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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 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	**66-0783125**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

(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 October 30, 2020, 1,650,212 shares of our common stock were outstanding (excluding 1,315,995 shares held as treasury stock).

Altisource Asset Management Corporation
September 30, 2020
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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;
- our ability to successfully complete the transition period under the Termination and Transition Agreement dated August 13, 2020 (the “Termination Agreement”);
- our ability to retain and recruit 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 build, 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 its announced merger transaction, which could affect the value of the shares of Front Yard held by us or to be acquired as part of the Termination Agreement;
- the failure of our service providers to effectively perform their obligations under their agreements with us;
- our ability to effectively manage the performance of Front Yard through the termination of the asset management agreement with Front Yard pursuant to the Termination Agreement;
- 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;
- 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)

	September 30, 2020	December 31, 2019
	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 30,711	$ 18,906
Front Yard common stock, at fair value	14,198	20,046
Receivable from Front Yard	34,967	5,014
Prepaid expenses and other assets	1,659	1,009
Current assets held for sale	2,619	2,176
Total current assets	84,154	47,151
Non-current assets:		
Right-of-use lease assets	675	732
Other non-current assets	1,287	1,470
Non-current assets held for sale	3,705	3,895
Total non-current assets	5,667	6,097
Total assets	$ 89,821	$ 53,248
Current liabilities:		
Accrued salaries and employee benefits	$ 3,991	$ 3,762
Accounts payable and accrued liabilities	2,920	1,165
Contract liability to Front Yard	33,733	—
Short-term lease liabilities	75	71
Current liabilities held for sale	2,001	2,002
Total current liabilities	42,720	7,000
Non-current liabilities:		
Non-current lease liabilities	620	675
Non-current liabilities held for sale	3,317	3,543
Total non-current liabilities	3,937	4,218
Total liabilities	46,657	11,218
Commitments and contingencies (Note 5)	—	—
Redeemable preferred stock:		
Preferred stock, $0.01 par value, 250,000 shares issued and outstanding as of September 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 September 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	45,865	44,646
Retained earnings	23,782	23,662
Accumulated other comprehensive loss	(84)	(33)
Treasury stock, at cost, 1,310,480 shares as of September 30, 2020 and 1,298,665 shares as of December 31, 2019	(276,428)	(276,232)
Total stockholders' deficit	(206,836)	(207,928)
Total liabilities and equity	$ 89,821	$ 53,248

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Expenses:				
Salaries and employee benefits	$ 1,668	$ 2,827	$ 8,081	$ 8,634
Legal and professional fees	1,455	351	4,681	1,964
General and administrative	559	658	1,709	1,690
Total expenses	3,682	3,836	14,471	12,288
Other income (loss):				
Change in fair value of Front Yard common stock	65	(1,072)	(5,848)	4,597
Dividend income on Front Yard common stock	—	244	244	731
Other income	5	40	29	130
Total other income (loss)	70	(788)	(5,575)	5,458
Net loss from continuing operations before income taxes	(3,612)	(4,624)	(20,046)	(6,830)
Income tax (benefit) expense	(523)	843	(1,091)	29
Net loss from continuing operations	(3,089)	(5,467)	(18,955)	(6,859)
Discontinued operations:				
Income from operations related to Front Yard, net of tax	14,843	1,944	19,117	5,785
Gain on discontinued operations	14,843	1,944	19,117	5,785
Net income (loss)	11,754	(3,523)	162	(1,074)
Amortization of preferred stock issuance costs	—	(52)	(42)	(155)
Net income (loss) attributable to common stockholders	$ 11,754	$ (3,575)	$ 120	$ (1,229)
Earnings (loss) per share of common stock – basic:				
Continuing operations – basic	$ (1.89)	$ (3.47)	$ (11.69)	$ (4.42)
Discontinued operations – basic	9.09	1.22	11.76	3.65
Earnings (loss) per basic common share	$ 7.20	$ (2.25)	$ 0.07	$ (0.77)
Weighted average common stock outstanding – basic	1,632,117	1,590,739	1,625,727	1,587,448
Earnings (loss) per share of common stock – diluted:				
Continuing operations – diluted	$ (1.89)	$ (3.47)	$ (11.69)	$ (4.42)
Discontinued operations – diluted	9.09	1.22	11.76	3.65
Earnings (loss) per diluted common share	$ 7.20	$ (2.25)	$ 0.07	$ (0.77)
Weighted average common stock outstanding – diluted	1,632,117	1,590,739	1,625,727	1,587,448

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income (loss)	$ 11,754	$ (3,523)	$ 162	$ (1,074)
Other comprehensive income (loss):				
Currency translation adjustments, net	42	(37)	(51)	(20)
Total other comprehensive income (loss)	42	(37)	(51)	(20)
Comprehensive income (loss)	$ 11,796	$ (3,560)	$ 111	$ (1,094)

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 Number of Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Deficit
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)
Share-based compensation	—	—	335	—	—	—	335
Currency translation adjustments, net	—	—	—	—	42	—	42
Net income	—	—	—	11,754	—	—	11,754
September 30, 2020	2,942,597	$ 29	$ 45,865	$ 23,782	$ (84)	$ (276,428)	$ (206,836)

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock						
	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Deficit
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)
Amortization of preferred stock issuance costs	—	—	—	(52)	—	—	(52)
Share-based compensation	—	—	580	—	—	—	580
Currency translation adjustments, net	—	—	—	—	(37)	—	(37)
Net loss	—	—	—	(3,523)	—	—	(3,523)
September 30, 2019	2,886,009	$ 29	$ 44,111	$ 25,252	$ (20)	$ (276,189)	$ (206,817)

See accompanying notes to condensed consolidated financial statements.

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

	Nine months ended September 30,	
	2020	**2019**
Operating activities:		
Net income (loss)	$ 162	$ (1,074)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Share-based compensation	1,205	1,866
Change in fair value of Front Yard common stock	5,848	(4,597)
Depreciation	328	285
Amortization of operating lease right-of-use assets	313	226
Changes in operating assets and liabilities:		
Receivable from Front Yard	(29,953)	(200)
Prepaid expenses and other assets	(855)	(521)
Other non-current assets	(109)	115
Accrued salaries and employee benefits	118	(766)
Accounts payable and accrued liabilities	(1,259)	(19)
Contract liability to Front Yard	33,733	—
Operating lease liabilities	(252)	(138)
Net cash provided by (used in) operating activities	9,279	(4,823)
Investing activities:		
Receipt of deposit from Front Yard related to the Disposal Group (Note 1)	3,200	—
Investment in short-term investments	—	(1,622)
Proceeds from maturities of short-term investments	517	1,251
Investment in property and equipment	(102)	(240)
Proceeds from disposition of property and equipment	—	42
Net cash provided by (used in) investing activities	3,615	(569)
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	12,712	(5,593)
Effect of exchange rate changes on cash	(38)	(20)
Cash and cash equivalents as of beginning of the period	19,965	27,171
Cash and cash equivalents as of end of the period	$ 32,639	$ 21,558
Supplemental disclosure of cash flow information:		
Income taxes paid	$ 346	$ 489
Right-of-use lease assets recognized - operating leases	—	4,684
Operating lease liabilities recognized	—	4,671

See accompanying notes to condensed consolidated financial statements.

Altisource Asset Management Corporation
Notes to Condensed Consolidated Financial Statements
September 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 has been Front Yard Residential Corporation ("Front Yard"), a public real estate investment trust ("REIT") focused on acquiring and managing quality, affordable single-family rental ("SFR") properties throughout the United States. All of our revenue to date was generated through our asset management agreements with Front Yard. Since we have been 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.

On October 19, 2020, Front Yard announced that it had entered into an Agreement and Plan of Merger (the "Front Yard Merger Agreement") with unrelated third parties and that it expects to consummate the merger in the first quarter of 2021. We expect that the asset management agreement will be terminated prior to the consummation of the Front Yard Merger Agreement. For more information on the termination of the asset management agreement with Front Yard, please see "Note 1 — Asset Management Agreements and Termination Agreement with Front Yard."

We are in the process of establishing multiple new lines of business, including an investment fund, a short-term investor loan aggregation business and the establishment of strategic relationships with real estate loan originators. These business lines leverage our history and experience in asset management, real estate investing and real estate operations. We have taken steps to reduce our annual operating expenses, including reductions in our physical office footprint and the optimization of our workforce. 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.

Asset Management Agreements and Termination Agreement 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 have been the exclusive asset manager for Front Yard for an initial term of five years and could 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 have been entitled to a Base Management Fee and a potential Incentive Fee. Accordingly, our operating results have been highly dependent on Front Yard's operating results.

For further information on the Former AMA and the Amended AMA, please see Note 6.

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 $46.0 million (the “Termination Fee”), consisting of the following payments:
  - $15.0 million paid in cash to AAMC on August 17, 2020,
  - $15.0 million payable in cash on the Termination Date, and
  - $16.0 million 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 the equity interests of AAMC's Indian subsidiary, the equity interests of AAMC's Cayman Islands subsidiary, the right to solicit and hire designated AAMC employees that currently oversee the management of Front Yard's business and other assets of AAMC that are used in connection with the operation of Front Yard's business (the “Disposal Group”) for an aggregate purchase price of $8.2 million ($3.2 million of which was paid to AAMC on August 17, 2020), of which all or a portion of the remaining $5.0 million 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 $3.6 million 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 Agreement in accordance with recommendations of the Front Yard board of directors for a period of one year following the Termination Date, including regarding the approval of the Front Yard Merger Agreement and related transactions, which may be presented to Front Yard’s stockholders.
- Effective two business days prior to the Termination Date, Mr. Ellison shall resign as Co-Chief Executive Officer of AAMC.

We have evaluated the nature of the services provided to Front Yard in exchange for the Termination Fee and have determined that such services constitute a series of distinct services that should be accounted for as a single performance obligation completed over time, which is simultaneously performed by us and consumed by Front Yard. Therefore, we expect to recognize the Termination Fee ratably through the Termination Date. Our receivable from Front Yard as of September 30, 2020 includes $31.0 million related to the unpaid portion of the Termination Fee, and we have recognized a contract liability for the unearned portion of the Termination Fee within our condensed consolidated balance sheets.

During the third quarter of 2020, we received an upfront payment of $3.2 million of the $8.2 million aggregate purchase price of the Disposal Group. We have included this upfront payment within accounts payable and accrued liabilities in our condensed consolidated balance sheet.

We have concluded that the Disposal Group meets the held-for-sale criteria and have therefore classified the Disposal Group as held for sale on our condensed consolidated balance sheets. The termination of the Amended AMA and the sale of the Disposal Group also represents a significant strategic shift that will have a major effect on our operations and financial results. Therefore, we have classified the results of operations related to Front Yard as discontinued operations in our condensed consolidated statements of operations. For further information, please see Note 2.

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 has filed a notice of appeal of 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 September 30, 2020 and December 31, 2019, we had 1,100 and 1,000 shares outstanding, respectively, and we included the redemption value of these shares of $11,000 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. Discontinued Operations

The carrying value of major classes of assets and liabilities related to our discontinued operations that constitute the Disposal Group at September 30, 2020 and December 31, 2019 were as follows ($ in thousands):

	September 30, 2020	December 31, 2019
	(unaudited)	
Current assets held for sale:		
Cash and cash equivalents	$ 1,928	$ 1,059
Short-term investments	—	517
Prepaid expenses and other assets	691	600
Total current assets held for sale	2,619	2,176
Non-current assets held for sale:		
Right-of-use lease assets	3,351	3,607
Other non-current assets	354	288
Total non-current assets held for sale	3,705	3,895
Total assets held for sale	$ 6,324	$ 6,071
Current liabilities held for sale:		
Accrued salaries and employee benefits	$ 1,514	$ 1,645
Accounts payable and accrued liabilities	268	163
Short-term lease liabilities	219	194
Total current liabilities held for sale	2,001	2,002
Non-current liabilities held for sale:		
Non-current lease liabilities	3,317	3,543
Total non-current liabilities held for sale	3,317	3,543
Total liabilities held for sale	$ 5,318	$ 5,545

Discontinued operations includes (i) the management fee revenues generated under our asset management agreements with Front Yard, (ii) expense reimbursements from Front Yard and the underlying expenses, (iii) the results of operations of our India and Cayman Islands subsidiaries, (iv) the employment costs associated with certain individuals wholly dedicated to Front Yard and (v) the costs associated with our lease in Charlotte, North Carolina, that is expected to be assumed by Front Yard. The following table details the components comprising net income from our discontinued operations ($ in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenues from discontinued operations:				
Management fees from Front Yard	$ 3,584	$ 3,584	$ 10,752	$ 10,686
Termination fee from Front Yard	12,267	—	12,267	—
Conversion fees from Front Yard	—	—	—	29
Expense reimbursements from Front Yard	626	250	1,707	920
Total revenues from discontinued operations	16,477	3,834	24,726	11,635
Expenses from discontinued operations:				
Salaries and employee benefits	910	1,392	3,867	4,241
Legal and professional fees	67	38	180	123
General and administrative	334	441	1,171	1,328
Total expenses from discontinued operations	1,311	1,871	5,218	5,692
Other (loss) income from discontinued operations:				
Other (loss) income	(6)	23	24	(14)
Total other (loss) income from discontinued operations	(6)	23	24	(14)
Net income from discontinued operations before income taxes	15,160	1,986	19,532	5,929
Income tax expense	317	42	415	144
Net income from discontinued operations	$ 14,843	$ 1,944	$ 19,117	$ 5,785

The following table details cash flow information related to our discontinued operations for the periods indicated ($ in thousands):

	Nine months ended September 30,	
	2020	2019
Total operating cash flows provided by discontinued operations	$ 19,055	$ 5,047
Total investing cash flows provided by (used in) discontinued operations	438	(455)

3. Fair Value of Financial Instruments

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

	Carrying Amount	Level 1 Quoted Prices in Active Markets	Level 2 Observable Inputs Other Than Level 1 Prices	Level 3 Unobservable Inputs
September 30, 2020				
Recurring basis (assets):				
Front Yard common stock	$ 14,198	$ 14,198	$ —	$ —
December 31, 2019				
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 nine months ended September 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 September 30, 2020 and December 31, 2019, representing approximately 2.8% 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
September 30, 2020				
Front Yard common stock	$ 20,596	$ —	$ (6,398)	$ 14,198
December 31, 2019				
Front Yard common stock	$ 20,596	$ —	$ (550)	$ 20,046

4. 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. Subsequent to the Termination Date, we expect to transfer to Front Yard our existing office space in Charlotte, North Carolina; College Station, Texas; George Town, Cayman Islands; and Bengaluru, India. Thereafter, we expect to lease new office space in Charlotte, North Carolina and Bengaluru, India.

As of September 30, 2020 and December 31, 2019, our weighted average remaining lease term, including applicable extensions, was 8.3 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 nine months ended September 30, 2020, we recognized rent expense of $0.2 million and $0.5 million, respectively, related to long-term operating leases and $27,000 and $81,000, respectively, related to short-term operating leases. During the three and nine months ended September 30, 2019, we recognized rent expense of $0.1 million and $0.4 million, respectively, related to long-term operating leases and $0.1 million and $0.2 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 September 30, 2020 ($ in thousands):

	Operating Lease Liabilities
2020 (1)	$ 156
2021	634
2022	659
2023	686
2024	708
Thereafter	3,121
Total lease payments	5,964
Less: interest	1,733
Lease liabilities	$ 4,231

(1) Excludes the nine months ended September 30, 2020.

5. 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 has filed a notice of appeal of 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, the prolonged duration and impact of the COVID-19 pandemic on our ability to complete our transition obligations to Front Yard, 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.

6. Related Party Transactions

Asset management agreement with Front Yard

Pursuant to the Amended AMA, we have designed and implemented Front Yard's business strategy, administered its business activities and day-to-day operations and provided corporate governance services, subject to oversight by Front Yard's Board of Directors. We have been 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 have provided 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 has enabled us to manage Front Yard's business and organizational structure efficiently. Under the Amended AMA, we had 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. However, following the execution of the Termination Agreement, we are entitled to provide advisory or other services to businesses or entities in such competitive activities without Front Yard's prior consent.

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 the Termination Fee and other consideration to AAMC. For a description of the Termination Agreement and its key terms, please see Note 1.

Terms of the Amended AMA

We and Front Yard entered into the Amended AMA on May 7, 2019 (the “Effective Date”). The Amended AMA amended and restated, in its entirety, the Former AMA. The Amended AMA has an initial term of 5 years and could renew automatically each year thereafter for an additional one-year term, subject in each case to certain termination provisions, including termination by Front Yard without cause for any reason or no reason.

The Amended AMA provides for a management fee structure that provides AAMC with 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. The Base Management Fee under the Amended AMA is subject to a quarterly minimum of $3,584,000. The Amended AMA also required that the Base Management Fee would increase commencing after Front Yard’s per share Adjusted AFFO (as defined in the Amended AMA) reaching $0.15 (“Additional Base Fees”). To date, we have earned no Additional Base Fees or Incentive Fees under the Amended AMA. Considering the impending termination of the Amended AMA pursuant to the Termination Agreement, we will no longer receive a Base Management Fee at the earlier of (a) the completion of the termination under the Termination Agreement and (b) the date that Front Yard delivers written notice to AAMC that the transition has been satisfactorily completed, subject to proration for partial quarters.

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.

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Terms of the Former AMA

On March 31, 2015, we entered into the Former AMA with Front Yard. The Former AMA, which was effective from April 1, 2015 through May 7, 2019, 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, until the entry into the Amended AMA, we were entitled to receive a base management fee of 2.0% of Front Yard's invested capital during the three and nine months ended September 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 had 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.

7. 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 $0.3 million and $1.2 million of compensation expense related to our share-based compensation for the three and nine months ended September 30, 2020, respectively, and we recorded $0.6 million and $1.9 million of compensation expense related to our share-based compensation for the three and nine months ended September 30, 2019, respectively. As of September 30, 2020 and December 31, 2019, we had an aggregate $1.4 million and $1.2 million, respectively, of total unrecognized share-based compensation cost to be recognized over a weighted average remaining estimated term of 1.7 years and 0.8 years, respectively.

On September 11, 2020, the Board of Directors adopted, subject to stockholder approval, the Altisource Asset Management Corporation 2020 Equity Incentive Plan (the “2020 Equity Incentive Plan”). The 2020 Equity Incentive Plan supersedes our prior equity incentive plans and makes available 185,000 shares of our common stock for the granting of awards under compensatory arrangements and incentives permitted by the 2020 Equity Incentive Plan. On October 12, 2020, the 2020 Equity Incentive Plan was approved by our stockholders.

8. 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 September 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 nine months ended September 30, 2020 and 2019.

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

	September 30, 2020	December 31, 2019
Deferred tax assets:		
Stock compensation	$ 96	$ 114
Accrued expenses	538	669
Net operating losses	34	357
Lease liabilities	901	955
Front Yard common stock	615	—
Other	146	48
Gross deferred tax assets	2,330	2,143
Deferred tax liability:		
Right-of-use lease assets	854	922
Front Yard common stock	—	42
Depreciation	—	4
Gross deferred tax liabilities	854	968
Net deferred tax assets before valuation allowance	1,476	1,175
Valuation allowance	(804)	(491)
Deferred tax asset, net	$ 672	$ 684

9. Earnings Per Share

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Numerator				
Continuing operations:				
Net loss from continuing operations	$ (3,089)	$ (5,467)	$ (18,955)	$ (6,859)
Amortization of preferred stock issuance costs	—	(52)	(42)	(155)
Numerator for basic and diluted EPS from continuing operations – net loss from continuing operations attributable to common stockholders	$ (3,089)	$ (5,519)	$ (18,997)	$ (7,014)
Discontinued operations:				
Numerator for basic and diluted EPS from discontinued operations - net gain from discontinued operations	$ 14,843	$ 1,944	$ 19,117	$ 5,785
Total:				
Net income (loss)	$ 11,754	$ (3,523)	$ 162	$ (1,074)
Amortization of preferred stock issuance costs	—	(52)	(42)	(155)
Numerator for basic and diluted EPS – net income (loss) attributable to common stockholders	$ 11,754	$ (3,575)	$ 120	$ (1,229)
Denominator				
Weighted average common stock outstanding – basic	1,632,117	1,590,739	1,625,727	1,587,448
Weighted average common stock outstanding – diluted	1,632,117	1,590,739	1,625,727	1,587,448
Earnings (loss) per share - basic				
Continuing operations – basic	$ (1.89)	$ (3.47)	$ (11.69)	$ (4.42)
Discontinued operations – basic	9.09	1.22	11.76	3.65
Earnings (loss) per basic common share	$ 7.20	$ (2.25)	$ 0.07	$ (0.77)
Earnings (loss) per share - diluted				
Continuing operations – diluted	$ (1.89)	$ (3.47)	$ (11.69)	$ (4.42)
Discontinued operations – diluted	9.09	1.22	11.76	3.65
Earnings (loss) per diluted common share	$ 7.20	$ (2.25)	$ 0.07	$ (0.77)

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Numerator				
Reversal of amortization of preferred stock issuance costs	$ —	$ 52	$ 42	$ 155
Denominator				
Stock options	5,403	11,527	8,167	13,087
Restricted stock	76,160	13,926	58,565	25,056
Preferred stock, if converted	200,000	200,000	200,000	200,000

10. 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.

11. 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.

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 has been Front Yard Residential Corporation (“Front Yard”), a public real estate investment trust (“REIT”) focused on acquiring and managing quality, affordable single-family rental (“SFR”) properties throughout the United States. All of our revenue to date was generated through our asset management agreements with Front Yard. 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 have been 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, the completion of Front Yard's strategic alternatives review and the completion of the transition plan under the Termination Agreement between AAMC and Front Yard in conjunction with our new Co-Chief Executive Officer.

On February 17, 2020, Front Yard entered into an Agreement and Plan of Merger (the “Amherst Merger Agreement”) with affiliates of Amherst Single Family Residential Partners VI, LP (“Amherst”), providing for the acquisition of Front Yard by Amherst (the “Amherst Merger”). The Amherst 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 Amherst Merger transaction and entered into a Termination and Settlement Agreement to terminate that the Amherst Merger Agreement. Although it was anticipated that Amherst would provide a notice to terminate the Amended AMA upon consummation of the Amherst Merger, the termination of the Amherst Merger Agreement 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 1. Organization and Basis of Presentation” and “Management Overview” below.

On October 19, 2020, Front Yard entered into a definitive agreement and plan of merger (the “Front Yard Merger Agreement”) whereby a partnership led by unrelated third parties will acquire Front Yard (the “Merger Transaction”). Under the terms of the Front Yard Merger Agreement, Front Yard stockholders will receive $13.50 in cash per share. Upon the consummation of the Merger Transaction, we expect the 1,624,465 shares of Front Yard common stock that we hold to be converted to cash of approximately $21.9 million. In addition, any shares of Front Yard common stock that we receive pursuant to the Termination Agreement would also be entitled to receive $13.50 per share upon consummation of the Merger Transaction. Should the Merger Transaction not be consummated, we will continue to be subject to the risks of ownership of Front Yard's common stock as described in Item 3, “Quantitative and qualitative disclosures about market risk.”

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

We are in the process of establishing multiple new lines of business, including an investment fund, a short-term investor loan aggregation business and the establishment of strategic relationships with real estate loan originators. These business lines leverage our history and experience in asset management, real estate investing and real estate operations. We have taken steps to reduce our annual operating expenses, including reductions in our physical office footprint and the optimization of our workforce. We expect that AAMC will be able to generate management fees and returns on its own investments through each of these opportunities, and we are targeting the achievement of positive net income for both 2020 and 2021.

Investment Fund

We are finalizing the formation of an investment fund with an onshore and offshore component, which we believe will allow us to attract institutional and high net worth investors. As previously disclosed, we have secured a firm, non-binding commitment from a strategic investor to make an initial investment of $20.0 million in our investment fund. The initial $20.0 million will be used to invest in real estate debt products, specifically short-term investor loans. We also intend to seek additional fund investments with other institutional investors and are in the process of raising such funds. As capital commitments increase, we intend to expand the investments into other real estate related assets. We also intend to invest a portion of our own capital directly into the fund and may make investments alongside the fund. In addition to any returns on our own investments, we expect to receive customary asset management fees and carried interest.

Loan Aggregation

We also intend to aggregate short-term investor loans from one or more originators using our own funds and/or investments from the assets under management from the investment fund. These loans provide a very competitive risk-adjusted return as a buy-and-hold asset. Through the aggregation model, we believe we will be able to access the secondary market for repeated offerings, providing additional returns on the initial invested capital. We expect to integrate our underwriting team in any flow purchase agreement that we may sign with potential originators to give us greater operational control over the quality of the loans that we may purchase. Utilizing our history and experience investing in non-performing loans and real estate operations, we believe we will be able to underwrite these products to maximize the risk-adjusted returns for our investors.

Loan Origination Relationships

We are also exploring ways in which we may leverage our expertise in loan valuation, underwriting and portfolio management to create strategic partnerships with loan originators to source leads, increase operational capacity and expand product offerings. We believe these broad-based relationships will increase our competitive advantage over other loan aggregators.

Termination of the Amended AMA with Front Yard

On August 13, 2020, AAMC and Front Yard entered into the Termination Agreement, pursuant to which they have agreed to effectively internalize the asset management function of Front Yard. The Termination 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 $46.0 million (the "Termination Fee"), consisting of the following payments:
    - $15.0 million paid in cash on August 17, 2020,
    - $15.0 million payable in cash on the Termination Date, and
    - $16.0 million 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 the equity interests of AAMC's Indian subsidiary, the equity interests of AAMC's Cayman Islands subsidiary, the right to solicit and hire designated AAMC employees that currently oversee the management of Front Yard's business and other assets of AAMC that are used in connection with the operation of Front Yard's business (the "Disposal Group") for an aggregate purchase price of $8.2 million ($3.2 million of which was paid to AAMC on August 17, 2020), of which all or a portion of the remaining $5.0 million 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 $3.6 million 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, including regarding the approval of the Front Yard Merger Agreement and related transactions, which may be presented to Front Yard's stockholders.
- Effective two business days prior to the Termination Date, Mr. Ellison shall resign as Co-Chief Executive Officer of AAMC.

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 ability to complete our transition obligations to Front Yard, 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 6. Related Party Transactions." For a description of the Termination Agreement and its key terms, please see Item 1 - Financial statements (unaudited) - "Note 1. Organization and Basis of Presentation" and "Management Overview" above.

Metrics Affecting our Consolidated Results

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.

As a result of the Termination Agreement, we have classified all of our revenues from Front Yard within discontinued operations in our condensed consolidated statements of operations. See Item 1 - Financial statements (unaudited) - “Note 2. Discontinued Operations” for further information.

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.

As a result of the Termination Agreement, we have classified certain expenses within discontinued operations in our condensed consolidated statements of operations. See Item 1 - Financial statements (unaudited) - “Note 2. Discontinued Operations” for further information.

Results of Operations

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

Three and Nine Months Ended September 30, 2020 Compared to Three and Nine Months Ended September 30, 2019

Salaries and Employee Benefits

Salaries and employee benefits were $1.7 million and $8.1 million during the three and nine months ended September 30, 2020, respectively, compared to $2.8 million and $8.6 million during the three and nine months ended September 30, 2019, respectively. This decrease is primarily due to the reversal of certain unpaid 2019 bonus accruals during the third quarter of 2020 and reduced share-based compensation expense, partially offset by higher salaries and benefits associated with increased headcount, including our new Co-Chief Executive Officer. We expect that salaries and employee benefits will decline materially following completion of the Termination Agreement.

Legal and Professional Fees

Legal and professional fees were $1.5 million and $4.7 million during the three and nine months ended September 30, 2020, respectively, compared to $0.4 million and $2.0 million during the three and nine months ended September 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 Termination Agreement and the Amended AMA as well as fees incurred in the creation of new business lines and other business and litigation matters.

General and Administrative Expenses

General and administrative expenses were $0.6 million and $1.7 million during the three and nine months ended September 30, 2020, respectively, compared to $0.7 million and $1.7 million during the three and nine months ended September 30, 2019, respectively. This small quarter-over-quarter decrease is primarily due to reduced travel expenses, partially offset by increased director compensation. We expect that general and administrative expenses will decline materially following completion of the Termination Agreement.

Change in Fair Value of Front Yard Common Stock

The change in fair value of Front Yard common stock was $0.1 million and $(5.8) million during the three and nine months ended September 30, 2020, respectively, compared to $(1.1) million and $4.6 million during the three and nine months ended September 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. Given Front Yard’s announcement of the Merger Transaction and resulting increase of Front Yard’s stock price toward the proposed merger consideration provided in the Front Yard Merger Agreement, we expect to recognize an increase in value of our Front Yard common stock in the fourth quarter of 2020.

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 nine months ended September 30, 2020, respectively, compared to $0.2 million and $0.7 million during the three and nine months ended September 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.

Discontinued Operations

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

Liquidity and Capital Resources

As of September 30, 2020, we had cash and cash equivalents of $32.6 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 increase in cash and cash equivalents in 2020 was primarily due to our receipt of the initial payment of $18.2 million under the Termination Agreement. At September 30, 2020, we also had $14.2 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 nine months of 2020. In connection with the Termination Agreement with Front Yard described above, we expect to further receive a payment of $36 million in termination and related payments on the Termination Date, of which up to $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 will continue to generate asset management fees under the Amended AMA through the date that Front Yard delivers written notice to AAMC that the transition has been satisfactorily completed, subject to proration for partial quarters, (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.

On October 19, 2020, Front Yard entered into the Front Yard Merger Agreement whereby a partnership led by unrelated third parties will acquire Front Yard in the Merger Transaction. Under the terms of the Front Yard Merger Agreement, Front Yard stockholders will receive $13.50 in cash per share. Upon the consummation of the transaction, we expect the 1,624,465 shares of Front Yard common stock that we hold to be converted to cash of approximately $21.9 million. In addition, any shares of Front Yard common stock that we receive pursuant to the Termination Agreement would also be entitled to receive $13.50 per share upon consummation of the Merger Transaction. Should the Merger Transaction not be consummated, we will continue to be subject to the risks of ownership of Front Yard's common stock as described in Item 3, “Quantitative and qualitative disclosures about market risk.”

Series A Preferred Stock

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. 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 has filed a notice of appeal of 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. 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 September 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):

	Nine months ended September 30,	
	2020	**2019**
Net cash provided by (used in) operating activities	$ 9,279	$ (4,823)
Net cash provided by (used in) investing activities	3,615	(569)
Net cash used in financing activities	(182)	(201)
Net change in cash and cash equivalents	$ 12,712	$ (5,593)

Net cash provided by operating activities for the nine months ended September 30, 2020 consisted primarily our receipt of the initial $15.0 million Termination Fee payment under the Termination Agreement and ongoing revenues from Front Yard, partially offset by 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. Net cash used in operating activities for the nine months ended September 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 nine months ended September 30, 2020 consisted primarily of the receipt of $3.2 million from Front Yard related to the Disposal Group and proceeds from the maturities of short-term investments. Net cash used in investing cash flows during the nine months ended September 30, 2019 consisted primarily of investments in short-term investments, partially offset by proceeds from maturities of short-term investments.

Net cash used in financing activities for the nine months ended September 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 September 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, particularly if and to the extent of any risks that the Merger Transaction is not consummated, 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 Officers and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our Co-Chief Executive Officers and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this quarterly report. Based upon that evaluation, management has determined that the Company's disclosure controls and procedures were effective as of September 30, 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 September 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 5, "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 1. Organization and Basis of Presentation" 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. Although Front Yard entered into the Merger Transaction on October 19, 2020, we expect the Termination Agreement will be completed before consummation of the Merger Transaction. Upon completion of the Termination Agreement, our asset management fees from Front Yard will cease, and we cannot be certain that we will be able to timely and effectively reduce expenses at the rate or in the amounts anticipated, which could harm our financial condition and results of operations.

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 realize the increase in value of the shares of Front Yard common stock that we own as a result of the proposed new Merger Transaction of Front Yard. Any shares of Front Yard common stock that we receive as consideration for the Termination Agreement may not realize the value of the Merger Transaction.

Currently, we own 1,624,465 shares of Front Yard common stock for which we currently expect to receive approximately $21.9 million upon consummation of the Front Yard's proposed new Merger Transaction. There can be no guarantee that the Front Yard Merger Transaction can be consummated on a timely basis or at all. In the event the Merger Transaction is not consummated by Front Yard on a timely basis or at all, the value of the 1,624,465 shares of Front Yard common stock that we currently own may not maintain their value or the price per share of Front Yard common stock could potentially drop materially. In addition, under our Termination Agreement with Front Yard, Front Yard may pay up to $21.0 million of its remaining $36.0 million in payments to us in Front Yard common stock at its option, based on the volume-weighted average price per share of Front Yard common stock for the five business day period prior to such payment. In the event the Front Yard Merger Transaction is not consummated on a timely basis or at all, the value of any additional Front Yard common stock received under the Termination Agreement could potentially be similarly adversely affected. In the event the Merger Agreement is not consummated, the value of any shares of Front Yard common stock we own could be adversely affected, and we could otherwise be unable to liquidate, sell or transfer our shares of Front Yard common stock at all or at a value that would be beneficial to us, which could harm our liquidity, financial condition or results of operations in future periods.

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).
10.1	Termination and Transition Agreement, dated as August 13, 2020, by and among Front Yard Residential Corporation, Front Yard Residential L.P. and Altisource Asset Management Corporation (incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on August 18, 2020).
10.2†	Altisource Asset Management Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit A of the Registrant’s Definitive Proxy Statement on Schedule 14A filed with the Commission on September 14, 2020).
31.1*	Certification of Co-Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.2*	Certification of Co-Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.3*	Certification of 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 Co-Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act
32.3*	Certification of 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.
† Denotes management contract or compensatory arrangement.

Signatures

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

				Altisource Asset Management Corporation
Date:	November 6, 2020	By:	/s/	Indroneel Chatterjee
				Indroneel Chatterjee
				Chairman and Co-Chief Executive Officer

Exhibit 31.1

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:	November 6, 2020	By:	/s/	Indroneel Chatterjee
				Indroneel Chatterjee
				Co-Chief Executive Officer

Exhibit 31.2

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

I, George G. Ellison, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date:	November 6, 2020	By:	/s/ George G. Ellison
			George G. Ellison
			Co-Chief Executive Officer

Exhibit 31.3

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

I, Robin N. Lowe, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date:	November 6, 2020	By:	/s/	Robin N. Lowe
				Robin N. Lowe
				Chief Financial Officer

Exhibit 32.1

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 September 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:	November 6, 2020	By:	/s/	Indroneel Chatterjee
				Indroneel Chatterjee
				Co-Chief Executive Officer

Exhibit 32.2

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 September 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:	November 6, 2020	By:	/s/ George G. Ellison
			George G. Ellison
			Co-Chief Executive Officer

Exhibit 32.3

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

The undersigned, the Chief Financial Officer of Altisource Asset Management Corporation (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the quarterly report on Form 10-Q for the quarter ended September 30, 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:	November 6, 2020	By:	/s/	Robin N. Lowe
				Robin N. Lowe
				Chief Financial Officer