

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2020

OR

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

COMMISSION FILE NUMBER: 001-36063



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

U.S. Virgin Islands
(State or other jurisdiction of incorporation or organization)

66-0783125
(I.R.S. Employer Identification No.)

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

(340) 692-0525
(Registrant's telephone number, including area code)

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

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

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

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

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

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer Smaller Reporting Company
Emerging Growth Company

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

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

As of August 7, 2020, 1,632,117 shares of our common stock were outstanding (excluding 1,310,480 shares held as treasury stock).

Altisource Asset Management Corporation
June 30, 2020
Table of Contents

<u>Part I</u>	<u>1</u>
<u>Item 1. Financial statements (unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive (Loss) Income</u>	<u>3</u>
<u>Condensed Consolidated Statements of Stockholders' Deficit</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management's discussion and analysis of financial condition and results of operations</u>	<u>21</u>
<u>Item 3. Quantitative and qualitative disclosures about market risk</u>	<u>27</u>
<u>Item 4. Controls and procedures</u>	<u>27</u>
<u>Part II</u>	<u>29</u>
<u>Item 1. Legal proceedings</u>	<u>29</u>
<u>Item 1A. Risk factors</u>	<u>29</u>
<u>Item 4. Mine safety disclosures</u>	<u>30</u>
<u>Item 6. Exhibits</u>	<u>31</u>
<u>Signatures</u>	<u>32</u>

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

Special note on forward-looking statements

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

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

- our ability to implement our business strategy and the business strategy of Front Yard;
- risks associated with the termination of our asset management agreement with Front Yard, including the potential effects that the termination can have on our new business initiatives, results of operations and financial condition;
- AAMC’s ability to successfully complete the transition period under the Termination and Transition Agreement dated August 13, 2020;
- our ability to retain key employees;
- our ability to develop and implement new businesses or, to the extent such businesses are developed, our ability to make them successful or sustain the performance of any such businesses;
- our ability to retain and maintain our strategic relationships;
- our ability to obtain additional asset management clients;
- the potential for the COVID-19 pandemic to adversely affect our business, financial position, operations, business prospects, customers, employees and third-party service providers;
- our ability to effectively compete with our competitors;
- Front Yard’s ability to complete future or pending transactions, which could affect our management fees;
- the failure of our service providers to effectively perform their obligations under their agreements with us;
- our ability to integrate newly acquired rental assets into Front Yard’s portfolio;
- our ability to effectively manage the performance of Front Yard’s internal property manager at the level and/or the cost that it anticipates;
- developments in the litigations regarding our redemption obligations under the Certificate of Designations of our Series A Convertible Preferred Stock (the “Series A Shares”), including our ability to obtain declaratory relief confirming that we were not obligated to redeem any of the Series A Shares on the March 15, 2020 redemption date since we did not have funds legally available to redeem all, but not less than all, of the Series A Shares requested to be redeemed on that redemption date;
- our failure to maintain Front Yard’s qualification as a REIT;
- general economic and market conditions; and
- governmental regulations, taxes and policies.

While forward-looking statements reflect our good faith beliefs, assumptions, and expectations, they are not guarantees of future performance. Such forward-looking statements speak only as of their respective dates, and we assume no obligation to update them to reflect changes in underlying assumptions or factors, new information or otherwise. For a further discussion of these and other factors that could cause our future results to differ materially from any forward-looking statements, please see [Part II, Item 1A](#) in this Quarterly Report on Form 10-Q and “Item 1A. Risk factors” in our [Annual Report on Form 10-K](#) for the year ended December 31, 2019.

Part I

Item 1. Financial statements (unaudited)

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

	June 30, 2020	December 31, 2019
	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 15,845	\$ 19,965
Short-term investments	—	517
Front Yard common stock, at fair value	14,133	20,046
Receivable from Front Yard	3,886	5,014
Prepaid expenses and other assets	2,328	1,609
Total current assets	<u>36,192</u>	<u>47,151</u>
Non-current assets:		
Right-of-use lease assets	4,070	4,339
Other non-current assets	1,980	1,758
Total non-current assets	<u>6,050</u>	<u>6,097</u>
Total assets	<u>\$ 42,242</u>	<u>\$ 53,248</u>
Current liabilities:		
Accrued salaries and employee benefits	\$ 5,577	\$ 5,407
Accounts payable and accrued liabilities	1,380	1,328
Short-term lease liabilities	280	265
Total current liabilities	<u>7,237</u>	<u>7,000</u>
Long-term lease liabilities	3,972	4,218
Total liabilities	<u>11,209</u>	<u>11,218</u>
Commitments and contingencies (Note 4)	—	—
Redeemable preferred stock:		
Preferred stock, \$0.01 par value, 250,000 shares issued and outstanding as of June 30, 2020 and December 31, 2019; redemption value \$250,000	250,000	249,958
Stockholders' deficit:		
Common stock, \$0.01 par value, 5,000,000 authorized shares; 2,942,597 and 1,632,117 shares issued and outstanding, respectively, as of June 30, 2020 and 2,897,177 and 1,598,512 shares issued and outstanding, respectively, as of December 31, 2019	29	29
Additional paid-in capital	45,530	44,646
Retained earnings	12,028	23,662
Accumulated other comprehensive loss	(126)	(33)
Treasury stock, at cost, 1,310,480 shares as of June 30, 2020 and 1,298,665 shares as of December 31, 2019	(276,428)	(276,232)
Total stockholders' deficit	<u>(218,967)</u>	<u>(207,928)</u>
Total liabilities and equity	<u>\$ 42,242</u>	<u>\$ 53,248</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenues:				
Management fees from Front Yard	\$ 3,584	\$ 3,556	\$ 7,168	\$ 7,102
Conversion fees from Front Yard	—	—	—	29
Expense reimbursements from Front Yard	713	342	1,081	670
Total revenues	4,297	3,898	8,249	7,801
Expenses:				
Salaries and employee benefits	4,826	4,238	9,370	8,656
Legal and professional fees	1,805	1,356	3,339	1,698
General and administrative	892	880	1,987	1,919
Total expenses	7,523	6,474	14,696	12,273
Other (loss) income:				
Change in fair value of Front Yard common stock	(5,279)	4,792	(5,913)	5,669
Dividend income on Front Yard common stock	—	243	244	487
Other income	17	49	54	53
Total other (loss) income	(5,262)	5,084	(5,615)	6,209
Net (loss) income before income taxes	(8,488)	2,508	(12,062)	1,737
Income tax benefit	(653)	(781)	(470)	(712)
Net (loss) income	(7,835)	3,289	(11,592)	2,449
Amortization of preferred stock issuance costs	—	(52)	(42)	(103)
Net (loss) income attributable to common stockholders	\$ (7,835)	\$ 3,237	\$ (11,634)	\$ 2,346
(Loss) earnings per share of common stock – basic:				
(Loss) earnings per basic common share	\$ (4.81)	\$ 2.04	\$ (7.17)	\$ 1.48
Weighted average common stock outstanding – basic	1,629,285	1,589,492	1,622,497	1,585,775
(Loss) earnings per share of common stock – diluted:				
(Loss) earnings per diluted common share	\$ (4.81)	\$ 1.81	\$ (7.17)	\$ 1.34
Weighted average common stock outstanding – diluted	1,629,285	1,820,244	1,622,497	1,830,263

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net (loss) income	\$ (7,835)	\$ 3,289	\$ (11,592)	\$ 2,449
Other comprehensive (loss) income:				
Currency translation adjustments, net	(4)	5	(93)	17
Total other comprehensive (loss) income	(4)	5	(93)	17
Comprehensive (loss) income	\$ (7,839)	\$ 3,294	\$ (11,685)	\$ 2,466

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Deficit
	Number of Shares	Amount					
December 31, 2019	2,897,177	\$ 29	\$ 44,646	\$ 23,662	\$ (33)	\$ (276,232)	\$ (207,928)
Common shares issued under share-based compensation plans, net of shares withheld for employee taxes	39,562	—	4	—	—	—	4
Shares withheld for taxes upon vesting of restricted stock	—	—	—	—	—	(196)	(196)
Amortization of preferred stock issuance costs	—	—	—	(42)	—	—	(42)
Share-based compensation	—	—	477	—	—	—	477
Currency translation adjustments, net	—	—	—	—	(89)	—	(89)
Net loss	—	—	—	(3,757)	—	—	(3,757)
March 31, 2020	2,936,739	29	45,127	19,863	(122)	(276,428)	(211,531)
Common shares issued under share-based compensation plans, net of shares withheld for employee taxes	5,858	—	10	—	—	—	10
Share-based compensation	—	—	393	—	—	—	393
Currency translation adjustments, net	—	—	—	—	(4)	—	(4)
Net loss	—	—	—	(7,835)	—	—	(7,835)
June 30, 2020	2,942,597	\$ 29	\$ 45,530	\$ 12,028	\$ (126)	\$ (276,428)	\$ (218,967)

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Deficit
	Number of Shares	Amount					
December 31, 2018	2,862,760	\$ 29	\$ 42,245	\$ 26,558	\$ —	\$ (275,988)	\$ (207,156)
Cumulative effect of adoption of ASC 842	—	—	—	(77)	—	—	(77)
Common shares issued under share-based compensation plans, net of shares withheld for employee taxes	21,383	—	—	—	—	—	—
Shares withheld for taxes upon vesting of restricted stock	—	—	—	—	—	(195)	(195)
Amortization of preferred stock issuance costs	—	—	—	(51)	—	—	(51)
Share-based compensation	—	—	698	—	—	—	698
Currency translation adjustments, net	—	—	—	—	12	—	12
Net loss	—	—	—	(840)	—	—	(840)
March 31, 2019	2,884,143	29	42,943	25,590	12	(276,183)	(207,609)
Common shares issued under share-based compensation plans, net of shares withheld for employee taxes	1,866	—	—	—	—	—	—
Shares withheld for taxes upon vesting of restricted stock	—	—	—	—	—	(6)	(6)
Amortization of preferred stock issuance costs	—	—	—	(52)	—	—	(52)
Share-based compensation	—	—	588	—	—	—	588
Currency translation adjustments, net	—	—	—	—	5	—	5
Net income	—	—	—	3,289	—	—	3,289
June 30, 2019	2,886,009	\$ 29	\$ 43,531	\$ 28,827	\$ 17	\$ (276,189)	\$ (203,785)

See accompanying notes to condensed consolidated financial statements.

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

	Six months ended June 30,	
	2020	2019
Operating activities:		
Net (loss) income	\$ (11,592)	\$ 2,449
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	870	1,286
Change in fair value of Front Yard common stock	5,913	(5,669)
Depreciation	216	188
Amortization of operating lease right-of-use assets	269	106
Changes in operating assets and liabilities:		
Receivable from Front Yard	1,128	(24)
Prepaid expenses and other assets	(912)	(1,496)
Other non-current assets	(382)	199
Accrued salaries and employee benefits	206	(2,079)
Accounts payable and accrued liabilities	198	(528)
Operating lease liabilities	(231)	(51)
Net cash used in operating activities	(4,317)	(5,619)
Investing activities:		
Investment in short-term investments	—	(1,083)
Proceeds from maturities of short-term investments	517	775
Investment in property and equipment	(56)	(117)
Proceeds from disposition of property and equipment	—	42
Net cash provided by (used in) investing activities	461	(383)
Financing activities:		
Proceeds from stock option exercises	23	—
Shares withheld for taxes upon vesting of restricted stock	(196)	(201)
Payment of tax withholdings on stock option exercises	(9)	—
Net cash used in financing activities	(182)	(201)
Net change in cash and cash equivalents	(4,038)	(6,203)
Effect of exchange rate changes on cash	(82)	10
Cash and cash equivalents as of beginning of the period	19,965	27,171
Cash and cash equivalents as of end of the period	\$ 15,845	\$ 20,978
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 143	\$ 313
Right-of-use lease assets recognized - operating leases	—	2,839
Operating lease liabilities recognized	—	2,826

See accompanying notes to condensed consolidated financial statements.

Altisource Asset Management Corporation
Notes to Condensed Consolidated Financial Statements
June 30, 2020
(Unaudited)

1. Organization and Basis of Presentation

Altisource Asset Management Corporation (“we,” “our,” “us,” or the “Company”) was incorporated in the U.S. Virgin Islands (“USVI”) on March 15, 2012 (our “inception”) and commenced operations on December 21, 2012. Our primary business is to provide asset management and corporate governance services to institutional investors. We have been a registered investment adviser under Section 203(c) of the Investment Advisers Act of 1940 since October 2013.

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

On March 31, 2015, we entered into an asset management agreement (the “Former AMA”) with Front Yard, under which we were the exclusive asset manager for Front Yard for an initial term of 15 years from April 1, 2015, with two potential five-year extensions. The Former AMA provided for a fee structure in which we were entitled to a base management fee, an incentive management fee and a conversion fee for mortgage loans and real estate owned (“REO”) properties that became rental properties for the first time during each quarter.

On May 7, 2019, we entered into an amended and restated asset management agreement with Front Yard (the “Amended AMA”), under which we are the exclusive asset manager for Front Yard for an initial term of five years and will renew automatically each year thereafter for an additional one-year term, subject in each case to certain termination provisions. The Amended AMA provides for a fee structure in which we are entitled to a Base Management Fee and a potential Incentive Fee. Accordingly, our operating results continue to be highly dependent on Front Yard's operating results. See [Note 5](#) for additional details of these asset management agreements.

On August 13, 2020, AAMC and Front Yard entered into Termination and Transition Agreement (the “Termination Agreement”), pursuant to which they have agreed to terminate the Amended AMA, thereby effectively internalizing the asset management function of Front Yard in exchange for payment of a termination fee and other consideration to AAMC. For a description of the Termination Agreement and its key terms, please see [Note 10](#).

Since we are heavily reliant on revenues earned from Front Yard, investors may obtain additional information about Front Yard in its Securities and Exchange Commission (“SEC”) filings, including, without limitation, Front Yard's financial statements and other important disclosures therein, available at <http://www.sec.gov> and <http://ir.frontyardresidential.com/financial-information>.

Basis of presentation and use of estimates

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

The unaudited interim condensed consolidated financial statements and accompanying unaudited condensed consolidated financial information, in our opinion, contain all adjustments that are of a normal recurring nature and are necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods. The interim results are not necessarily indicative of results for a full year. We have omitted certain notes and other information from the interim condensed consolidated financial statements presented in this Quarterly Report on Form 10-Q as permitted by SEC rules and regulations. These condensed consolidated financial statements should be read in conjunction with our annual consolidated financial statements included within our 2019 [Annual Report on Form 10-K](#), which was filed with the SEC on February 28, 2020.

Use of estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Preferred stock

Issuance of Series A Convertible Preferred Stock in 2014 Private Placement

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

Between January 31, 2020 and February 3, 2020, we received purported notices from holders of our Series A Shares requesting us to redeem an aggregate of \$250.0 million liquidation preference of our Series A Shares on March 15, 2020. We do not have legally available funds to redeem all of the Series A Shares on March 15, 2020. As a result, we do not believe, under the terms of the Certificate, that we are obligated to redeem any of the Series A Shares under the Certificate, and, consistent with the exclusive forum provisions of our Third Amended and Restated Bylaws, on January 27, 2020, we filed a claim for declaratory relief in the Superior Court of the Virgin Islands, Division of St. Croix, against Luxor Capital Group, LP and certain of its funds and managed accounts (collectively, "Luxor") to confirm our interpretation of the Certificate. Luxor has removed the action to the U.S District Court for the Virgin Islands, and, on March 24, 2020, AAMC moved to remand the action back to the Superior Court of the Virgin Islands, Division of St. Croix. That motion is fully briefed and pending. On May 15, 2020, Luxor moved to dismiss AAMC's declaratory judgment complaint. That motion has been fully briefed and submitted to the Court as of July 29, 2020.

On February 3, 2020, Luxor filed a complaint in the Supreme Court of the State of New York, County of New York, against AAMC for breach of contract, specific performance, unjust enrichment, and related damages and expenses. The complaint alleges that AAMC's position that it will not redeem any of Luxor's Series A Shares on the March 15, 2020 redemption date is a material breach of AAMC's redemption obligations under the Certificate. Luxor seeks an order requiring AAMC to redeem its Series A Shares, recovery of no less than \$144,212,000 in damages, which is equal to the amount Luxor would receive if AAMC redeemed all of Luxor's Series A Shares at the redemption price of \$1,000 per share set forth in the Certificate, as well as payment of its costs and expenses in the lawsuit. In the alternative, Luxor seeks a return of its initial purchase price of \$150,000,000 for the Series A Shares, as well as payment of its costs and expenses in the lawsuit. On May 25, 2020, Luxor's complaint was amended to add Putnam Equity Spectrum Fund and Putnam Capital Spectrum Fund (collectively, "Putnam"), which also invested in the Series A Shares, as plaintiff. Putnam holds 81,800 Series A Shares. Collectively, Luxor and Putnam seek a recovery of no less than \$226,012,000 in damages, which is equal to the amount Luxor and Putnam would receive if AAMC redeemed all of Luxor's and Putnam's Series A Shares at the redemption price of \$1,000 per share set forth in the Certificate, as well as payment of their costs and expenses in the lawsuit. In the alternative, Luxor and Putnam seek a return of the initial purchase price of \$231,800,000 for the Series A Shares, as well as payment of their costs and expenses in the lawsuit. On June 12, 2020, AAMC moved to dismiss the Amended Complaint in favor of AAMC's first-filed declaratory judgment action in the U.S. Virgin Islands. On August 4, 2020, the court denied AAMC's motion to dismiss. AAMC is currently considering whether to appeal the court's decision.

AAMC intends to continue to pursue its strategic business initiatives despite this litigation. If Luxor and Putnam were to prevail in its lawsuit, we may need to cease or curtail our business initiatives and our liquidity could be materially and adversely affected.

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

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

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

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

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

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

2016 Employee Preferred Stock Plan

On May 26, 2016, the 2016 Employee Preferred Stock Plan (the "Employee Preferred Stock Plan") was approved by our stockholders. Pursuant to the Employee Preferred Stock Plan, the Company may grant one or more series of non-voting preferred stock, par value \$0.01 per share in the Company to induce certain employees to become employed and remain employees of the Company in the USVI, and any of its future USVI subsidiaries, to encourage ownership of shares in the Company by such USVI employees and to provide additional incentives for such employees to promote the success of the Company's business.

Pursuant to our stockholder approval of the Employee Preferred Stock Plan, on December 29, 2016, the Company authorized 14 additional series of preferred stock of the Company, consisting of Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock, Series G Preferred Stock, Series H Preferred Stock, Series I Preferred Stock, Series J Preferred Stock, Series K Preferred Stock, Series L Preferred Stock, Series M Preferred Stock, Series N Preferred Stock and Series O Preferred Stock, and each series shall consist of up to an aggregate of 1,000 shares.

We have issued shares of preferred stock under the Employee Preferred Stock Plan to certain of our USVI employees. These shares of preferred stock are mandatorily redeemable by us in the event of such employee's termination of service with the Company for any reason. At June 30, 2020 and December 31, 2019, we had 1,000 and 1,000 shares outstanding, respectively, and we included the redemption value of these shares of \$10,000 and \$10,000, respectively, within accounts payable and accrued liabilities in our condensed consolidated balance sheets. In December 2019 and February 2019, our Board of Directors declared and paid an aggregate of \$1.0 million (in relation to the 2019 fiscal year) and \$1.1 million (in relation to the 2018 fiscal year), respectively, of dividends on these shares of preferred stock. Such dividends are included in salaries and employee benefits in our condensed consolidated statements of operations.

Recently issued accounting standards

Adoption of recent accounting standards

In January 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments, which amends the guidance on measuring credit losses on financial assets held at amortized cost. ASU 2016-13, as amended, is intended to address the issue that the previous “incurred loss” methodology was restrictive for an entity’s ability to record credit losses based on not yet meeting the “probable” threshold. The new language requires these assets to be valued at amortized cost presented at the net amount expected to be collected with a valuation provision. This ASU is effective for fiscal years beginning after December 15, 2019. The amendments in ASU 2016-13 should be applied on a modified retrospective transition basis. We adopted this standard on January 1, 2020, and our adoption of the standard did not have a material impact on our consolidated financial statements.

Recently issued accounting standards not yet adopted

In December 2019, the FASB issued ASU 2019-12, Income Taxes - Simplifying the Accounting for Income Taxes (Topic 740), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2021. We are currently evaluating the impact of this standard.

2. Fair Value of Financial Instruments

The following table sets forth the carrying amount and the fair value of the Company’s financial assets by level within the fair value hierarchy as of the dates indicated (\$ in thousands):

		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>Carrying Amount</u>	<u>Quoted Prices in Active Markets</u>	<u>Observable Inputs Other Than Level 1 Prices</u>	<u>Unobservable Inputs</u>
<u>June 30, 2020</u>				
Recurring basis (assets):				
Front Yard common stock	\$ 14,133	\$ 14,133	\$ —	\$ —
<u>December 31, 2019</u>				
Recurring basis (assets):				
Front Yard common stock	\$ 20,046	\$ 20,046	\$ —	\$ —

We did not transfer any assets from one level to another level during the six months ended June 30, 2020 or during the year ended December 31, 2019.

The fair value of our holdings in Front Yard common stock is based on unadjusted quoted prices from active markets.

We held 1,624,465 shares of Front Yard’s common stock at each of June 30, 2020 and December 31, 2019, representing approximately 2.7% and 3.0% of Front Yard’s then-outstanding common stock, respectively. All of our shares of Front Yard’s common stock were acquired in open market transactions.

The following table presents the cost basis and fair value of our holdings in Front Yard's common stock as of the dates indicated (\$ in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2020				
Front Yard common stock	\$ 20,596	\$ —	\$ (6,463)	\$ 14,133
December 31, 2019				
Front Yard common stock	\$ 20,596	\$ —	\$ (550)	\$ 20,046

3. Leases

We lease office space under various operating leases. We currently occupy office space in Christiansted, U.S. Virgin Islands; Charlotte, North Carolina; College Station, Texas; George Town, Cayman Islands; and Bengaluru, India. As of June 30, 2020 and December 31, 2019, our weighted average remaining lease term, including applicable extensions, was 8.6 years and 9.1 years, respectively, and we applied a discount rate of 8.4% and 8.4%, respectively, to our office leases. We determine the discount rate for each lease to be either the discount rate stated in the lease agreement or our estimated rate that we would be charged to finance real estate assets.

During the three and six months ended June 30, 2020, we recognized rent expense of \$0.2 million and \$0.3 million, respectively, related to long-term operating leases and \$27,000 and \$54,000, respectively, related to short-term operating leases. During the three and six months ended June 30, 2019, we recognized rent expense of \$0.1 million and \$0.2 million, respectively, related to long-term operating leases and \$0.1 million and \$0.1 million, respectively, related to short-term operating leases. We include rent expense as a component of general and administrative expenses.

The following table presents our future lease obligations under our operating leases as of June 30, 2020 (\$ in thousands):

	Operating Lease Liabilities
2020 (1)	\$ 307
2021	628
2022	653
2023	680
2024	701
Thereafter	3,091
Total lease payments	6,060
Less: interest	1,808
Lease liabilities	\$ 4,252

(1) Excludes the six months ended June 30, 2020.

4. Commitments and Contingencies

Litigation, claims and assessments

Information regarding reportable legal proceedings is contained in the “Commitments and Contingencies” note in the financial statements provided in our [Annual Report on Form 10-K](#) for the year ended December 31, 2019. We establish reserves for specific legal proceedings when we determine that the likelihood of an outcome is probable and the amount of loss can be reasonably estimated. We do not currently have any reserves for our legal proceedings. The following updates and restates the description of the previously reported matters:

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

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

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

At this time, we are not able to predict the ultimate outcome of this matter, nor can we estimate the range of possible damages to be awarded to AAMC, if any. We have determined that there is no contingent liability related to this matter for AAMC.

Altisource Asset Management Corporation v. Luxor Capital Group, LP, et al.

On January 27, 2020, AAMC filed a complaint for declaratory judgment relief in the Superior Court of the Virgin Islands, Division of St. Croix, against Luxor Capital Group, LP and certain of its funds and managed accounts (collectively, “Luxor”) regarding AAMC’s redemption obligations under the Certificate of Designations (the “Certificate”) of AAMC’s Series A Convertible Preferred Stock (the “Series A Shares”). Under the Certificate, holders of the Series A Shares are permitted on March 15, 2020 and on each successive five-year anniversary of March 15, 2020 to request AAMC, upon not less than 15 nor more than 30 business days’ prior notice, to redeem all but not less than all of their Series A Shares out of legally available funds. AAMC seeks a declaration that AAMC is not required to redeem any of Luxor’s Series A Shares on a redemption date if AAMC does not have legally available funds to redeem all of Luxor’s Series A Shares on such redemption date. Luxor has removed the action to the U.S District Court for the Virgin Islands, and, on March 24, 2020, AAMC moved to remand the action back to the Superior Court of the Virgin Islands, Division of St. Croix. That motion is fully briefed and pending decision. On May 15, 2020, Luxor moved to dismiss AAMC’s declaratory judgment complaint. That motion has been fully briefed and submitted to the Court as of July 29, 2020.

Luxor Capital Group, LP, et al. v. Altisource Asset Management Corporation

On February 3, 2020, Luxor filed a complaint in the Supreme Court of the State of New York, County of New York, against AAMC for breach of contract, specific performance, unjust enrichment, and related damages and expenses. The complaint alleges that AAMC's position that it would not redeem any of Luxor's Series A Shares on the March 15, 2020 redemption date is a material breach of AAMC's redemption obligations under the Certificate. Luxor seeks an order requiring AAMC to redeem its Series A Shares, recovery of no less than \$144,212,000 in damages, which is equal to the amount Luxor would receive if AAMC redeemed all of Luxor's Series A Shares at the redemption price of \$1,000 per share set forth in the Certificate, as well as payment of its costs and expenses in the lawsuit. In the alternative, Luxor seeks a return of its initial purchase price of \$150,000,000 for the Series A Shares, as well as payment of its costs and expenses in the lawsuit. On May 25, 2020, Luxor's complaint was amended to add Putnam Equity Spectrum Fund and Putnam Capital Spectrum Fund (collectively, "Putnam"), which also invested in the Series A Shares, as plaintiffs. Putnam holds 81,800 Series A Shares. Collectively, Luxor and Putnam seek a recovery of no less than \$226,012,000 in damages, which is equal to the amount Luxor and Putnam would receive if AAMC redeemed all of Luxor's and Putnam's Series A Shares at the redemption price of \$1,000 per share set forth in the Certificate, as well as payment of their costs and expenses in the lawsuit. In the alternative, Luxor and Putnam seek a return of the initial purchase price of \$231,800,000 for the Series A Shares, as well as payment of their costs and expenses in the lawsuit. On June 12, 2020, AAMC moved to dismiss the Amended Complaint in favor of AAMC's first-filed declaratory judgment action in the U.S. Virgin Islands. On August 4, 2020, the court denied AAMC's motion to dismiss. AAMC is currently considering whether to appeal the court's decision.

COVID-19 Pandemic

Due to the current COVID-19 pandemic in the United States and globally, our business, our employees and the economy as a whole could be adversely impacted. The magnitude and duration of the COVID-19 pandemic and its impact on our cash flows and future results of operations could potentially be significant and will largely depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic, the success of actions taken to contain or treat the pandemic, and reactions by consumers, companies, governmental entities and capital markets. Although COVID-19 to date has not adversely impacted our revenues as we continue to rely on a minimum asset management fee, the prolonged duration and impact of the COVID-19 pandemic on our primary client, or on any our new businesses in development, could cause or result in office closures and other related disruptions that could materially adversely impact our business operations and impact our financial performance.

5. Related Party Transactions

Asset management agreement with Front Yard

Pursuant to the Amended AMA, we design and implement Front Yard's business strategy, administer its business activities and day-to-day operations and provide corporate governance services, subject to oversight by Front Yard's Board of Directors. We are responsible for, among other duties: (1) performing and administering certain of Front Yard's day-to-day operations; (2) defining investment criteria in Front Yard's investment policy in cooperation with its Board of Directors; (3) sourcing, analyzing and executing asset acquisitions, including the related financing activities; (4) overseeing Front Yard's renovation, leasing and property management of its SFR properties; (5) analyzing and executing sales of certain rental properties, REO properties and residential mortgage loans; (6) performing asset management duties and (7) performing corporate governance and other management functions, including financial, accounting and tax management services.

We provide Front Yard with a management team and support personnel who have substantial experience in the acquisition and management of residential properties. Our management also has significant corporate governance experience that enables us to manage Front Yard's business and organizational structure efficiently. We have agreed not to provide the same or substantially similar services without the prior written consent of Front Yard's Board of Directors to any business or entity competing against Front Yard in (a) the acquisition or sale of SFR and/or REO properties, non-performing and re-performing mortgage loans or other similar assets; (b) the carrying on of an SFR business or (c) any other activity in which Front Yard engages. Notwithstanding the foregoing, we may engage in any other business or render similar or different services to any businesses engaged in lending or insurance activities or any other activity other than those described above. Further, at any time following Front Yard's determination and announcement that it will no longer engage in any of the above-described competitive activities, we would be entitled to provide advisory or other services to businesses or entities in such competitive activities without Front Yard's prior consent.

Terms of the Amended AMA

We and Front Yard entered into the Amended AMA on May 7, 2019 (the “Effective Date”). The Amended AMA amends and restates, in its entirety, the Former AMA. The Amended AMA has an initial term of 5 years and will renew automatically each year thereafter for an additional one-year term, subject in each case to the termination provisions further described below.

Management Fees

The Amended AMA provides for the following management fee structure, which is subject to certain performance thresholds and an Aggregate Fee Cap (as described below):

- **Base Management Fee.** Front Yard will pay a quarterly base management fee (the “Base Management Fee”) to us as follows:
 - Initially, commencing on the Effective Date and until the Reset Date (as defined below), the quarterly Base Management Fee will be (i) \$3,584,000 (the “Minimum Base Fee”) *plus* (ii) an additional amount (the “Additional Base Fee”), if any, of 50% of the amount by which Front Yard's per share Adjusted AFFO (as defined in the Amended AMA) for the quarter exceeds \$0.15 per share (provided that the Base Management Fee for any calendar quarter prior to the Reset Date cannot be less than the Minimum Base Fee or greater than \$5,250,000). Beginning in 2021, the Base Management Fee may be reduced, but not below the Minimum Base Fee, in the fourth quarter of each year by the amount that Front Yard's AFFO (as defined below) on a per share basis is less than an aggregate of \$0.60 for the applicable calendar year (the “AFFO Adjustment Amount”); and
 - Thereafter, commencing in the first quarter after which the quarterly Base Management Fee first reaches \$5,250,000 (the “Reset Date”), the Base Management Fee will be 25% of the sum of (i) the applicable Annual Base Fee Floor *plus* (ii) the amount calculated by multiplying the applicable Manager Base Fee Percentage by the amount, if any, that Front Yard's Gross Real Estate Assets (as defined below) exceeds the applicable Gross Real Estate Assets Floor (in each case of the foregoing clauses (i) and (ii), as set forth in the table below), *minus* (iii) solely in the case of the fourth quarter of a calendar year, the AFFO Adjustment Amount (if any); provided, that the Base Management Fee for any calendar quarter shall not be less than the Minimum Base Fee.

Gross Real Estate Assets (1)	Annual Base Fee Floor	Manager Base Fee Percentage	Gross Real Estate Assets Floor
Up to \$2,750,000,000	\$21,000,000	0.325%	\$2,250,000,000
\$2,750,000,000 – \$3,250,000,000	\$22,625,000	0.275%	\$2,750,000,000
\$3,250,000,000 – \$4,000,000,000	\$24,000,000	0.250%	\$3,250,000,000
\$4,000,000,000 – \$5,000,000,000	\$25,875,000	0.175%	\$4,000,000,000
\$5,000,000,000 – \$6,000,000,000	\$27,625,000	0.125%	\$5,000,000,000
\$6,000,000,000 – \$7,000,000,000	\$28,875,000	0.100%	\$6,000,000,000
Thereafter	\$29,875,000	0.050%	\$7,000,000,000

(1) Gross Real Estate Assets is generally defined as the aggregate book value of all residential real estate assets owned by Front Yard and its subsidiaries before reserves for depreciation, impairment or other non-cash reserves as computed in accordance with GAAP.

In determining the Base Management Fee, “AFFO” is generally calculated as GAAP net income (or loss) adjusted for (i) gains or losses from debt restructuring and sales of property; (ii) depreciation, amortization and impairment on residential real estate assets; (iii) unconsolidated partnerships and joint ventures; (iv) acquisition and related expenses, equity based compensation expenses and other non-recurring or non-cash items; (v) recurring capital expenditures on all real estate assets and (vi) the cost of leasing commissions.

For any partial quarter during the term of the Amended AMA, the Base Management Fee is subject to proration based on the number of calendar days under the Amended AMA in such period.

Incentive Fee. We may earn an annual Incentive Fee to the extent that Front Yard's AFFO exceeds certain performance thresholds. The annual Incentive Fee, if any, shall be an amount equal to 20% of the amount by which Front Yard's AFFO for the calendar year (after the deduction of Base Management Fees but prior to the deduction of Incentive Fees) exceeds 5% of Gross Shareholder Equity (as defined below).

In each calendar year, the Incentive Fee will be limited to the extent that any portion of the Incentive Fee for such calendar year (after taking into account any AFFO Adjustment Amount and the payment of the Incentive Fee) would cause the AFFO per share for such calendar year to be less than \$0.60 (the "Incentive Fee Adjustment"). For any partial calendar year under the Amended AMA, the Incentive Fee amount (and Incentive Fee Adjustment, if any) for that partial calendar year is subject to proration based on the number of calendar days of the year that the Amended AMA is in effect.

Gross Shareholder Equity for purposes of the Amended AMA is generally defined as the arithmetic average of all shareholder equity as computed in accordance with GAAP and adding back all accumulated depreciation and changes due to non-cash valuations (including those recorded as a component of accumulated other comprehensive income) and other non-cash adjustments, in each case, as of the first day of such calendar year, the first day of each of the second, third and fourth calendar quarters of such calendar year and the first day of the succeeding calendar year.

Front Yard has the flexibility to pay up to 25% of the annual Incentive Fee to us in shares of its common stock, subject to certain conditions specified in the Amended AMA.

Aggregate Fee Cap

The aggregate amount of the Base Management Fees and Incentive Fees payable to us in any calendar year cannot exceed the "Aggregate Fee Cap," which is generally defined as follows:

- For any calendar year in which average Gross Real Estate Assets is less than \$2,250,000,000, the aggregate fees payable to us shall not exceed \$21,000,000; or
- For any calendar years in which average Gross Real Estate Assets exceeds \$2,250,000,000, the aggregate fees payable to us shall not exceed the sum of (i) the applicable Aggregate Fee Floor *plus* (ii) the amount calculated by multiplying the applicable Aggregate Fee Percentage by the amount, if any, by which average Gross Real Estate Assets exceed the applicable Gross Real Estate Assets Floor, in each case as set forth in the table below.

Gross Real Estate Assets	Aggregate Fee Floor	Aggregate Fee Percentage	Gross Real Estate Assets Floor
\$2,250,000,000 – \$2,750,000,000	\$21,000,000	0.650%	\$2,250,000,000
\$2,750,000,000 – \$3,250,000,000	\$24,250,000	0.600%	\$2,750,000,000
\$3,250,000,000 – \$4,000,000,000	\$27,250,000	0.500%	\$3,250,000,000
\$4,000,000,000 – \$5,000,000,000	\$31,000,000	0.450%	\$4,000,000,000
\$5,000,000,000 – \$6,000,000,000	\$35,500,000	0.250%	\$5,000,000,000
\$6,000,000,000 – \$7,000,000,000	\$38,000,000	0.125%	\$6,000,000,000
Thereafter	\$39,250,000	0.100%	\$7,000,000,000

Expenses and Expense Budget

We are responsible for all of our own costs and expenses other than the expenses related to compensation of Front Yard's dedicated general counsel and, beginning in January 2020, certain specified employees who provide direct property management services to Front Yard. Front Yard and its subsidiaries pay their own costs and expenses, and, to the extent such Front Yard expenses are initially paid by us, Front Yard is required to reimburse us for such reasonable costs and expenses.

Termination Provisions

The Amended AMA may be terminated without cause (i) by Front Yard for any reason, or no reason, or (ii) by Front Yard or us in connection with the expiration of the initial term or any renewal term, in either case with 180 days' prior written notice. If the Amended AMA is terminated by Front Yard without cause or in connection with the expiration of the initial term or any renewal term, Front Yard shall pay a termination fee (the "Termination Fee") to us in an amount generally equal to three times the arithmetical mean of the aggregate fees actually paid or payable with respect to each of the three immediately preceding completed calendar years (including any such prior years that may have occurred prior to the Effective Date). Upon any such termination by Front Yard, Front Yard shall have the right, at its option, to license certain intellectual property and technology assets from us.

If the Termination Fee becomes payable (except in connection with a termination by us for cause, which would require the payment of the entire Termination Fee in cash), at least 50% of the Termination Fee must be paid in cash on the termination date and the remainder of the Termination Fee may be paid, at Front Yard's option, either in cash or, subject to certain conditions specified in the Amended AMA, in Front Yard common stock in up to 3 equal quarterly installments (without interest) on each of the six-, nine- and twelve-month anniversaries of the termination date until the Termination Fee has been paid in full.

Front Yard may also terminate the Amended AMA, without the payment of a Termination Fee, upon a change of control of us (as described in the Amended AMA) and "for cause" upon the occurrence of certain events including, without limitation, a final judgment that we or any of our agents, assignees or controlled affiliates has committed a felony or materially violated securities laws; our bankruptcy; the liquidation or dissolution of AAMC; a court determination that we have committed fraud or embezzled funds from Front Yard; a failure of Front Yard to qualify as a REIT as a result of any action or inaction of us; an uncured material breach of a material provision of the Amended AMA; or receipt of certain qualified opinions from our or Front Yard's independent public accounting firm that (i) with respect to such opinions relating to us, are reasonably expected to materially adversely affect either our ability to perform under the Amended AMA or Front Yard, or (ii) with respect to such opinions relating to Front Yard, such opinions are a result of our actions or inaction; in each case, subject to the exceptions and conditions set forth in the Amended AMA. We may terminate the Amended AMA upon an uncured default by Front Yard under the Amended AMA and receive the Termination Fee. A termination "for cause" may be effected by Front Yard with 30 days' written notice or by us with 60 days' written notice. Upon any termination by Front Yard "for cause," Front Yard shall have the right, at its option, to license certain intellectual property and technology assets from us.

Transition Following Termination

Following any termination of the Amended AMA, we are required to cooperate in executing an orderly transition to a new manager or otherwise in accordance with Front Yard's direction including by providing transition services as requested by Front Yard for up to one (1) year after termination or such longer period as may be mutually agreed (including by assisting Front Yard with the recruiting, hiring and/or training of new replacement employees) at cost (but not more than the Base Management Fee at the time of termination).

Termination of the Amended AMA

On August 13, 2020, AAMC and Front Yard entered into the Termination Agreement, pursuant to which they have agreed to terminate the Amended AMA, thereby effectively internalizing the asset management function of Front Yard in exchange for payment of a termination fee and other consideration to AAMC. For a description of the Termination Agreement and its key terms, please see [Note 10](#).

Terms of the Former AMA

On March 31, 2015, we entered into the Former AMA with Front Yard. The Former AMA, which became effective on April 1, 2015, provided for the following management fee structure:

- **Base Management Fee**. We were entitled to a quarterly base management fee equal to 1.5% of the product of (i) Front Yard's average invested capital (as defined in the Former AMA) for the quarter *multiplied by* (ii) 0.25, while it had fewer than 2,500 single-family rental properties actually rented ("Rental Properties"). The base management fee percentage increased to 1.75% of average invested capital while Front Yard had between 2,500 and 4,499 Rental Properties and increased to 2.0% of invested capital while Front Yard had 4,500 or more Rental Properties. Because

Front Yard had more than 4,500 Rental Properties, we were entitled to receive a base management fee of 2.0% of Front Yard's invested capital during the three and six months ended June 30, 2020 and 2019;

- **Incentive Management Fee.** We were entitled to a quarterly incentive management fee equal to 20% of the amount by which Front Yard's return on invested capital (based on AFFO, defined as net income attributable to holders of common stock calculated in accordance with GAAP *plus* real estate depreciation expense *minus* recurring capital expenditures on all real estate assets owned by Front Yard) exceeded an annual hurdle return rate of between 7.0% and 8.25% (or 1.75% and 2.06% per quarter), depending on the 10-year treasury rate. To the extent Front Yard had an aggregate shortfall in its return rate over the previous seven quarters, that aggregate return rate shortfall was added to the normal quarterly return hurdle for the next quarter before we would be entitled to an incentive management fee. The incentive management fee increased to 22.5% while Front Yard has between 2,500 and 4,499 Rental Properties and increased to 25% while Front Yard has 4,500 or more Rental Properties. No incentive management fee under the Former AMA was earned by us because Front Yard's return on invested capital (as defined in the AMA) was below the cumulative required hurdle rate; and
- **Conversion Fee.** We were entitled to a quarterly conversion fee equal to 1.5% of assets converted into leased single-family homes by Front Yard for the first time during the applicable quarter.

Under the Former AMA, Front Yard reimbursed us for the compensation and benefits of the General Counsel dedicated to Front Yard and certain other out-of-pocket expenses incurred on Front Yard's behalf.

6. Share-Based Payments

On January 30, 2020, in order to induce our new Co-Chief Executive Officer to join the Company, we granted 60,000 shares of restricted stock and 60,000 stock options to our newly appointed Co-Chief Executive Officer. The restricted stock and stock options had a weighted average grant date fair value of \$13.11 and \$10.61, respectively. The restricted stock units will vest in four equal annual installments on each of January 30, 2021, 2022, 2023 and 2024, subject to forfeiture and acceleration. The stock options have an exercise price of \$13.11 and consist of two tranches that will vest based on the satisfaction of certain performance criteria and time-based service requirements. The first tranche includes 40,000 stock options and will vest in three allotments beginning on the date the share price equals or exceeds 400% of the exercise price (the "First Performance Goal"). Upon satisfaction of the First Performance Goal, 13,333 options will vest and become exercisable immediately, with the remaining 26,667 options vesting in equal installments on the first and second anniversary of the achievement of the First Performance Goal, subject to forfeiture or expiration. The second tranche of 20,000 stock options will vest in three allotments beginning on the date the share price equals or exceeds 800% of the exercise price of the options (the "Second Performance Goal"). Upon satisfaction of the Second Performance Goal, 6,666 options will vest and become exercisable immediately, with the remaining 13,334 options vesting in equal installments on the first and second anniversary of the Second Performance goal, subject to forfeiture or expiration. All unvested options shall expire on the tenth anniversary of the January 30, 2020 grant date.

On January 23, 2019, we granted 60,329 shares of restricted stock to members of management with a weighted average grant date fair value per share of \$26.68. The restricted stock units will vest in three equal annual installments, the first of which occurred on January 23, 2020 with the remaining installments vesting on January 23, 2021 and 2022, subject to forfeiture or acceleration.

Our Directors each receive annual grants of restricted stock equal to \$60,000 based on the market value of our common stock at the time of the annual stockholders meeting. These shares of restricted stock vest and are issued after a one-year service period, subject to each Director attending at least 75% of the Board and committee meetings.

We recorded \$0.4 million and \$0.9 million of compensation expense related to our share-based compensation for the three and six months ended June 30, 2020, respectively, and we recorded \$0.6 million and \$1.3 million of compensation expense related to our share-based compensation for the three and six months ended June 30, 2019, respectively. As of June 30, 2020 and December 31, 2019, we had an aggregate \$1.7 million and \$1.2 million, respectively, of total unrecognized share-based compensation cost to be recognized over a weighted average remaining estimated term of 2.0 years and 0.8 years, respectively.

7. Income Taxes

We are domiciled in the USVI and are obligated to pay taxes to the USVI on our income. We applied for tax benefits from the USVI Economic Development Commission and received our certificate of benefits (the "Certificate"), effective as of February 1, 2013. Pursuant to the Certificate, as long as we comply with its provisions, we will receive a 90% tax reduction on our USVI-sourced income taxes until 2043.

As of June 30, 2020 and December 31, 2019, we accrued no interest or penalties associated with any unrecognized tax benefits, nor did we recognize any interest expense or penalties during the six months ended June 30, 2020 and 2019.

The following table sets forth the components of our deferred tax assets:

	June 30, 2020	December 31, 2019
Deferred tax assets:		
Stock compensation	\$ 88	\$ 114
Accrued expenses	756	669
Net operating losses	209	357
Lease liabilities	902	955
Front Yard common stock	630	—
Other	69	48
Gross deferred tax assets	2,654	2,143
Deferred tax liability:		
Right-of-use lease assets	860	922
Front Yard common stock	—	42
Depreciation	—	4
Gross deferred tax liabilities	860	968
Net deferred tax assets before valuation allowance	1,794	1,175
Valuation allowance	(946)	(491)
Deferred tax asset, net	\$ 848	\$ 684

8. Earnings Per Share

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Numerator				
Net (loss) income	\$ (7,835)	\$ 3,289	\$ (11,592)	\$ 2,449
Amortization of preferred stock issuance costs	—	(52)	(42)	(103)
Numerator for basic and diluted EPS – net (loss) income attributable to common stockholders	(7,835)	3,237	(11,634)	2,346
Add back amortization of preferred stock issuance costs	—	52	—	103
Numerator for diluted EPS – net (loss) income available to common stockholders after assumed conversions	\$ (7,835)	\$ 3,289	\$ (11,634)	\$ 2,449
Denominator				
Weighted average common stock outstanding – basic	1,629,285	1,589,492	1,622,497	1,585,775
Stock options, treasury stock method	—	13,554	—	13,867
Restricted stock, treasury stock method	—	17,198	—	30,621
Preferred stock, if converted method	—	200,000	—	200,000
Weighted average common stock outstanding – diluted	1,629,285	1,820,244	1,622,497	1,830,263
(Loss) earnings per basic common share	\$ (4.81)	\$ 2.04	\$ (7.17)	\$ 1.48
(Loss) earnings per diluted common share	\$ (4.81)	\$ 1.81	\$ (7.17)	\$ 1.34

We excluded the items presented below from the calculation of diluted earnings per share as they were antidilutive for the periods indicated (\$ in thousands):

	Three months ended June 30, 2020	Six months ended June 30, 2020
Numerator		
Reversal of amortization of preferred stock issuance costs	\$ —	\$ 42
Denominator		
Stock options	7,988	9,549
Restricted stock	49,502	49,768
Preferred stock, if converted	200,000	200,000

9. Segment Information

Our primary business is to provide asset management and certain corporate governance services to institutional investors. Because all of our revenue is derived from the services we provide to Front Yard, we operate as a single segment focused on providing asset management and corporate governance services.

10. Subsequent Events

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

On August 13, 2020, AAMC and Front Yard entered into Termination and Transition Agreement (the "Termination Agreement") pursuant to which they have agreed to effectively internalize the asset management function of Front Yard. The Termination Agreement provides that the Amended AMA will terminate following a transition period to enable the internalization of Front Yard's asset management function, allow for the assignment of certain vendor contracts and implement the transfer of certain employees to Front Yard and the training of required replacement employees at each company. The transition period will end at the time that AAMC and Front Yard mutually agree that all required transition activities have been successfully completed (the "Termination Date"), which will occur no later than February 9, 2021. On the Termination Date, the Amended AMA will terminate, and AAMC will no longer provide services to Front Yard under the Amended AMA. Below are the material terms of the Termination Agreement:

- Front Yard will pay AAMC an aggregate termination fee of \$46,000,000, consisting of the following payments:
 - \$15,000,000 payable in cash within two business days after the execution of the Termination Agreement,
 - \$15,000,000 payable in cash on the Termination Date, and
 - \$16,000,000 payable in cash or Front Yard common stock, at the option of Front Yard and subject to certain conditions, restrictions, and limitations on the Termination Date.
- Front Yard will acquire certain assets from AAMC (which may include the transfer of certain operating assets and personnel or the exchange of the equity interests in Front Yard's and AAMC's India subsidiaries and the transfer of AAMC's Cayman subsidiary) for an aggregate purchase price of \$8,200,000, a portion of which may be paid in Front Yard common stock, at Front Yard's option and subject to certain conditions, restrictions, and limitations.
- Front Yard will continue to pay Base Management Fees to AAMC under the Amended AMA in the amount of \$3,584,000 per quarter through the date that Front Yard delivers written notice to AAMC that the transition has been satisfactorily completed, subject to proration for partial quarters.
- AAMC has agreed to vote any shares of Front Yard common stock that it receives in connection with the termination in accordance with recommendations of the Front Yard board of directors for a period of one year following the Termination Date.
- Upon execution of the Termination Agreement, George G. Ellison and Robin N. Lowe were reinstated as the Co-Chief Executive Officer and Chief Financial Officer, respectively, of AAMC, and Mr. Ellison resigned as Chairman of the Board but will remain a director of AAMC.
- Effective two business days prior to the Termination Date, Mr. Ellison shall resign as a director and as Co-Chief Executive Officer of AAMC.

AAMC expects to file a Current Report on Form 8-K within four business days of the date of the execution of the Termination Agreement providing further details thereof, including the filing of the Termination Agreement as an exhibit thereto.

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

Our Company

Altisource Asset Management Corporation (“we,” “our,” “us” or the “Company”) was incorporated in the United States Virgin Islands (“USVI”) on March 15, 2012. We have been a registered investment adviser under Section 203(c) of the Investment Advisers Act of 1940 since October 2013. We operate in a single segment focused on providing asset management and corporate governance services to institutional investors.

Our primary client is Front Yard Residential Corporation (“Front Yard”), a publicly traded real estate investment trust (“REIT”) focused on acquiring and managing quality, affordable single-family rental (“SFR”) properties for America’s families. Front Yard is currently our primary source of revenue and will drive our results. The services provided to Front Yard by AAMC and the payment terms for such services are governed by an Amended and Restated Asset Management Agreement, dated as of May 7, 2019, between Front Yard and AAMC (the “Amended AMA”).

Since we are heavily reliant on revenues earned from Front Yard, investors may obtain additional information about Front Yard in its Securities and Exchange Commission (“SEC”) filings, including, without limitation, Front Yard’s financial statements and other important disclosures therein, available at <http://www.sec.gov> and <http://ir.frontyardresidential.com/financial-information>.

During the second quarter of 2019, Front Yard commenced a strategic alternatives review process designed to maximize its stockholder value. In light of this process, we appointed a new Co-Chief Executive Officer on January 13, 2020 to serve as an additional resource for us and to be responsible for implementing new business. Our potential new businesses are in the development stage under the leadership and direction of our new Co-Chief Executive Officer and may include asset management services, investments in real estate related assets or other businesses that leverage the experience of our new Co-Chief Executive Officer and our real estate asset acquisition and portfolio management teams. Our incumbent Co-Chief Executive Officer has continued to focus on the business of Front Yard and the completion of its strategic alternatives review.

On February 17, 2020, Front Yard entered into an Agreement and Plan of Merger (the “Merger Agreement”) with affiliates of Amherst Single Family Residential Partners VI, LP (“Amherst”), providing for the acquisition of Front Yard by Amherst (the “Merger”). The Merger was expected to close in the second quarter of 2020, following the approval of the holders of a majority of Front Yard’s outstanding shares and the satisfaction of customary closing conditions.

On May 4, 2020, Front Yard and Amherst determined to terminate the Merger transaction and entered into a Termination and Settlement Agreement to terminate that the Merger Agreement. As contemplated by the Termination and Settlement Agreement, Amherst has agreed to pay Front Yard a \$25 million cash termination fee, purchase from Front Yard 4.4 million shares of Front Yard common stock for an aggregate cash purchase price of \$55 million (\$12.50 per share) and provide Front Yard with a \$20 million committed unsecured multi-draw lending facility. Although it was anticipated that Amherst would provide a notice to terminate the Amended AMA upon consummation of the Merger, the termination of the Merger Agreement has resulted in the Amended AMA remaining in full force and effect between Front Yard and AAMC. As such, we have continued to provide portfolio management and certain corporate governance services to Front Yard under the Amended AMA.

While the Amended AMA remains in force, we expect that our new Co-Chief Executive Officer will continue to develop and implement new businesses while AAMC continues to provide services to Front Yard. For information on the potential risks to AAMC in relation to potential new business initiatives, see “Item 1A. Risk Factors” of our [Annual Report on Form 10-K](#) for the year ended December 31, 2019 filed with the Securities and Exchange Commission (“SEC”) on February 28, 2020.

On August 13, 2020, AAMC and Front Yard entered into Termination and Transition Agreement (the “Termination Agreement”), pursuant to which they have agreed to terminate the Amended AMA after a transition period, thereby effectively internalizing the asset management function of Front Yard in exchange for payment of a termination fee and other consideration to AAMC. For a description of the Termination Agreement and its key terms, please see [Item 1 - Financial statements \(unaudited\) - “Note 10. Subsequent Events”](#) and “Management Overview” below.

Additionally, our wholly owned subsidiary, NewSource Reinsurance Company Ltd. (“NewSource”), is a title insurance and reinsurance company licensed with the Bermuda Monetary Authority. NewSource commenced reinsurance activities during the second quarter of 2014. In December 2014, NewSource determined that the economics of the initial business did not warrant the continuation of its initial reinsurance quota share agreement with an unrelated third party. NewSource therefore transferred all of the risk of claims and future losses underwritten to an unrelated third party, and its reinsurance and insurance business has been dormant since that time.

Management Overview

Since joining us in January 2020, our new Co-Chief Executive Officer has been in the process of developing new business initiatives for AAMC. Though our potential new businesses are in the development stage, we expect that they will include asset management services, investments in real estate related assets or other businesses that leverage the experience of our new Co-Chief Executive Officer and our real estate asset acquisition and portfolio management teams. We have also been exploring opportunities to develop lending platforms for mortgage origination and servicing related businesses for which AAMC can collect asset management fees and, potentially, interest income and referral commissions.

In the first and second quarters of 2020, we formed a new fund structure that will be managed by AAMC in line with the new business initiatives of our new Co-Chief Executive Officer. On August 12, 2020, we secured a firm, non-binding commitment of a \$20.0 million investment from a strategic investor for the fund, which will initially be focused on, among other things, the origination and underwriting of short duration construction loans for the single-family rental market. We are also making progress on obtaining additional strategic investors in the fund throughout the remainder of 2020.

During the second quarter of 2020, we also continued to improve the operating efficiency of Front Yard's internal property management platform, and we have seen significant improvements in Front Yard's occupancy levels and unit turn timelines, which has translated into Front Yard's best yet operating metrics during the second quarter of 2020 despite the COVID-19 pandemic.

We have also continued to target optimized performance of Front Yard's SFR portfolio by marketing certain rental properties for sale that do not meet Front Yard's strategic objectives. During the quarter ended June 30, 2020, we assisted Front Yard in the sale of 25 non-core rental homes on an individual basis, and we have identified 120 non-core rental properties for sale as of June 30, 2020. We also assisted Front Yard in its disposition of 5 non-rental REO properties, and Front Yard has 8 non-rental REO properties remaining to be sold as of June 30, 2020. We believe these non-core asset sales will allow Front Yard to improve its operating efficiency, recycle capital that may be used to purchase pools of stabilized rental homes at attractive yields, repurchase common stock, pay down debt or utilize the proceeds for such other purposes as it determine will best serve its our stockholders.

On August 13, 2020, AAMC and Front Yard entered into Termination and Transition Agreement (the "Termination Agreement") pursuant to which they have agreed to effectively internalize the asset management function of Front Yard. The Termination Agreement provides that the Amended AMA will terminate following a transition period to enable the internalization of Front Yard's asset management function, allow for the assignment of certain vendor contracts and implement the transfer of certain employees to Front Yard and the training of required replacement employees at each company. The transition period will end at the time that AAMC and Front Yard mutually agree that all required transition activities have been successfully completed (the "Termination Date"), which will occur no later than February 9, 2021. On the Termination Date, the Amended AMA will terminate, and AAMC will no longer provide services to Front Yard under the Amended AMA. Below are the material terms of the Termination Agreement:

- Front Yard will pay AAMC an aggregate termination fee of \$46,000,000, consisting of the following payments:
 - \$15,000,000 payable in cash within two business days after the execution of the Termination Agreement,
 - \$15,000,000 payable in cash on the Termination Date, and
 - \$16,000,000 payable in cash or Front Yard common stock, at the option of Front Yard and subject to certain conditions, restrictions, and limitations on the Termination Date.
- Front Yard will acquire certain assets from AAMC (which may include the transfer of certain operating assets and personnel or the exchange of the equity interests in Front Yard's and AAMC's India subsidiaries and the transfer of AAMC's Cayman subsidiary) for an aggregate purchase price of \$8,200,000, a portion of which may be paid in Front Yard common stock, at Front Yard's option and subject to certain conditions, restrictions, and limitations.
- Front Yard will continue to pay Base Management Fees to AAMC under the Amended AMA in the amount of \$3,584,000 per quarter through the date that Front Yard delivers written notice to AAMC that the transition has been satisfactorily completed, subject to proration for partial quarters.
- AAMC has agreed to vote any shares of Front Yard common stock that it receives in connection with the termination in accordance with recommendations of the Front Yard board of directors for a period of one year following the Termination Date.
- Upon execution of the Termination Agreement, George G. Ellison and Robin N. Lowe were reinstated as the Co-Chief Executive Officer and Chief Financial Officer, respectively, of AAMC, and Mr. Ellison resigned as Chairman of the Board but will remain a director of AAMC.

- Effective two business days prior to the Termination Date, Mr. Ellison shall resign as a director and as Co-Chief Executive Officer of AAMC.

AAMC expects to file a Current Report on Form 8-K within four business days of the date of the execution of the Termination Agreement providing further details thereof, including the filing of the Termination Agreement as an exhibit thereto.

COVID-19 Pandemic Update

Due to the current COVID-19 pandemic in the United States and globally, our business, our employees and the economy as a whole could be, and could continue to be, adversely impacted. The magnitude and duration of the COVID-19 pandemic and its impact on our cash flows and future results of operations could be significant and will largely depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic, the success of actions taken to contain or treat the pandemic, and reactions by consumers, companies, governmental entities and capital markets. Although COVID-19 to date has not adversely impacted our revenues as we continue to rely on a minimum asset management fee, the prolonged duration and impact of the COVID-19 pandemic on our primary client, or on any our new businesses in development, could cause or result in office closures and other related disruptions that could materially adversely impact our business operations and impact our financial performance.

We remain committed to the safety of our employees and to providing quality service to Front Yard. We had previously implemented a robust technology platform to enable us to seamlessly transition to a remote workplace in order to continue our normal operations without disruption to our or Front Yard's business. We are proud of the quality of service, focus and dedication our employees have demonstrated during this unprecedented time.

Asset Management Agreement with Front Yard

For details of the Amended AMA and the former asset management agreement dated as of March 31, 2015 (the "Former AMA") with Front Yard, see [Item 1 - Financial statements \(unaudited\) - "Note 5. Related Party Transactions"](#) as well as [Item 1 - Financial statements \(unaudited\) - "Note 10. Subsequent Events."](#)

Metrics Affecting our Consolidated Results

Revenues

Our revenues consist of fees due to us under the asset management agreements with Front Yard. Under the Amended AMA, our revenues include a quarterly Base Management Fee and a potential annual Incentive Fee, each of which are dependent upon Front Yard's performance and are subject to potential downward adjustments and an aggregate fee cap. Beginning in the third quarter of 2019 (the first full quarter under the Amended AMA), the Base Management Fee we recognize under the Amended AMA is subject to a quarterly minimum of \$3,584,000. We expect to receive the minimum Base Management Fee through the date that Front Yard delivers written notice to us that the transition under the Termination Agreement has been satisfactorily completed, subject to proration for partial quarters; thereafter, we expect to no longer receive management fees from Front Yard.

Under the Former AMA, our revenues included a base management fee and a conversion fee. The base management fee was calculated as a percentage of Front Yard's average invested capital, and the conversion fee was based on the number and value of mortgage loans and/or REO properties that Front Yard converted to rental properties for the first time in each period.

Under both the Amended AMA and the Former AMA, our revenues also include reimbursements of certain expenses in our management of Front Yard's business, which relate primarily to travel and other out-of-pocket expenses solely related to our management of Front Yard's business and the base salary, bonus, benefits and stock compensation, if any, solely of the General Counsel dedicated to Front Yard. Beginning in January 2020, we are also reimbursed for certain specified employees who provide direct property management services to Front Yard. All other salary, bonus, benefits and stock compensation of AAMC's employees (other than Front Yard share-based compensation issued to them by Front Yard) are the responsibility of AAMC and are not reimbursed by Front Yard pursuant to the Amended AMA.

In addition, we have historically received dividends on the shares of Front Yard common stock that we own when Front Yard declares and pays dividends to its holders of common stock. Upon the declaration of such dividends, we record them as other income. The amount of dividends we receive will vary with Front Yard's financial performance, taxable income, liquidity needs and other factors deemed relevant by Front Yard's Board of Directors, and commencing in the first quarter of 2020, Front Yard

has determined not to pay dividends on its common stock until further notice or until required under REIT qualification rules applicable to Front Yard. Lastly, we recognize changes in the fair value of our holdings of Front Yard common stock as other income or loss that will be directly dependent upon fluctuations in the market price of Front Yard's common stock.

As we continue to focus on developing and implementing new businesses and obtaining additional clients for our company, the results of these new businesses, as well as any additional asset management fees related to such businesses, are expected to affect our revenues and results of operations.

Expenses

Our expenses consist primarily of salaries and employee benefits, legal and professional fees and general and administrative expenses. Salaries and employee benefits include the base salaries, incentive bonuses, medical coverage, retirement benefits, non-cash share-based compensation and other benefits provided to our employees for their services. Legal and professional fees include services provided by third-party attorneys, accountants and other service providers of a professional nature. General and administrative expenses include costs related to the general operation and overall administration of our business as well as non-cash share-based compensation expense related to restricted stock awards to our Directors.

Results of Operations

The following sets forth discussion of our results of operations for the three and six months ended June 30, 2020 and 2019.

Three and Six Months Ended June 30, 2020 Compared to Three and Six Months Ended June 30, 2019

Management Fees and Expense Reimbursements

Pursuant to the Amended AMA and Former AMA, we recognized base management fees from Front Yard of \$3.6 million and \$7.2 million during the three and six months ended June 30, 2020, respectively, and \$3.6 million and \$7.1 million for the three and six months ended June 30, 2019, respectively. The increase in base management fees is primarily driven by the Minimum Base Fee of \$3.6 million per quarter becoming applicable beginning in May 2019.

We recognized conversion fees from Front Yard of \$29,000 during the three and six months ended June 30, 2019. Under the Amended AMA, we no longer receive conversion fees from Front Yard.

We recognized expense reimbursements due from Front Yard of \$0.7 million and \$1.1 million during the three and six months ended June 30, 2020, respectively, compared to \$0.3 million and \$0.7 million during the three and six months ended June 30, 2019, respectively. Expense reimbursements relate primarily to travel and other out-of-pocket costs in managing Front Yard's business and the employment costs related to employees dedicated to Front Yard.

Salaries and Employee Benefits

Salaries and employee benefits were \$4.8 million and \$9.4 million during the three and six months ended June 30, 2020, respectively, compared to \$4.2 million and \$8.7 million during the three and six months ended June 30, 2019, respectively. This increase is primarily due to by higher salaries and benefits associated with increased headcount, including our new Co-Chief Executive Officer, partially offset by reduced share-based compensation expense.

Legal and Professional Fees

Legal and professional fees were \$1.8 million and \$3.3 million during the three and six months ended June 30, 2020, respectively, compared to \$1.4 million and \$1.7 million during the three and six months ended June 30, 2019, respectively. This increase is primarily driven by legal and professional fees related to litigation, internal inquiries and consideration of matters related to the Amended AMA as well as fees incurred in the creation of new business lines.

General and Administrative Expenses

General and administrative expenses were \$0.9 million and \$2.0 million during the three and six months ended June 30, 2020, respectively, compared to \$0.9 million and \$1.9 million during the three and six months ended June 30, 2019, respectively. This increase is primarily due to increased occupancy costs related to an office space leased in the third quarter of 2019 and increased director compensation, partially offset by reduced travel expenses.

Change in Fair Value of Front Yard Common Stock

The change in fair value of Front Yard common stock was \$(5.3) million and \$(5.9) million during the three and six months ended June 30, 2020, respectively, compared to \$4.8 million and \$5.7 million during the three and six months ended June 30, 2019, respectively. These changes in fair value were due solely to changes in the market price of Front Yard's common stock, as reported at quarter end on the New York Stock Exchange.

Dividend Income on Front Yard Common Stock

Dividends recognized on shares of Front Yard common stock were \$0 and \$0.2 million during the three and six months ended June 30, 2020, respectively, compared to \$0.2 million and \$0.5 million during the three and six months ended June 30, 2019, respectively. The amount of dividends we receive may vary with Front Yard's financial performance, taxable income, liquidity needs and other factors deemed relevant by Front Yard's Board of Directors. Commencing in the first quarter of 2020, Front Yard has determined not to pay dividends on its common stock until further notice or until required under REIT qualification rules applicable to Front Yard.

Liquidity and Capital Resources

As of June 30, 2020, we had cash and cash equivalents of \$15.8 million compared to cash and cash equivalents of \$20.0 million and short-term investments of \$0.5 million as of December 31, 2019. The reduction in the cash and cash equivalents in 2020 was primarily due to payment of annual incentive compensation, ongoing salaries and benefits and general corporate expenses in excess of revenues. At June 30, 2020, we also had \$14.1 million in Front Yard common stock, a decrease from \$20.0 million as of December 31, 2019, due solely to the decrease in Front Yard's stock price during the first six months of 2020. In connection with the Termination Agreement with Front Yard described above, we expect to receive a cash payment of \$18.2 million in August 2020 and another \$36 million in termination and related payments on the termination date, of which \$21 million may be paid in cash or Front Yard common stock at the option of Front Yard. We will also continue to generate asset management fees from Front Yard through the date that Front Yard delivers written notice to AAMC that the transition has been satisfactorily completed. We believe that these sources of liquidity will be sufficient to enable us to meet anticipated short-term (one year) liquidity requirements to run our operations since (i) we are continuing to generate asset management fees under the AMA, (ii) we are seeking to generate revenues or interest income in connection with new business initiatives and (iii) to the extent declared and paid by Front Yard, we may receive dividends on the Front Yard common stock we own. Our ongoing cash expenditures are salaries and employee benefits, legal and professional fees, lease obligations and other general and administrative expenses.

Between January 31, 2020 and February 3, 2020, we received purported notices from holders of our shares of convertible preferred stock ("Series A Shares") requesting us to redeem an aggregate of \$250,000,000 liquidation preference of our Series A Shares on March 15, 2020. We do not have legally available funds to redeem all of the Series A Shares on March 15, 2020. As a result, we do not believe, under the terms of the Certificate of Designations of the Series A Shares (the "Certificate"), that we are obligated to redeem any of the Series A Shares under the Certificate, and, on January 27, 2020, we filed a claim for declaratory relief in the Superior Court of the Virgin Islands, Division of St. Croix, against Luxor Capital Group, LP and certain of its funds and managed accounts (collectively, "Luxor") to confirm our interpretation of the Certificate. Luxor has removed the action to the U.S District Court for the Virgin Islands, and, on March 24, 2020, AAMC moved to remand the action back to the Superior Court of the Virgin Islands, Division of St. Croix. That motion is fully briefed and pending decision. On May 15, 2020, Luxor moved to dismiss AAMC's declaratory judgment complaint. That motion has been fully briefed and submitted to the Court as of July 29, 2020.

On February 3, 2020, Luxor filed a complaint in the Supreme Court of the State of New York, County of New York, against AAMC for breach of contract, specific performance, unjust enrichment, and related damages and expenses. The complaint alleges that AAMC's position that it will not redeem any of Luxor's Series A Shares on the March 15, 2020 redemption date is a material breach of AAMC's redemption obligations under the Certificate. Luxor seeks an order requiring AAMC to redeem its Series A Shares, recovery of no less than \$144,212,000 in damages, which is equal to the amount Luxor would receive if AAMC redeemed all of Luxor's Series A Shares at the redemption price of \$1,000 per share set forth in the Certificate, as well as payment of its costs and expenses in the lawsuit. In the alternative, Luxor seeks a return of its initial purchase price of \$150,000,000 for the Series A Shares, as well as payment of its costs and expenses in the lawsuit. On May 25, 2020, Luxor's complaint was amended to add Putnam Equity Spectrum Fund and Putnam Capital Spectrum Fund (collectively, "Putnam"), which also invested in the Series A Shares, as plaintiff. Putnam holds 81,800 Series A Shares. Collectively, Luxor and Putnam seek a recovery of no less than \$226,012,000 in damages, which is equal to the amount Luxor and Putnam would receive if

AAMC redeemed all of Luxor’s and Putnam’s Series A Shares at the redemption price of \$1,000 per share set forth in the Certificate, as well as payment of their costs and expenses in the lawsuit. In the alternative, Luxor and Putnam seek a return of the initial purchase price of \$231,800,000 for the Series A Shares, as well as payment of their costs and expenses in the lawsuit.

AAMC intends to continue to pursue its strategic business initiatives despite this litigation. If Luxor and Putnam were to prevail in its lawsuit, we may need to cease or curtail our business initiatives and our liquidity could be materially and adversely affected. For more information on the potential risks to AAMC in relation to these legal proceedings, see “Item 1A. Risk Factors” of our [Annual Report on Form 10-K](#) for the year ended December 31, 2019 filed with the Securities and Exchange Commission (“SEC”) on February 28, 2020.

Treasury Shares

At June 30, 2020, a total of \$268.7 million in shares of our common stock had been repurchased under the authorization by our Board of Directors to repurchase up to \$300.0 million in shares of our common stock. Repurchased shares are held as treasury stock and are available for general corporate purposes. We have an aggregate of \$31.3 million remaining available for repurchases under our Board-approved repurchase plan.

Cash Flows

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

	Six months ended June 30,	
	2020	2019
Net cash used in operating activities	\$ (4,317)	\$ (5,619)
Net cash provided by (used in) investing activities	461	(383)
Net cash used in financing activities	(182)	(201)
Net change in cash and cash equivalents	\$ (4,038)	\$ (6,203)

Net cash used in operating activities for the six months ended June 30, 2020 consisted primarily of payment of annual incentive compensation, payment of a signing bonus to our new Co-Chief Executive Officer, ongoing salaries and benefits, payments of ongoing lease obligations and general corporate expenses in excess of revenues. Net cash used in operating activities for the six months ended June 30, 2019 consisted primarily of payment of annual incentive compensation, ongoing salaries and benefits, dividends on preferred stock issued under the 2016 Employee Preferred Stock Program, payments of ongoing lease obligations and general corporate expenses in excess of revenues.

Net cash provided by investing activities for the six months ended June 30, 2020 consisted primarily of proceeds from the maturities of short-term investments. Net cash used in investing cash flows during the six months ended June 30, 2019 consisted primarily of proceeds from the maturities of short-term investments, partially offset by investments in short-term investments.

Net cash used in financing activities for the six months ended June 30, 2020 and 2019 primarily related to shares withheld for taxes upon vesting of restricted stock.

Off-balance Sheet Arrangements

We had no off-balance sheet arrangements as of June 30, 2020 or December 31, 2019.

Recent Accounting Pronouncements

See [Item 1 - Financial statements \(unaudited\) - “Note 1. Organization and basis of presentation - Recently issued accounting standards.”](#)

Critical Accounting Judgments

Accounting standards require information in financial statements about the risks and uncertainties inherent in significant estimates, and the application of generally accepted accounting principles involves the exercise of varying degrees of judgment. Certain amounts included in or affecting our financial statements and related disclosures must be estimated requiring us to make certain assumptions with respect to values or conditions that cannot be known with certainty at the time our condensed consolidated financial statements are prepared. These estimates and assumptions affect the amounts we report for our assets and liabilities and our revenues and expenses during the reporting period and our disclosure of contingent assets and liabilities at the date of our condensed consolidated financial statements. Actual results may differ significantly from our estimates and any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

For additional details on our critical accounting judgments, please see “Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Judgments” in our [Annual Report on Form 10-K](#) for the year ended December 31, 2019 as filed with the SEC on February 28, 2020.

Item 3. Quantitative and qualitative disclosures about market risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. The primary market risk that we are currently exposed to is market risk related to our investment in Front Yard's common stock.

Investment Risk Relating to Front Yard's Common Stock

We hold an aggregate of 1,624,465 shares of Front Yard common stock, and we may purchase or otherwise acquire additional shares of Front Yard common stock from time to time. If additional purchases are commenced, any such purchases of Front Yard common stock by us may be discontinued at any time, or we may commence sales of such common stock. To the extent we have purchased, or continue to acquire, Front Yard common stock, we will be exposed to risks and uncertainties with respect to our ownership of such shares, including downward pressure on Front Yard's stock price, including, without limitation, following Front Yard's announcement that it terminated the Merger Agreement with Amherst, a reduction or increase of dividends declared and paid on the Front Yard stock and/or an inability to dispose of such shares at a time when we otherwise may desire or need to do so. There can be no assurance that we will be successful in mitigating such risks.

In addition, under the terms of the Termination Agreement, Front Yard, at its option, may pay up to \$21.0 million of the termination fee and other consideration in shares of its common stock. Should Front Yard make this election, we would further be exposed to the above-described market risk on the shares we receive.

Item 4. Controls and procedures

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

Our Co-Chief Executive Officer and Interim Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this quarterly report. Based upon that evaluation, management has determined that the Company's disclosure controls and procedures were effective as of June 30, 2020.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Controls

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

Part II

Item 1. Legal proceedings

For a description of the Company's legal proceedings, refer to [Item 1 - Financial Statements \(Unaudited\) - Note 4, "Commitments and Contingencies"](#) of the interim condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 1A. Risk factors

There have been no material changes in our risk factors since December 31, 2019 other than the risk factors provided below. For information regarding our risk factors, you should carefully consider the risk factors discussed below as well as the risk factors disclosed in "Item 1A. Risk factors" in our [Annual Report on Form 10-K](#) for the year ended December 31, 2019 filed on February 28, 2020.

Because we derive all of our revenues from Front Yard pursuant to the Amended AMA and we have not yet fully developed new business initiatives, the termination of the Amended AMA pursuant to the Termination Agreement could be materially detrimental to us as well as our financial condition and prospects.

On May 7, 2019, we entered into the Amended AMA with Front Yard, which replaced the Former AMA. We have continued to generate all of our revenues from Front Yard, as Front Yard has been our principal client. In the Amended AMA, we negotiated, among other things, (i) a new minimum base management fee, which replaced the base management fee that had been diminishing each quarter under the Former AMA and (ii) a new termination fee to be paid to AAMC in the event Front Yard terminates the Amended AMA "for convenience" including following a change of control of Front Yard. Previously, under the Former AMA, Front Yard could only terminate the Former AMA following a change of control of Front Yard, for other performance failures or for "cause" without paying a termination fee. On August 13, 2020, we entered into the Termination Agreement with Front Yard, pursuant to which the Amended AMA will be terminated following a transition period in exchange for termination payments and other consideration more fully described in [Part I, Item 1 - Financial statements \(unaudited\) - "Note 10. Subsequent Events"](#) and [Part I, Item 2. - Management's discussion and analysis of financial condition and results of operations - "Management Overview."](#) Following the transition period under the Termination Agreement, our current management fees received from Front Yard will reduce to \$0. To the extent Front Yard pays a portion of the Termination Fee in stock, we would be subject to the market risks related to Front Yard or any successor entity that is in addition to the risks associated with the Front Yard stock we already own. To the extent we are unable to fully develop any new businesses or obtain any additional asset management clients following a termination by Front Yard, our results of operations and financial condition would be materially adversely affected.

On February 17, 2020, Front Yard had entered into the Merger Agreement with Amherst that was expected to close in the second quarter of 2020. On May 4, 2020, Front Yard and Amherst determined not to close the Merger transaction and reach a settlement agreement. Although it was anticipated that Amherst would provide a notice to terminate the Amended AMA upon consummation of the Merger, the termination of the Merger Agreement has resulted in the Amended AMA remaining in full force and effect between Front Yard and AAMC until the termination date under the Termination Agreement. As such, we expect to continue to provide portfolio management and certain corporate governance services to Front Yard through the termination date under the Amended AMA, which currently is generating losses for AAMC.

As such, our potential profitability may be dependent on our ability to develop and implement profitable new and alternative businesses for AAMC to generate returns for our stockholders, or we may become dependent on new additional liquidity after the termination fees and other consideration are paid to us under the Termination Agreement. In any event, AAMC may not be able to successfully implement such new businesses and/or replace any lost revenues from the termination of the Amended AMA by Front Yard on a timely basis or at all, which would have a material adverse effect on us.

We may be unable to complete the actions required of us under the Termination Agreement in a timely or cost effective manner, and such required actions may have a material negative impact on our financial condition and results of operations.

The Termination Agreement provides for a transition period during which we are required to transfer certain assets to Front Yard, assign certain vendor contracts and transfer certain employees to Front Yard and train required replacement employees at each company. We may be unable to complete the actions required of us during the transition period under the Termination Agreement in a timely or cost effective manner, and we may not be able to obtain necessary replacement vendor contracts on favorable terms or at all. We also may not be able to hire and/or train suitable replacements for the employees transferred to Front Yard. The transfer of certain assets to Front Yard may also require us to pay certain taxes, which may be material to us. In the event that we are unable to complete the transition in a timely and cost effective manner, we are unable to obtain suitable replacement vendor contracts or employees or we are required to pay significant taxes in connection with the transfer of assets, it may have a material negative impact on our financial condition and results of operations.

The COVID-19 pandemic and ensuing governmental responses could materially adversely effect our financial condition and results of operations.

As a result of the COVID-19 pandemic, governmental authorities have implemented and are continuing to implement numerous and constantly evolving measures to try to contain the virus, such as travel bans and restrictions, limits on gatherings, quarantines, shelter-in-place orders and business shutdowns. All of our offices have been affected by the outbreak. These measures have impacted and may further impact our workforce and operations, as well as those of our vendors. Although many governmental measures have had specific expiration dates, some of those measures have already been extended more than once. Although our employees are working from home, the constraints and limits imposed on our operations may impede our service to Front Yard under the Amended AMA and/or slow or diminish our efforts to develop new business lines. These restrictions on our operations and workforce, or similar limitations for our vendors, could have a material adverse effect on our financial condition and results of operations.

The outbreak has significantly increased economic uncertainty. We anticipate that the current outbreak or continued spread of COVID-19 will cause an economic slowdown, and it is possible that it could cause a global recession. The degree to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus and address its impact and how quickly and to what extent normal economic and operating conditions can resume.

In response to these developments, we have modified our business practices, including restricting employee travel, modifying employee work locations and implementing social distancing. Many of our vendors and service providers have made similar modifications. The resources available to employees working remotely may not enable them to maintain the same level of productivity and efficiency, and these and other employees may face additional demands on their time, such as increased responsibilities resulting from school closures or the illness of family members. Further, our increased reliance on remote access to our information systems increases our exposure to potential cybersecurity breaches. We may take further actions as government authorities require or recommend or as we determine to be in the best interests of our employees, vendors, suppliers and Front Yard. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, in which case our employees may become sick, our ability to perform critical functions could be harmed, and we may be unable to respond to the needs of our business. The resumption of normal business operations after such interruptions may be delayed or constrained by lingering effects of COVID-19 on our suppliers, third-party service providers, and/or Front Yard.

Item 4. Mine safety disclosures

Not applicable.

Item 6. Exhibits**Exhibits**

Exhibit Number	Description
2.1	Separation Agreement, dated as of December 21, 2012, between Altisource Asset Management Corporation and Altisource Portfolio Solutions S.A. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the SEC on December 28, 2012).
3.1	Amended and Restated Articles of Incorporation of Altisource Asset Management Corporation (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the SEC on January 5, 2017).
3.2	Third Amended and Restated Bylaws of Altisource Asset Management Corporation (incorporated by reference to Exhibit 3.2 of the Registrant's Annual Report on Form 10-Q filed with the SEC on February 28, 2020).
3.3	Certificate of Designations establishing the Company's Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the SEC on March 19, 2014).
31.1 *	Certification of Co-Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.2 *	Certification of Interim Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
32.1 *	Certification of Co-Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act
32.2 *	Certification of Interim Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Extension Labels Linkbase
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.

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

I, Indroneel Chatterjee, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Altisource Asset Management Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2020

By: /s/ Indroneel Chatterjee
Indroneel Chatterjee
Co-Chief Executive Officer

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

I, Rene Dittrich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Altisource Asset Management Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2020

By: /s/ Rene Dittrich
Rene Dittrich
Interim Chief Financial Officer

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

The undersigned, the Co-Chief Executive Officer of Altisource Asset Management Corporation (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the quarterly report on Form 10-Q for the quarter ended June 30, 2020 (“Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: August 14, 2020

By: /s/ Indroneel Chatterjee
Indroneel Chatterjee
Co-Chief Executive Officer

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

The undersigned, the Interim Chief Financial Officer of Altisource Asset Management Corporation (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the quarterly report on Form 10-Q for the quarter ended June 30, 2020 ("Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: August 14, 2020

By: /s/ Rene Dittrich
Rene Dittrich
Interim Chief Financial Officer