enters into various types of transactions with special purpose entities, which have primarily consisted of trusts established for the Company's secured borrowings (see "Secured Borrowings" above and Note 9 to the consolidated financial statements). Additionally, from time to time, the Company may enter into joint ventures with unrelated entities, which also generally involves the formation of a special purpose entity. The Company evaluates each transaction and its resulting beneficial interest to determine if the entity formed pursuant to the transaction should be classified as a VIE. If an entity created in a transaction meets the definition of a VIE and the Company determines that it or a consolidated subsidiary is the primary beneficiary, the Company will include the entity in its consolidated financial statements.

Cash and Cash Equivalents

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

Earnings per Share

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

Under the two-class method, all of the Company's Consolidated net income attributable to common stockholders, consisting of Consolidated net income, less dividends on the Company's Series A and Series B preferred stock, is allocated to common shares and participating securities, based on their respective rights to receive dividends. Basic earnings per share is determined by dividing Consolidated net income attributable to common stockholders, reduced by income attributable to the participating securities, by the weighted-average common shares outstanding during the period.

Diluted earnings per share is determined by dividing Consolidated net income attributable to diluted shareholders, which adds back to Consolidated net income attributable to common stockholders the interest expense and applicable portion of management fee expense, net of applicable income taxes, on the Company's convertible senior notes, by the weighted-average common shares outstanding, assuming all dilutive securities, including stock grants, shares that would be issued in the event that warrants were redeemed for shares of common stock of the Company, shares issued in respect of the stock-based portion of the base fee payable to the Manager and independent directors, and shares that would be issued in the event of conversion of the Company's outstanding convertible senior notes, were issued. In the event the Company were to record a net loss, potentially dilutive securities would be excluded from the diluted loss per share calculation, as their effect on loss per share would be anti-dilutive. The Company uses the treasury stock method of accounting for its outstanding warrants. Under the treasury stock method, the exercise of the warrants is assumed at the beginning of the period, and shares of common stock are assumed to have been issued. The proceeds from the exercise are assumed to be used by the Company to repurchase treasury stock, thereby reducing the assumed dilution from the warrant exercise. In applying the treasury stock method, all dilutive potential common shares, regardless of whether they are exercisable, are treated as if they had been exercised.

In the event that any of the adjustments normally included to arrive at diluted earnings per share were to produce an anti-dilutive result, one that either increased earnings or reduced the quantity of shares used in the calculation, the anti-dilutive adjustment would not be included in the diluted earnings per share calculation.

Fair Value of Financial Instruments

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

- **Level 1** — Quoted prices in active markets for identical assets or liabilities.
- **Level 2** — Observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3** — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

The fair value of mortgage loans is estimated using the Manager's proprietary pricing model which estimates expected cash flows with the discount rate used in the present value calculation representing the estimated effective yield of the loans. The Company also obtains values from the Company's financing counterparties. The Company weighs current market events and observed trades to determine the discount rates to determine fair value and to determine the ultimate fair value of each loan.

The fair value of investments in debt securities AFS and HTM are determined using estimates provided by the Company's financing counterparties. The Company also relies on the Manager's proprietary pricing model to estimate the underlying cash flows expected to be collected on these investments as a comparison to the estimates received from financing counterparties.

The fair value of investments in beneficial interests represent the residual investment in securitization trusts the Company forms with joint venture partners. The Company relies on its Manager's proprietary pricing model to estimate the underlying cash flows expected to be collected on its investments in beneficial interests. Also, the Company uses estimates provided by its financing counterparties, which are compared for reasonableness.

The fair value of the Company's ownership interest in the Manager has historically been valued by applying an earnings multiple to base fee revenue, however, beginning the quarter ending September 30, 2023, the Company valued the Manager in an amount equal to the termination payment required to terminate the Manager plus the fair value of the Manager's assets.

The fair value of the Company's ownership interests in AS Ajax E LLC and Ajax E Master Trust are valued using estimates provided by financing counterparties and other publicly available information.

The fair value of the Company's ownership interest in GAFS, including warrants, is determined by applying an earnings multiple to expected earnings.

The fair value of the Company's ownership interest in Gaea is estimated using an implied capitalization rate applied to the value of the underlying properties and the Manager's propriety pricing model for loans.

The fair value of the Company's ownership interest in the loan pool LLCs is determined by using estimates of underlying assets and liabilities taken from its Manager's pricing model.

The fair value of secured borrowings is estimated using prices provided by the Company's financing counterparties, which are compared for reasonableness to the Manager's proprietary pricing model which estimates expected cash flows of the underlying mortgage loans collateralizing the debt. The Company is able to call the bonds issued in its secured borrowings at par value plus accrued interest pursuant to the terms of the offering documents. The Company carries its secured borrowings net of deferred issuance cost. Accordingly, the difference between fair value and carrying value is partially driven by the deferred issuance costs.

The fair value of the Company's put option liability is adjusted to approximate market value through earnings. The put obligation is a fixed amount that may be settled in cash or shares of the Company's common stock at the option of the Company. Fair value is determined using the discounted cash flow method using a rate to accrete the initial basis, adjusted for subsequent repurchases, to the future put obligation over the 39-month term of the put option liability. The fair value of the Company's put option liability is measured quarterly and the accreted liability has approximated fair value.

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

The Company's 2024 Notes are traded on the NYSE under the ticker symbol "AJXA"; the debt's fair value is determined from the closing price on the balance sheet date. The 2024 Notes may be redeemable at par plus accrued interest beginning on April 30, 2022 subject to satisfying the conversion price trigger. The Company carries its 2024 Notes net of deferred issuance cost. Accordingly, the difference between fair value and carrying value is partially driven by the deferred issuance costs.

The 2027 Notes payable fair value is determined using estimates provided by third party valuation services using observed transactions for similar financing arrangements. The 2027 Notes will mature on September 1, 2027, unless earlier repurchased or redeemed. The Company carries the 2027 Notes payable net of deferred issuance costs.

The fair value of property held-for-sale is determined using the lower of its acquisition basis or net realizable value. Net realizable value is determined based on BPOs, appraisals, or other market indicators of fair value, which are then reduced by anticipated selling costs. Net unrealized losses due to changes in market value are recognized through a valuation allowance by charges to income.

The carrying values of the Company's Cash and cash equivalents, Receivable from Servicer, Prepaid expenses and other assets, Management fee payable and Accrued expenses and other liabilities are equal to or approximate fair value.

Income Taxes

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

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

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company considers significant estimates to include expected cash flows from its holdings of mortgage loans and beneficial interests in trusts, and their resolution methods and timelines, including foreclosure costs, eviction costs and property rehabilitation costs. Other significant estimates are fair value measurements, and the net realizable value of REO properties held-for-sale.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements in order to conform with the current year presentation. These reclassifications have no effect on previously reported net income or equity.

Segment Information

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

Recently Adopted Accounting Standards

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes*. The amendments in this update simplify the accounting for income taxes by removing certain exceptions and adding certain clarifications to rules and definitions used in the calculation of the income tax provision. This guidance is effective for interim and annual reporting periods beginning after December 15, 2020, with early adoption permitted, including adoption in any interim period. The Company adopted ASU 2019-12 in the first quarter of 2021 with no effect on its consolidated assets or liabilities, consolidated net income or equity or cash flows on the date of adoption.

In January 2020, the FASB issued ASU 2020-01, *Investments – Equity Securities (Topic 321, Investments) – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*. The amendments in this update clarify the interactions between Topic 321, Topic 323, and Topic 815, which clarifies aspects of accounting for investments in equity-method investees acquired through step acquisitions to require remeasurement of an investment immediately before adopting the equity method of accounting if the investor identifies observable price changes in orderly transactions for an identical or similar investment of the same issuer, and also requires such remeasurement upon discontinuance of the equity method. The amendments also clarify whether upon settlement of a forward contract or option the underlying security would be accounted for under the Equity Method (Topic 323) or the fair value option (Topic 825). This guidance is effective for interim and annual reporting periods beginning after December 15, 2020, with early adoption permitted, including adoption in any interim period.

The Company adopted ASU 2020-01 in the first quarter of 2021 with no effect on its consolidated assets or liabilities, consolidated net income or equity or cash flows on the date of adoption.

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in an Entity's Own Equity (Subtopic 815-40).* The amendments in this update simplify the accounting for convertible instruments by removing certain accounting models that require separation of convertible instruments into debt and equity components with conversion features that are not required to be accounted for as derivatives or that do not result in substantial premiums. Consequently a convertible instrument will be accounted for as a single liability measured at its amortized cost and convertible preferred stock will be accounted for as a single instrument recorded at historical cost as long as no other features require bifurcation or recognition as derivatives. The Company adopted 2020-06 using the modified retrospective method as of the beginning of its calendar year 2022 and recorded a reduction in its additional paid-in capital account of $0.7 million and a corresponding increase in the carrying value of its 2024 Notes of $0.7 million, representing the carrying value of the conversion feature associated with the 2024 Notes.

Recently Issued Accounting Standards

In March 2023, the FASB issued ASU 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323) – Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.* The amendments in this update permit reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. This guidance is effective for interim and annual reporting periods beginning after December 15, 2023, with early adoption permitted. The Company does not believe this standard will have a material impact on its consolidated financial statements and related disclosures.

In August 2023, the FASB issued ASU 2023-05, *Business Combinations - Joint Venture Formations (Subtopic 805-60).* The amendments in this update address the accounting for contributions made to a joint venture, upon formation, in a joint venture's separate financial statements. This objective of this amendment is to help provide useful information to investors and other allocators of capital in a joint venture's financial statements and reduce the diversity in practice. This guidance is effective January 1, 2025, with early adoption permitted. The Company is currently evaluating the impact on its consolidated financial statements and related disclosures.

In October 2023, the FASB issued ASU 2023-06, *Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative.* This amends U.S. GAAP to include 14 disclosure requirements that are currently required under SEC Regulation S-X or Regulation S-K. Each amendment will be effective on the date on which the SEC removes the related disclosure requirement from SEC Regulation S-X or Regulation S-K. The Company does not believe this standard will have a material impact on its consolidated financial statements and related disclosures as these requirements were previously incorporated under the SEC Regulations.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires the Company to disclose disaggregated jurisdictional and categorical information for the tax rate reconciliation, income taxes paid and other income tax related amounts. This guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The adoption is expected to enhance the Company's Notes to the Consolidated Financial Statements. The Company is currently evaluating the impact on its consolidated financial statements and related disclosures.

Note 3 — Mortgage Loans

The following table presents information regarding the carrying value for the Company's RPLs, NPLs and SBC loans as of December 31, 2023 and 2022 ($ in thousands):

	December 31, 2023		December 31, 2022	
Loan portfolio basis by asset type	**Mortgage loans held-for-investment, net**	**Mortgage loans held-for-sale, net**	**Mortgage loans held-for-investment, net**	**Mortgage loans held-for-sale, net**
Residential RPLs	$ 787,700	$ 34,359	$ 872,913	$ —
Residential NPLs	71,075	20,894	105,081	—
SBC loans	5,776	465	11,090	—
Total	$ 864,551	$ 55,718	$ 989,084	$ —

Included on the Company's consolidated balance sheets as of December 31, 2023 and 2022 are approximately $864.6 million and $1.0 billion, respectively, of RPLs, NPLs, and SBC loans that are held-for-investment and approximately $55.7 million and zero, respectively, of RPLs, NPLs and SBC loans held-for-sale. During the year ended December 31, 2023, the Company began marketing a pool of loans for sale. As a result of this activity, the Company reclassified these loans from Mortgage loans held-for investment, net to Mortgage loans held-for-sale, net. The loans became subject to a sale agreement in January 2024. The Company marked the loans to lower of cost or market by $8.6 million during the year ended December 31, 2023, using the prices in the sale agreement.

The categorization of RPLs, NPLs and SBC loans is determined at acquisition. The carrying value of RPLs, NPLs and SBC loans reflects the original investment amount, plus accretion of interest income as well as credit and non-credit discount, less principal and interest cash flows received. The carrying values at December 31, 2023 and 2022 for the Company's loans in the table above, are presented net of a cumulative allowance for expected credit losses of $3.4 million and $6.1 million, respectively, reflected in the appropriate lines in the table by loan type. For the years ended December 31, 2023, 2022 and 2021 the Company recognized $5.6 million, $8.1 million and $13.7 million, respectively, of revenue due to a net decrease in expected credit losses resulting from increases in the present value of the expected cash flows. Also, for the years ended December 31, 2023, 2022 and 2021 the Company recognized accretable yield of $51.3 million, $60.0 million and $66.5 million, respectively, with respect to its RPL, NPL and SBC loans.

Loss estimates are determined based on the net present value of the difference between the contractual cash flows and the expected cash flows over the expected life of the loans. Contractual cash flows are calculated based on the stated terms of the loans using a constant prepayment rate assumption. Expected cash flows are based on the Manager's proprietary model, which includes factors such as resolution method, resolution timeline, foreclosure costs, rehabilitation costs and eviction costs. Additional variables bearing upon cash flow expectations include the specific location of the underlying property, loan-to-value ratio, property age and condition, change and rate of change of borrower credit rating, servicing notes, interest rate, monthly payment amount and neighborhood rents.

The Company's mortgage loans are secured by real estate. Risks inherent in the Company's mortgage loan portfolio, affecting both the valuation of its mortgage loans as well as the portfolio's interest income include the risk of default, delays and inconsistency in the frequency and amount of payments, risks affecting borrowers such as man-made or natural disasters, and damage to or delay in realizing the value of the underlying collateral. Additionally, slower than expected prepayments can result in lower yields as the Company's mortgage loans were acquired at discounts. The Company monitors the credit quality of the mortgage loans in its portfolio on an ongoing basis, principally by considering loan payment activity or delinquency status. In addition, the Company assesses the expected cash flows from the mortgage loans, the fair value of the underlying collateral and other factors, and evaluates whether and when it becomes probable that all amounts contractually due will not be collected.

During the years ended December 31, 2023 and 2022, the Company purchased 72 and 45 RPLs with UPB of $17.3 million and $11.2 million, respectively. During the years ended December 31, 2023 and 2022, one and eight NPLs were purchased with UPB of $0.2 million and $1.5 million, respectively. During the years ended December 31, 2023 and 2022, the Company acquired no SBC loans. During the years ended December 31, 2023 and 2022, the Company sold no mortgage loans.

For pooling purposes, the Company aggregates its loans based on payment patterns and absolute dollars of equity. The portfolio is split between the Operating Partnership and Great Ajax REIT II as the entities are separate taxpayers and must maintain separate and complete books and records. At both the Operating Partnership and Great Ajax REIT II, the Company uses the following three pools for a total of six CECL pools:

1. Loans that have made at least seven of the last seven payments, either sequentially or in bulk and that have at least $50.0 thousand in absolute dollars of borrower equity;
2. Loans that have made at least seven of the last seven payments, either sequentially or in bulk and that have less than $50.0 thousand in absolute dollars of borrower equity; and
3. Loans that have not made at least seven of the last seven payments.

Based on historical data, the Company has observed that borrowers that make at least seven of the last seven payments, either sequentially or in bulk, are significantly less likely to default. Additionally, the Company has similarly observed that $50.0 thousand absolute dollars of equity similarly drives a lower default rate and reduces loss severity in the event of foreclosure.

The following table presents information regarding the year of origination of the Company's mortgage loan portfolio by basis ($ in thousands):

	December 31, 2023(1)									
	2022	2021	2020	2019	2018	2017	2009-2016	2006-2008	2005 and prior	Total
GAOP - 7f7 >50	$ 2,473	$ 2,597	$ 1,370	$ 6,598	$ 1,206	$ 2,822	$ 29,311	$196,186	$ 81,614	$ 324,177
GAOP - 7f7 <50	546	137	—	215	—	121	2,457	28,548	6,996	39,020
GAOP - 6f6 and below	591	2,283	546	1,764	1,708	350	16,873	83,594	23,085	130,794
Great Ajax II REIT - 7f7 >50	—	—	730	764	795	460	34,404	243,030	84,634	364,817
Great Ajax II REIT - 7f7 <50	—	—	—	71	14	—	2,658	22,360	6,508	31,611
Great Ajax II REIT - 6f6 and below	—	—	—	—	—	144	5,182	17,772	6,752	29,850
Total	$ 3,610	$ 5,017	$ 2,646	$ 9,412	$ 3,723	$ 3,897	$ 90,885	$591,490	$ 209,589	$ 920,269

(1) Includes 262 loans that were classified from Mortgage loans held-for investment, net to Mortgage loans held-for-sale, net with a total UPB of $64.2 million and a carrying value of $64.3 million.

	December 31, 2022									
	2022	2021	2020	2019	2018	2017	2009-2016	2006-2008	2005 and prior	Total
GAOP - 7f7 >50	$ 1,041	$ 1,770	$ 4,118	$ 7,004	$ 2,557	$ 2,983	$ 32,170	$198,950	$ 80,203	$ 330,796
GAOP - 7f7 <50	—	—	—	337	—	—	3,212	34,599	10,501	48,649
GAOP - 6f6 and below	1,756	280	2,158	1,040	597	942	15,930	98,408	30,697	151,808
Great Ajax II REIT - 7f7 >50	—	—	734	661	800	467	34,973	250,168	90,478	378,281
Great Ajax II REIT - 7f7 <50	—	—	—	140	13	—	3,487	27,300	8,885	39,825
Great Ajax II REIT - 6f6 and below	—	—	—	—	—	139	6,166	23,690	9,730	39,725
Total	$ 2,797	$ 2,050	$ 7,010	$ 9,182	$ 3,967	$ 4,531	$ 95,938	$633,115	$ 230,494	$ 989,084

The following table presents a reconciliation between the purchase price and par value for the Company's loan acquisitions and originations for the years ended December 31, 2023 and 2022 ($ in thousands):

	For the year ended December 31, 2023	For the year ended December 31, 2022
	PCD Loans	PCD Loans
Par	$ 17,500	$ 12,757
Discount	(2,847)	(921)
Allowance	(252)	(422)
Purchase Price	$ 14,401	$ 11,414

The Company performs an analysis of its expectation of the amount of undiscounted cash flows expected to be collected from its mortgage loan pools at the end of each calendar quarter. Under CECL, the Company adjusts its allowance for expected credit losses when there are changes in its expectation of future cash flows as compared to the amounts expected to be contractually received. An increase to the allowance for expected credit losses will occur when there is a reduction in the Company's expected future cash flows as compared to its contractual amounts due. Reduction to the allowance, or recovery, may occur if there is an increase in expected future cash flows that were previously subject to an allowance for expected credit loss. A decrease in the allowance for expected credit losses is generally facilitated by reclassifying amounts to non-credit discount from the allowance and then recording the recovery. During the year ended December 31, 2023, the Company recorded a $4.4 million reclassification from non-credit discount to the allowance for expected credit losses, which was followed by a $5.6 million reduction of the allowance for expected credit losses due to increases in the net present value of expected cash flows. During the year ended December 31, 2023, the Company also recorded a $0.3 million increase in the allowance for expected credit losses due to new acquisitions. During the year ended December 31, 2023, the Company reclassified $2.0 million of allowance to non-credit discount to reflect the impact of moving mortgage loans to a held-for-sale, net classification on the balance sheet. Comparatively, during the year ended December 31, 2022, the Company recorded a $6.3 million reclassification from non-credit discount to the allowance for expected credit losses, which was followed by a $8.1 million reduction of the allowance for expected credit losses due to the increase in the net present value of expected cash flows. During the year ended December 31, 2022, the Company also recorded a $0.4 million increase in the allowance for expected credit losses due to new acquisitions. During the year ended December 31, 2021, the Company recorded a $0.3 million reclassification from non-credit discount to the allowance for expected credit losses, which was followed by a $13.7 million reversal of the allowance for expected credit losses due to the increase in the net present value of expected cash flows. During the year ended December 31, 2021, the Company also recorded a $7.7 million increase in the allowance for expected credit losses due to new acquisitions. During the year ended December 31, 2021, the Company reclassified $1.7 million of allowance to non-credit discount to reflect the impact of moving pool 2017-D to mortgage loans to a held-for-sale, net classification on the balance sheet. An analysis of the balance in the allowance for expected credit losses account follows ($ in thousands):

	For the year ended December 31,		
	2023	2022	2021
Allowance for expected credit losses, beginning of period	$ (6,107)	$ (7,112)	$ (13,712)
Reclassification from non-credit discount to the allowance for changes in payment expectations	(4,378)	(6,310)	(304)
Increase in allowance for expected credit losses for loan acquisitions during the period	(252)	(422)	(7,663)
Credit loss expense on mortgage loans	(279)	(383)	(842)
Reversal of allowance for expected credit losses due to increases in the net present value of expected cash flows	5,597	8,120	13,668
Reversal of allowance upon reclass of mortgage loans held-for-sale, net	1,993	—	1,741
Allowance for expected credit losses, end of period	$ (3,426)	$ (6,107)	$ (7,112)

The following table sets forth the carrying value of the Company’s mortgage loans by delinquency status as of December 31, 2023 and 2022 ($ in thousands):

	As of December 31, 2023					
Mortgage loans held-for-investment, net	**Current**	**30**	**60**	**90**	**Foreclosure**	**Total**
GAOP - 7f7 >50	$ 199,229	$ 49,868	$ 283	$ 63,498	$ 925	$ 313,803
GAOP - 7f7 <50	20,514	7,516	78	9,044	—	37,152
GAOP - 6f6 and below	8,565	6,906	421	45,058	26,364	87,314
Great Ajax II REIT - 7f7 >50	300,506	36,277	801	26,600	637	364,821
Great Ajax II REIT - 7f7 <50	25,592	3,846	42	2,131	—	31,611
Great Ajax II REIT - 6f6 and below	4,374	2,144	—	14,788	8,544	29,850
Total	$ 558,780	$ 106,557	$ 1,625	$ 161,119	$ 36,470	$ 864,551

	As of December 31, 2023					
Mortgage loans held-for-sale, net	**Current**	**30**	**60**	**90**	**Foreclosure**	**Total**
Held-for-sale	$ 1,284	$ 592	$ —	$ 26,243	$ 27,599	$ 55,718
Total	$ 1,284	$ 592	$ —	$ 26,243	$ 27,599	$ 55,718

Mortgage loans held-for-investment, net	As of December 31, 2022											
	Current		30		60		90		Foreclosure		Total	
GAOP - 7f7 >50	$	198,006	$	44,773	$	772	$	86,603	$	642	$	330,796
GAOP - 7f7 <50		26,303		5,815		140		16,232		159		48,649
GAOP - 6f6 and below		3,333		1,538		94		94,010		52,833		151,808
Great Ajax II REIT - 7f7 >50		319,677		39,161		700		18,743		—		378,281
Great Ajax II REIT - 7f7 <50		33,113		4,188		90		2,434		—		39,825
Great Ajax II REIT - 6f6 and below		178		—		39		36,086		3,422		39,725
Total	$	580,610	$	95,475	$	1,835	$	254,108	$	57,056	$	989,084

Note 4 — Real Estate Assets, Net

The Company acquires real estate assets either through direct purchases of properties or through conversions of mortgage loans in its portfolio when a mortgage loan is foreclosed upon and the Company takes title to the property on the foreclosure date or the borrower surrenders the deed in lieu of foreclosure.

Property Held-for-Sale

As of December 31, 2023 and 2022, the Company's net investments in real estate owned properties was $3.8 million and $6.3 million, respectively, all of which related to properties held-for-sale. REO property is considered held-for-sale if the REO is expected to be actively marketed for sale. Also, included in the properties held-for-sale balance for the periods as of December 31, 2023 and 2022, was $0.2 million and $0.3 million, respectively, for properties undergoing renovation or which are otherwise in the process of being brought to market. As of December 31, 2023 and 2022, the Company had a total of 20 and 39 real estate owned properties, respectively. For the years ended December 31, 2023 and 2022, the majority of the additions to REO held-for-sale were acquired through foreclosure or deed in lieu of foreclosure, and reclassified out of the mortgage loan portfolio.

The following table presents the activity in the Company's carrying value of property held-for-sale for the years ended December 31, 2023 and 2022 ($ in thousands):

Property Held-for-Sale	For the year ended December 31,					
	2023			2022		
	Count	Amount		Count	Amount	
Balance at beginning of period	39	$	6,333	31	$	6,063
Net transfers from mortgage loans	12		2,379	27		4,699
Purchases	—		—	1		27
Adjustments to record at lower of cost or fair value	—		(1,096)	—		(376)
Disposals	(31)		(3,831)	(20)		(4,080)
Balance at end of period	20	$	3,785	39	$	6,333

Dispositions

During the years ended December 31, 2023 and 2022, the Company sold 31 and 20 REO properties realizing net gains of approximately $0.1 million and $0.9 million, respectively. These amounts are included in Other income on the Company's consolidated statements of operations. During the years ended December 31, 2023 and 2022, the Company recorded expense of lower of cost or net realizable value adjustments in real estate operating expense of $1.1 million and $0.4 million, respectively.

Note 5 — Investments

The Company holds investments in various debt securities and beneficial interests which are the net residual interest of the Company's investments in securitization trusts holding pools of mortgage loans. Beneficial interests may be trust certificates and/or subordinate notes depending on the structure of the securitization. The Company's debt securities and beneficial interests are issued by securitization trusts, which are VIEs that the Company does not consolidate since it has determined it is not the primary beneficiary. See Note 10 — Related Party Transactions. The Company designated its debt securities as AFS or HTM based on the intent and ability to hold each security to maturity. The Company carries its AFS debt securities at fair value using prices provided by financing counterparties and believes any unrealized losses to be temporary. The Company carries its investments in securities HTM at amortized cost, net of any required allowance for credit losses. The Company carries its investments in beneficial interests at amortized cost.

As described in Note 2 — Summary of Significant Accounting Policies, on January 1, 2023, the Company transferred a carrying value of $83.0 million of investment securities from AFS to HTM due to sale restrictions pursuant to Article 6(1) of Regulation (EU) 2017/2402 of the European Parliament and of the Council (as amended, the "EU Securitization Regulation" and, together with applicable regulatory and implementing technical standards in relation thereto, the "EU Securitization Rules"). Pursuant to the terms of these debt securities, the Company must hold at least 5.01% of the nominal value of each class of securities offered or sold to investors (the "EU Retained Interest") subject to the EU Securitization Rules. Under the EU Securitization Rules, the Company is prohibited from selling, transferring or otherwise surrendering all or part of the EU Retained Interest until all such classes are paid in full or redeemed.

Transfers of securities from AFS to HTM are non-cash transactions and are recorded at fair value. On the date of transfer, accumulated other comprehensive income included unrealized losses of $10.9 million, which continues to be reported in accumulated other comprehensive income and is amortized into interest income on a level-yield basis over the remaining life of the securities. This amortization will offset the effect on interest income of the amortization of the discount resulting from the transfer recorded at fair value. During the year ended December 31, 2023, the Company recorded amortization of $5.0 million of unrealized losses in accumulated other comprehensive income and of unamortized discount related to transfers of securities from AFS to HTM.

Risks inherent in the Company's debt securities portfolio, affecting both the valuation of its securities as well as the portfolio's interest income include the risk of default, delays and inconsistency in the frequency and amount of payments, interest rate risk, risks affecting borrowers such as man-made or natural disasters and damage to or delay in realizing the value of the underlying collateral. Additionally, slower prepayments can result in lower yields on the Company's debt securities acquired at a discount and on its beneficial interest. The Company monitors the credit quality of the mortgage loans underlying its debt securities on an ongoing basis, principally by considering loan payment activity or delinquency status. In addition, the Company assesses the expected cash flows from the mortgage loans, the fair value of the underlying collateral and other factors, and evaluates whether and when it becomes probable that all amounts contractually due will not be collected. The following table presents information regarding the Company's investments in debt securities and investments in beneficial interests ($ in thousands):

	As of December 31, 2023			
	Basis[(1)]	Gross unrealized gains	Gross unrealized losses	Fair value
Debt securities available-for-sale, at fair value	$ 139,596	$ 637	$ (8,675)	$ 131,558
Debt securities held-to-maturity at amortized cost, net of allowance for credit losses of zero	59,691	111	(629)	59,173
Investment in beneficial interests at amortized cost, net of allowance for credit losses of $6,880	104,162	3,631	(26,477)	81,316
Total investments	$ 303,449	$ 4,379	$ (35,781)	$ 272,047

(1) Basis amount is net of amortized discount, principal paydowns and interest receivable on securities AFS and HTM of $87.0 thousand and $24 thousand, respectively.

	As of December 31, 2022							
	Basis[1]		Gross unrealized gains		Gross unrealized losses		Fair value	
Debt securities available-for-sale, at fair value	$	282,711	$	—	$	(25,649)	$	257,062
Investment in beneficial interests at amortized cost, net of allowance for credit losses of zero		134,552		—		—		134,552
Total investments	$	417,263	$	—	$	(25,649)	$	391,614

(1) Basis amount is net of amortized discount, principal paydowns and interest receivable on securities AFS of $0.1 million.

The following table presents a breakdown of the Company's gross unrealized losses on its investments in debt securities AFS ($ in thousands):

	As of December 31, 2023						
	Step-up date(s)[1]	Basis[2]		Gross unrealized losses		Carrying value	
Debt securities due February 2028[4]	February 2026	$	4,717	$	(6)	$	4,711
Debt securities due November 2051[4]	March 2025		3,764		(215)		3,549
Debt securities due March 2060[4]	February 2025		5,805		(678)		5,127
Debt securities due December 2060[4]	July 2029		21,411		(4,242)		17,169
Debt securities due January 2061[4]	September 2024		4,886		(478)		4,408
Debt securities due June 2061[5]	January 2025/February		12,992		(1,243)		11,749
Debt securities due October 2061[4]	April 2029		11,815		(842)		10,973
Debt securities due March 2062[4]	May 2029		10,315		(793)		9,522
Debt securities due July 2062[3]	February 2030		12,668		(41)		12,627
Debt securities due October 2062[3]	October 2026		17,174		(137)		17,037
Total		$	105,547	$	(8,675)	$	96,872

(1) Step-up date is the date at which the coupon interest rate on the security increases. The Company intends for the security to be called before the step-up date.

(2) Basis amount is net of any realized amortized costs and principal paydowns.

(3) This security has been in an unrealized loss position for less than 12 months.

(4) This security has been in an unrealized loss position for 12 months or longer.

(5) This line is comprised of two securities that are both due June 2061. One security with a balance of $0.3 million has been in an unrealized loss position for 12 months or longer and has a step-up date in January 2025, and the other security of $0.9 million has been in a loss position for 12 months or longer and has a step-up date in February 2025.

	As of December 31, 2022			
	Step-up date(s)[1]	Basis[2]	Gross unrealized losses	Carrying value
Debt securities due February 2028[3]	February 2026	$ 38,843	$ (82)	$ 38,761
Debt securities due November 2051[4]	March 2025	36,829	(2,429)	34,400
Debt securities due September 2059[5]	February 2023/April 2023	14,945	(1,045)	13,900
Debt securities due November 2059[4]	April 2023	6,752	(313)	6,439
Debt securities due December 2059[4]	July 2023	33,569	(2,083)	31,486
Debt securities due March 2060[4]	February 2025	14,492	(1,909)	12,583
Debt securities due June 2060[4]	March 2024	8,002	(394)	7,608
Debt securities due September 2060[3]	March 2024	3,242	(15)	3,227
Debt securities due December 2060[4]	July 2029	43,216	(7,868)	35,348
Debt securities due January 2061[4]	September 2024	11,883	(1,342)	10,541
Debt securities due June 2061[6]	January 2025/February	47,302	(6,303)	40,999
Debt securities due October 2061[3]	April 2029	12,401	(1,013)	11,388
Debt securities due March 2062[3]	May 2029	11,096	(853)	10,243
Total		$ 282,572	$ (25,649)	$ 256,923

(1) Step-up date is the date at which the coupon interest rate on the security increases. The Company intends for the security to be called before the step-up date.
(2) Basis amount is net of any realized amortized costs and principal paydowns.
(3) This security has been in an unrealized loss position for less than 12 months.
(4) This security has been in an unrealized loss position for 12 months or longer.
(5) This line is comprised of two securities that are both due September 2059. One security with a balance of $0.6 million has been in a loss position for 12 months or longer and has a step-up date in February 2023, and the other security of $0.5 million has been in a loss position for 12 months or longer and has a step-up date in April 2023.
(6) This line is comprised of two securities that are both due June 2061. One security with a balance of $3.0 million has been in an unrealized loss position for 12 months or longer and has a step-up date in January 2025, and the other security of $3.3 million has been in a loss position for 12 months or longer and has a step-up date in February 2025.

As of December 31, 2023, the Company had a gross unrealized loss of $8.7 million and $0.6 million gross unrealized gains in fair valuation adjustments in accumulated other comprehensive income on the consolidated balance sheet on total investments AFS with a fair value of $131.6 million, which includes $87.0 thousand in interest receivable. As of December 31, 2022, the Company recorded a gross unrealized loss of $25.6 million and no gross unrealized gains in fair valuation adjustments in accumulated other comprehensive loss on the consolidated balance sheet on total investments AFS with a fair value of $257.1 million, which includes $0.1 million in interest receivable.

During the year ended December 31, 2023, the Company re-securitized, with an institutional accredited investor, Ajax Mortgage Loan Trust 2019-E, 2019-G and 2019-H ("2019-E, -G and -H") joint ventures into Ajax Mortgage Loan Trust 2023-A ("2023-A") and retained 8.6% or $16.1 million of varying classes of agency rated securities and equity. 2023-A acquired 1,085 RPLs and NPLs with UPB of $205.1 million and an aggregate property value of $497.4 million. The AAA through A rated securities represent 79.8% of the UPB of the underlying mortgage loans and carry a weighted average coupon of 3.46%. All of the debt securities retained from 2023-A are classified as AFS. Although the Company continues to own a proportionate interest in the underlying loans, the transaction is treated as a redemption of the bonds and beneficial interests in the original trusts and the Company recorded a $1.0 million loss on the transaction.

During the year ended December 31, 2023, the Company re-securitized, with an institutional accredited investor, various joint ventures into Ajax Mortgage Loan Trust 2023-B and 2023-C ("2023-B and -C") and retained 20.0% or $21.8 million and $36.1 million, respectively, of varying classes of agency rated securities and equity. 2023-B acquired 571 RPLs and NPLs with UPB of $121.7 million and an aggregate property value of $255.0 million. The senior securities represent 75.0% of the UPB of the underlying mortgage loans and carry a 4.25% coupon. 2023-C acquired 1,171 RPLs and NPLs with UPB of

$203.6 million and an aggregate property value of $463.7 million. The AAA through A rated securities represent 72.4% of the UPB of the underlying mortgage loans and carry a weighted average coupon of 3.45%. Based on the structure of the transactions, the Company does not consolidate 2023-B and -C under U.S. GAAP and the retained debt securities are classified as AFS. Although the Company continues to own a proportionate interest in the underlying loans, the transaction is treated as a redemption of the bonds and beneficial interests in the original trusts and the Company recorded a $10.0 million loss on the transaction.

During the year ended December 31, 2023, the Company was notified by a joint venture partner that Ajax Mortgage Loan Trust 2020-C and Ajax Mortgage Loan Trust 2020-D ("2020-C and -D") would be redeemed and the loans sold on the senior bond step-up date in March 2024. The Company recorded an other than temporary impairment on its investment in beneficial interests in 2020-C and -D in the amount of $2.2 million based on preliminary loan sale prices received from its joint venture partner.

During the year ended December 31, 2022, the Company re-securitized, with an institutional accredited investor, Ajax Mortgage Loan Trust 2018-D and 2018-G ("2018-D and -G") joint ventures into Ajax Mortgage Loan Trust 2022-A ("2022-A") and retained $49.2 million of varying classes of agency rated securities and equity. The Company acquired 23.3% of the securities and trust certificates from the trust. 2022-A acquired 811 RPLs and NPLs with UPB of $215.5 million and an aggregate property value of $518.8 million. The AAA through A rated securities represent 71.9% of the UPB of the underlying mortgage loans and carry a weighted average coupon of 3.47%. This is the first fully rated securitization structure to include a substantial amount of NPLs. Approximately 33.90% of loan UPB in 2022-A was 60 days or more delinquent. Also, the Company refinanced, with an institutional accredited investor, Ajax Mortgage Loan Trust 2019-A and 2019-B ("2019-A and -B") joint ventures into Ajax Mortgage Loan Trust 2022-B ("2022-B") and retained $36.8 million of varying classes of agency rated securities and equity. The Company acquired 17.2% of the securities and trust certificates from the trust. 2022-B acquired 1,106 RPLs and NPLs with UPB of $220.8 million and an aggregate property value of $575.5 million. The AAA through A rated debt securities represent 76.9% of the UPB of the underlying mortgage loans and carry a weighted average coupon of 3.47%.

At December 31, 2023, the investments in debt securities AFS, investments in debt securities HTM and beneficial interests were carried on the Company's consolidated balance sheet at $131.6 million, $59.7 million and $104.2 million, respectively. At December 31, 2022, the investments in debt securities AFS and beneficial interests were carried on the Company's consolidated balance sheet at $257.1 million and $134.6 million, respectively.

During the year ended December 31, 2023, the Company sold senior notes issued by certain joint ventures and recognized a loss of $3.3 million, which was recorded net to accumulated other comprehensive loss. Comparatively, during the year ended December 31, 2022, the Company sold senior notes issued by certain joint ventures and recognized a loss of $4.8 million. As of December 31, 2023 and 2022, the Company had no securities that were past due.

During the year ended December 31, 2022, the Company recorded an other than temporary impairment of $4.0 million on its beneficial interests in 2018-D and -G when the underlying mortgage loans were re-securitized into 2022-A. The loss became a realized loss when the transaction closed in the second quarter of 2022. Also, during the second quarter of 2022, the Company recorded a loss of $2.1 million on its beneficial interests in 2019-A and -B when the underlying mortgage loans were re-securitized into 2022-B. Although the Company retained a proportionate interest in the underlying mortgage loans and related cash flows in the new trusts, the beneficial interests are accounted for as distinct legal securities and the loss recorded represents the mark to market adjustment on the sale of the underlying loans to 2022-A and -B.

The following table presents a reconciliation between the purchase price and par value for the Company's beneficial interests acquisitions for the years ended December 31, 2023 and 2022 ($ in thousands):

	For the year ended December 31,	
	2023	2022
Par	$ 14,013	$ 24,402
Discount	(2,262)	(3,123)
Purchase Price	$ 11,751	$ 21,279

The Company generally recognizes accretable yield and increases and decreases in the net present value of expected cash flows in earnings in the period they occur. For the years ended December 31, 2023, 2022 and 2021, the Company recognized accretable yield of $8.0 million, $10.8 million and $15.5 million, respectively, on its beneficial interest. For the year ended December 31, 2023, the Company recognized accretable yield of $2.2 million on its investments in securities HTM. An expense is recorded to increase the allowance for expected credit losses when there is a reduction in the Company's expected future cash flows compared to contractual amounts due. Income is recognized if there is an increase in expected future cash flows to the extent an allowance has been recorded against the beneficial interest or investments in securities HTM. If there is no allowance for expected credit losses recorded against a beneficial interest or investments in securities HTM, any increase in expected cash flows is recognized prospectively as a change in yield. A decrease in the allowance for expected credit losses is generally facilitated by reclassifying amounts to non-credit discount from the allowance and then recording the reduction to the allowance through the income statement. Management assesses the credit quality of the portfolio and the adequacy of loss reserves on a quarterly basis, or more frequently as necessary.

During the year ended December 31, 2023, the Company had no activity and balance related to the allowance for expected credit losses for investments in securities HTM.

During the year ended December 31, 2023, the Company recorded a $6.9 million reclassification to non-credit discount from the allowance for changes in payment expectations and $13.7 million increase in the allowance for expected credit losses due to decreases in the net present value of expected cash flows. Comparatively, during the year ended December 31, 2022 the Company recorded a $0.8 million reclassification to non-credit discount from the allowance for changes in payment expectations and $0.1 million increase in the allowance for expected credit losses due to decreases in the net present value of expected cash flows. During the year ended December 31, 2021, the Company recorded a $2.0 million reclassification to non-credit discount from the allowance for changes in payment expectations and reduction of the allowance for expected credit losses for beneficial interests of $4.6 million. Also, during the year ended December 31, 2021, the Company recorded a $2.2 million increase in the allowance for expected credit losses due to new acquisitions.

An analysis of the balance in the allowance for expected credit losses for beneficial interests account follows ($ in thousands):

	For the year ended December 31,		
	2023	2022	2021
Allowance for expected credit losses, beginning balance	$ —	$ (615)	$ (4,453)
Reclassification to non-credit discount from the allowance for changes in payment expectations	6,854	759	1,951
Increase in allowance for credit losses for acquisitions	—	—	(2,211)
Credit loss expense on beneficial interests	—	(50)	(457)
(Increase in)/reversal of allowance for expected credit losses due to (decreases)/increases in the net present value of expected cash flows	(13,734)	(94)	4,555
Allowance for expected credit losses, ending balance	$ (6,880)	$ —	$ (615)

Note 6 — Fair Value

For a discussion on the Company's fair value policy see Note 2 — Summary of Significant Accounting Policies.

Recurring financial assets and liabilities measured and carried at fair value by level within the fair value hierarchy as of December 31, 2023 and 2022 ($ in thousands):

		Level 1	Level 2	Level 3
December 31, 2023	**Carrying value**	**Quoted prices in active markets**	**Observable inputs other than Level 1 prices**	**Unobservable inputs**
Recurring financial assets				
Investment in debt securities available-for-sale	$ 131,558	$ —	$ 131,558	$ —
Recurring financial liabilities				
Put option liability	$ 16,644	$ —	$ —	$ 16,644

		Level 1	Level 2	Level 3
December 31, 2022	**Carrying value**	**Quoted prices in active markets**	**Observable inputs other than Level 1 prices**	**Unobservable inputs**
Recurring financial assets				
Investment in debt securities available-for-sale	$ 257,062	$ —	$ 257,062	$ —
Recurring financial liabilities				
Put option liability	$ 12,153	$ —	$ —	$ 12,153

The following tables set forth the fair value of financial instruments by level within the fair value hierarchy as of December 31, 2023 and 2022 ($ in thousands):

December 31, 2023	Carrying value	Level 1 Quoted prices in active markets	Level 2 Observable inputs other than Level 1 prices	Level 3 Unobservable inputs
Financial assets				
Mortgage loans held-for-investment, net	$ 864,551	$ —	$ —	$ 770,419
Mortgage loans held-for-sale, net	$ 55,718	$ —	$ —	$ 60,444
Investment in debt securities held-to-maturity	$ 59,691	$ —	$ 59,173	$ —
Investment in beneficial interests	$ 104,162	$ —	$ —	$ 81,316
Investment in Manager	$ 440	$ —	$ —	$ 4,527
Investment in AS Ajax E LLC	$ 407	$ —	$ 471	$ —
Investment in Ajax E Master Trust	$ 2,100	$ —	$ 1,864	$ —
Investment in GAFS, including warrants	$ 2,618	$ —	$ —	$ —
Investment in Gaea	$ 22,241	$ —	$ —	$ 21,678
Investment in Loan pool LLCs	$ 194	$ —	$ —	$ 674
Financial liabilities				
Secured borrowings, net	$ 411,212	$ —	$ 370,882	$ —
Borrowings under repurchase transactions	$ 375,745	$ —	$ 375,745	$ —
Convertible senior notes, net	$ 103,516	$ 101,777	$ —	$ —
Notes payable, net	$ 106,844	$ —	$ 103,697	$ —

December 31, 2022	Carrying value	Level 1 Quoted prices in active markets	Level 2 Observable inputs other than Level 1 prices	Level 3 Unobservable inputs
Financial assets				
Mortgage loans held-for-investment, net	$ 989,084	$ —	$ —	$ 971,069
Investment in beneficial interests	$ 134,552	$ —	$ —	$ 134,552
Investment in Manager	$ 921	$ —	$ —	$ 10,093
Investment in AS Ajax E LLC	$ 453	$ —	$ 606	$ —
Investment in Ajax E Master Trust	$ 2,208	$ —	$ 2,272	$ —
Investment in GAFS, including warrants	$ 2,041	$ —	$ —	$ 3,320
Investment in Gaea	$ 24,339	$ —	$ —	$ 22,119
Investment in Loan pool LLCs	$ 223	$ —	$ —	$ 707
Financial liabilities				
Secured borrowings, net	$ 467,205	$ —	$ 421,680	$ —
Borrowings under repurchase agreement	$ 445,855	$ —	$ 445,855	$ —
Convertible senior notes, net	$ 104,256	$ 100,084	$ —	$ —
Notes payable, net	$ 106,046	$ —	$ 107,327	$ —

Non-financial assets

The fair value of property held-for-sale is determined using the lower of its acquisition cost ("cost") or net realizable value. Net realizable value is determined based on BPOs, appraisals, or other market indicators of fair value less expected liquidation costs. The lower of cost or net realizable value for the Company’s REO Property is stated as its carrying value. The following tables set forth the fair value of non-financial assets by level within the fair value hierarchy as of December 31, 2023 and 2022 ($ in thousands):

			Level 1	Level 2	Level 3
December 31, 2023	**Carrying value**	**Fair value adjustment recognized in the consolidated statements of income**	**Quoted prices in active markets**	**Observable inputs other than Level 1 prices**	**Unobservable inputs**
Non-financial assets					
Property held-for-sale	$ 3,785	$ (1,096)	$ —	$ —	$ 3,785

			Level 1	Level 2	Level 3
December 31, 2022	**Carrying value**	**Fair value adjustment recognized in the consolidated statements of income**	**Quoted prices in active markets**	**Observable inputs other than Level 1 prices**	**Unobservable inputs**
Non-financial assets					
Property held-for-sale	$ 6,333	$ (376)	$ —	$ —	$ 6,333

Note 7 — Affiliates

Unconsolidated Affiliates

At both December 31, 2023 and 2022, the Company had ownership interests in five affiliated entities accounted for under the equity method of accounting.

At both December 31, 2023 and 2022, the Company’s ownership interest in the Manager, a privately held company for which there is no public market for its securities, was approximately 19.8%. The Company accounts for its ownership interest in the Manager using the equity method.

At December 31, 2023 and 2022, the Company's ownership interest was approximately 9.5% and 8.0% in GAFS, respectively. The Company accounts for its investment in GAFS using the equity method.

At both December 31, 2023 and 2022, the Company owned approximately 22.2% of Gaea. The Company accounts for its ownership interest in Gaea using the equity method.

At both December 31, 2023 and 2022, the Company’s ownership interest in AS Ajax E LLC, a Delaware trust formed to own residential mortgage loans and residential real estate assets, was approximately 16.5%. AS Ajax E LLC owns a 5.0% equity interest in Ajax E Master Trust which holds a portfolio of RPLs. The Company accounts for its ownership interest using the equity method.

At both December 31, 2023 and 2022, the Company’s ownership interest was approximately 40.0% in one loan pool LLC managed by the Servicer, which holds investments in RPLs and NPLs. The Company accounts for its ownership interest using the equity method.

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

Net income/(loss), assets and liabilities of unconsolidated affiliates at 100%

	For the year ended December 31,		
Net income/(loss) at 100%	**2023**	**2022**	**2021**
Thetis Asset Management LLC	$ 1,901	$ (658)	$ 3,297
AS Ajax E LLC	$ 242	$ 124	$ 198
Loan pool LLCs	$ (72)	$ (110)	$ (126)
Great Ajax FS LLC	$ (1,633)	$ (6,999)	$ (1,363)
Gaea Real Estate Corp.	$ (9,715)	$ (3,204)	$ 222

	December 31, 2023		December 31, 2022	
Assets and liabilities at 100%	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Thetis Asset Management LLC	$ 4,643	$ 1,305	$ 6,948	$ 2,661
AS Ajax E LLC	$ 2,553	$ 39	$ 2,837	$ 2
Loan pool LLCs	$ 1,200	$ 232	$ 1,201	$ 161
Great Ajax FS LLC	$ 71,477	$ 59,949	$ 78,375	$ 66,324
Gaea Real Estate Corp.	$ 167,591	$ 73,499	$ 162,933	$ 58,185

Net income/(loss), assets and liabilities of unconsolidated affiliates at the Company's share

	For the year ended December 31,		
Net income/(loss) at the Company's share	**2023**	**2022**	**2021**
Thetis Asset Management LLC	$ 376	$ (130)	$ 653
AS Ajax E LLC	$ 40	$ 20	$ 33
Loan pool LLCs	$ (28)	$ (44)	$ (51)
Great Ajax FS LLC	$ (150)	$ (560)	$ (109)
Gaea Real Estate Corp.	$ (1,898)	$ (707)	$ 51

	December 31, 2023		December 31, 2022	
Assets and liabilities at the Company's share	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Thetis Asset Management LLC	$ 919	$ 258	$ 1,376	$ 527
AS Ajax E LLC	$ 420	$ 6	$ 467	$ —
Loan pool LLCs	$ 480	$ 93	$ 480	$ 64
Great Ajax FS LLC	$ 6,854	$ 5,748	$ 6,270	$ 5,306
Gaea Real Estate Corp.	$ 37,272	$ 16,346	$ 35,894	$ 12,818

Consolidated Affiliates

The Company consolidates the results and balances of certain securitization trusts which are established to provide debt financing to the Company by securitizing pools of mortgage loans. These trusts are considered to be VIEs, and the Company has determined that it is the primary beneficiary of certain of these VIEs. See Note 9 — Debt.

The Company also consolidates the activities and balances of its controlled affiliates, which include AS Ajax E II, which was established to hold an equity interest in a Delaware trust formed to own residential mortgage loans and residential real estate assets. At both December 31, 2023 and 2022, AS Ajax E II was 53.1% owned by the Company, with the remainder held by third parties. 2017-D is a securitization trust formed to hold mortgage loans, REO property and secured borrowings. At both December 31, 2023 and 2022, the Company held a 50.0% ownership in the remaining loans held by 2017-D. Great Ajax II

REIT wholly owns Great Ajax II Depositor LLC which acts as the depositor of mortgage loans into securitization trusts and holds subordinated securities issued by such trusts. At both December 31, 2023 and 2022, Great Ajax II REIT was 99.9% owned by the Company. Similarly, as of December 31, 2023 and 2022, the Operating Partnership wholly owned Great Ajax III Depositor LLC, which was formed to act as the depositor into 2021-E.

Note 8 — Commitments and Contingencies

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

At December 31, 2023, the Company had a commitment to purchase, subject to due diligence, one RPL secured by a single-family residence with aggregated UPB of $0.7 million. See Note 16 — Subsequent Events, for remaining open acquisitions as of the filing date.

During the year ended December 31, 2020, the Company issued an aggregate of $125.0 million, net of offering costs, of preferred stock in two series and warrants to institutional accredited investors in a series of private placements. The Company issued 2,307,400 shares of 7.25% Series A Fixed-to-Floating Rate Preferred Stock and 2,892,600 shares of 5.00% Series B Fixed-to-Floating Rate Preferred Stock, and two series of five-year warrants to purchase an aggregate of 6,500,000 shares of the Company's common stock at an exercise price of $10.00 per share. The preferred shares have a liquidation preference of $25.00 per share. Each series of warrants includes a put option that allows the holder to sell the warrants to the Company at a specified put price on or after July 6, 2023. U.S. GAAP requires the Company to account for the outstanding warrants as if the put option will be exercised by the holders.

During the year ended December 31, 2022, the Company repurchased and retired 1,882,451 shares of its series A preferred stock and 1,757,010 of its series B preferred stock in a series of repurchase transactions. The series A and series B preferred stock were repurchased for an aggregate of $88.7 million at an average price of $24.37 per share, representing a discount of approximately 2.5% to the face value of $25.00 per share. The repurchase of the preferred stock caused the recognition of $8.2 million of preferred stock discount during the year ended December 31, 2022. There were no repurchases of preferred stock during the years ended December 31, 2023 and 2021. Also, during the year ended December 31, 2022, the Company repurchased and retired 4,549,328 of the outstanding warrants for $35.0 million. There were no warrants repurchased during the years ended December 31, 2023 and 2021. The remaining liability on the consolidated balance sheet at December 31, 2023 for the present value of the put liability on the remaining outstanding warrants is $16.6 million, representing the fair value of the put liability at the balance sheet date. As of December 31, 2023, the basis of the warrants was $16.6 million after accreting to the initial future put obligation of $15.7 million in July 2023, taking into account the 2022 redemptions. The warrants continue to accrue at a rate of 10.75% for the Series A Preferred Stock warrants and 13.00% for the Series B Preferred Stock warrants on the initial future put obligation with no compounding. The rate is determined by subtracting the dividend rate on the preferred stock from 18.0%. The expense is recognized in the Fair value adjustment on put option liability line of the Company's consolidated statements of operations. The following table sets forth the details of the Company's put option liability ($ in thousands):

	For the year ended December 31,		
	2023	2022	2021
Beginning balance	$ 12,153	$ 23,667	$ 14,205
Fair value adjustments during the period	4,491	11,143	9,462
Repurchases	—	(22,657)	—
Ending balance	$ 16,644	$ 12,153	$ 23,667

Litigation, Claims and Assessments

From time to time, the Company may be involved in various claims and legal actions arising in the ordinary course of business. As of December 31, 2023, the Company was not a party to, and its properties were not subject to, any pending or threatened legal proceedings that individually or in the aggregate, are expected to have a material impact on its financial condition, results of operations or cash flows.

Note 9 — Debt

Repurchase Agreements

The Company has entered into two repurchase facilities whereby the Company, through two wholly owned Delaware trusts (the "Trusts") acquires pools of mortgage loans which are then sold by the Trusts, as "Seller" to two separate counterparties, the "buyer" or "buyers." One facility has a ceiling of $150.0 million and the other $400.0 million at any one time. Upon the time of the initial sale to the buyer, the Trust, with a simultaneous agreement, also agrees to repurchase the pools of mortgage loans from the buyer. Mortgage loans sold under these facilities carry interest calculated based on a spread to one-month SOFR, which is fixed for the term of the borrowing. The purchase price that the Trust realizes upon the initial sale of the mortgage loans to the buyer can vary between 75% and 90% of the asset's acquisition price, depending upon the facility being utilized and/or the quality of the underlying collateral. The obligations of the Trust to repurchase these mortgage loans at a future date are guaranteed by the Company's Operating Partnership. The difference between the market value of the asset and the amount of the repurchase agreement is generally the amount of equity in the position and is intended to provide the buyer with some protection against fluctuations in the value of the collateral, and/or a failure by the Company to repurchase the asset and repay the borrowing at maturity.

The Company has also entered into four repurchase facilities, as of December 31, 2023, substantially similar to the mortgage loan repurchase facilities, but where the pledged assets are bonds retained from the Company's securitization transactions. These facilities have no effective ceilings. Each repurchase transaction represents its own borrowing. As such, the ceilings associated with these transactions are the amounts currently borrowed at any one time. The Company has effective control over the assets subject to all of these transactions; therefore, the Company's repurchase transactions are accounted for as financing arrangements.

The Servicer services these mortgage loans pursuant to the terms of a Servicing Agreement by and between the Servicer and each buyer. Each Servicing Agreement has the same fees and expenses terms as the Company's Servicing Agreement described under Note 10 — Related Party Transactions. The Operating Partnership, as guarantor, will provide to the buyers a limited guaranty of certain losses incurred by the buyers in connection with certain events and/or the Seller's obligations under the mortgage loan purchase agreement, following the breach of certain covenants by the Seller, the occurrence of certain bad acts by the Seller, the occurrence of certain insolvency events of the Seller or other events specified in the Guaranty. As security for its obligations under the Guaranty, the guarantor will pledge the trust certificate representing the Guarantor's 100% beneficial interest in the Seller.

The following table sets forth the details of the Company's repurchase transactions and facilities ($ in thousands):

			December 31, 2023		
		Maturity Date	Amount Outstanding	Amount of Collateral	Interest Rate
Barclays - bonds(1)			**$ 70,095**	**$ 101,041**	**7.03 %**
	A Bonds	January 3, 2024	10,850	15,572	6.90 %
		January 19, 2024	21,762	28,503	6.79 %
		May 3, 2024	9,628	12,329	6.87 %
		May 22, 2024	2,134	3,358	6.97 %
	B Bonds	January 26, 2024	3,027	4,998	7.68 %
		March 13, 2024	13,398	20,121	7.13 %
		May 3, 2024	3,608	6,185	7.70 %
		May 22, 2024	4,312	7,565	7.57 %

	December 31, 2023			
	Maturity Date	Amount Outstanding	Amount of Collateral	Interest Rate
M Bonds	May 3, 2024	281	499	7.05 %
	May 22, 2024	1,095	1,911	7.17 %
Nomura - bonds[(1)]		**$ 68,623**	**$ 98,448**	**6.98 %**
A Bonds	January 26, 2024	35,184	47,149	7.02 %
	February 15, 2024	5,079	7,449	6.93 %
	March 28, 2024	17,019	23,238	6.74 %
	January 26, 2024	1,024	1,761	7.31 %
B Bonds	February 15, 2024	3,002	5,149	7.33 %
	March 28, 2024	3,900	6,413	7.30 %
M Bonds	January 26, 2024	2,307	5,177	7.30 %
	March 28, 2024	1,108	2,112	6.90 %
JP Morgan - bonds[(1)]		**$ 33,564**	**$ 53,978**	**6.90 %**
A Bonds	February 28, 2024	9,632	12,633	6.73 %
	February 28, 2024	6,598	11,140	7.13 %
B Bonds	January 4, 2024	13,541	22,813	6.82 %
M Bonds	January 22, 2024	3,290	6,497	7.23 %
	February 28, 2024	503	895	7.03 %
Nomura - loans[(2)]	October 5, 2024	**$ 193,060**	**$ 277,632**	**7.79 %**
JP Morgan - loans[(3)]	July 10, 2024	**$ 10,403**	**$ 14,656**	**8.38 %**
Totals/weighted averages		**$ 375,745**	**$ 545,755** (4)	**7.44 %**

(1) Maximum borrowing capacity subject to pledging sufficient collateral is the equivalent of the amount outstanding as of December 31, 2023.
(2) Maximum borrowing capacity subject to pledging sufficient collateral as of December 31, 2023 was $400.0 million.
(3) Maximum borrowing capacity subject to pledging sufficient collateral as of December 31, 2023 was $150.0 million.
(4) Includes $42.8 million of bonds that are consolidated on the Company's balance sheet for GAAP as of December 31, 2023.

	December 31, 2022			
	Maturity Date	Amount Outstanding	Amount of Collateral	Interest Rate
Barclays - bonds[(1)]		**$ 126,458**	**$ 181,667**	**6.10 %**
A Bonds	January 3, 2023	12,345	18,399	5.33 %
	January 20, 2023	47,591	64,692	5.76 %
	April 26, 2023	27,655	37,216	6.60 %
	May 3, 2023	11,879	15,535	5.97 %
	May 22, 2023	2,107	3,421	6.17 %
B Bonds	March 13, 2023	12,639	20,755	6.45 %
	April 26, 2023	2,943	5,174	7.00 %
	May 3, 2023	3,627	6,405	6.77 %
	May 22, 2023	4,306	7,606	6.77 %
M Bonds	May 3, 2023	292	521	6.12 %
	May 22, 2023	1,074	1,943	6.37 %
Nomura - bonds[(1)]		**$ 35,742**	**$ 55,303**	**6.02 %**
A Bonds	January 12, 2023	3,910	5,458	5.32 %
	February 14, 2023	6,481	9,818	5.81 %
	February 24, 2023	3,795	5,178	6.05 %
	March 23, 2023	11,186	17,202	6.08 %

		December 31, 2022					
	Maturity Date		Amount Outstanding		Amount of Collateral		Interest Rate
B Bonds	February 14, 2023		5,619		9,542		6.24 %
	February 24, 2023		1,054		1,689		6.45 %
	March 23, 2023		3,697		6,416		6.48 %
Goldman Sachs - bonds[(1)]		**$**	**3,102**	**$**	**4,044**		**5.58 %**
A Bonds	January 13, 2023		3,102		4,044		5.58 %
JP Morgan - bonds[(1)]		**$**	**56,656**	**$**	**82,071**		**5.59 %**
A Bonds	March 7, 2023		11,103		14,836		5.62 %
	March 24, 2023		22,131		30,215		5.41 %
B Bonds	February 3, 2023		7,846		13,583		5.86 %
M Bonds	March 7, 2023		490		893		5.85 %
	April 11, 2023		15,086		22,544		5.70 %
Nomura - loans[(2)]	October 5, 2023	**$**	**212,147**	**$**	**292,415**		**6.65 %**
JP Morgan - loans[(3)]	July 10, 2023	**$**	**11,750**	**$**	**17,839**		**6.90 %**
Totals/weighted averages		**$**	**445,855**	**$**	**633,339**	(4)	**6.31 %**

(1) Maximum borrowing capacity subject to pledging sufficient collateral is the equivalent of the amount outstanding as of December 31, 2022.
(2) Maximum borrowing capacity subject to pledging sufficient collateral as of December 31, 2022 was $400.0 million.
(3) Maximum borrowing capacity subject to pledging sufficient collateral as of December 31, 2022 was $150.0 million.
(4) Includes $42.8 million of bonds that are consolidated on the Company's balance sheet for GAAP as of December 31, 2022.

The Guaranty establishes a master netting arrangement; however, the arrangement does not meet the criteria for offsetting within the Company's consolidated balance sheets. A master netting arrangement derives from contractual agreements entered into by two parties to multiple contracts that provides for the net settlement of all contracts covered by the agreements in the event of default under any one contract. As of December 31, 2023 and 2022, the Company had $3.8 million and $5.2 million, respectively, of cash collateral on deposit with financing counterparties. This cash is included in Prepaid expenses and other assets on its consolidated balance sheets and is not netted against its Borrowings under repurchase agreements. The amount outstanding on the Company's repurchase facilities and the carrying value of the Company's loans pledged as collateral are presented as gross amounts in the Company's consolidated balance sheets at December 31, 2023 and 2022 in the table below ($ in thousands):

	Gross amounts not offset in balance sheet			
	December 31, 2023		December 31, 2022	
Gross amount of recognized liabilities	$	375,745	$	445,855
Gross amount of loans and securities pledged as collateral		541,999		628,187
Other prepaid collateral		3,756		5,152
Net collateral amount	$	170,010	$	187,484

Secured Borrowings

From its inception (January 30, 2014) to December 31, 2023, the Company has completed 18 secured borrowings for its own balance sheet, not including its off-balance sheet joint ventures in which it holds investments in various classes of securities, pursuant to Rule 144A under the Securities Act, five of which were outstanding at December 31, 2023. The secured borrowings are generally structured as debt financings. The loans included in the secured borrowings remain on the Company's consolidated balance sheet as the Company is the primary beneficiary of the securitization trusts, which are VIEs. The securitization VIEs are structured as pass through entities that receive principal and interest on the underlying mortgages and distribute those payments to the holders of the notes. The Company's exposure to the obligations of the VIEs is generally limited to its investments in the entities. The notes that are issued by the securitization trusts are secured solely by the mortgages held by the applicable trusts and not by any of the Company's other assets. The mortgage loans of the applicable trusts are the only source of repayment and interest on the notes issued by such trusts. The Company does not guarantee any of the obligations of the trusts under the terms of the agreement governing the notes or otherwise.

The Company's non-rated secured borrowings are generally structured with Class A notes, subordinated notes, and trust certificates, which have rights to the residual interests in the mortgages once the notes are repaid. The Company has retained the subordinated notes and the applicable trust certificates from one non-rated secured borrowing outstanding at December 31, 2023.

The Company's rated secured borrowings are generally structured as "REIT TMP" transactions which allow the Company to issue multiple classes of securities without using a REMIC structure or being subject to an entity level tax. The Company's rated secured borrowings generally issue classes of debt from AAA through mezzanine. The Company generally retains the mezzanine and residual certificates in the transactions. The Company has retained the applicable mezzanine and residual certificates from the other four rated secured borrowings outstanding at December 31, 2023. The Company's rated secured borrowings are designated in the table below.

At March 31, 2021, the Company's 2017-D secured borrowing contained Class A notes and Class B certificates representing the residual interests in the mortgages held within the securitization trusts subsequent to repayment of the Class A notes. The Company had retained 50.0% of both the Class A notes and Class B certificates from 2017-D; and the assets and liabilities were consolidated on the Company's consolidated balance sheets. During the second quarter of 2021, the majority of the loans in 2017-D were sold into 2021-C and the Class A note was redeemed. Based on the structure of the transaction the Company does not consolidate 2021-C under U.S. GAAP.

The Company's secured borrowings carry no provision for a step-up in interest rate on any of the Class B notes, except for 2021-B.

The following table sets forth the original terms of notes from the Company's secured borrowings outstanding at December 31, 2023 at their respective cutoff dates:

Issuing Trust/Issue Date	Interest Rate Step-up Date	Security	Original Principal	Interest Rate
		Rated		
Ajax Mortgage Loan Trust 2019-D/ July 2019	July 25, 2027	Class A-1 notes due 2065	$140.4 million	2.96 %
	July 25, 2027	Class A-2 notes due 2065	$6.1 million	3.50 %
	July 25, 2027	Class A-3 notes due 2065	$10.1 million	3.50 %
	July 25, 2027	Class M-1 notes due 2065(1)	$9.3 million	3.50 %
	None	Class B-1 notes due 2065(2)	$7.5 million	3.50 %
	None	Class B-2 notes due 2065(2)	$7.1 million	variable(3)
	None	Class B-3 notes due 2065(2)	$12.8 million	variable(3)
		Deferred issuance costs	$(2.7) million	— %
		Rated		
Ajax Mortgage Loan Trust 2019-F/ November 2019	November 25, 2026	Class A-1 notes due 2059	$110.1 million	2.86 %
	November 25, 2026	Class A-2 notes due 2059	$12.5 million	3.50 %
	November 25, 2026	Class A-3 notes due 2059	$5.1 million	3.50 %
	November 25, 2026	Class M-1 notes due 2059(1)	$6.1 million	3.50 %
	None	Class B-1 notes due 2059(2)	$11.5 million	3.50 %
	None	Class B-2 notes due 2059(2)	$10.4 million	variable(3)
	None	Class B-3 notes due 2059(2)	$15.1 million	variable(3)

Issuing Trust/Issue Date	Interest Rate Step-up Date	Security	Original Principal	Interest Rate
		Deferred issuance costs	$(1.8) million	— %
		Rated		
Ajax Mortgage Loan Trust 2020-B/ August 2020	July 25, 2027	Class A-1 notes due 2059	$97.2 million	1.70 %
	July 25, 2027	Class A-2 notes due 2059	$17.3 million	2.86 %
	July 25, 2027	Class M-1 notes due 2059(1)	$7.3 million	3.70 %
	None	Class B-1 notes due 2059(2)	$5.9 million	3.70 %
	None	Class B-2 notes due 2059(2)	$5.1 million	variable(3)
	None	Class B-3 notes due 2059(2)	$23.6 million	variable(3)
		Deferred issuance costs	$(1.8) million	— %
		Rated		
Ajax Mortgage Loan Trust 2021-A/ January 2021	January 25, 2029	Class A-1 notes due 2065	$146.2 million	1.07 %
	January 25, 2029	Class A-2 notes due 2065	$21.1 million	2.35 %
	January 25, 2029	Class M-1 notes due 2065(1)	$7.8 million	3.15 %
	None	Class B-1 notes due 2065(2)	$5.0 million	3.80 %
	None	Class B-2 notes due 2065(2)	$5.0 million	variable(3)
	None	Class B-3 notes due 2065(2)	$21.5 million	variable(3)
		Deferred issuance costs	$(2.5) million	— %
		Non-rated		
Ajax Mortgage Loan Trust 2021-B/ February 2021	August 25, 2024	Class A notes due 2066	$215.9 million	2.24 %
	February 25, 2025	Class B notes due 2066(2)	$20.2 million	4.00 %
		Deferred issuance costs	$(4.3) million	— %

(1) The Class M notes are subordinated, sequential pay, fixed rate notes. The Company has retained the Class M notes, with the exception of Ajax Mortgage Loan Trust 2021-A.

(2) The Class B notes are subordinated, sequential pay, with B-2 and B-3 notes having variable interest rates and are subordinate to the Class B-1 notes. The Class B-1 notes are fixed rate notes. The Company has retained the Class B notes.

(3) The interest rate is effectively the rate equal to the spread between the gross average rate of interest the trust collects on its mortgage loan portfolio minus the rate derived from the sum of the servicing fee and other expenses of the trust.

Servicing for the mortgage loans in the Company’s secured borrowings is provided by the Servicer at servicing fee rates between 0.65% of outstanding UPB and 1.25% of outstanding UPB at acquisition, and is paid monthly. The determination of RPL or NPL status, which determines the servicing fee rates, is based on the status of the loan at acquisition and does not change regardless of the loan's subsequent performance. The following table sets forth the status of the notes held by others at December 31, 2023 and 2022, and the securitization cutoff date ($ in thousands):

Class of Notes	Balances at December 31, 2023 Carrying value of mortgages	Balances at December 31, 2023 Bond principal balance	Balances at December 31, 2023 Percentage of collateral coverage	Balances at December 31, 2022 Carrying value of mortgages	Balances at December 31, 2022 Bond principal balance	Balances at December 31, 2022 Percentage of collateral coverage	Original balances at securitization cutoff date Mortgage UPB	Original balances at securitization cutoff date Bond principal balance
2019-D	$ 99,367	$ 67,739	147 %	$ 105,387	$ 76,016	139 %	$ 193,301	$ 156,670
2019-F	96,870	57,936	167 %	105,102	66,522	158 %	170,876	127,673
2020-B	100,245	63,574	158 %	107,011	70,339	152 %	156,468	114,534
2021-A	127,250	102,057	125 %	138,006	113,929	121 %	206,506	175,116
2021-B	204,883	123,032	167 %	220,320	145,073	152 %	287,882	215,912
	$ 628,615	$ 414,338 (1)	152 %	$ 675,826	$ 471,879 (1)	143 %	$1,015,033	$ 789,905

(1) This represents the gross amount of Secured borrowings and excludes the impact of deferred issuance costs of $3.1 million and $4.7 million as of December 31, 2023 and 2022.

Notes

2024 Notes (Convertible Senior Notes)

At December 31, 2023 and 2022, the Company's 2024 Notes had carrying values of $103.5 million and $104.3 million, respectively. The 2024 Notes bear interest at a rate of 7.25% per annum, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year. The 2024 Notes will mature on April 30, 2024, unless earlier repurchased, converted or redeemed. During certain periods and subject to certain conditions the 2024 Notes will be convertible by their holders into shares of the Company's common stock at a conversion rate of 1.7405 shares of common stock per $25.00 principal amount of the 2024 Notes, which represents a conversion price of approximately $14.36 per share of common stock. The conversion rate, and thus the conversion price, may be subject to adjustment under certain circumstances. As of December 31, 2023, the amount by which the if-converted value falls short of the principal value for the entire series is $65.3 million.

At December 31, 2023 and 2022, the outstanding aggregate principal amount of the 2024 Notes was $103.5 million and $104.5 million, respectively, and discount and deferred expenses were zero and $0.3 million, respectively. During the years ended December 31, 2023 and 2022, the Company recognized interest expense on its outstanding 2024 Notes of $7.5 million and $8.4 million, respectively, which includes $0.3 million and $0.8 million of amortization of discount and deferred expenses, respectively. The effective interest rates of the 2024 Notes for the years ended December 31, 2023 and 2022 were 7.25% and 8.03%, respectively.

During 2023, the Company repurchased $1.0 million aggregate principal of its 2024 Notes for a total purchase price of $1.0 million. Comparatively, during 2022, the Company repurchased $0.1 million aggregate principal of its 2024 Notes for a total purchase price of $0.1 million.

On January 1, 2022, the Company adopted ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in an Entity's Own Equity (Subtopic 815-40)* by recording a reduction in its additional paid-in capital account of $0.7 million and a corresponding increase in the carrying value of its 2024 Notes of $0.7 million, representing the carrying value of the conversion feature associated with the 2024 Notes.

Coupon interest on the 2024 Notes is recognized using the accrual method of accounting. Discount and deferred issuance costs are carried on the Company's consolidated balance sheets as a reduction of the carrying value of the 2024 Notes, and are amortized to interest expense on an effective yield basis through April 30, 2023. The Company assumes the debt will be converted at the specified conversion date for purposes of amortizing issuance costs because the Company believes such conversion will be in the economic interest of the holders. No sinking fund has been established for redemption of the principal but the Company has entered into a term loan agreement with NIC RMBS to support redemption of the notes on April 30, 2024. See Note 16 — Subsequent Events.

2027 Notes (Unsecured Notes)

In August 2022, the Operating Partnership issued $110.0 million aggregate principal amount of 8.875% 2027 Notes. The 2027 Notes have a five year term and were issued at 99.009% of par value and are fully and unconditionally guaranteed by the Company and are included in the Company's liabilities in its consolidated balance sheet at December 31, 2023. Interest on the 2027 Notes is payable semi-annually on March 1 and September 1, with the first payment due and payable on March 1, 2023. The 2027 Notes will mature on September 1, 2027. Net proceeds from the sale of the 2027 Notes totaled approximately $106.1 million, after deducting the discount, commissions, and offering expenses which will be amortized over the term of the 2027 Notes using the effective interest method. The Company used $90.0 million of the proceeds to repurchase and retire a portion of its outstanding 7.25% Series A and 5.00% Series B Fixed-to-Floating Rate Preferred Stock at a discount, and a proportionate amount of outstanding warrants. The remainder of the proceeds is expected to be used for general corporate purposes.

At December 31, 2023, the outstanding aggregate principal amount of the 2027 Notes was $110.0 million, and discount and deferred expenses in aggregate were $3.2 million. At December 31, 2022, the outstanding aggregate principal amount of the 2027 Notes was $110.0 million, and discount and deferred expenses in aggregate were $4.0 million. During the year ended December 31, 2023, the Company recognized interest expense on the 2027 Notes of $10.6 million, which includes $0.9 million of amortization of discount and deferred expenses. The effective interest rate for the 2027 Notes for the year ended December 31, 2023 was 9.96%.

The following table summarizes the Company's long term maturities ($ in thousands):

Year	Debt instrument	As of December 31, 2023	
2024	2024 Notes (Convertible Senior Notes)	$	103,516
2025		$	—
2026		$	—
2027	2027 Notes (Unsecured Notes)	$	110,000
2028		$	—

Note 10 — Related Party Transactions

The Company’s consolidated statements of income included the following significant related party transactions ($ in thousands):

Transaction	Consolidated Statement of Operation location	Counterparty	For the year ended December 31, 2023	
Interest income on securities and beneficial interest and net decrease in the net present value of expected credit losses on beneficial interests	Net interest income after the impact of changes in the net present value of expected credit losses	Various non-consolidated joint ventures	$	17,556
Management fee	Related party expense – management fee	Manager	$	7,769
Loan servicing fees	Related party expense – loan servicing fees	Servicer	$	7,269
Affiliate loan interest income	Interest income	Servicer	$	523
Income from equity investment	(Loss)/income from investment in affiliates, net	Manager	$	376
Affiliate loan interest income	Interest income	Gaea	$	80
Income from equity investment	(Loss)/income from investment in affiliates, net	AS Ajax E LLC	$	40

Transaction	Consolidated Statement of Operation location	Counterparty	For the year ended December 31, 2023
Loss from equity investment	(Loss)/income from investment in affiliates, net	Loan pool LLCs	$ (28)
Loss from equity investment	(Loss)/income from investment in affiliates, net	Servicer	$ (150)
Loss from equity investment	(Loss)/income from investment in affiliates, net	Gaea	$ (1,898)
Loss on sale of securities	Other (loss)/income	Various non-consolidated joint ventures	$ (3,347)
Loss from joint venture re-securitization on beneficial interests	Loss on joint venture refinancing on beneficial interests	Various non-consolidated joint ventures	$ (11,024)

Transaction	Consolidated Statement of Operation location	Counterparty	For the year ended December 31, 2022
Interest income on securities and beneficial interest and net decrease in the net present value of expected credit losses on beneficial interests	Net interest income after the impact of changes in the net present value of expected credit losses	Various non-consolidated joint ventures	$ 21,250
Management fee	Related party expense – management fee	Manager	$ 8,326
Loan servicing fees	Related party expense – loan servicing fees	Servicer	$ 7,960
Affiliate loan interest income	Interest income	Servicer	$ 263
Income from equity investment	(Loss)/income from investment in affiliates, net	AS Ajax E LLC	$ 20
Loss from equity investment	(Loss)/income from investment in affiliates, net	Loan pool LLCs	$ (44)
Loss from equity investment	(Loss)/income from investment in affiliates, net	Manager	$ (130)
Loss from equity investment	(Loss)/income from investment in affiliates, net	Servicer	$ (560)
Loss from equity investment	(Loss)/income from investment in affiliates, net	Gaea	$ (707)
Loss on sale of securities	Other (loss)/income	Various non-consolidated joint ventures	$ (4,775)
Loss from joint venture re-securitization on beneficial interests	Loss on joint venture refinancing on beneficial interests	Various non-consolidated joint ventures	$ (6,115)

Transaction	Consolidated Statement of Operation location	Counterparty	For the year ended December 31, 2021
Interest income on securities and beneficial interest and net decrease in the net present value of expected credit losses on beneficial interests	Net interest income after the impact of changes in the net present value of expected credit losses	Various non-consolidated joint ventures	$ 31,058
Management fee	Related party expense – management fee	Manager	$ 9,116
Loan servicing fees	Related party expense – loan servicing fees	Servicer	$ 7,433
Income from equity investment	(Loss)/income from investment in affiliates, net	Manager	$ 653
Affiliate loan interest income	Interest income	Gaea	$ 248
Gain on sale of securities	Other (loss)/income	Various non-consolidated joint ventures	$ 201
Gain on sale of mortgage loans	Other (loss)/income	2021-C	$ 122
Income from equity investment	(Loss)/income from investment in affiliates, net	Gaea	$ 51
Affiliate loan interest income	Interest income	Servicer	$ 37
Income from equity investment	(Loss)/income from investment in affiliates, net	AS Ajax E LLC	$ 33
Loss from equity investment	(Loss)/income from investment in affiliates, net	Loan pool LLCs	$ (51)
Loss from equity investment	(Loss)/income from investment in affiliates, net	Great Ajax FS	$ (109)

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

Transaction	Consolidated Balance Sheet location	Counterparty	For the year ended December 31, 2023
Investment in beneficial interests	Investments in beneficial interests	Various non-consolidated joint ventures	$ 104,162
Affiliate loan receivable and interest	Prepaid expenses and other assets	Servicer	$ 12,591
Affiliate loan receivable and interest	Prepaid expenses and other assets	Gaea	$ 7,545
Receivables from Servicer	Receivable from servicer	Servicer	$ 7,307
Management fee payable	Management fee payable	Manager	$ 1,998
Servicing fee payable	Accrued expenses and other liabilities	Servicer	$ 89

Transaction	Consolidated Balance Sheet location	Counterparty	For the year ended December 31, 2022
Investment in beneficial interests	Investments in beneficial interests	Various non-consolidated joint ventures	$ 134,552
Receivables from Servicer	Receivable from servicer	Servicer	$ 7,450
Affiliate loan receivable and interest	Prepaid expenses and other assets	Servicer	$ 1,869
Management fee payable	Management fee payable	Manager	$ 1,720
Servicing fee payable	Accrued expenses and other liabilities	Servicer	$ 101

The Company acquires debt securities and beneficial interests issued by joint ventures between the Company and third party institutional accredited investors. The joint ventures issue senior notes and beneficial interests and in certain transactions, the joint ventures also issue subordinated notes. As of December 31, 2023, the investments in debt securities AFS, investments in debt securities HTM and beneficial interests were carried on the Company's consolidated balance sheet at $131.6 million, $59.7 million and $104.2 million, respectively. As of December 31, 2022, the investments in debt securities AFS and beneficial interests were carried on the Company's consolidated balance sheet at $257.1 million and $134.6 million, respectively.

During the year ended December 31, 2023, the Company recorded a loss of $10.0 million on its beneficial interests due to the refinancing of eight joint ventures that were redeemed or partially paid down and the underlying loans were re-securitized to form 2023-B and -C. Although the Company retained approximately a proportionate investment in the securities issued by 2023-B and -C, the beneficial interests are accounted for as distinct legal securities and the loss recorded represents the mark to market adjustment on the sale of the underlying loans by the eight joint ventures to 2023-B and -C.

Also, during the year ended December 31, 2023, the Company re-securitized 2019-E, -G and -H into 2023-A and incurred a loss of $1.0 million on its beneficial interests in 2019-H. Although the Company retained a proportionate interest in the underlying mortgage loans and related cash flows, the beneficial interests are accounted for as distinct legal securities and were received through a combination of the beneficial interests in 2023-A and the loss recorded represents the mark to market adjustment on the sale of the underlying loans to 2023-A.

During the year ended December 31, 2022, the Company recorded a loss of $4.0 million on its beneficial interests in 2018-D and -G when the underlying mortgage loans were re-securitized into 2022-A. Also, during the year ended December 31, 2022, the Company recorded a loss of $2.1 million on its beneficial interests in 2019-A and -B when the underlying mortgage loans were re-securitized into 2022-B. Although the Company retained a proportionate interest in the underlying mortgage loans and related cash flows in the new trusts, the beneficial interests are accounted for as distinct legal securities and the loss recorded represents the mark to market adjustment on the sale of the underlying loans to 2022-A and 2022-B.

During the year ended December 31, 2023, the Company sold senior notes issued by certain joint ventures and recognized a loss of $3.3 million, which was recorded net to accumulated other comprehensive loss. Comparatively, during the year ended December 31, 2022, the Company sold senior notes issued by certain joint ventures and recognized a loss of $4.8 million. The Company sold no senior notes issued by joint ventures during the year ended December 31, 2021.

During November 2023, the Company renewed a promissory note with the Servicer under which the Servicer can borrow up to $12.0 million, secured by real property owned by a subsidiary of securitization trusts. Interest on the arrangement accrues at SOFR plus 300 basis points annually. At December 31, 2023 and 2022, the amount outstanding on the note and interest was $9.3 million and $1.1 million, respectively.

Also during November 2023, the Company renewed a promissory note with the Servicer under which the Servicer can borrow up to $3.5 million secured by equity in servicing advances owned by the Servicer, which are first in priority for reimbursement from loan payments. Interest on the arrangement accrues at SOFR plus 300 basis points. The note was originally executed on December 9, 2021 and was secured by securities held by the Servicer. At December 31, 2023 and 2022, the amount outstanding on the note and interest was $3.3 million and $0.7 million, respectively.

During April 2023, the Company purchased two residential RPLs from a legacy entity for $0.2 million with UPB of $0.3 million and collateral value of $0.5 million. The loans are included in Mortgage loans held-for-investment, net on the Company's consolidated balance sheets.

During February 2023, the Company purchased one residential RPL from the Servicer for $0.2 million with UPB of $0.2 million and collateral value of $0.4 million. The loans are included in Mortgage loans held-for-investment, net on the Company's consolidated balance sheets.

During January 2023, the Company contributed an additional $0.7 million equity interest in GAFS. As of December 31, 2023 and 2022, the Company's ownership of GAFS was 9.5% and 8.0%, respectively. The Company accounts for its investment using the equity method.

During the year ended December 31, 2021, the Company acquired the remaining 66.0% of 2019-C from the Company's joint venture partner in exchange for cash consideration for the outstanding equity certificate and subordinate notes and the assumption of the obligation to repay the senior note outstanding. Subsequent to the acquisition, the senior and subordinate notes were retired in December 2021. The Company previously recorded its investment in 2019-C as Investment in debt securities and Investment in beneficial interests because it was not the primary beneficiary of the trust. Subsequent to acquiring the outstanding equity certificate, the Company became the sole owner of the trust and now reflects the underlying mortgage loans on its consolidated balance sheet.

On October 25, 2023, the Company became a party to a promissory note with Gaea under which Gaea can borrow up to $11.0 million on a revolving line of credit from the Company. Funds advanced to Gaea accrue interest based on one month SOFR plus 300 basis points annually and are secured by a Gaea's portfolio of commercial mortgage loans. As of December 31, 2023, the amount outstanding on the note and interest was $7.5 million.

During the year ended December 31, 2021, the Company sold 760 loans with a carrying value of $129.2 million and UPB of $133.8 million to a joint venture formed between the Company and a third party institutional investor, and retained various classes of securities from the joint venture.

During November 2019 and January 2022, Gaea completed two private capital raises and has raised a total of $96.3 million and issued 6,247,794 shares of its common stock and warrants to third parties to advance its investment strategy. The Company has a total investment of $25.5 million in Gaea and has received 1,704,436 shares of common stock and 371,103 warrants. Also, during the year ended December 31, 2023, GA-TRS received an additional 20,991 shares of Gaea common stock for $0.3 million due to the termination of Gaea's management agreement, which increased the Company's ownership. At December 31, 2023, the Company owned approximately 22.2% of Gaea with third party investors owning the remaining 77.8%. The Company accounts for its ownership interest in Gaea using the equity method.

During the year ended December 31, 2019, the Company acquired a cumulative 40.4% average ownership interest in three loan pool LLCs managed by the Servicer for $1.0 million, which hold investments in RPLs and NPLs. During the year ended December 31, 2020, one of the loan pool LLCs sold its remaining loans. Also, during the year ended December 31, 2022, another loan pool LLCs sold its remaining loans to the Company for a purchase price of $0.3 million and UPB of $0.4 million. At both December 31, 2023 and 2022, the Company’s ownership interest was approximately 40.0% in one loan pool LLC managed by the Servicer. The Company accounts for its investment using the equity method.

On March 14, 2016, the Company formed AS Ajax E LLC to hold an equity interest in a Delaware trust formed to own residential mortgage loans and other residential real estate assets. AS Ajax E LLC owns a 5.0% equity interest in Ajax E Master Trust which holds a portfolio of RPLs. At both December 31, 2023 and 2022, the Company’s ownership interest in AS Ajax E LLC was approximately 16.5%. The Company accounts for its investment using the equity method.

Management Agreement

The Company is a party to the Third Amended and Restated Management Agreement with the Manager, as amended, which expires on March 5, 2034. Under the Management Agreement, the Manager implements the Company’s business strategy and manages the Company’s business and investment activities and day-to-day operations, subject to oversight by the Company’s Board of Directors. Among other services, the Manager, directly or through affiliates, provides the Company with a management team and necessary administrative and support personnel. The Company does not currently have any employees that it pays directly and does not expect to have any employees that it pays directly in the foreseeable future. Each of the Company’s executive officers is an employee or officer, or both, of the Manager or the Servicer.

Under the Management Agreement, the Company pays both a base management fee and an incentive fee to the Manager. The base management fee equals 1.5% of the Company's stockholders' equity, including equity equivalents such as the Company's issuance of convertible senior notes, per annum and calculated and payable quarterly in arrears. Also, under the First Amendment to the Third Amended and Restated Management Agreement with the Manager, which has an effective date of March 1, 2023, the Company's quarterly base management fee will include, in its computation of equity managed, its unsecured debt securities to the extent the proceeds were used to repurchase the Company's preferred stock.

The management fee is payable with 50% paid in shares of the Company's common stock and 50% in cash. However, the Company has the option to pay its management fee with up to 100% in cash at its discretion, and pay the remainder in shares of its common stock.

In the event the Company elects to pay its Manager in shares of its common stock, the calculation to determine the number of shares of the Company's common stock to be issued to the Manager is outlined below. The Manager has agreed to hold any shares of common stock received by it as payment of the base management fee for at least three years from the date such shares of common stock are received.

The Manager is also entitled to an incentive fee, payable quarterly and calculated in arrears, which contains both a quarterly and annual component. A quarterly incentive fee is payable to the Manager if the sum of the Company's dividends on its common stock paid out of taxable income and its increase in book value, all relative to the applicable quarter and calculated per-share on an annualized basis, exceed 8%. The Manager will also be entitled to an annual incentive fee if the sum of the Company's quarterly cash dividends on its common stock paid out of taxable income, special cash dividends on its common stock paid out of taxable income and increase in book value within the applicable calendar year exceed 8% of the Company's book value per share as of the end of the calendar year. However, no incentive fee will be payable to the Manager with respect to any calendar quarter unless the Company's cumulative core earnings, defined as U.S. GAAP net income or loss less non-cash equity compensation, unrealized gains or losses from mark to market adjustments, one-time adjustments to earnings resulting from changes to U.S. GAAP, and certain other non-cash items, is greater than zero for the most recently completed eight calendar quarters. In the event that the payment of the quarterly base management fee has not reached the 50/50 split, all of the incentive fee is payable in shares of the Company's common stock at its discretion and any until the 50/50 split occurs. In the event that the total payment of the quarterly base management fee and the incentive fee has reached the 50/50 split, 20% of the remaining incentive fee is payable in shares of the Company's common stock and 80% of the remaining incentive fee is payable in cash. Notwithstanding the foregoing, the Company may elect to pay the incentive fee entirely in cash at its discretion. During the years ended December 31, 2023 and 2021, the Company recorded no incentive fee payable to the Manager. Comparatively, during the year ended December 31, 2022, the Company recorded incentive fees payable to the Manager of $0.3 million, of which none was settled in shares of its common stock.

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

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

Servicing Agreement

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

Servicing fees for mortgage loans range from 0.65% to 1.25% annually of UPB at acquisition (or the fair market value or purchase price of REO), and are paid monthly. The servicing fee is based upon the status of the loan at acquisition. A change in status from RPL to NPL does not cause a change in the servicing fee rate.

Servicing fees for the Company's real property assets that are not held in joint ventures are the greater of (i) the servicing fee applicable to the underlying mortgage loan prior to foreclosure, or (ii) 1.00% annually of the fair market value of the REO as reasonably determined by the Manager or 1.00% annually of the purchase price of any REO otherwise purchased by the Company.

The Servicer is reimbursed for all customary, reasonable and necessary out-of-pocket costs and expenses incurred in the performance of its obligations, including the actual cost of any repairs and renovations to foreclosed property undertaken on the Company's behalf. The total fees incurred by the Company for these services will be dependent upon the UPB and the type of mortgage loans that the Servicer services, for fees based on mortgage loans, and property values, previous UPB of the relevant loan, and the number of REO properties for fees based on REO properties.

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

Trademark Licenses

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

Note 11 — Stock-based Payments and Director Fees

Pursuant to the terms of the Management Agreement, the Company may pay a portion of the base management fee to the Manager in shares of its common stock with the number of shares determined based on the average of the closing prices of its common stock on the NYSE on the five business days preceding the record date of the most recent regular quarterly dividend to holders of the common stock. The Company recognized a base management fee to the Manager for the year ended December 31, 2023 of $7.8 million, of which zero were settled in shares of its common stock. Comparatively, for the year ended December 31, 2022, the Company recognized base management fees of $8.2 million, of which 39,558 were settled in shares of its common stock in satisfaction of a component of the base management fee for the fourth quarter of 2021 that was approved by the Board during the first quarter of 2022. During the year ended December 31, 2021, the Company recognized base management fees of $9.1 million, all of which was payable in cash.

Also, during the years ended December 31, 2023 and 2021, the Company recorded no incentive fee. Comparatively, during the year ended December 31, 2022, the Company recorded an incentive fee of $0.3 million of which none was settled in shares of its common stock.

Additionally, each of the Company's independent directors received an annual retainer of $140,000, payable quarterly, 50% of which is payable in shares of the Company's common stock and 50% in cash. However, the Company has the option to pay the annual retainer with up to 100% in cash at its discretion, and pay the remainder in shares of its common stock.

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

Stock-based Management Fees and Director Fees

	For the year ended December 31,					
	2023		2022		2021	
	Number of shares	Amount of expense recognized	Number of shares	Amount of expense recognized	Number of shares	Amount of expense recognized
Independent director fees	13,020	$ 88	36,370	$ 350	15,020	$ 200
Management fees	—	—	39,558	— (1)	—	—
Total	13,020	$ 88	75,928	$ 350	15,020	$ 200

(1) Management fees were fully expensed during the fourth quarter of 2021, the period in which the services were provided. However, the shares associated with these services were approved and issued by the Board during the first quarter of 2022.

Restricted Stock

The Company periodically grants shares of its common stock to employees of its Manager and Servicer. During the years ended December 31, 2023, 2022 and 2021, the Company granted 28,562, 210,615 and 152,700 shares of its common stock, which have vesting periods up to four years. Grants of restricted stock use grant date fair value of the stock as the basis for measuring the cost of the grant.

Each independent member of the Company's Board of Directors is issued a restricted stock award of 2,000 shares of the Company's common stock upon joining the Board. Additionally, the Company may issue grants of its shares of common stock from time to time to its directors.

Under the Company's 2014 Director Equity Plan and 2016 Equity Incentive Plan the Company made grants of restricted stock to its Directors and to employees of its Manager and Servicer as set forth the table below:

	Employee and Service Provider Grants		Director Grants	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
December 31, 2020 outstanding unvested share grants	163,083	$ 11.07	—	$ —
Shares vested	(65,750)	11.72	(10,000)	12.48
Shares forfeited	(21,668)	11.41	—	—
Shares granted	152,700	12.79	18,000	12.53
December 31, 2021 outstanding unvested share grants	228,365	$ 12.00	8,000	$ 12.60
Shares vested	(77,214)	11.92	(8,000)	12.60
Shares forfeited	(51,504)	11.76	—	—
Shares granted	210,615	10.41	—	—
December 31, 2022 outstanding unvested share grants	310,262	$ 10.98	—	$ —
Shares vested	(147,491)	10.93	—	—
Shares forfeited	(32,189)	10.49	—	—
Shares granted	28,562	6.64	25,000	7.15
December 31, 2023 outstanding unvested share grants	159,144 (1)	$ 10.35	25,000 (2)	$ 7.15

(1) Weighted average remaining life of unvested shares for employee and service provider grants at December 31, 2023 is 1.5 years.
(2) Weighted average remaining life of unvested shares for director grants at December 31, 2023 is 1.2 years.

The following table presents the expenses for the Company's restricted stock plan ($ in thousands):

	For the year ended December 31,		
	2023	2022	2021
Restricted stock grants	$ 1,347	$ 1,147	$ 900
Director grants	74	33	192
Total expenses for plan grants	$ 1,421	$ 1,180	$ 1,092

Note 12 — Income Taxes

As a REIT, the Company must meet certain organizational and operational requirements including the requirement to distribute at least 90% of its annual REIT taxable income to its stockholders. And as a REIT, the Company generally will not be subject to U.S. federal income tax to the extent the Company distributes its REIT taxable income to its stockholders and provided the Company satisfies the REIT requirements including certain asset, income, distribution and stock ownership tests. If the Company fails to qualify as a REIT, and does not qualify for certain statutory relief provisions, it will be subject to U.S. federal, state and local income taxes and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year in which it lost its REIT qualification.

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

For the year ended December 31, 2023, the Company had consolidated taxable income of $2.4 million and income tax expense of $0.2 million. For the year ended December 31, 2022, the Company had consolidated taxable income of $32.9 million and income tax expense of $2.8 million. For the year ended December 31, 2021, the Company had consolidated taxable income of $35.4 million and provision for income taxes of $0.3 million. As of December 31, 2023 and 2022, the Company recognized a deferred tax asset of $0.5 million and $0.4 million, respectively.

Note 13 — Earnings per Share

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

	For the year ended December 31, 2023		
	Net Loss (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Consolidated net loss attributable to common stockholders	$ (49,261)	24,286,999	
Allocation of earnings to participating restricted shares	537	—	
Consolidated net loss attributable to unrestricted common stockholders	$ (48,724)	24,286,999	$ (2.01)
Effect of dilutive securities[1,2,3]			
Diluted EPS			
Consolidated net loss attributable to common stockholders and dilutive securities	$ (48,724)	24,286,999	$ (2.01)

(1) The Company's outstanding warrants for an additional 1,950,672 shares of common stock and effect of the put option share settlement would have an anti-dilutive effect on diluted earnings per share for the year ended December 31, 2023, and have not been included in the calculation.
(2) The effect of restricted stock grants and manager and director fee shares on the Company's diluted EPS calculation for the year ended December 31, 2023 would have been anti-dilutive and have been removed from the calculation.
(3) The effect of interest expense and assumed conversion of shares from convertible notes on the Company diluted EPS calculation for the year ended December 31, 2023 would have been anti-dilutive and have been removed from the calculation.

	For the year ended December 31, 2022		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Consolidated net loss attributable to common stockholders	$ (28,679)	22,747,635	
Allocation of earnings to participating restricted shares	361	—	
Consolidated net loss attributable to unrestricted common stockholders	$ (28,318)	22,747,635	$ (1.24)
Effect of dilutive securities[1,2]			
Restricted stock grants and Manager and director fee shares	(361)	289,943	
Diluted EPS			
Consolidated net loss attributable to common stockholders and dilutive securities	$ (28,679)	23,037,578	$ (1.24)

(1) The Company's outstanding warrants for an additional 1,950,672 shares of common stock and effect of the put option share settlement would have an anti-dilutive effect on diluted earnings per share for the year ended December 31, 2022, and have not been included in the calculation.
(2) The effect of interest expense and assumed conversion of shares from convertible notes on the Company diluted EPS calculation for the year ended December 31, 2022 would have been anti-dilutive and have been removed from the calculation.

	For the year ended December 31, 2021		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Consolidated net income attributable to common stockholders	$ 34,057	22,852,948	
Allocation of earnings to participating restricted shares	(304)	—	
Consolidated net income attributable to unrestricted common stockholders	$ 33,753	22,852,948	$ 1.48
Effect of dilutive securities[1,2]			
Interest expense (add back) and assumed conversion of shares from convertible senior notes	9,065	7,409,519	
Diluted EPS			
Consolidated net income attributable to common stockholders and dilutive securities	$ 42,818	30,262,467	$ 1.41

(1) The Company's outstanding warrants for an additional 6,500,000 shares of common stock and effect of the put option share settlement would have an anti-dilutive effect on diluted earnings per share for the year ended December 31, 2021, and have not been included in the calculation.
(2) The effect of restricted stock grants and manager and director fee shares on the Company's diluted EPS calculation for the year ended December 31, 2021 would have been anti-dilutive and have been removed from the calculation.

Note 14 — Equity

Common Stock

As of December 31, 2023 and 2022, the Company had 27,460,161 and 23,130,956 shares, respectively, of $0.01 par value common stock outstanding with 125,000,000 shares authorized at each year end.

Preferred Stock

The Company has outstanding shares of preferred stock which were issued to institutional accredited investors in a series of private placements during the first half of 2020. The Company issued 2,307,400 shares of 7.25% Series A Fixed-to-Floating Rate Preferred Stock and 2,892,600 shares of 5.00% Series B Fixed-to-Floating Rate Preferred Stock. The shares have a liquidation preference of $25.00 per share.

During the year ended December 31, 2022, the Company repurchased and retired 1,882,451 shares of its series A preferred stock and 1,757,010 shares of its series B preferred stock in a series of repurchase transactions. The series A and series B preferred stock was repurchased for an aggregate of $88.7 million at an average price of $24.37 per share, representing a discount of approximately 2.5% to the face value of $25.00 per share. The repurchase of the preferred stock caused the recognition of $8.2 million of preferred stock discount during the year ended December 31, 2022. There were no repurchases of preferred stock during the years ended December 31, 2023 and 2021.

At both December 31, 2023 and 2022, the Company had 424,949 shares of series A preferred stock and 1,135,590 shares of series B preferred stock outstanding. There were 25,000,000 shares, cumulative for all series, authorized as of both December 31, 2023 and 2022.

Treasury Stock and Stock Repurchase Plan

On February 28, 2020, the Company's Board of Directors approved a stock buyback of up to $25.0 million of its common shares. The amount and timing of any repurchases depends on a number of factors, including but not limited to the price and availability of the common shares, trading volume and general circumstances and market conditions.

As of December 31, 2023, the Company held 1,035,785 shares of treasury stock consisting of 148,834 shares received through distributions of the Company's shares previously held by its Manager, 361,912 shares received through its Servicer and 525,039 shares acquired through open market purchases. As of December 31, 2022, the Company held 1,031,609 shares of treasury stock consisting of 144,658 shares received through distributions of the Company's shares previously held by its Manager, 361,912 shares received through its Servicer and 525,039 shares acquired through open market purchases.

Dividend Reinvestment Plan

The Company sponsors a dividend reinvestment plan through which stockholders may purchase additional shares of the Company’s common stock by reinvesting some or all of the cash dividends received on shares of the Company’s common stock. The Company issued zero shares during the year ended December 31, 2023. Comparatively, during the year ended December 31, 2022, 27,154 shares were issued under the plan for total proceeds of approximately $0.3 million.

At the Market Offering

The Company has entered into an equity distribution agreement under which the Company may sell shares of its common stock having an aggregate offering price of up to $100.0 million from time to time in any method permitted by law deemed to be an “At the Market” offering as defined in Rule 415 under the Securities Act of 1933, as amended, or the Securities Act. During the year ended December 31, 2023, 2,621,742 shares were sold under the At the Market program for total net proceeds of approximately $17.2 million. Comparatively, during the year ended December 31, 2022, 613,337 shares were sold under the At the Market program for total net proceeds of approximately $4.8 million. The Company is deploying the net proceeds to acquire mortgage loans and mortgage-related assets consistent with its investment strategy.

Accumulated Other Comprehensive Loss

The Company recognizes unrealized gains or losses on its investment in debt securities AFS as components of other comprehensive (loss)/income. Additionally, other comprehensive loss includes unrealized gains or losses associated with the transfer of the Company's investment in debt securities from AFS to HTM. These amounts are subsequently amortized from other comprehensive loss into earnings over the same period as the related unamortized discount. Total accumulated other comprehensive (loss)/income on the Company’s balance sheet at December 31, 2023 and 2022 was as follows ($ in thousands):

Investment in securities:	December 31, 2023	December 31, 2022
Unrealized gains on debt securities available-for-sale	$ 637	$ —
Unrealized losses on debt securities available-for-sale	(8,675)	(25,649)
Unrealized losses on debt securities available-for-sale transferred to held-to-maturity	(5,989)	—
Accumulated other comprehensive loss	$ (14,027)	$ (25,649)

Non-controlling Interest

At both December 31, 2023 and 2022, the Company had non-controlling interests attributable to ownership interests for three legal entities.

At both December 31, 2023 and 2022, the Company's ownership interest is approximately 53.1% of AS Ajax E II and it consolidates the assets, liabilities, revenues and expenses of the entity.

At both December 31, 2023 and 2022, the Company's ownership interest is approximately 50.0% of 2017-D and it consolidates the assets, liabilities, revenues and expenses of the trust.

At both December 31, 2023 and 2022, the Company's ownership interest is approximately 99.9% of Great Ajax II REIT and it consolidates the assets, liabilities, revenues and expenses of the entity.

At both December 31, 2023 and 2022, the Company owned 100.0% of 2018-C as the 37.0% non-controlling ownership was purchased by the Company during the year ended 2021 and the non-controlling interest was derecognized from the Company's balance sheet.

The following table sets forth the effects of changes in the Company's ownership interest due to transfers to or from non-controlling interest ($ in thousands):

	For the year ended December 31,		
	2023	2022	2021
Decrease from redemption of 2018-C	$ —	$ —	$ (8,306)
Decrease from the distribution of 2017-D	—	(871)	(17,186)
Change in non-controlling interest	$ —	$ (871)	$ (25,492)

Note 15 — Quarterly Financial Information (unaudited):

The following table sets forth the Company's quarterly financial information ($ in thousands):

For the year ended December 31, 2023	First quarter	Second quarter	Third quarter	Fourth quarter
Total revenue, net	$ 540	$ (2,414)	$ 1,053	$ (16,253)
Loss before provision for income taxes	$ (7,271)	$ (11,281)	$ (5,617)	$ (22,545)
Consolidated net loss attributable to common stockholders	$ (7,941)	$ (12,034)	$ (6,089)	$ (23,197)
Basic loss per common share	$ (0.34)	$ (0.51)	$ (0.25)	$ (0.86)
Diluted loss per common share	$ (0.34)	$ (0.51)	$ (0.25)	$ (0.86)

For the year ended December 31, 2022	First quarter	Second quarter	Third quarter	Fourth quarter
Total revenue, net	$ 14,971	$ 8,768	$ 10,522	$ 1,375
Income/(loss) before provision for income taxes	$ 5,605	$ (4,522)	$ (7,133)	$ (6,051)
Consolidated net income/(loss) attributable to common stockholders	$ 3,586	$ (9,181)	$ (16,249)	$ (6,835)
Basic earnings/(loss) per common share	$ 0.15	$ (0.40)	$ (0.71)	$ (0.30)
Diluted earnings/(loss) per common share	$ 0.15	$ (0.40)	$ (0.71)	$ (0.30)

Note 16 — Subsequent Events

This year, to date, the Company has distributed $0.76 per share in dividends. On February 26, 2024, the Company's Board of Directors declared a dividend of $0.10 per share to be paid on March 29, 2024 to stockholders of record as of March 15, 2024.

In late February 2024, the Company identified mortgage loans that it proposed to market for sale. These include loans that are on its repurchase lines of credit, as well as loans included in Ajax Mortgage Loan Trust 2021-B and that in aggregate have a UPB of approximately $330.0 million and a carrying value of approximately $320.0 million. The Company anticipates that it will record a loss in connection with any loans it ultimately sells; any such loss would likely be recorded and reflected in the Company's March 31, 2024 financial statements. For each $100.0 million of loans sold, the Company anticipates that it may record a $10.0 million loss. The Company's decision to market these loans for sale was based on market uncertainty and the upcoming maturity of our convertible notes.

On February 26, 2024, the Company entered into a $70.0 million term loan with NIC RMBS. The term loan will be accompanied by the future issuance of warrants to Rithm or one of its affiliates to purchase Company common stock, which warrants will be detachable. The warrants will, if exercised, be struck at a premium to the Company’s trailing five-day average closing stock price as of February 26, 2024, and the number of shares of Company common stock for which the warrants may be exercised will equal the greater of 50% of (i) the amount drawn under the term loan and (ii) $35.0 million, in each case, divided by the exercise price per share. Additionally, subject to receipt of approval of a majority of the Company’s stockholders and the satisfaction of certain other closing conditions, Rithm or one of its affiliates has agreed to purchase $14.0 million of the Company's common stock at a price of $4.87 per share, the proceeds of which would be used to pay down the $70.0 million term loan or repayment of the 2024 Notes.

In connection with the foregoing transaction and subject to receipt of approval of a majority of the Company's stockholders, the Company has agreed to terminate its existing management contract with the Manager in exchange for approximately $16.0 million of Company’s common stock and enter into a new management agreement with RCM GA Manager LLC, a Rithm affiliate, which would become the manager. The Company delivered a termination notice to the Manager on February 26, 2024.

On February 26, 2024, the Company also entered into agreements to exchange our outstanding Preferred Stock for Company common stock and the Company settled its outstanding warrants in exchange for Company common stock, in each case, in accordance with such securities’ terms.

Schedule IV

Mortgage loans on real estate
December 31, 2023
($ in thousands)

Description (face value of loan)	Loan count	Interest rate	Maturity	Carrying amount of mortgages(1)	Principal amount subject to delinquent principal and interest	Amount of balloon payments at maturity
$0 – 49,999	603	0.00% - 12.00%	07/13/2021 - 08/01/2061	$ 17,848	$ 7,173	$ 1,003
$50,000 – 99,999	1,009	0.00% - 20.10%	06/01/2024 - 12/01/2062	74,142	29,754	1,125
$100,000 – 149,999	1,000	0.00% - 19.90%	07/01/2021 - 08/01/2065	118,359	48,064	1,708
$150,000 – 199,999	639	0.00% - 12.70%	06/01/2024 - 08/01/2065	106,469	44,424	1,278
$200,000 – 249,999	473	0.00% - 9.40%	08/01/2020 - 07/01/2064	101,648	43,245	1,862
$250,000+	1,299	0.00% - 25.90%	06/01/2023 - 05/01/2066	501,803	202,866	12,977
Total	5,023			$ 920,269	$ 375,526	$ 19,953

(1) The aggregate cost for federal income tax purposes is $1,011.1 million as of December 31, 2023.

The following table sets forth the activity in our mortgage loans ($ in thousands):

	January 1, 2023 through December 31, 2023	
	Mortgage loans held-for-investment, net	Mortgage loans held-for-sale, net
Beginning carrying value	$ 989,084	$ —
Mortgage loans acquired	14,401	—
Accretion recognized	51,325	—
Payments received on loans, net	(129,230)	—
Net reclassifications (to)/from mortgage loans held-for-sale, net	(64,277)	64,277
Mark to market on loans held-for-sale	—	(8,559)
Reclassifications to REO	(2,379)	—
Decrease in net present value of expected credit losses on mortgage loans and lower of cost or market adjustment	5,597	—
Other	30	—
Ending carrying value	$ 864,551	$ 55,718

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