

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number: 1-34354

ALTISOURCE PORTFOLIO SOLUTIONS S.A.

(Exact name of Registrant as specified in its Charter)

Luxembourg

(State or other jurisdiction of incorporation or organization)

98-0554932

(I.R.S. Employer Identification No.)

40, avenue Monterey
L-2163 Luxembourg
Grand Duchy of Luxembourg
(352) 24 69 79 00

(Address and telephone number, including area code, of registrant's principal executive offices)

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

Title of each class

Name of each exchange on which registered

Common Stock, \$1.00 par value

NASDAQ Global Select Market

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

None

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein and will not be contained, to the best of the Registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2018 was \$471,036,868 based on the closing share price as quoted on the NASDAQ Global Market on that day and the assumption that all directors and executive officers of the Company, and their families, are affiliates. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

As of February 19, 2019, there were 16,303,345 outstanding shares of the registrant's shares of beneficial interest (excluding 9,109,403 shares held as treasury stock).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed subsequent to the date hereof with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant's Annual Meeting of Shareholders to be held on May 14, 2019 are incorporated by reference into Part III of this Report. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the conclusion of the registrant's fiscal year ended December 31, 2018.

TABLE OF CONTENTS
ALTISOURCE PORTFOLIO SOLUTIONS S.A.
FORM 10-K

	Page
<u>PART I</u>	
ITEM 1. BUSINESS	3
ITEM 1A. RISK FACTORS	10
ITEM 1B. UNRESOLVED STAFF COMMENTS	22
ITEM 2. PROPERTIES	23
ITEM 3. LEGAL PROCEEDINGS	23
ITEM 4. MINE SAFETY DISCLOSURES	23
<u>PART II</u>	
ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	24
ITEM 6. SELECTED FINANCIAL DATA	26
ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	33
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	60
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	61
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	101
ITEM 9A. CONTROLS AND PROCEDURES	101
ITEM 9B. OTHER INFORMATION	101
<u>PART III</u>	
ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	102
ITEM 11. EXECUTIVE COMPENSATION	102
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	102
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	102
ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES	102
<u>PART IV</u>	
ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES	103
SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS	109
SIGNATURES	110

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and certain information incorporated herein by reference contain forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements may relate to, among other things, future events or our future performance or financial condition. Words such as “anticipate,” “intend,” “expect,” “may,” “could,” “should,” “would,” “plan,” “estimate,” “believe,” “predict,” “potential” or “continue” or the negative of these terms and comparable terminology are intended to identify such forward-looking statements. Such statements are based on expectations as to the future and are not statements of historical fact. Furthermore, forward-looking statements are not guarantees of future performance and involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially. Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include, but are not limited to, the risks discussed in Item 1A of Part I “Risk Factors.” We caution you not to place undue reliance on these forward-looking statements which reflect our view only as of the date of this report. We are under no obligation (and expressly disclaim any obligation) to update or alter any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or change in events, conditions or circumstances on which any such statement is based.

PART I

Except as otherwise indicated or unless the context requires otherwise “Altisource,” the “Company,” “we,” “us,” or “our” refer to Altisource Portfolio Solutions S.A., a Luxembourg société anonyme, or public limited liability company, together with its subsidiaries.

ITEM 1. BUSINESS

The Company

Altisource[®] is an integrated service provider and marketplace for the real estate and mortgage industries. Combining operational excellence with a suite of innovative services and technologies, Altisource helps solve the demands of the ever-changing markets we serve.

We are publicly traded on the NASDAQ Global Select Market under the symbol “ASPS.” We are organized under the laws of the Grand Duchy of Luxembourg.

We have prepared our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Reportable Segments

Our reportable segments are as follows:

Mortgage Market: Provides loan servicers and originators with marketplaces, services and technologies that span the mortgage lifecycle. Within the Mortgage Market segment, we provide:

Servicer Solutions - the solutions, services and technologies typically used or licensed primarily by residential loan servicers, including:

- Property preservation and inspection services
- Real estate brokerage and auction services
- Title insurance (agent and related services) and settlement services
- Appraisal management services, valuation data, broker and non-broker valuation services
- Foreclosure trustee services
- Residential and commercial loan servicing technologies
- Vendor management, marketplace transaction management and payment management technologies
- Document management platform
- Default services (real estate owned (“REO”), foreclosure, bankruptcy, eviction) technologies
- Mortgage charge-off collections
- Residential and commercial construction inspection and risk mitigation services

Origination Solutions - the solutions, services and technologies typically used or licensed by loan originators (or other similar mortgage market participants) in originating, buying and selling residential mortgages, including:

- Title insurance (agent and related services) and settlement services
- Appraisal management services, valuation data, broker and non-broker valuation services
- Fulfillment services
- Loan origination system
- Document management platform
- Loan certification, and loan certification and mortgage fraud insurance
- Vendor management oversight platform
- Mortgage banker cooperative management

Real Estate Market: Provides real estate consumers and rental property investors with marketplaces and services that span the real estate lifecycle. Within the Real Estate Market segment, we provide:

Consumer Real Estate Solutions - the solutions, services and technologies typically used by home buyers and sellers to handle key aspects of buying and selling a residence, including:

- Real estate brokerage doing business as Owners.com[®]
- Title insurance (agent and related services) and settlement services
- Mortgage brokerage
- Homeowners insurance

Real Estate Investor Solutions - the solutions, services and technologies used by buyers and sellers of single-family investment homes, including:

- Buy-renovate-lease-sell (“BRS”) (to be discontinued in 2019)
- Property preservation and inspection services
- Real estate brokerage and auction services
- Data solutions
- Title insurance (agent and related services) and settlement services
- Appraisal management services, valuation data, broker and non-broker valuation services

Other Businesses, Corporate and Eliminations: Includes certain ancillary businesses, interest expense and unallocated costs related to corporate support functions. The businesses in this segment include post-charge-off consumer debt collection services primarily to debt originators (e.g., credit card, auto lending and retail credit), customer relationship management services primarily to the utility, insurance and hotel industries, and information technology (“IT”) infrastructure management services. Interest expense relates to the Company’s senior secured term loan and corporate support functions include executive, finance, law, compliance, human resources, vendor management, facilities, risk management and sales and marketing costs, not allocated to the business units. This segment also includes eliminations of transactions between the reportable segments.

We classify revenue in three categories: service revenue, revenue from reimbursable expenses and non-controlling interests. In evaluating our performance, we focus on service revenue. Service revenue consists of amounts attributable to our fee-based services and sales of short-term investments in real estate. Reimbursable expenses and non-controlling interests are pass-through items for which we earn no margin. Reimbursable expenses consist of amounts we incur on behalf of our customers in performing our fee-based services that we pass directly on to our customers without a markup. Non-controlling interests represent the earnings of Best Partners Mortgage Cooperative, Inc., doing business as Lenders One[®] (“Lenders One”). Lenders One is a mortgage cooperative managed, but not owned, by Altisource. Lenders One is included in revenue and reduced from net income to arrive at net income attributable to Altisource.

2018 Highlights

Corporate

- Generated \$68.4 million of cash flows from operating activities and \$79.4 million of adjusted cash flows from operating activities (this is a non-GAAP measure that is defined and reconciled to the corresponding GAAP measure on pages 28 to 32)
- Refinanced our senior secured term loan in April 2018, extending the maturity from December 2020 to April 2024; entered into an agreement for a \$15 million revolving line of credit, available for general corporate purposes, as part of our new credit facility
- Used \$15.0 million received from the sale of the rental property management business to Front Yard Residential Corporation (“RESI”) and \$49.9 million received and anticipated to be received from the discontinuation of the BRS business to repay debt
- Launched Project Catalyst to better align the Company’s cost structure with anticipated revenue, and improve operating margins and performance; we incurred \$11.6 million of severance costs, professional services fees and facility shut-down costs in connection with Project Catalyst
- Repurchased 1.6 million shares of our common stock at an average price of \$25.53 per share
- Ended 2018 with \$94.5 million of cash, cash equivalents and investment in equity securities
- Ended 2018 with \$244.3 million of net debt less investment in equity securities (this is a non-GAAP measure that is defined and reconciled to the corresponding GAAP measure on pages 28 to 32)
- Signed agreements with three new enterprise customers in the fourth quarter and was recognized as an industry leader by Forrester® in two Wave reports, one for Journey Visioning Platforms and the other for Journey Orchestration Platforms, in the Pointillist business

Mortgage Market

- Executed an agreement with one of the largest institutional real estate and mortgage investors in the U.S. to provide REO, foreclosure and short sale auctions, and began receiving REO referrals in the third quarter and foreclosure auction referrals in the fourth quarter (anticipate receiving short sale auction referrals in the first quarter 2019)
- Executed an agreement with a top-10 servicer to provide REO asset management and related services, and began receiving referrals in January 2019
- Executed an agreement with a top-5 servicer to provide field services, and anticipate beginning to receive referrals in the second quarter 2019
- Grew inventory of Hubzu homes by 64% from January 1, 2018 to December 31, 2018 (1,470 units on January 1, 2018 compared to 2,412 units on December 31, 2018) from customers other than Ocwen Financial Corporation (“Ocwen”), New Residential Investment Corp. (individually, together with one or more of its subsidiaries or one or more of its subsidiaries individually, “NRZ”) and RESI
- Launched the Trelix end-to-end fulfillment services offering

Real Estate Market

- Launched a new and improved Owners.com user experience (website and mobile applications) for home buyers and sellers and our real estate agents, to improve purchase and sale funnel conversion rates
- Grew Consumer Real Estate Solutions service revenue by 82% and the number of home purchase and sale transactions by 61%, in 2018 compared to 2017
- Increased the Consumer Real Estate Solutions active customer base from 2,300 clients at the end of 2017 to 5,300 clients at the end of 2018
- Sold the Real Estate Investor Solutions rental property management business to RESI for total transaction proceeds of \$18.0 million, \$15.0 million of which was received on the closing date and \$3.0 million of which will be received on the earlier of a RESI change of control or August 8, 2023; recognized a \$13.7 million pretax gain on the sale of this business
- Announced plans to sell the Real Estate Investor Solutions short-term investments in real estate and discontinue the BRS business; used \$49.9 million in proceeds and anticipated proceeds from BRS sales to repay a portion of the senior secured term loan
- Ended 2018 with \$39.9 million of BRS inventory consisting of 287 homes; the Company anticipates selling the majority of the BRS inventory in 2019

Customers

Overview

Our customers include some of the largest financial institutions in the United States, government-sponsored enterprises (“GSEs”), utility companies, commercial banks, servicers, investors, non-bank originators and correspondent lenders, mortgage bankers, insurance companies and financial services companies. We also serve consumers through our Owners.com business.

Customer Concentration

Ocwen

Ocwen is a residential mortgage loan servicer of mortgage servicing rights (“MSRs”) it owns, including those MSRs in which others have an economic interest, and a subservicer of MSRs owned by others.

During the year ended December 31, 2018, Ocwen was our largest customer, accounting for 52% of our total revenue. Ocwen purchases certain mortgage services and technology services from us under the terms of services agreements and amendments thereto (collectively, the “Ocwen Services Agreements”) with terms extending through August 2025. Certain of the Ocwen Services Agreements contain a “most favored nation” provision and also grant the parties the right to renegotiate pricing, among other things.

Revenue from Ocwen primarily consists of revenue earned from the loan portfolios serviced and subserviced by Ocwen when Ocwen engages us as the service provider, and revenue earned directly from Ocwen, pursuant to the Ocwen Services Agreements. For the years ended December 31, 2018, 2017 and 2016, we recognized revenue from Ocwen of \$437.4 million, \$542.0 million and \$561.9 million, respectively. Revenue from Ocwen as a percentage of segment and consolidated revenue was as follows for the years ended December 31:

	2018	2017	2016
Mortgage Market	63%	67%	65%
Real Estate Market	1%	1%	—%
Other Businesses, Corporate and Eliminations	9%	11%	27%
Consolidated revenue	52%	58%	56%

We earn additional revenue related to the portfolios serviced and subserviced by Ocwen when a party other than Ocwen or the MSR owner selects Altisource as the service provider. For the years ended December 31, 2018, 2017 and 2016, we recognized revenue of \$47.1 million, \$148.5 million and \$188.0 million, respectively, related to the portfolios serviced by Ocwen when a party other than Ocwen or the MSR owner selected Altisource as the service provider. These amounts are not included in deriving revenue from Ocwen as a percentage of revenue in the table above.

As of December 31, 2018, accounts receivable from Ocwen totaled \$15.2 million, \$11.6 million of which was billed and \$3.6 million of which was unbilled. As of December 31, 2017, accounts receivable from Ocwen totaled \$18.9 million, \$13.6 million of which was billed and \$5.3 million of which was unbilled.

As of February 22, 2019, Altisource and Ocwen entered into agreements that, among other things, facilitate Ocwen’s transition from REALServicing and related technologies to another mortgage servicing software platform, establish a process for Ocwen to review and approve the assignment of one or more of our agreements to potential buyers of Altisource’s business lines, permit Ocwen to use service providers other than Altisource for up to 10% of referrals from certain portfolios (determined on a service-by-service basis), subject to certain restrictions, and affirms Altisource’s role as a strategic service provider to Ocwen through August 2025. We do not anticipate that a servicing technology transition would materially impact the other services we provide to Ocwen. For the years ended December 31, 2018, 2017 and 2016, service revenue from REALServicing and related technologies was \$35.1 million, \$37.2 million and \$40.2 million, respectively.

NRZ

NRZ is a residential investment trust that invests in and manages residential mortgage related assets in the United States including MSRs and excess MSRs.

Ocwen has disclosed that NRZ is its largest client. As of September 30, 2018, NRZ owned MSRs or rights to MSRs relating to approximately 57% of loans serviced and subserviced by Ocwen (measured in unpaid principal balances (“UPB”)) (the “Subject MSRs”). In July 2017 and January 2018, Ocwen and NRZ entered into a series of agreements pursuant to which the parties agreed,

among other things, to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen's legal title to the Subject MSRs and under which Ocwen will subservice mortgage loans underlying the Subject MSRs for an initial term of five years.

On August 28, 2017, Altisource, through its licensed subsidiaries, entered into a Cooperative Brokerage Agreement, as amended, and related letter agreement (collectively, the "Brokerage Agreement") with NRZ which extends through August 2025. Under this agreement and related amendments, Altisource remains the exclusive provider of brokerage services for REO associated with the Subject MSRs, irrespective of the subservicer, subject to certain limitations. NRZ's brokerage subsidiary receives a cooperative brokerage commission on the sale of certain REO properties from these portfolios subject to certain exceptions.

The Brokerage Agreement can, at Altisource's discretion, be terminated by Altisource, if a services agreement is not signed by Altisource and NRZ. The Brokerage Agreement may otherwise only be terminated upon the occurrence of certain specified events. Termination events include, but are not limited to, a breach of the terms of the Brokerage Agreement (including, without limitation, the failure to meet performance standards and non-compliance with law in a material respect), the failure to maintain licenses which failure materially prevents performance of the contract, regulatory allegations of non-compliance resulting in an adversarial proceeding against NRZ, voluntary or involuntary bankruptcy, appointment of a receiver, disclosure in a Form 10-K or Form 10-Q that there is significant uncertainty about Altisource's ability to continue as a going concern, failure to maintain a specified level of cash and an unapproved change of control.

For the years ended December 31, 2018 and 2017, we recognized revenue from NRZ of \$28.7 million and \$2.4 million, respectively, under the Brokerage Agreement (no comparative amount in 2016). For the years ended December 31, 2018 and 2017, we recognized additional revenue of \$83.6 million and \$3.9 million, respectively, relating to the Subject MSRs when a party other than NRZ selects Altisource as the service provider (no comparative amount in 2016).

On August 28, 2017, Altisource and NRZ also entered into a non-binding Letter of Intent, as amended, to enter into a services agreement (the "Services LOI"), setting forth the terms pursuant to which Altisource would remain the exclusive service provider of fee-based services for the Subject MSRs, irrespective of the subservicer, through August 2025. The Services LOI expired on December 15, 2018. Altisource is providing services on the Subject MSRs pursuant to its agreements with Ocwen.

Other

Our services are provided to customers primarily located in the United States. Financial information for our segments can be found in Note 26 to our consolidated financial statements.

Sales and Marketing

Our enterprise sales and marketing team and business unit sales executives have extensive relationship management and industry experience. These individuals cultivate and maintain relationships throughout the industry sectors we serve. We sell our suite of services to mortgage servicers, mortgage originators, buyers and sellers of homes for personal and investment use and financial services firms.

Our primary sales and marketing focus areas for institutional customers are to:

- Expand relationships with existing customers by cross-selling additional services and growing the volume of existing services we provide. We believe our customer relationships represent meaningful growth opportunities for us;
- Develop new customer relationships leveraging a comprehensive suite of services, strong performance and controls. We believe there is a large opportunity to provide our services to potential customers; and
- Sell new offerings to existing customers and prospects. Some of our newer offerings include our suite of support services for Federal Housing Administration mortgages, Vendorly™, a SaaS-based vendor management platform, Trelis end-to-end fulfillment services offering, and residential and commercial loan disbursement processing, risk mitigation and construction inspection services.

Our primary sales and marketing focus areas for consumers are to:

- Attract home buyers and sellers to Owners.com and Hubzu.com with a compelling value proposition through online marketing, search engine optimization and public relations; and
- Leverage local real estate agents to provide personalized service to existing and prospective customers.

Given the highly regulated nature of the industries that we serve and the comprehensive purchasing process that our institutional customers and prospects follow, the time and effort we spend in expanding relationships or winning new relationships is significant. For example, it can often take more than one year from the request for proposal or qualified lead stage to the selection of Altisource as a service provider. Furthermore, following the selection of Altisource, it is not unusual for it to take an additional six to twelve months or more to negotiate the services agreement(s), complete the implementation procedures and begin receiving referrals.

Intellectual Property and Data

We rely on a combination of contractual restrictions, internal security practices, patents, trademarks and copyrights to establish and protect our trade secrets, intellectual property, software, technology and expertise. We also own or, as necessary and appropriate, have obtained licenses from third parties to intellectual property relating to our services, processes and businesses. These intellectual property rights are important factors in the success of our businesses.

As of December 31, 2018, we have been awarded one patent that expires in 2023, two patents that expire in 2024, eight patents that expire in 2025, three patents that expire in 2026, two patents that expire in 2027, two patents that expire in 2029, one patent that expires in 2030 and one patent that expires in 2036. In addition, we have registered trademarks, or recently filed applications for the registration of trademarks, in a number of jurisdictions including the United States, the European Union (“EU”), India and nine other jurisdictions. These trademarks generally can be renewed indefinitely, provided they are being used in commerce.

We actively protect our rights and intend to continue our policy of taking the measures we deem reasonable and necessary to develop and protect our patents, trademarks, copyrights, trade secrets and other intellectual property rights.

In addition, we may make use of data in connection with certain of our services. This data generally relates to mortgage information, real property information and consumer information. We gather this data from a variety of third party sources, including from governmental entities and, subject to licensed usage rights, we use this data in connection with the delivery of our services, including combining it with proprietary data we generate to further enhance data and metrics in connection with our services.

Market and Competition

We sell our suite of services to mortgage servicers, mortgage originators, buyers and sellers of homes for personal and investment use and financial services firms. The mortgage and real estate markets are very large and are influenced by macroeconomic factors such as credit availability, interest rates, home prices, inflation, unemployment rates and consumer confidence.

The markets to provide services for mortgage servicers and mortgage originators are highly competitive and generally consist of national companies, in-house providers and a large number of regional and local providers. We typically compete based upon product and service awareness and offerings, product and service delivery, quality and control environment, technology integration and support, price and financial strength.

The markets to provide services for buyers and sellers of homes for personal and investment use are highly competitive and generally consist of several national companies, a large number of regional and local providers and start-up companies. We typically compete based upon product and service awareness and offerings, product and service delivery, ease of transacting, price and personal service.

For financial services firms, we provide collection services and customer relationship management services. The markets to provide these services are highly competitive and generally consist of several national companies, a large number of regional and local providers and in-house providers. We typically compete based upon product and service awareness and offerings, product and service delivery, quality and control environment, technology integration and support, price and financial strength.

Our competitors may have greater financial resources, brand recognition, alternative or disruptive products and other competitive advantages. We cannot determine our market share with certainty, but believe for mortgage servicers and collection services for financial services firms, we have a modest share of the market, and for the others we have relatively small market share.

Employees

As of December 31, 2018, we had the following number of employees:

	<u>United States</u>	<u>India</u>	<u>Philippines</u>	<u>Uruguay</u>	<u>Luxembourg</u>	<u>Consolidated Altisource</u>
Mortgage Market	592	2,093	125	7	1	2,818
Real Estate Market	103	110	85	1	6	305
Other Businesses, Corporate and Eliminations	493	1,903	473	122	14	3,005
Total employees	1,188	4,106	683	130	21	6,128

We have not experienced any work stoppages and we consider our relations with employees to be good. We believe our future success will depend, in part, on our continuing ability to attract, hire and retain skilled and experienced personnel.

Seasonality

Certain of our revenues are impacted by seasonality. Specifically, revenues from property sales, loan originations and certain property preservation services typically tend to be at their lowest level during the fall and winter months and at their highest level during the spring and summer months. In addition, the asset recovery management business typically tends to be higher in the first quarter, as borrowers may utilize tax refunds and bonuses to pay debts, and generally declines throughout the remainder of the year.

Government Regulation

Our business and the business of our customers are or may be subject to extensive scrutiny and regulation by federal, state and local governmental authorities including the Federal Trade Commission (“FTC”), the Consumer Financial Protection Bureau (“CFPB”), the Securities and Exchange Commission (“SEC”), the Department of Housing and Urban Development (“HUD”), various federal and state banking, financial and consumer regulators and the state and local agencies that license or oversee certain of our auction, real estate brokerage, mortgage and debt collection services, trustee services, property management services and insurance services. We also must comply with a number of federal, state and local consumer protection laws including, among others:

- the Americans with Disabilities Act (“ADA”);
- the California Homeowner Bill of Rights (“CHBR”);
- the Controlling the Assault of Non-Solicited Pornography And Marketing Act (“CAN-SPAM”);
- the Equal Credit Opportunity Act (“ECOA”);
- the Fair and Accurate Credit Transactions Act (“FACTA”);
- the Fair Credit Reporting Act (“FCRA”);
- the Fair Debt Collection Practices Act (“FDCPA”);
- the Fair Housing Act;
- the Federal Trade Commission Act (“FTC Act”);
- the Gramm-Leach-Bliley Act (“GLBA”);
- the Home Affordable Refinance Program (“HARP”);
- the Home Mortgage Disclosure Act (“HMDA”);
- the Home Ownership and Equity Protection Act (“HOEPA”);
- the New York Real Property Actions and Proceedings Law (“RPAPL”);
- the Real Estate Settlement Procedures Act (“RESPA”);
- the Secure and Fair Enforcement for Mortgage Licensing (“SAFE”) Act;
- the Servicemembers Civil Relief Act (“SCRA”);
- the Telephone Consumer Protection Act (“TCPA”);
- the Truth in Lending Act (“TILA”); and
- Unfair, Deceptive or Abusive Acts and Practices statutes (“UDAAP”).

We are also subject to the requirements of the Foreign Corrupt Practices Act (“FCPA”) and comparable foreign laws, due to our activities in foreign jurisdictions.

In addition to federal and state laws regarding privacy and data security, we are also subject to data protection laws in the countries in which we operate. Additionally, certain of our entities are or may be subject to the European General Data Protection Regulation (“GDPR”).

Legal requirements can and do change as statutes and regulations are enacted, promulgated or amended. One such enacted regulation is the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”). The Dodd-Frank Act is extensive and includes reform of the regulation and supervision of financial institutions, as well as the regulation of derivatives, capital market activities and consumer financial services. The Dodd-Frank Act, among other things, created the CFPB, a federal entity responsible for regulating consumer financial services and products. Title XIV of the Dodd-Frank Act contains the Mortgage Reform and Anti-Predatory Lending Act (“Mortgage Act”). The Mortgage Act imposes a number of additional requirements on lenders and servicers of residential mortgage loans by amending and expanding certain existing regulations. The interpretation or enforcement by regulatory authorities of applicable laws and regulations also may change over time. In addition, the creation of new regulatory authorities or changes in the regulatory authorities overseeing applicable laws and regulations may also result in changing interpretation or enforcement of such laws or regulations.

Our failure or the failure of our customers or vendors to comply with applicable laws or regulations or changing interpretation of such laws or regulations could subject the Company to criminal or civil liability, significant penalties, fines, settlements, costs and consent orders affecting us or our customers that may curtail or restrict the business as it is currently conducted and could have an adverse effect on our financial condition or results of operations.

Furthermore, certain of our services are provided at the direction of, and pursuant to, the identified requirements of our customers. The failure of our customers to properly identify or account for regulatory requirements applicable to such services could expose us to significant penalties, fines, settlements, costs and consent orders that could have an adverse effect on our financial condition or results of operations.

We may be subject to licensing and regulation as a provider of certain services including, among others, services as a mortgage origination underwriter, mortgage broker, valuation provider, appraisal management company, asset manager, property manager, property renovator, property lessor, title insurance agent, insurance broker and underwriter, real estate broker, auctioneer, foreclosure trustee and debt collector in a number of jurisdictions. Our employees and subsidiaries may be required to be licensed by or registered with various jurisdictions for the particular type of service sold or provided and to participate in regular continuing education programs. Periodically, we are subject to audits, examinations and investigations by federal, state and local governmental authorities and receive subpoenas, civil investigative demands or other requests for information from such governmental authorities in connection with their regulatory or investigative authority. Due to the inherent uncertainty of such actions, it is often difficult to predict the potential outcome or estimate any potential financial impact in connection with any such inquiries.

Available Information

We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other information with the SEC. These filings are available to the public on the SEC's website at www.sec.gov.

Our principal Internet address is www.altisource.com and we encourage investors to use it as a way to easily find information about us. We promptly make the reports we file or furnish with the SEC, corporate governance information (including our Code of Business Conduct and Ethics), select press releases and other related information available on this website. The contents of our website are available for informational purposes only and shall not be deemed incorporated by reference in this report.

ITEM 1A. RISK FACTORS

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. If any of the following risks, or other events related to such risks, or additional risks and uncertainties not presently known to us or that we currently deem immaterial, actually occur, our business, results of operations and financial condition could be adversely affected. Furthermore, the risk factors described below may not describe the full nature or scope of such risks.

Risks Related to Our Business and Industry

The economy and the housing market can affect demand for our services.

The performance and growth of certain of our businesses are dependent on the number of outstanding mortgages, mortgage delinquency rates, volume of residential loan originations and single family residential real estate transactions in the United States. In the event of an economic slowdown, increase in interest rates or any other factor that would lead to a decrease in the volume of residential real estate transactions, our origination services and residential real estate brokerage business could be adversely affected. A strengthening economy and housing market, or changes in applicable regulations or requirements in dealing with delinquent borrowers or regarding foreclosure practices, may result in lower delinquencies or foreclosures, negatively impacting our default-related businesses. Further, in the event that adverse economic conditions or other factors lead to a decline in levels of home ownership and a reduction in the aggregate number of United States mortgage loans outstanding, our revenues and results of operations could be adversely affected.

Our business is subject to substantial competition.

The markets for our services are very competitive. Our competitors vary in size and in the scope and breadth of the services they offer. We compete for existing and new customers against both third parties and the in-house capabilities of our customers and potential customers. Some of our competitors are more established, better known, have a stronger reputation and greater resources, and some have widely-used technology platforms which they seek to use as a competitive advantage to drive sales of other competing products and services. Some of our competitors may have additional competitive advantages over us. In addition, we expect the markets in which we compete will continue to attract new competitors, and that our competitors will develop new

products, services and technologies. These new products, services and technologies may render our existing offerings obsolete and our competitors' offerings may gain market acceptance over our offerings. Furthermore, we may not be able to meet the terms of our customers' service level agreements or otherwise meet our customers' expectations. There can be no assurance we will be able to compete successfully against current or future competitors or that competitive pressures we face in the markets in which we operate will not adversely affect our business, financial condition and results of operations.

Ocwen is currently our largest customer and the loss of Ocwen as a customer or a significant reduction in the volume of services that we provide to Ocwen could adversely affect our business and results of operations.

During the year ended December 31, 2018, Ocwen was our largest customer, accounting for 52% of our total revenue. Additionally, 6% of our revenue for the year ended December 31, 2018 was earned on the loan portfolios serviced by Ocwen, when a party other than Ocwen or the MSR owner selected Altisource as the service provider.

Ocwen has disclosed that it is subject to a number of ongoing federal and state regulatory examinations, cease and desist orders, consent orders, inquiries, subpoenas, civil investigative demand, requests for information and other actions and is subject to pending legal proceedings, some of which include claims against Ocwen for substantial monetary damages. While not inclusive, regulatory actions to date have included subjecting Ocwen to independent oversight of its operations and placing certain restrictions on its ability to acquire servicing rights. Ocwen may become subject to future federal and state regulatory investigations, inquiries, requests for information and legal proceedings, any of which could also result in adverse regulatory or other actions against Ocwen.

The foregoing may have significant adverse effects on Ocwen's business and/or our continuing relationship with Ocwen. For example, Ocwen may be required to alter the way it conducts business, including the parties it contracts with for services (including IT and software services), it may be required to seek changes to its existing pricing structure with us, it may lose its non-GSE servicing rights or subservicing arrangements or may lose one or more of its state servicing or origination licenses. Additional regulatory actions or adverse financial developments may impose additional restrictions on or require changes in Ocwen's business that could require it to sell assets or change its business operations. Any or all of these effects could result in our eventual loss of Ocwen as a customer or a reduction in the number and/or volume of services they purchase from us or the loss of other customers.

If any of the following events occurred, Altisource's revenue could be significantly lower and our results of operations could be materially adversely affected, including from the possible impairment or write-off of goodwill, intangible assets, property and equipment, other assets and accounts receivable:

- Altisource loses Ocwen as a customer or there is a significant reduction in the volume of services they purchase from us
- Ocwen loses, sells or transfers a significant portion or all of its remaining non-GSE servicing rights or subservicing arrangements and Altisource fails to be retained as a service provider
- Ocwen loses state servicing licenses in states with a significant number of loans in Ocwen's servicing portfolio
- The contractual relationship between Ocwen and Altisource changes significantly or there are significant changes to our pricing to Ocwen for services from which we generate material revenue
- Altisource otherwise fails to be retained as a service provider

Furthermore, Altisource and Ocwen entered into an agreement on February 22, 2019 that, among other things, facilitates Ocwen's transition from REALServicing and related technologies to another mortgage servicing software platform. There can be no assurance that we will be able to integrate our systems and technologies with Ocwen's new mortgage servicing platform or interoperate with Ocwen's new mortgage servicing platform without adversely impacting our business and results of operations.

There may be other events that could cause the loss of Ocwen as a customer or reduce the size of our relationship with Ocwen, or that could otherwise adversely affect the revenues we earn from Ocwen, and adversely affect our business and results of operations.

We entered into the Brokerage Agreement with NRZ's licensed brokerage subsidiary with respect to the Subject MSRs. If the Brokerage Agreement is terminated, our business and results of operations could be affected.

Ocwen has disclosed that NRZ is its largest client. As of September 30, 2018, NRZ owned MSRs or rights to MSRs relating to approximately 57% of loans serviced and subserviced by Ocwen (measured in UPB). In July 2017 and January 2018, Ocwen and NRZ entered into a series of agreements pursuant to which the parties agreed, among other things, to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen's legal title to the Subject MSRs and under which Ocwen will subservice mortgage loans underlying the Subject MSRs for an initial term of five years.

On August 28, 2017, Altisource, through its licensed subsidiaries, entered into the Brokerage Agreement with NRZ which extends through August 2025. Under this agreement and related amendments, Altisource remains the exclusive provider of brokerage services for REO associated with the Subject MSRs, irrespective of the subservicer. NRZ's brokerage subsidiary receives a

cooperative brokerage commission on the sale of certain REO properties from these portfolios subject to certain exceptions. The Brokerage Agreement can be terminated by Altisource at Altisource's discretion if a services agreement is not signed by Altisource and NRZ. The Brokerage Agreement may otherwise only be terminated upon the occurrence of certain specified events. Termination events include, but are not limited to, a breach of the terms of the Brokerage Agreement (including, without limitation, the failure to meet performance standards and non-compliance with law in a material respect), the failure to maintain licenses which failure materially prevents performance of the contract, regulatory allegations of non-compliance resulting in an adversarial proceeding against NRZ, voluntary or involuntary bankruptcy, appointment of a receiver, disclosure in a Form 10-K or Form 10-Q that there is significant uncertainty about Altisource's ability to continue as a going concern, failure to maintain a specified level of cash and an unapproved change of control. The Services LOI expired on December 15, 2018. Altisource is providing services on the Subject MSR's pursuant to its agreements with Ocwen, and we have not exercised our right to terminate the Brokerage Agreement. If any one of these termination events occurs and the Brokerage Agreement is terminated, this could have a material adverse impact on our future revenue and results of operations.

We are providing other default-related services for the Subject MSR's subject to our agreements with Ocwen, and we do not have a services agreement with NRZ. If NRZ significantly reduces the volume of default-related services for the Subject MSR's, our business and results of operations could be affected.

The Services LOI expired on December 15, 2018. Altisource is providing services on the Subject MSR's pursuant to its agreements with Ocwen. Since the Services LOI expired, we believe Altisource has continued to receive the fee-based-service referrals on the Subject MSR's on an uninterrupted basis. While we believe that our agreements with Ocwen require the use of Altisource as service provider on the Subject MSR's, there can be no assurance that NRZ will not challenge our position or exercise its purported right to assign other service providers or that the fee-based service referrals will continue in whole or in part. If Altisource were no longer providing services for some or all of the Subject MSR's, this could have a material adverse impact on our future revenue and results of operations.

Our continuing relationship with Ocwen may inhibit our ability to attract and retain other customers.

Given the significance of our relationship with Ocwen and the regulatory scrutiny of Ocwen and Altisource, we may encounter difficulties in attracting new customers and retaining existing customers. Should these and other potential customers view Altisource as part of Ocwen or as too closely related to or dependent upon Ocwen or view Altisource as being subject to or at risk of regulatory scrutiny, they may be unwilling to utilize our services and our non-Ocwen growth could be inhibited as a result and our results of operations could be adversely impacted.

We have key customer relationships, other than Ocwen and NRZ, the loss of which could affect our business and results of operations.

While no individual client, other than Ocwen and NRZ, represents more than 10% of our consolidated revenue, we are exposed to customer concentration risks beyond Ocwen and NRZ, particularly in our financial services businesses. Most of our customers are not contractually obligated to continue to use our services at historical levels or at all. The loss of any of these key customers or their failure to pay us could reduce our revenue and adversely affect our results of operations.

Our intellectual property rights are valuable and any inability to protect them or challenges to our right to use them could reduce the value of our services or increase our costs.

Our patents, trademarks, trade secrets, copyrights and other intellectual property rights are important assets. The efforts we have taken to protect these proprietary rights may not be sufficient or effective in every case and in some cases we may not seek protection or to defend our rights. The unauthorized use of our intellectual property or significant impairment of our intellectual property rights could harm our business, make it more expensive to do business or hurt our ability to compete. Protecting our intellectual property rights is costly and time-consuming.

Although we seek to obtain patent protection for certain of our innovations, it is possible we may not be able to protect all of the innovations for which we seek protection. Changes in patent law, such as changes in the law regarding patentable subject matter, can also impact our ability to obtain patent protection for our innovations. In addition, given the costs of obtaining patent protection, we may choose not to protect certain innovations that later turn out to be important. Furthermore, there is always the possibility, despite our efforts, that the scope of the protection gained will be insufficient or an issued patent may be deemed invalid or unenforceable.

Further, as our technology solutions and services develop, we may become increasingly subject to infringement claims by others. Any claims, whether with or without merit, could:

- be expensive and time-consuming to defend;
- cause us to cease making, licensing or using technology solutions that incorporate the challenged intellectual property;

- require us to redesign our technology solutions, if feasible;
- divert management's attention and resources; and/or
- require us to enter into royalty or licensing agreements in order to obtain the right to use necessary technologies.

Our failure to protect our intellectual property rights could adversely impact our results of operations.

Technology disruptions, failures, defects or inadequacies, development delays or installation difficulties, acts of vandalism or the introduction of harmful code could damage our business operations and increase our costs.

Disruptions, failures, defects or inadequacies in our technology or technology we acquire from third parties, delays in the development of our technology or acts of vandalism, system attacks or the introduction of malicious code to our technology or software, may interrupt or delay our ability to provide services to our customers or cause the loss, corruption or disclosure of data. Any sustained and repeated disruptions in these services may have an adverse impact on our and our customers' results of operations and, in the case of acts of vandalism or introduction of harmful code, could necessitate improvements to our physical and cyber security practices that may require an investment of money, time and resources. Further, our customers may require changes and improvements to the systems we provide to them to manage the volume and complexity, laws or regulations of their businesses, which changes and improvements may be unfeasible, unsuccessful, costly or time-consuming to implement or may create disruptions in our provision of services to customers, which may have an adverse impact on our business operations or financial condition, or increase our costs. Additionally, the improper implementation or use of Altisource technology by customers could impact the operation of that technology, and potentially cause harm to our reputation, loss of customers, negative publicity or exposure to liability claims or government investigations or actions, and our results of operations could be adversely impacted.

We depend on our ability to access data from external sources to maintain and grow our businesses. If we are unable to access data from these sources or if the prices charged for these services significantly increase, the quality, pricing and availability of our products and services may be adversely affected, which could have a material adverse impact on our business, financial condition and results of operations.

We rely on data from public and private sources to maintain and grow some of our businesses (such as Owners.com and RentRange®) and to maintain our databases (such as multiple listing service data). Our data sources could cease providing or reduce the availability, type, details or other aspects of their data to us or increase the price we pay for their data. If a number of suppliers are no longer able or are unwilling to provide us with certain data, or if our sources of data become unavailable or too expensive, we may need to find alternative sources. If we are unable to identify and contract with suitable alternative data suppliers and efficiently and effectively integrate these data sources into our service offerings, we could experience service disruptions, increased costs and reduced quality of our services. New legal restrictions could limit the use or dissemination of data in a manner that adversely impacts our products, services or operations. Significant price increases or restrictions could have a material adverse effect on our business, results of operations or financial condition, in particular if we are unable to arrange for substitute sources of data on commercially reasonable terms or at all.

The Company's databases containing our proprietary information, the proprietary information of third parties and personal information of our customers, vendors and employees could be breached, which could subject us to adverse publicity, investigations, costly government enforcement actions or private litigation and expenses.

As part of our business and operation of our technology, we maintain proprietary information belonging to the Company or third parties in tangible and electronic forms and electronically receive, process, store and transmit personal information (including, but not limited to personally identifiable information) ("PI") and confidential and sensitive business information of ourselves and of our customers, vendors and employees. We also rely extensively on the operation of technology networks and systems that are administered by third parties, including the Internet and cloud based solutions. We rely on the security of our facilities, networks, databases, systems and processes and, in certain circumstances, those of third parties, such as vendors, to protect our proprietary information and PI in our possession and information about our customers, vendors and employees. Hackers, criminals and others are constantly devising schemes to circumvent security safeguards and other large and small companies have suffered serious data security breaches. If our controls and those of our vendors are not effective, are outdated or do not exist, unauthorized parties may gain access to our networks or databases, or those of our vendors, and they may be able to steal, publish, delete, or modify our sensitive proprietary information and sensitive third party information, including PI. In addition, employees may intentionally or inadvertently cause data or security breaches that result in unauthorized release of such PI, proprietary or confidential information. In such circumstances, our business could suffer and we could be held liable to our customers, vendors, other parties or employees, as well as be subject to notification requirements or regulatory or other actions for breaching privacy laws or failing to adequately protect such information. This could result in costly investigations and litigation, civil or criminal penalties, large scale remediation requirements, operational changes or other response measures, significant penalties, fines, settlements, costs, consent orders, loss of consumer confidence in our security measures and negative publicity that could adversely affect our financial condition, results of operations and reputation. Furthermore, customer and governmental authorities increasingly impose more stringent security

obligations on us, our services and the security of our customers' data and PI, and impose new liabilities for data breaches, all of which could have an adverse effect on us and our results of operations.

Our business is susceptible to disruption from natural disasters or intentional acts of destruction that may render certain of our assets and business facilities unusable for an extended period of time.

Our physical facilities and technology infrastructure, including infrastructure provided by third parties, is susceptible to disruption due to natural disasters or intentional acts of destruction that could impair or prevent our use of such facilities and infrastructure for an extended period of time. Current business continuity plans, back-up facilities and technology infrastructure may not be adequate or sufficient to remotely operate for an extended period of time, and current business interruption insurance may not be adequate to sufficiently compensate for any loss, in the event of a natural disaster or intentional act of destruction. Furthermore, certain of our assets are concentrated in geographical areas that may be affected by natural disasters, which may result in limited access to those assets, significant damage to such assets or destruction of such assets. Interruptions in our operations for an extended period of time and/or damage or destruction of assets and facilities could have an adverse effect on our business, financial condition or results of operations.

We have long development and sales cycles for many of our services, analytics and technology solutions and if we fail to close sales after expending significant time and resources to do so, our business, financial condition and results of operations may be adversely affected.

We have long development and sales cycles for many of our services, analytics and technology solutions. We may expend significant time and resources in pursuing a particular customer or customers that does not generate revenue or pursuing a particular service or solution for our existing customers that does not generate revenue. We may encounter delays when developing new services or technology solutions. Changes in relevant regulations or industry practices may render existing solutions or ongoing development efforts obsolete or require significant modifications. We may experience difficulties in installing or integrating our services and technologies on platforms used by our customers. Further, defects in our technology solutions, errors or delays in the processing of electronic transactions or other difficulties could result in interruption of business operations, delay in market acceptance, additional development and remediation costs, loss of customers, negative publicity or exposure to liability claims, and our results of operations could be adversely impacted.

Delays due to the length of our sales cycle or costs incurred that do not result in sales could have an adverse effect on our business, financial condition or results of operations.

The failure of any of the insurance underwriting loss limitation methods we use could have adverse effects on our results.

Altisource, through its subsidiary Association of Certified Mortgage Originators Risk Retention Group, Inc., provides certified loan insurance to its customers. Altisource reduces a portion of its risk of insurance loss through third party reinsurance. The incidence and severity of claims against insurance policies are inherently unpredictable. Although we attempt to manage our exposure to insurance underwriting risk through the use of disciplined underwriting controls and the purchase of third party reinsurance, the frequency and severity of claims could be greater than contemplated in our pricing and risk management methods and our controls and mitigation efforts may not be effective or sufficient.

We also face counterparty risk when purchasing reinsurance from third party reinsurers. The insolvency or unwillingness of any of our present or future reinsurers to contract with us or make timely payments to us under the terms of our reinsurance agreements could have an adverse effect on us. Further, there is no certainty that we will be able to purchase the amount or type of reinsurance we desire in the future or that the reinsurance we desire will be available on terms we consider acceptable or with reinsurers with whom we want to do business. Any failure of our insurance underwriting loss limitation methods or similar insurance related risks described above could adversely impact our results of operations.

Under certain material agreements that we are currently a party to or may enter into in the future, the formation by shareholders of Altisource of a "group" (as that term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act")) with ownership of Altisource capital stock exceeding a defined percentage may give rise to a termination event or an event of default, which could result in a material adverse impact on the Company's future revenue, results of operations and financial position.

Under certain of the Company's material agreements, such as its senior secured term loan agreement, a change of control would be deemed to occur if, among other things, a "group" (as that term is used in Sections 13(d) and 14(d) of the Exchange Act) is formed by shareholders holding beneficial ownership of a defined percentage of the combined voting power and/or economic interest of the Company's capital stock. The Company's Brokerage Agreement with NRZ's licensed brokerage subsidiary contains a similar provision, and the Company may enter into material agreements in the future that contain similar provisions. The formation of a "group" could occur without the involvement of or input by the Company, and the Company is not in a position to prevent

such an event from occurring. Such a change of control could constitute a termination event or an event of default under these agreements. If any of these agreements were terminated, or if the event of default is not waived, this could have a material adverse impact on the Company's future revenue, results of operations and financial position.

Our business and the business of our customers are subject to extensive scrutiny and regulation, and the perceived failure or failure to comply with existing or new regulations or license requirements may adversely impact us.

Our business and the business of our customers are subject to extensive scrutiny and regulation by federal, state and local governmental authorities including the FTC, the CFPB, the SEC, the HUD and the state and local agencies that license or oversee certain of our auction, real estate brokerage, mortgage and debt collection services, trustee services and insurance services. We also must comply with a number of federal, state and local consumer protection laws including, among others, ADA, CHBR, CAN-SPAM, ECOA, FACTA, FCRA, FDCPA, Fair Housing Act, the FTC Act, GLBA, HARP, HMDA, HOEPA, RPAPL, RESPA, the SAFE Act, SCRA, TCPA, TILA, UDAAP and FCPA. We are also subject, or may in the future become subject, to various foreign laws and regulations as well, including those pertaining to data protection, such as the GDPR. These foreign, federal, state and local requirements can and do change as statutes and regulations are enacted, promulgated or amended. Furthermore, the interpretation or enforcement by regulatory authorities of these requirements may change over time. The creation of new regulatory authorities or changes in the regulatory authorities overseeing applicable laws and regulations may also result in changing interpretation or enforcement of such laws or regulations. We are also subject to licensing and regulation as a provider of certain services including, among others, services as a mortgage origination underwriter, valuation provider, appraisal management company, asset manager, property manager, title insurance agent, insurance broker and underwriter, real estate broker, auctioneer, foreclosure trustee and debt collector in a number of states. Our employees and subsidiaries may be required to be licensed by various state commissions for the particular type of service provided and to participate in regular continuing education programs. We incur significant ongoing costs to comply with licensing requirements and governmental regulations and to respond to government and regulatory confidential inquiries, audits, regulatory examinations and other similar matters. We also may lose or fail to maintain required licenses necessary to continue to do business in certain of our markets, which could have an adverse effect on our financial condition or results of operations.

Participants in the industries in which we operate are subject to a high level of government and regulatory scrutiny. This scrutiny has included review by federal and state governmental authorities of all aspects of the mortgage servicing and lending industries and the debt collection industry, including an increased legislative and regulatory focus on consumer protection practices. Our and our customers' failure to comply with applicable laws, regulations, consent orders or settlements could subject us to civil and criminal liability, loss of licensure, damage to our reputation in the industry, significant penalties, fines, settlements, adverse publicity, litigation, including class action lawsuits or administrative enforcement actions, costs and consent orders against us or our customers that may curtail or restrict our business as it is currently conducted. If governmental authorities continue to impose new or more restrictive requirements or enhanced oversight, we may be required to increase or decrease our prices, modify our contracts or course of dealing and/or we may incur significant additional costs to comply with such requirements. Also, if we are unable to adapt our products and services to conform to the new laws and regulations, or if these laws and regulations have a negative impact on our clients, we may experience client losses or increased operating costs. Any of the foregoing outcomes could have an adverse effect on our financial condition or results of operations. Furthermore, even if we believe we complied with such laws and regulations, we may choose to settle enforcement actions or lawsuits in order to avoid the potentially significant costs of defending such actions or lawsuits and to further avoid the risk of increased damages if we ultimately were to receive an unfavorable outcome.

In addition, certain of our technology and other services are provided at the direction and pursuant to the identified requirements of our customers. The failure of our customers to properly identify or account for regulatory requirements applicable to such technology and services or to use such technology or services in a compliant manner could expose us to significant penalties, fines, settlements, costs and consent orders that could have an adverse effect on our financial condition or results of operations.

Periodically, we are subject to audits and examinations by federal, state and local governmental authorities and receive subpoenas, civil investigative demands or other requests for information from such governmental authorities in connection with their regulatory or investigative authority. We are currently responding to such inquiries from governmental authorities relating to certain aspects of our business, including as set forth in the Government Regulation section of Item 1 of Part I, "Business" above. Responding to such audits, examinations and inquiries will cause us to incur costs, including legal fees or other charges, which may be material in amount, and in addition, may result in management distraction or may cause us to modify or terminate certain services we currently offer. If any such audits, examinations or inquiries result in allegations or findings of non-compliance, we could incur significant penalties, fines, settlements, costs and consent orders that may curtail, restrict or otherwise have an adverse effect on our business and results of operations. Furthermore, even if we believe we complied with applicable laws and regulations, we may choose to settle such allegations with the governmental authorities in order to avoid the potentially significant costs of defending such allegations and to further avoid the risk of increased damages if we ultimately were to receive an unfavorable outcome, but such settlements may also result in further claims or create issues for existing and potential customers.

National servicing standards and federal and state government scrutiny and regulation and other requirements require very specific loan modification and foreclosure procedures among others that have further reduced the number of loans entering the foreclosure process and have negatively impacted our default services revenue and profit. It is unclear when or if volumes will increase in the future.

Our customers are subject to government regulation, requiring our customers to, among other things, oversee their vendors and maintain documentation that demonstrates their oversight. If our performance does not meet or is perceived not to meet such requirements, our results of operations could be adversely affected.

Our customers are subject to a variety of federal, state and local government regulations, including the Bank Service Company Act and those promulgated by the CFPB and others, as well as consent orders and settlements. The foregoing may require our customers to oversee their vendors and document the procedures performed to demonstrate that oversight. Altisource, as a vendor, is subject to oversight by our customers. If we do not meet the standards established by or imposed upon our customers or if any other oversight procedures result in a negative outcome for Altisource, we may lose customers, may no longer be granted referrals for certain services, or may have to conform our business to address these standards, negatively impacting our business and results of operations. Even if Altisource satisfies its contractual obligations to its clients, regulators may allege that products or services provided by Altisource fail to meet applicable regulatory requirements.

We may be subject to claims of legal violations or wrongful conduct which may cause us to pay unexpected litigation costs, damages or indemnifications, or modify our products or processes.

From time to time, we may be subject to costly and time-consuming regulatory or legal proceedings that claim legal violations or wrongful conduct. These proceedings may involve regulators, clients, our clients' customers, vendors, competitors and/or other large groups of plaintiffs and, if resulting in findings of violations, could result in substantial damages or indemnification obligations. Additionally, we may be forced to settle some claims and change existing company practices, services and processes that are currently revenue generating. This could lead to unexpected costs or a loss of revenue and our results of operations could be adversely impacted. Furthermore, even if we believe we have no liability for the alleged regulatory or legal violations or wrongful conduct, we may choose to settle such regulatory or legal proceedings in order to avoid the potentially significant costs of defending such allegations and to further avoid the risk of increased damages if we ultimately were to receive an unfavorable outcome.

The tax regulations, and the interpretation thereof, in the countries, states and local jurisdictions in which we operate periodically change, which may impact our results of operations associated with higher taxes.

Certain of our subsidiaries provide services in the United States and several countries internationally. Those jurisdictions are subject to changing tax environments, which may result in higher operating expenses and/or taxes and which may introduce uncertainty as to the application of tax laws and regulations to our operations. Furthermore, we may determine that we owe additional taxes or may be required to pay taxes for services provided in prior periods as interpretations of tax laws and regulations are clarified or revised. We may not be able to raise our prices to customers or pass-through such taxes to our customers or vendors, which could adversely affect our results of operations. In addition, if we fail to accurately anticipate or apply tax laws and regulations to our operations, we could be subject to liabilities and penalties.

We rely on third party vendors for many aspects of our business. If our vendor oversight activities are ineffective, we fail to meet customer or regulatory requirements or we face difficulties managing our relationships with third party vendors, our results of operations could be adversely affected.

We rely on third party vendors to provide goods and services in relation to many aspects of our operations. Our dependence on these vendors makes our operations vulnerable to the unavailability of such third parties, the pricing and services offered by such third parties and such third parties' failure to perform adequately under our agreements with them. In addition, where a vendor provides services that we are required to provide under a contract with a client, we are generally responsible for such performance and could be held accountable by the client for any failure of performance by our vendors. We evaluate the competency and solvency of our key third party vendors. We perform ongoing vendor oversight activities to identify potential new vendors, review vendor pricing and to identify any performance or other issues related to current vendors. If our vendor oversight activities are ineffective or if a vendor fails to provide the services that we require or expect, or fails to meet contractual requirements, such as service levels or compliance with applicable laws, the failure could negatively impact our business by adversely affecting our ability to serve our customers and/or subjecting us to litigation and regulatory risk for ineffective vendor oversight. Furthermore, the failure to obtain services at anticipated pricing could impact our cost structure and the prices of services we provide. In addition, Altisource may be required by its customers or by applicable regulations to oversee its vendors and document procedures performed to demonstrate that oversight. If we fail to meet such customer or regulatory requirements, or we face difficulties managing our relationships with third party vendors, we may lose customers or may no longer be granted referrals for certain services or could

be subject to adverse regulatory action, negatively impacting our business and results of operations. Such failures could adversely affect the reliability and quality of the services we provide our customers and could adversely affect our results of operations.

If financial institutions at which we hold cash and cash equivalents as well as escrow and trust funds fail, it could have an adverse impact on our Company.

We hold our cash and cash equivalents at various financial institutions. In addition, we hold customers' deposits in escrow and trust accounts at various financial institutions pending completion of certain real estate activities. We also hold cash in trust accounts at various financial institutions where contractual obligations mandate maintaining dedicated bank accounts. These amounts are held in escrow and trust accounts for limited periods of time and are not included in the accompanying consolidated balance sheets. We may become liable for funds owed to third parties as a result of the failure of one or more of these financial institutions, in addition to loss of our cash and cash equivalents, and there is no guarantee we would recover the funds deposited, whether through Federal Deposit Insurance Corporation coverage, private insurance or otherwise and our results of operations could be adversely impacted.

We generate significant cash from our operations that is deposited into our operating accounts at banks and also, in connection with debt collections (in our Other Businesses, Corporate and Eliminations segment) and real estate transactions (Mortgage Market and Real Estate Market segments), in escrow and trust accounts, which exposes us to risk of loss due to fraudulent or inadvertent misappropriation of cash.

We hold our cash and cash equivalents at various financial institutions. In addition, we hold customers' deposits in escrow and trust accounts at various financial institutions pending completion of certain real estate activities. These cash balances expose us to purposeful misappropriation of cash by employees or others and unintentional mistakes resulting in a loss of cash which may not be recoverable. In addition, we may become liable for funds owed to third parties as a result of such purposeful misappropriation of cash by employees or others and unintentional mistakes resulting in a loss of cash held in escrow and trust accounts, and there is no guarantee we would recover the lost funds from the party or parties involved in a fraudulent or inadvertent misappropriation of cash and our results of operations could be adversely impacted.

Our primary source of liquidity is cash flows from operations. We seek to deploy cash generated in a disciplined manner, including to repurchase and repay our senior secured term loan and, from time to time, repurchase shares of our common stock, make capital investments and make acquisitions. We may not continue to deploy cash as we have in the past.

While we have historically used cash from operations to repurchase and repay our senior secured term loan, repurchase shares of our common stock, make capital investments and make acquisitions, there is no guarantee that we will continue to do so or that we will do so at attractive prices. Furthermore, there is no guarantee that cash from operations will be available for repurchasing our senior secured term loan, repurchasing shares of our common stock, making capital investments and making acquisitions. Also, we may not repurchase our senior secured term loan and common stock, make capital investments and acquisitions at the same levels as in the past. In addition, while the Company has not historically declared dividends, the Company may decide in the future to declare a dividend rather than, or in addition to, repurchasing our senior secured term loan and/or repurchasing shares of our common stock, making capital investments and/or acquisitions. If we continue or increase such repurchases, make or increase capital investments and acquisitions or declare a dividend, we may not have sufficient cash for other opportunities that may arise.

Our senior secured term loan makes us more sensitive to the effects of economic change, including economic downturns and interest rate increases; our level of debt and provisions in our senior secured term loan agreement could limit our ability to react to changes in the economy or our industry.

Our senior secured term loan makes us more vulnerable to changes in our results of operations because a portion of our cash flows from operations is dedicated to servicing our debt and is not available for other purposes. Our senior secured term loan is secured by virtually all of our assets and from time to time trades at a substantial discount to face value. Our ability to raise additional debt is largely limited and in many circumstances would be subject to lender approval and would require modification of our current senior secured term loan agreement. Additionally, increases in interest rates will negatively impact our cash flows as the interest rate on our debt is variable. The provisions of our senior secured term loan agreement could have other negative consequences to us including the following:

- limiting our ability to borrow money for our working capital, capital expenditures and debt service requirements or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our operations, our business or the industry in which we compete;

- requiring us to use a portion of our excess cash flow, as defined in the debt agreement, to repay debt in the event our net debt less marketable securities to EBITDA ratios, as defined in the debt agreement, exceed certain thresholds; and
- placing us at a competitive disadvantage by limiting our ability to invest in our business.

Our ability to make payments on our indebtedness depends, in part, on our ability to generate cash in the future. If we do not generate sufficient cash flows and do not have sufficient cash on hand to meet our debt service and working capital requirements, we may need to seek additional financing, raise equity or sell assets. This may make it more difficult for us to obtain financing on terms that are acceptable to us, or at all. Without any such financing, we could be forced to sell assets to make up for any shortfall in our payment obligations under unfavorable circumstances. If necessary, we may not be able to sell assets quickly enough or for sufficient amounts to enable us to meet our obligations. Failure to meet our debt service requirements could result in an event of default under our senior secured term loan agreement which, if not cured or waived, could result in the holders of the defaulted debt causing all outstanding amounts with respect to that debt to be immediately due and payable.

In addition, our senior secured term loan agreement contains covenants that limit our flexibility in planning for, or reacting to changes in, our business and our industry, including limitations on incurring additional indebtedness, making investments, adding new product lines, granting liens and merging or consolidating with other companies. Complying with these covenants may impair our ability to finance our future operations or capital needs or to engage in other favorable business activities.

Our failure to comply with the covenants or terms contained in our senior secured term loan agreement, including as a result of events beyond our control, could result in an event of default which could adversely affect our operating results and our financial condition.

Our senior secured term loan agreement requires us to comply with various operational, reporting and other covenants or terms including, among other things, limiting us from engaging in certain types of transactions. If there were an event of default under our senior secured term loan agreement that was not cured or waived, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be immediately due and payable. There can be no assurance that our assets or cash flows would be sufficient to fully repay borrowings under our outstanding senior secured term loan if accelerated upon an event of default or that we would be able to refinance or restructure the payments on the senior secured term loan.

We may be unable to repay the balance of our senior secured term loan upon maturity in April 2024, particularly if cash from operations declines and assets are not readily available for sale.

Our senior secured term loan agreement requires us to repay the outstanding balance due in April 2024 (\$283.3 million, based on scheduled repayments through the maturity date). If our cash from operations declines, there can be no assurance that our cash balances and other assets readily available for sale would be sufficient to fully repay borrowings under our outstanding senior secured term loan upon maturity in April 2024 or that we will be able to refinance the remaining portion of the debt prior to the due date.

Our failure to maintain certain net debt less marketable securities to EBITDA ratios contained in our senior secured term loan agreement could result in required payments to the lenders of a percentage of our excess cash flows, which could adversely affect our ability to use our excess cash flows for other purposes.

Our senior secured term loan agreement requires us to distribute to our lenders 50% of our consolidated excess cash flows, as defined in the senior secured term loan agreement, if our net debt less marketable securities to EBITDA ratio, as defined in the senior secured term loan agreement, exceeds 3.50 to 1.00 and 25% of our consolidated excess cash flows if our net debt less marketable securities to EBITDA ratio is 3.50 to 1.00 or less, but greater than 3.00 to 1.00. If we were required to distribute a portion of our excess cash flows to our lenders, we may be limited in our ability to support our business, grow our business through acquisitions or investments in technology and we may be limited in our ability to repurchase our common stock. There can be no assurance that we will maintain net debt less marketable securities to EBITDA ratios at levels that will not require us to distribute a portion of our excess cash flows to lenders.

If we fail to maintain adequate internal controls, our ability to prepare accurate and timely financial statements could be impaired, which could adversely affect investor confidence in our reported financial information.

We cannot be certain that we will be successful in implementing or maintaining adequate internal control over our financial reporting and financial processes. The existence of material weaknesses in our internal control over financial reporting could materially adversely affect our ability to comply with applicable financial reporting requirements.

We have significant investments in goodwill and intangible assets recorded as a result of prior acquisitions and an impairment of these assets would require a write-down that would reduce our net income.

Goodwill and intangible assets are assessed for impairment annually or sooner if circumstances indicate a possible impairment. Factors that could lead to impairment of goodwill and intangible assets include significant under-performance relative to historical or projected future operating results, a significant decline in our stock price and market capitalization and negative industry or economic trends, among other indications of impairment. In the event that the recorded values of goodwill and intangible assets are impaired, any such impairment would be charged to earnings in the period of impairment. In the event of significant volatility in the capital markets or a worsening of current economic conditions, we may be required to record an impairment charge, which would negatively impact our results of operations. Possible future impairment of goodwill and intangible assets may have a material adverse effect on our business, results of operations and financial condition.

Risks Related to our Growth Strategy

Our ability to grow is affected by our ability to execute on our strategic businesses, retain and expand our existing customer relationships and our ability to attract new customers.

Our ability to retain existing customers and expand those relationships and attract new customers is subject to a number of risks including the risk that we do not:

- execute on our strategic businesses;
- maintain or improve the quality and legal, regulatory and contractual compliance of services we provide to our customers;
- meet or exceed the expectations of our customers;
- maintain a good reputation;
- successfully leverage our existing customer relationships to sell additional services; and
- attract new customers.

If our efforts to execute on our strategic businesses, retain and expand our customer relationships and attract new customers do not prove effective, it could have an adverse effect on our business and results of operations and our ability to maintain and grow our operations.

Our ability to expand existing relationships and attract new customers is also affected by broader economic factors and the strength of the overall housing market, which can reduce demand for our services and increase competition for each customer's business, and our results of operations could be adversely impacted. See "The economy and the housing market can affect demand for our services."

If we do not adapt our services to changes in technology or in the marketplace, changing requirements of governmental authorities, GSEs and clients or if our ongoing efforts to upgrade our technology and particularly our efforts to complete development of our technology are not successful, we could lose customers and have difficulty attracting new customers for our services, which could have an adverse effect on our business and results of operations.

The markets for our services are characterized by constant technological change, our customers' and competitors' frequent introduction of new services and evolving industry standards and government regulation. We are currently in the process of, and from time to time will be, developing and introducing new services and technologies and improvements to existing services and technologies. Our future success will be significantly affected by our ability to complete our current efforts and in the future enhance, primarily through use of automation, econometrics and behavioral science principles, our services and develop and introduce new services that address the increasingly sophisticated needs of our customers and their customers. These initiatives carry the risks associated with any new service development effort, including cost overruns, delays in delivery and performance effectiveness. There can be no assurance that we will be successful in developing, marketing and selling new and improved technologies and services. In addition, we may experience difficulties that could delay or prevent the successful development, introduction and marketing of these services. Our services and their enhancements may also not adequately meet the demands of the marketplace or governmental authorities and achieve market acceptance.

Many of our institutional customers are consolidating the number of service providers, and we may face significant pricing pressures.

Institutional customers of our default-related services and origination services are undergoing vendor consolidation efforts, reducing the number of service providers employed. If we are not able to maintain our customer relationships in the face of such consolidation, we could lose some of our customers. In addition, certain prices that we can charge may be dictated by GSEs and/or our institutional customers and we may not be able to reduce our vendor costs in order to maintain our profitability for those services. Any of these

results could have a negative impact on our financial condition and results of operations and our ability to maintain and grow our operations.

Our ability to meet our growth objectives is dependent on the timing and market acceptance of our existing and new service offerings.

Our ability to grow may be adversely affected by difficulties or delays in service development or the inability to gain market acceptance of existing and new services to existing and new customers. There are no guarantees that existing and new services will prove to be commercially successful, and our results of operations could be adversely impacted.

Some of our businesses are dependent on outsourcing.

Our continued growth at historical rates for some of our businesses is dependent on industry participants accepting of outsourcing. Organizations may elect to perform such services themselves or may be prevented from outsourcing services. A significant change in our customers' preference or ability to outsource could have an adverse effect on our continued growth and our results of operations.

Acquisitions to accelerate growth initiatives involve potential risks.

Our strategy has included the acquisition of complementary businesses from time to time. During 2016, we acquired Granite Loan Management of Delaware, LLC ("Granite"). During 2015, we acquired CastleLine Holdings, LLC and its subsidiaries ("CastleLine") and GoldenGator, LLC (doing business as RentRange) ("RentRange"), REIsmart, LLC (doing business as Investability) ("Investability") and Onit Solutions, LLC, a support company for RentRange and Investability (collectively "RentRange and Investability"). During 2014, we acquired certain assets and assumed certain liabilities of Mortgage Builder Software, Inc. ("Mortgage Builder") and acquired certain assets and assumed certain liabilities of Owners Advantage, LLC ("Owners").

In the future, we may consider acquisitions of other businesses that could complement our business, offer us greater access in our current markets or offer us greater access and expertise in other asset types and markets that are related to ours but we do not currently serve. Our ability to pursue additional acquisitions in the future is dependent on our access to sufficient capital (equity and/or debt) to fund the acquisition and subsequent integration. We may not be able to secure adequate capital as needed on terms that are acceptable to us, or at all, and our ability to secure such capital through debt financing is limited by our senior secured term loan agreement.

When we acquire new businesses, we may face a number of integration risks, including a loss of focus on our daily operations, the need for additional management, constraints on operating resources, constraints on financial resources from integration and system conversion costs and the inability to maintain key pre-acquisition relationships with customers, suppliers and employees. In addition, any acquisition may result in the incurrence of additional amortization expense of related intangible assets, which could reduce our profitability. Our failure to effectively pursue or integrate acquisitions, and such acquisitions themselves, may have an adverse effect on our financial condition or results of operations.

We may be unable to reduce our cost structure in a timely manner in connection with a significant loss of revenue and/or customers.

Our cost structure is composed of variable costs, which may be largely controllable with changes in revenue and/or our customer base, and fixed costs, which are less controllable with changes in revenue and/or our customer base, including interest associated with our senior secured term loan. If we are unable to reduce our cost structure consistent with a significant decline in revenue, our results of operations, cash flows and financial position could be adversely affected.

Risks Related to International Business

Our international operations subject us to additional risks which could have an adverse effect on our results of operations.

We have attempted to control our operating expenses by utilizing lower cost labor in foreign countries such as India, the Philippines and Uruguay. As of December 31, 2018, 4,919 of our employees were based in India, the Philippines and Uruguay. These countries are subject to relatively higher degrees of political and social instability and may lack the infrastructure to withstand political unrest or natural disasters. The occurrence of natural disasters or political or economic instability in these countries could interfere with work performed by these labor sources, or could result in our having to replace or reduce these labor sources. Such disruptions could decrease efficiency, increase our costs and have an adverse effect on our financial condition or results of operations.

Furthermore, the practice of utilizing labor based in foreign countries has come under increased scrutiny in the United States. Governmental authorities could seek to impose financial costs or restrictions on foreign companies providing services to customers in the United States. Governmental authorities may attempt to prohibit or otherwise discourage our United States-based customers

from sourcing services from foreign companies and, as a result, some of our customers may require us to use labor based in the United States or cease doing business with Altisource. In addition, some of our customers may require us to use labor based in the United States for other reasons. To the extent that we are required to use labor based in the United States, we may not be able to pass on the increased costs of higher-priced United States-based labor to our customers, which ultimately could have an adverse effect on our results of operations.

The FCPA and other applicable anti-corruption laws and regulations prohibit certain types of payments by our employees, vendors and agents. Any violation of the applicable anti-corruption laws or regulations by us, our subsidiaries or our local agents could expose us to significant penalties, fines, settlements, costs and consent orders that may curtail or restrict our business as it is currently conducted and could have an adverse effect on our financial condition or results of operations.

Weakness of the United States dollar in relation to the currencies used in these foreign countries may also reduce the savings achievable through this strategy and could have an adverse effect on our financial condition or our results of operations.

Altisource is a Luxembourg company and it may be difficult to obtain and enforce judgments against it or its directors and executive officers.

Altisource is a public limited liability company organized under the laws of, and headquartered in, Luxembourg. As a result, Luxembourg law and the articles of incorporation govern the rights of shareholders. The rights of shareholders under Luxembourg law may differ from the rights of shareholders of companies incorporated in other jurisdictions. A significant portion of the assets of Altisource are owned outside of the United States. It may be difficult for investors to obtain and enforce, in the United States, judgments obtained in United States courts against Altisource or its directors based on the civil liability provisions of the United States securities laws or to enforce, in Luxembourg, judgments obtained in other jurisdictions including the United States.

A significant challenge of the Luxembourg tax regime or of its interpretation by the Luxembourg tax authorities or others could adversely affect our results of operations.

The Company received and historically operated under a tax ruling from the Luxembourg tax authorities, which would have expired in 2019 unless extended or renewed. In connection with an internal reorganization by the Company during 2017, the Company no longer operates under the tax ruling. The European Commission (“EC”) has initiated investigations into several EU member states, including Luxembourg, to determine whether these EU member states have provided tax advantages to companies on a basis not allowed by the EU. While the EC’s investigations continue, it has concluded that certain companies in certain EU member states, including Luxembourg, have been provided such tax advantages. The EC is requiring these EU member states to recover from certain companies the prior year tax benefits they received. Such a development could have an adverse effect on our financial condition and results of operations.

In the fourth quarter of 2017, the United States amended its tax code which resulted in the reduction of the United States corporate tax rate. This tax code amendment changed our consolidated effective income tax rate, including compared to our competitors, and could adversely affect our results of operations.

This significant change in the United States tax code that resulted in the reduction of the United States corporate tax rate could reduce the effective tax rate of some of our competitors. A reduction in the effective tax rate of some of our competitors may put us at a competitive disadvantage. Such disadvantage and potential loss of customers could have an adverse effect on our financial condition and results of operations.

Our consolidated effective income tax rate for financial reporting purposes may change periodically due to the creation of, and our ability to utilize, net operating loss and tax credit carryforwards, changes in enacted tax rates and fluctuations in the mix of income earned from our domestic and international operations, and could adversely affect our financial condition and results of operations.

The Company has a significant net operating loss recognized by one of Altisource’s Luxembourg subsidiaries, Altisource S.à r.l. The utilization of this net operating loss is dependent on future earnings of Altisource S.à r.l., which may not occur before the net operating loss expires.

In connection with a merger of two of the Company’s wholly-owned subsidiaries in December 2017, which was recognized at fair value, a net operating loss of \$1.3 billion with a 17 year life was generated, creating a deferred tax asset of \$342.6 million. If Altisource S.à r.l. is unable to generate sufficient pretax income by 2034, the Company may not be able to fully utilize the net operating loss within this 17 year period which could have an adverse effect on our financial condition and results of operations.

Risks Related to Our Employees

Our success depends on members of our Board of Directors, our executive officers and other key personnel.

Our success is dependent on the efforts and abilities of members of our Board of Directors, our executive officers and other key employees, many of whom have significant experience in the real estate and mortgage, financial services and technology industries. In particular, we are dependent on the services of members of our Board of Directors and key executives at our corporate headquarters and personnel at each of our segments. The loss of the services of any of these members of our Board of Directors, executives or key personnel, for any reason, could have an adverse effect upon our business, financial condition and results of operations.

Our inability to attract, motivate and retain skilled employees may adversely impact our business.

Our business is labor intensive and places significant importance on our ability to recruit, engage, train and retain skilled employees. Additionally, demand for qualified technical and software professionals conversant in certain technologies may exceed supply as additional skills are required to keep pace with evolving computer technology. Our ability to recruit and train employees is critical to achieving our growth objective. Our inability to attract and retain skilled employees or an increase in wages or other costs of attracting, training or retaining skilled employees could have an adverse effect on our business, financial condition and results of operations.

We make extensive use of independent contractors in certain of our lines of business. If we are required to reclassify independent contractors as employees, we may incur fines and penalties and additional costs and taxes which could adversely affect our business, financial condition and results of operations.

We are increasingly using independent contractors in our operations for whom we do not pay or withhold any federal, state or local employment tax or provide employee benefits. There are a number of tests used in determining whether an individual is an employee or an independent contractor. There can be no assurance that legislative, judicial or regulatory (including tax) authorities will not introduce proposals or assert interpretations of existing rules and regulations that would change, or at least challenge, the classification of our independent contractors. Although we believe we have properly classified our independent contractors, the U.S. Internal Revenue Service or other U.S. federal or state authorities or similar authorities of a foreign government may determine that we have misclassified our independent contractors for employment tax or other purposes and, as a result, seek additional taxes from us, require us to pay certain compensation or benefits to wrongly classified employees, or attempt to impose fines or penalties. If we are required to pay employer taxes, pay backup withholding, or pay compensation or benefits with respect to prior periods with respect to or on behalf of our independent contractors, our operating costs will increase, which could adversely impact our business, financial condition and results of operations.

Risks Related to Our Relationships

We could have conflicts of interest with Ocwen, NRZ, and certain of our shareholders, members of management, and members of our Board of Directors, which may be resolved in a manner adverse to us.

We have significant business relationships with and provide services to Ocwen and to NRZ. We are aware, based on public filings, that our largest shareholder, William C. Erbey, owns or controls common stock in Altisource and Ocwen. As of December 31, 2018 and February 19, 2019, based on public filings, Mr. Erbey reported beneficially owning or controlling approximately 37% of the common stock of Altisource and approximately 5% of the common stock of Ocwen. In addition, certain members of our management and independent members of our Board of Directors (or entities affiliated with such Board of Directors members) have direct or beneficial equity interests in Ocwen or in NRZ, including in one instance, equity interests in Ocwen of slightly less than 10% as well as Ocwen's debt. Such interests could create, or appear to create, potential conflicts of interest with respect to matters potentially or actually involving or affecting us and Ocwen or NRZ.

There can be no assurance that we will implement measures that will enable us to manage potential conflicts with Ocwen or NRZ. There can be no assurance that any current or future measures that may be implemented to manage potential conflicts will be effective or that we will be able to manage or resolve all potential conflicts with Ocwen or NRZ, and, even if we do, that the resolution will be no less favorable to us than if we were dealing with another third party that has none of the connections we have with Ocwen or NRZ.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased office space in Luxembourg, Grand Duchy of Luxembourg. A summary of our principal leased office space as of December 31, 2018 and the segments primarily occupying each location is as follows:

	<u>Mortgage Market</u>	<u>Real Estate Market</u>	<u>Other Businesses, Corporate and Eliminations</u>
Luxembourg	X	X	X
<u>United States</u>			
Atlanta, GA	X	X	X
Boston, MA	X		X
Endicott, NY			X
Fort Washington, PA	X		X
Plano, TX	X	X	X
Sacramento, CA			X
Southfield, MI	X		X
St. Louis, MO	X	X	X
Tempe, AZ			X
Montevideo, Uruguay	X	X	X
Pasay City, Philippines	X	X	X
<u>India</u>			
Bangalore	X	X	X
Mumbai	X	X	X

We do not own any office facilities. We consider these facilities to be suitable and currently adequate for the management and operations of our businesses.

ITEM 3. LEGAL PROCEEDINGS

Litigation

We are currently involved in legal actions in the course of our business, some of which seek monetary damages. We do not believe that the outcome of these proceedings, both individually and in the aggregate, will have a material impact on our financial condition, results of operations or cash flows.

Regulatory Matters

Periodically, we are subject to audits, examinations and investigations by federal, state and local governmental authorities and receive subpoenas, civil investigative demands or other requests for information from such governmental authorities in connection with their regulatory or investigative authority. We are currently responding to such inquiries from governmental authorities relating to certain aspects of our business. We believe it is premature to predict the potential outcome or to estimate any potential financial impact in connection with these inquiries.

Our businesses are also subject to extensive regulation which may result in regulatory proceedings or actions against us. For further information, see Item 1A of Part I, “*Risk Factors*” above and Note 25 to the consolidated financial statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is listed on the NASDAQ Global Select Market under the symbol “ASPS.”

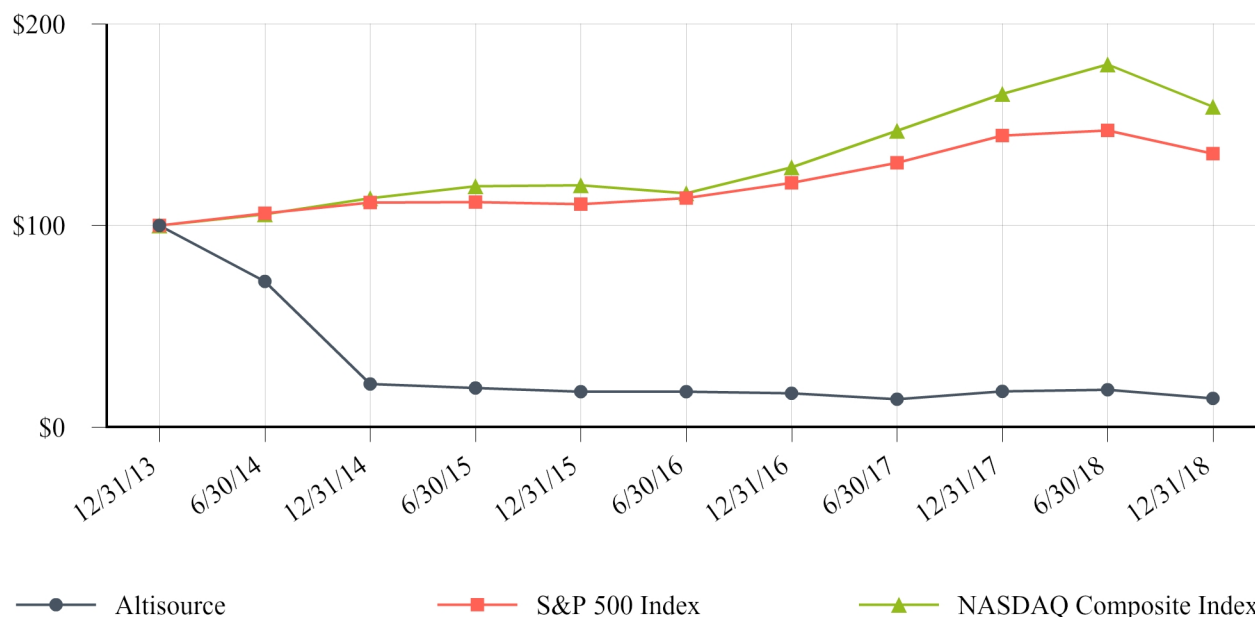
The number of holders of record of our common stock as of February 19, 2019 was 85. The number of beneficial shareholders is substantially greater than the number of holders as a large portion of our common stock is held through brokerage firms.

Dividends

We have not historically declared or paid cash dividends on our common stock, but may declare dividends in the future. Under Luxembourg law, shareholders need to approve certain dividends. Such approval typically occurs during a company’s annual meeting of shareholders. Luxembourg law imposes limits on our ability to pay dividends based on annual net income and net income carried forward, less any amounts placed in reserve. The provisions of our senior secured term loan agreement, as amended, limit our ability to pay dividends.

Stock Performance Graph

The graph below compares the cumulative total stockholder return on our common stock with the cumulative total return on the S&P 500 Index and the NASDAQ Composite Index for the five year period ending on December 31, 2018. The graph assumes an investment of \$100 at the beginning of this period. The comparisons in the graph below are based upon historical data and are not indicative of, nor intended to forecast, future performance of our common stock.



	12/31/13	6/30/14	12/31/14	6/30/15	12/31/15	6/30/16	12/31/16	6/30/17	12/31/17	6/30/18	12/31/18
Altisource	\$100.00	\$ 72.23	\$ 21.30	\$ 19.41	\$ 17.53	\$ 17.55	\$ 16.76	\$ 13.76	\$ 17.65	\$ 18.39	\$ 14.18
S&P 500 Index	100.00	106.05	111.39	111.62	110.58	113.55	121.13	131.11	144.65	147.07	135.63
NASDAQ Composite Index	100.00	105.54	113.40	119.40	119.89	115.95	128.89	147.02	165.29	179.82	158.87

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this item is incorporated herein by reference to our definitive proxy statement in connection with our 2019 annual meeting of shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

Issuer Purchases of Equity Securities

On May 15, 2018, our shareholders approved the renewal and replacement of the share repurchase program previously approved by the shareholders on May 17, 2017. Under the program, we are authorized to purchase up to 4.3 million shares of our common stock, based on a limit of 25% of the outstanding shares of common stock on the date of approval, at a minimum price of \$1.00 per share and a maximum price of \$500.00 per share, for a period of five years from the date of approval. As of December 31, 2018, approximately 3.4 million shares of common stock remain available for repurchase under the program. We purchased 1.6 million shares of common stock at an average price of \$25.53 per share during the year ended December 31, 2018, 1.6 million shares at an average price of \$23.84 per share during the year ended December 31, 2017 and 1.4 million shares at an average price of \$26.81 per share during the year ended December 31, 2016. Luxembourg law limits share repurchases to the balance of Altisource Portfolio Solutions S.A. (unconsolidated parent company) retained earnings, less the value of shares repurchased. As of December 31, 2018, we can repurchase up to approximately \$139 million of our common stock under Luxembourg law. Our Credit Agreement also limits the amount we can spend on share repurchases, which was approximately \$489 million as of December 31, 2018, and may prevent repurchases in certain circumstances.

The following table presents information related to the repurchases of our equity securities during the three months ended December 31, 2018:

Period	Total number of shares purchased ⁽¹⁾	Weighted average price paid per share	Total number of shares purchased as part of publicly announced plans or programs ⁽²⁾	Maximum number of shares that may yet be purchased under the plans or programs ⁽²⁾
Common stock:				
October 1 – 31, 2018	130,629	\$ 27.98	130,629	4,026,110
November 1 – 30, 2018	328,321	22.96	328,321	3,697,789
December 1 – 31, 2018	329,191	22.41	329,191	3,368,598
	788,141	\$ 23.56	788,141	3,368,598

⁽¹⁾ In addition to the repurchases included in the table above, 9,715 common shares were withheld from employees to satisfy tax withholding obligations that arose from the vesting of restricted shares.

⁽²⁾ On May 15, 2018, our shareholders approved the renewal and replacement of the share repurchase program previously approved by the shareholders on May 17, 2017. Under the program, we are authorized to purchase up to 4.3 million shares of our common stock in the open market, subject to certain parameters, for a period of five years from the date of approval.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data as of and for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 has been derived from our audited consolidated financial statements. The historical results may not be indicative of our future performance.

The selected consolidated financial data should be read in conjunction with the information contained in Item 7 of Part II, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and notes thereto in Item 8 of Part II, “Financial Statements and Supplementary Data.”

<i>(in thousands, except per share data)</i>	For the years ended December 31,				
	2018	2017	2016	2015	2014
Revenue	\$ 838,202	\$ 942,213	\$ 997,303	\$ 1,051,466	\$ 1,078,916
Cost of revenue	622,165	699,865	690,045	687,327	707,180
Gross profit	216,037	242,348	307,258	364,139	371,736
Operating expenses (income):					
Selling, general and administrative expenses	175,670	192,642	214,155	220,868	201,733
Gain on sale of business	(13,688)	—	—	—	—
Restructuring charges	11,560	—	—	—	—
Litigation settlement loss, net of \$4,000 insurance recovery	—	—	28,000	—	—
Impairment losses	—	—	—	71,785	37,473
Change in the fair value of Equator [®] Earn Out	—	—	—	(7,591)	(37,924)
Income from operations	42,495	49,706	65,103	79,077	170,454
Other income (expense), net:					
Interest expense	(26,254)	(22,253)	(24,412)	(28,208)	(23,363)
Unrealized loss on investment in equity securities ⁽¹⁾	(12,972)	—	—	—	—
Other income (expense), net	(1,870)	7,922	3,630	2,191	174
Total other income (expense), net	(41,096)	(14,331)	(20,782)	(26,017)	(23,189)
Income before income taxes and non-controlling interests	1,399	35,375	44,321	53,060	147,265
Income tax (provision) benefit	(4,098)	276,256	(12,935)	(8,260)	(10,178)
Net (loss) income	(2,699)	311,631	31,386	44,800	137,087
Net income attributable to non-controlling interests	(2,683)	(2,740)	(2,693)	(3,202)	(2,603)
Net (loss) income attributable to Altisource	<u>\$ (5,382)</u>	<u>\$ 308,891</u>	<u>\$ 28,693</u>	<u>\$ 41,598</u>	<u>\$ 134,484</u>
(Loss) earnings per share:					
Basic	<u>\$ (0.32)</u>	<u>\$ 16.99</u>	<u>\$ 1.53</u>	<u>\$ 2.13</u>	<u>\$ 6.22</u>
Diluted	<u>\$ (0.32)</u>	<u>\$ 16.53</u>	<u>\$ 1.46</u>	<u>\$ 2.02</u>	<u>\$ 5.69</u>
Weighted average shares outstanding:					
Basic	<u>17,073</u>	<u>18,183</u>	<u>18,696</u>	<u>19,504</u>	<u>21,625</u>
Diluted	<u>17,073</u>	<u>18,692</u>	<u>19,612</u>	<u>20,619</u>	<u>23,634</u>
Outstanding shares (at December 31)	<u>16,276</u>	<u>17,418</u>	<u>18,774</u>	<u>19,021</u>	<u>20,279</u>
Transactions with related parties included above:					
Revenue	\$ —	\$ —	\$ —	N/A ⁽²⁾	\$ 666,800
Cost of revenue	—	—	—	N/A ⁽²⁾	38,610
Selling, general and administrative expenses	—	—	—	N/A ⁽²⁾	(268)
Non-GAAP Financial Measures ⁽³⁾					
Adjusted net income attributable to Altisource	<u>\$ 42,609</u>	<u>\$ 55,617</u>	<u>\$ 94,884</u>	<u>\$ 147,942</u>	<u>\$ 171,222</u>
Adjusted diluted earnings per share	<u>\$ 2.43</u>	<u>\$ 2.98</u>	<u>\$ 4.84</u>	<u>\$ 7.18</u>	<u>\$ 7.24</u>
Adjusted EBITDA	<u>\$ 118,279</u>	<u>\$ 130,687</u>	<u>\$ 184,501</u>	<u>\$ 224,544</u>	<u>\$ 236,433</u>

<i>(in thousands)</i>	December 31,				
	2018	2017	2016	2015	2014
Cash and cash equivalents	\$ 58,294	\$ 105,006	\$ 149,294	\$ 179,327	\$ 161,361
Investment in equity securities	36,181	49,153	45,754	—	—
Accounts receivable, net	36,466	52,740	87,821	105,023	112,183
Short-term investments in real estate	39,873	29,405	13,025	—	—
Premises and equipment, net	45,631	73,273	103,473	119,121	127,759
Goodwill	81,387	86,283	86,283	82,801	90,851
Intangible assets, net	91,653	120,065	155,432	197,003	245,246
Total assets	741,700	865,164	689,212	721,798	780,122
Long-term debt, net (including current portion)	331,476	409,281	473,545	528,178	580,515
Total liabilities	445,032	525,179	627,018	669,528	738,679
Net debt less investment in equity securities ⁽³⁾	244,347	259,422	284,605	357,271	430,182

<i>(in thousands)</i>	For the years ended December 31,				
	2018	2017	2016	2015	2014
Cash flows from operating activities	\$ 68,402	\$ 66,082	\$ 126,818	\$ 195,352	\$ 197,493
Additions to premises and equipment	3,916	10,514	23,269	36,188	64,846
Non-GAAP Financial Measures ⁽³⁾					
Adjusted cash flows from operating activities	79,370	110,462	139,843	195,352	197,493
Adjusted cash flows from operating activities less additions to premises and equipment	75,454	99,948	116,574	159,164	132,647

⁽¹⁾ Effective January 1, 2018, mark-to-market adjustments of our investment in equity securities are reflected in our results of operations in connection with the adoption of a new accounting principle (previously reflected in comprehensive income).

⁽²⁾ Through January 16, 2015, William C. Erbey served as our Chairman as well as the Executive Chairman of Ocwen and Chairman of each of Home Loan Servicing Solutions, Ltd. (“HLSS”), RESI and AAMC. Effective January 16, 2015, Mr. Erbey stepped down as the Executive Chairman of Ocwen and Chairman of each of Altisource, HLSS, RESI and AAMC and is no longer a member of the Board of Directors of any of these companies. Consequently, as of January 16, 2015, these companies are no longer related parties of Altisource, as defined by Financial Accounting Standards Board’s Accounting Standards Codification (“ASC”) Topic 850, *Related Party Disclosures*. The disclosures in the table above are limited to the periods that each of Ocwen, HLSS, RESI and AAMC were related parties of Altisource and are not reflective of current activities with these former related parties.

⁽³⁾ These are non-GAAP measures that are defined and reconciled to the corresponding GAAP measures on pages 28 to 32.

Significant events affecting our historical earnings trends from 2016 through 2018, including acquisitions, are described in Item 7 of Part II, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations.*”

NON-GAAP MEASURES

Adjusted net income attributable to Altisource, adjusted diluted earnings per share, adjusted earnings before interest, taxes depreciation and amortization (“Adjusted EBITDA”), adjusted effective income tax rate, adjusted cash flows from operating activities, adjusted cash flows from operating activities less additions to premises and equipment and net debt less investment in equity securities, which are presented elsewhere in this Annual Report on Form 10-K, are non-GAAP measures used by management, existing shareholders, potential shareholders and other users of our financial information to measure Altisource’s performance and do not purport to be alternatives to net (loss) income attributable to Altisource, diluted (loss) earnings per share, the effective income tax rate, cash flows from operating activities and long-term debt, including current portion, as measures of Altisource’s performance. We believe these measures are useful to management, existing shareholders, potential shareholders and other users of our financial information in evaluating operating profitability and cash flow generation more on the basis of continuing cost and cash flows as they exclude amortization expense related to acquisitions that occurred in prior periods and non-cash share-based compensation expense and/or depreciation expense, financing expense and income taxes, as well as the effect of more significant non-operational items from earnings and cash flows from operating activities and long-term debt net of cash on-hand and investment in equity securities. We believe these measures are also useful in evaluating the effectiveness of our operations and underlying business trends in a manner that is consistent with management’s evaluation of business performance. Furthermore, we believe the exclusion of more significant non-operational items enables comparability to prior period performance and trend analysis.

It is management’s intent to provide non-GAAP financial information to enhance the understanding of Altisource’s GAAP financial information, and it should be considered by the reader in addition to, but not instead of, the financial statements prepared in accordance with GAAP. Each non-GAAP financial measure is presented along with the corresponding GAAP measure so as not to imply that more emphasis should be placed on the non-GAAP measure. The non-GAAP financial information presented may be determined or calculated differently by other companies. The non-GAAP financial information should not be unduly relied upon.

Adjusted net income attributable to Altisource is calculated by adding intangible asset amortization expense (net of tax), share-based compensation expense (net of tax), unrealized loss on investment in equity securities (net of tax), sales tax accrual (net of tax), litigation settlement loss, net of insurance recovery (net of tax), restructuring charges (net of tax), loss on debt refinancing (net of tax), goodwill write-off from business exit (net of tax), impairment losses (net of tax) and adding or deducting certain income tax related items relating to the Luxembourg subsidiary merger, other income tax rate changes in Luxembourg and the United States and an increase in foreign income tax reserves (and related interest), and deducting gains associated with reductions of the Equator, LLC (“Equator”) related contingent consideration (“Equator Earn Out”) (net of tax) and gain on sale of business (net of tax) from net (loss) income attributable to Altisource. Adjusted diluted earnings per share is calculated by dividing net income attributable to Altisource plus intangible asset amortization expense (net of tax), share-based compensation expense (net of tax), unrealized loss on investment in equity securities (net of tax), sales tax accrual (net of tax), net litigation settlement loss (net of tax), restructuring charges (net of tax), loss on debt refinancing (net of tax), goodwill write-off from business exit (net of tax), impairment losses (net of tax) and adding or deducting certain income tax related items described above and deducting gains associated with reductions of the Equator Earn Out (net of tax) and gain on sale of business (net of tax), by the weighted average number of diluted shares. Adjusted EBITDA is calculated by deducting income tax benefit from, or adding the income tax provision to, interest expense (net of interest income), depreciation and amortization, intangible asset amortization expense, share-based compensation expense, unrealized loss on investment in equity securities, sales tax accrual, loss on debt refinancing, restructuring charges, goodwill write-off from business exit, the net litigation settlement loss and impairment losses and deducting gains associated with reductions of the Equator Earn Out and gain on sale of business from, net (loss) income attributable to Altisource. The adjusted effective income tax rate is calculated by adding or deducting the net impact of the certain income tax related items described above from the income tax benefit (provision) and dividing the resulting adjusted income tax provision by income before income taxes and non-controlling interests. Adjusted cash flows from operating activities is calculated by adding the cash payment related to the net litigation settlement loss and the increase in short-term investments in real estate to cash flows from operating activities. Adjusted cash flows from operating activities less additions to premises and equipment is calculated by adding the cash payment related to the net litigation settlement loss and the increase in short-term investments in real estate to, and deducting additions to premises and equipment from, cash flows from operating activities. Net debt less investment in equity securities is calculated as long-term debt, including current portion, minus cash and cash equivalents and investment in equity securities.

Reconciliations of the non-GAAP measures to the corresponding GAAP measures are set forth in the following tables:

<i>(in thousands, except per share data)</i>	For the years ended December 31,				
	2018	2017	2016	2015	2014
Net (loss) income attributable to Altisource	\$ (5,382)	\$ 308,891	\$ 28,693	\$ 41,598	\$ 134,484
Intangible asset amortization expense, net of tax	19,905	27,523	36,819	38,187	35,076
Share-based compensation expense, net of tax	7,141	3,311	4,789	4,467	2,081
Gain on sale of business, net of tax	(9,341)	—	—	—	—
Sales tax accrual, net of tax	4,608	—	—	—	—
Restructuring charges, net of tax	8,966	—	—	—	—
Loss on refinancing, net of tax	3,232	—	—	—	—
Goodwill write-off from business exit, net of tax	1,953	—	—	—	—
Unrealized loss on investment in equity securities, net of tax	9,598	—	—	—	—
Certain income tax related items, net	1,588	(284,108)	—	—	—
Net litigation settlement loss, net of tax	341	—	24,583	—	—
Impairment loss, net of tax	—	—	—	70,630	34,884
Gain on Equator Earn Out, net of tax	—	—	—	(6,940)	(35,303)
Adjusted net income attributable to Altisource	<u>\$ 42,609</u>	<u>\$ 55,617</u>	<u>\$ 94,884</u>	<u>\$ 147,942</u>	<u>\$ 171,222</u>
Diluted (loss) earnings per share	\$ (0.32)	\$ 16.53	\$ 1.46	\$ 2.02	\$ 5.69
Impact of using diluted share count instead of basic share count for a loss per share	0.01	—	—	—	—
Intangible asset amortization expense, net of tax, per diluted share	1.14	1.47	1.88	1.85	1.48
Share-based compensation expense, net of tax, per diluted share	0.41	0.18	0.24	0.22	0.09
Gain on sale of business, net of tax, per diluted share	(0.53)	—	—	—	—
Sales tax accrual, net of tax, per diluted share	0.26	—	—	—	—
Restructuring charges, net of tax, per diluted share	0.51	—	—	—	—
Loss on refinancing, net of tax, per diluted share	0.18	—	—	—	—
Goodwill write-off from business exit, net of tax, per diluted share	0.11	—	—	—	—
Unrealized loss on investment in equity securities, net of tax, per diluted share	0.55	—	—	—	—
Certain income tax related items, net, per diluted share	0.09	(15.20)	—	—	—
Net litigation settlement loss, net of tax, per diluted share	0.02	—	1.25	—	—
Impairment loss, net of tax, per diluted share	—	—	—	3.43	1.48
Gain on Equator Earn Out, net of tax, per diluted share	—	—	—	(0.34)	(1.49)
Adjusted diluted earnings per share	<u>\$ 2.43</u>	<u>\$ 2.98</u>	<u>\$ 4.84</u>	<u>\$ 7.18</u>	<u>\$ 7.24</u>
Calculation of the impact of intangible asset amortization expense, net of tax					
Intangible asset amortization expense	\$ 28,412	\$ 35,367	\$ 47,576	\$ 41,135	\$ 37,680
Tax benefit from intangible asset amortization	(8,507)	(7,844)	(10,757)	(2,948)	(2,604)
Intangible asset amortization expense, net of tax	19,905	27,523	36,819	38,187	35,076
Diluted share count	17,523	18,692	19,612	20,619	23,634
Intangible asset amortization expense, net of tax, per diluted share	<u>\$ 1.14</u>	<u>\$ 1.47</u>	<u>\$ 1.88</u>	<u>\$ 1.85</u>	<u>\$ 1.48</u>

[Table of Contents](#)

<i>(in thousands, except per share data)</i>	For the years ended December 31,				
	2018	2017	2016	2015	2014
Calculation of the impact of share-based compensation expense, net of tax					
Share-based compensation expense	\$ 10,192	\$ 4,255	\$ 6,188	\$ 4,812	\$ 2,236
Tax benefit from share-based compensation expense	(3,051)	(944)	(1,399)	(345)	(155)
Share-based compensation expense, net of tax	7,141	3,311	4,789	4,467	2,081
Diluted share count	17,523	18,692	19,612	20,619	23,634
Share-based compensation expense, net of tax, per diluted share	\$ 0.41	\$ 0.18	\$ 0.24	\$ 0.22	\$ 0.09
Calculation of the impact of gain on sale of business, net of tax					
Gain on sale of business	\$ (13,688)	\$ —	\$ —	\$ —	\$ —
Tax provision from gain on sale of business	4,347	—	—	—	—
Gain on sale of business, net of tax	(9,341)	—	—	—	—
Diluted share count	17,523	18,692	19,612	20,619	23,634
Gain on sale of business, net of tax, per diluted share	\$ (0.53)	\$ —	\$ —	\$ —	\$ —
Calculation of the impact of sales tax accrual, net of tax					
Sales tax accrual	\$ 6,228	\$ —	\$ —	\$ —	\$ —
Tax benefit from sales tax accrual	(1,620)	—	—	—	—
Sales tax accrual, net of tax	4,608	—	—	—	—
Diluted share count	17,523	18,692	19,612	20,619	23,634
Sales tax accrual, net of tax, per diluted share	\$ 0.26	\$ —	\$ —	\$ —	\$ —
Calculation of the impact of restructuring charges, net of tax					
Restructuring charges	\$ 11,560	\$ —	\$ —	\$ —	\$ —
Tax benefit from restructuring charges	(2,594)	—	—	—	—
Restructuring charges, net of tax	8,966	—	—	—	—
Diluted share count	17,523	18,692	19,612	20,619	23,634
Restructuring charges, net of tax, per diluted share	\$ 0.51	\$ —	\$ —	\$ —	\$ —
Calculation of the impact of loss on debt refinancing, net of tax					
Loss on debt refinancing	\$ 4,434	\$ —	\$ —	\$ —	\$ —
Tax benefit from loss on debt refinancing	(1,202)	—	—	—	—
Loss on debt refinancing, net of tax	3,232	—	—	—	—
Diluted share count	17,523	18,692	19,612	20,619	23,634
Loss on debt refinancing, net of tax, per diluted share	\$ 0.18	\$ —	\$ —	\$ —	\$ —

<i>(in thousands, except per share data)</i>	For the years ended December 31,				
	2018	2017	2016	2015	2014
Calculation of goodwill write-off from business exit, net of tax					
Goodwill write-off from business exit	\$ 2,640	\$ —	\$ —	\$ —	\$ —
Tax benefit from goodwill write-off from business exit	(687)	—	—	—	—
Goodwill write-off from business exit, net of tax	1,953	—	—	—	—
Diluted share count	17,523	18,692	19,612	20,619	23,634
Goodwill write-off from business exit, net of tax, per diluted share	<u>\$ 0.11</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Calculation of the impact of unrealized loss on investment in equity securities, net of tax					
Unrealized loss on investment in equity securities	\$ 12,972	\$ —	\$ —	\$ —	\$ —
Tax benefit from unrealized loss on investment in equity securities	(3,374)	—	—	—	—
Unrealized loss on investment in equity securities, net of tax	9,598	—	—	—	—
Diluted share count	17,523	18,692	19,612	20,619	23,634
Unrealized loss on investment in equity securities, net of tax, per diluted share	<u>\$ 0.55</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Certain income tax related items, net resulting from:					
Luxembourg subsidiaries merger, net	\$ —	\$(300,908)	\$ —	\$ —	\$ —
Other income tax rate changes	—	6,270	—	—	—
Foreign income tax reserves	1,588	10,530	—	—	—
Certain income tax related items, net	1,588	(284,108)	—	—	—
Diluted share count	17,523	18,692	19,612	20,619	23,634
Certain income tax related items, net, per diluted share	<u>\$ 0.09</u>	<u>\$ (15.20)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Calculation of the impact of net litigation settlement loss, net of tax					
Net litigation settlement loss	\$ 500	\$ —	\$ 28,000	\$ —	\$ —
Tax benefit from net litigation settlement loss	(159)	—	(3,417)	—	—
Net litigation settlement loss, net of tax	341	—	24,583	—	—
Diluted share count	17,523	18,692	19,612	20,619	23,634
Net litigation settlement loss, net of tax, per diluted share	<u>\$ 0.02</u>	<u>\$ —</u>	<u>\$ 1.25</u>	<u>\$ —</u>	<u>\$ —</u>
Calculation of the impact of impairment loss, net of tax					
Impairment loss	\$ —	\$ —	\$ —	\$ 71,785	\$ 37,473
Tax benefit from impairment loss	—	—	—	(1,155)	(2,589)
Impairment loss, net of tax	—	—	—	70,630	34,884
Diluted share count	17,523	18,692	19,612	20,619	23,634
Impairment loss, net of tax, per diluted share	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3.43</u>	<u>\$ 1.48</u>

[Table of Contents](#)

<i>(in thousands, except per share data)</i>	For the years ended December 31,				
	2018	2017	2016	2015	2014
Calculation of gain on Equator Earn Out, net of tax					
Gain on Equator Earn Out	\$ —	\$ —	\$ —	\$ (7,591)	\$ (37,924)
Tax provision from the gain on Equator Earn Out	—	—	—	651	2,621
Gain on Equator Earn Out, net of tax	—	—	—	(6,940)	(35,303)
Diluted share count	17,523	18,692	19,612	20,619	23,634
Gain on Equator Earn Out, net of tax, per diluted share	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (0.34)</u>	<u>\$ (1.49)</u>
Net (loss) income attributable to Altisource	\$ (5,382)	\$ 308,891	\$ 28,693	\$ 41,598	\$ 134,484
Income tax provision (benefit)	4,098	(276,256)	12,935	8,260	10,178
Interest expense (net of interest income)	25,514	21,983	24,321	28,075	23,260
Depreciation and amortization	30,799	36,447	36,788	36,470	29,046
Intangible asset amortization expense	28,412	35,367	47,576	41,135	37,680
Share-based compensation expense	10,192	4,255	6,188	4,812	2,236
Unrealized loss on investment in equity securities	12,972	—	—	—	—
Sales tax accrual	6,228	—	—	—	—
Loss on debt refinancing	4,434	—	—	—	—
Restructuring charges	11,560	—	—	—	—
Goodwill write-off from business exit	2,640	—	—	—	—
Gain on sale of business	(13,688)	—	—	—	—
Net litigation settlement loss	500	—	28,000	—	—
Impairment loss	—	—	—	71,785	37,473
Gain on Equator Earn Out	—	—	—	(7,591)	(37,924)
Adjusted EBITDA	<u>\$ 118,279</u>	<u>\$ 130,687</u>	<u>\$ 184,501</u>	<u>\$ 224,544</u>	<u>\$ 236,433</u>
Income tax (provision) benefit	\$ (4,098)	\$ 276,256	\$ (12,935)	\$ (8,260)	\$ (10,178)
Certain income tax related items, net	1,588	(284,108)	—	—	—
Income tax provision before certain income tax related items, net	<u>\$ (2,510)</u>	<u>\$ (7,852)</u>	<u>\$ (12,935)</u>	<u>\$ (8,260)</u>	<u>\$ (10,178)</u>
Income before income taxes and non-controlling interests	<u>\$ 1,399</u>	<u>\$ 35,375</u>	<u>\$ 44,321</u>	<u>\$ 53,060</u>	<u>\$ 147,265</u>
Adjusted effective income tax rate	<u>179.4%</u>	<u>22.2%</u>	<u>29.2%</u>	<u>15.6%</u>	<u>6.9%</u>
Cash flows from operating activities	\$ 68,402	\$ 66,082	\$ 126,818	\$ 195,352	\$ 197,493
Net litigation settlement loss payment	500	28,000	—	—	—
Increase in short-term investments in real estate	10,468	16,380	13,025	—	—
Adjusted cash flows from operating activities	79,370	110,462	139,843	195,352	197,493
Less: Additions to premises and equipment	(3,916)	(10,514)	(23,269)	(36,188)	(64,846)
Adjusted cash flows from operating activities less additions to premises and equipment	<u>\$ 75,454</u>	<u>\$ 99,948</u>	<u>\$ 116,574</u>	<u>\$ 159,164</u>	<u>\$ 132,647</u>
			December 31,		
	2018	2017	2016	2015	2014
Senior secured term loan	\$ 338,822	\$ 413,581	\$ 479,653	\$ 536,598	\$ 591,543
Less: cash and cash equivalents	(58,294)	(105,006)	(149,294)	(179,327)	(161,361)
Less: investment in equity securities	(36,181)	(49,153)	(45,754)	—	—
Net debt less investment in equity securities	<u>\$ 244,347</u>	<u>\$ 259,422</u>	<u>\$ 284,605</u>	<u>\$ 357,271</u>	<u>\$ 430,182</u>

Note: Amounts may not add to the total due to rounding.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations ("MD&A") is a supplement to the accompanying consolidated financial statements and is intended to provide a reader of our financial statements with a narrative from the perspective of management on our businesses, current developments, financial condition, results of operations and liquidity. Significant sections of the MD&A are as follows:

Overview. This section, beginning below, provides a description of recent developments we believe are important in understanding our results of operations and financial condition as well as understanding anticipated future trends. It also provides a brief description of significant transactions and events that affect the comparability of financial results and a discussion of the progress being made on our strategic initiatives.

Consolidated Results of Operations. This section, beginning on page 38, provides an analysis of our consolidated results of operations for the three years ended December 31, 2018.

Segment Results of Operations. This section, beginning on page 44, provides an analysis of each business segment for the three years ended December 31, 2018 as well as Other Businesses, Corporate and Eliminations. In addition, we discuss significant transactions, events and trends that may affect the comparability of the results being analyzed.

Liquidity and Capital Resources. This section, beginning on page 53, provides an analysis of our cash flows for the three years ended December 31, 2018. We also discuss restrictions on cash movements, future commitments and capital resources.

Critical Accounting Policies, Estimates and Recent Accounting Pronouncements. This section, beginning on page 56, identifies those accounting principles we believe are most important to our financial results and that require significant judgment and estimates on the part of management in application. We provide all of our significant accounting policies in Note 2 to the accompanying consolidated financial statements.

Other Matters. This section, beginning on page 59, provides a discussion of off-balance sheet arrangements to the extent they exist. In addition, we provide a tabular discussion of contractual obligations, discuss any significant commitments or contingencies and customer concentration.

OVERVIEW

Our Business

We are an integrated service provider and marketplace for the real estate and mortgage industries. Combining operational excellence with a suite of innovative services and technologies, Altisource helps solve the demands of the ever-changing markets we serve.

We report our operations through two reportable segments: *Mortgage Market* and *Real Estate Market*. In addition, we report *Other Businesses, Corporate and Eliminations* separately. The *Mortgage Market* segment provides loan servicers and originators with marketplaces, services and technologies that span the mortgage lifecycle. The *Real Estate Market* segment provides real estate consumers and rental property investors with marketplaces and services that span the real estate lifecycle. In addition, the *Other Businesses, Corporate and Eliminations* segment includes businesses that provide post-charge-off consumer debt collection services primarily to debt originators (e.g., credit card, auto lending and retail credit), customer relationship management services primarily to the utility, insurance and hotel industries and IT infrastructure management services. *Other Businesses, Corporate and Eliminations* also includes interest expense and costs related to corporate support functions including executive, finance, law, compliance, human resources, vendor management, facilities, risk management, and sales and marketing costs not allocated to the business units as well as eliminations between the reportable segments.

We classify revenue in three categories: service revenue, revenue from reimbursable expenses and non-controlling interests. Service revenue consists of amounts attributable to our fee-based services and sales of short-term investments in real estate. Reimbursable expenses consist of amounts we incur on behalf of our customers in performing our fee-based services that we pass directly on to our customers without a markup. Non-controlling interests represent the earnings of Lenders One, a consolidated entity that is a mortgage cooperative managed, but not owned, by Altisource. Lenders One is included in revenue and reduced from net income to arrive at net income attributable to Altisource.

Strategy and Growth Businesses

We are focused on becoming one of the premier providers of mortgage and real estate marketplaces and related services to a broad and diversified customer base. Within the mortgage and real estate market segments, we facilitate transactions and provide products,

solutions and services related to home sales, home purchases, home rentals, home maintenance, mortgage originations and mortgage servicing.

Each of our strategic businesses provides Altisource the potential to grow and diversify our customer and revenue base. We believe these businesses operate in very large markets and directly leverage our core competencies and distinct competitive advantages. A further description of our four strategic businesses follows.

Servicer Solutions:

Through this business, we provide a suite of services and technologies to meet the evolving and growing needs of loan servicers. We are focused on growing referrals from our existing customer base, expanding the service and proprietary technology offerings to our customer base, and attracting new customers to our offerings. We have a customer base that includes Ocwen, a GSE, NRZ, several large bank and non-bank servicers and asset managers. We believe we are one of only a few providers with a broad suite of servicer solutions, nationwide coverage and demonstrated scalability. Further, we believe we are well positioned to gain market share as delinquency rates rise and as existing customers and prospects consolidate to larger, full-service providers and outsource services that have historically been performed in-house.

Origination Solutions:

Through this business, we provide a suite of services and technologies to meet the evolving and growing needs of lenders, mortgage purchasers and securitizers. We are focused on growing referrals from our existing customer base, expanding the service and proprietary technology offerings to our customer base and attracting new customers to our offerings. We have a customer base that includes the Lenders One cooperative mortgage bankers, the Mortgage Builder[®] loan origination system customers and mid-size and larger bank and non-bank loan originators. We believe our suite of services and technologies positions us to grow our relationships with our existing customer base by providing additional products, services and solutions to these customers. Further, we believe we are well positioned to attract new customers as prospects consolidate to larger, full-service providers and outsource services that have historically been performed in-house.

Consumer Real Estate Solutions:

Through this business, we provide real estate buyers and sellers with a technology enabled real estate brokerage and the integrated services to support them in buying and selling a home. Our offerings include local real estate agent services, loan brokerage, and closing and title services. We are focused on continuing to develop this business by capitalizing on Altisource's experience in online real estate marketing and loan origination services, as well as on more recently developed agile execution competencies.

Real Estate Investor Solutions:

Through this business, we have historically provided a suite of services and technologies to support buyers and sellers of single-family investment homes, including our purchase, renovation, leasing and sale of short-term investments in real estate through our BRS business unit. We have a customer base that includes RESI and other institutional and smaller single-family rental investors. In August 2018, Altisource entered into an amendment to its agreements with RESI to sell Altisource's rental property management business to RESI and permit RESI to internalize certain services that had been provided by Altisource. These services were historically provided under an agreement between RESI and Altisource, in which Altisource was the sole provider of rental property management services to RESI through December 2027, subject to certain exceptions. In November 2018, we announced plans to sell our short-term investments in real estate and discontinue the BRS business. Except for these changes, we continue focus on supporting and growing referrals from existing and new customers.

Share Repurchase Program

On May 15, 2018, our shareholders approved the renewal and replacement of the share repurchase program previously approved by the shareholders on May 17, 2017. Under the program, we are authorized to purchase up to 4.3 million shares of our common stock, based on a limit of 25% of the outstanding shares of common stock on the date of approval, at a minimum price of \$1.00 per share and a maximum price of \$500.00 per share, for a period of five years from the date of approval. As of December 31, 2018, approximately 3.4 million shares of common stock remain available for repurchase under the program. We purchased 1.6 million shares of common stock at an average price of \$25.53 per share during the year ended December 31, 2018, 1.6 million shares at an average price of \$23.84 per share during the year ended December 31, 2017 and 1.4 million shares at an average price of \$26.81 per share during the year ended December 31, 2016. Luxembourg law limits share repurchases to the balance of Altisource Portfolio Solutions S.A. (unconsolidated parent company) retained earnings, less the value of shares repurchased. As of December 31, 2018, we can repurchase up to approximately \$139 million of our common stock under Luxembourg law. Our Credit Agreement also limits the amount we can spend on share repurchases, which was approximately \$489 million as of December 31, 2018, and may prevent repurchases in certain circumstances.

Ocwen Related Matters

During the year ended December 31, 2018, Ocwen was our largest customer, accounting for 52% of our total revenue. Additionally, 6% of our revenue for the year ended December 31, 2018 was earned on the loan portfolios serviced by Ocwen, when a party other than Ocwen or the MSR owner selected Altisource as the service provider.

Ocwen has disclosed that it is subject to a number of ongoing federal and state regulatory examinations, cease and desist orders, consent orders, inquiries, subpoenas, civil investigative demand, requests for information and other actions and is subject to pending legal proceedings, some of which include claims against Ocwen for substantial monetary damages. For example, on May 15, 2017, Ocwen disclosed that on April 20, 2017, the CFPB and the State of Florida filed separate complaints in the United States District Court for the Southern District of Florida against Ocwen alleging violations of Federal consumer financial law and, in the case of Florida, Florida statutes. As another example, on May 15, 2017, Ocwen also disclosed that on April 28, 2017, the Commonwealth of Massachusetts filed a lawsuit against Ocwen in the Superior Court for the Commonwealth of Massachusetts alleging violations of state consumer financial laws relating to Ocwen's servicing business, including lender-placed insurance and property preservation fees. Ocwen disclosed that the complaints seek to obtain permanent injunctive relief, consumer redress, refunds, restitution, disgorgement, damages, civil penalties, costs and fees and other relief. The foregoing or other matters could result in, and in some cases, have resulted in, adverse regulatory or other actions against Ocwen. Previous regulatory actions against Ocwen resulted in subjecting Ocwen to independent oversight of its operations and placing certain restrictions on its ability to acquire servicing rights.

In addition to the above, Ocwen may become subject to future federal and state regulatory investigations, cease and desist orders, consent orders, inquiries, subpoenas, civil investigative demands, requests for information, other matters or legal proceedings, any of which could also result in adverse regulatory or other actions against Ocwen.

Ocwen has disclosed that NRZ is its largest client. As of September 30, 2018, NRZ owned MSRs or rights to MSRs relating to approximately 57% of loans serviced and subserviced by Ocwen (measured in UPB). In July 2017 and January 2018, Ocwen and NRZ entered into a series of agreements pursuant to which the parties agreed, among other things, to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen's legal title to the Subject MSRs and under which Ocwen will subservice mortgage loans underlying the Subject MSRs for an initial term of five years. NRZ can terminate its sub-servicing agreement with Ocwen in exchange for the payment of a termination fee.

The foregoing may have significant adverse effects on Ocwen's business and/or our continuing relationship with Ocwen. For example, Ocwen may be required to alter the way it conducts business, including the parties it contracts with for services (including IT and software services), it may be required to seek changes to its existing pricing structure with us, it may lose its non-GSE servicing rights or subservicing arrangements or may lose one or more of its state servicing or origination licenses. Additional regulatory actions or adverse financial developments may impose additional restrictions on or require changes in Ocwen's business that could require it to sell assets or change its business operations. Any or all of these effects could result in our eventual loss of Ocwen as a customer or a reduction in the number and/or volume of services they purchase from us or the loss of other customers.

If any of the following events occurred, Altisource's revenue could be significantly lower and our results of operations could be materially adversely affected, including from the possible impairment or write-off of goodwill, intangible assets, property and equipment, other assets and accounts receivable:

- Altisource loses Ocwen as a customer or there is a significant reduction in the volume of services they purchase from us
- Ocwen loses, sells or transfers a significant portion or all of its remaining non-GSE servicing rights or subservicing arrangements and Altisource fails to be retained as a service provider
- Ocwen loses state servicing licenses in states with a significant number of loans in Ocwen's servicing portfolio
- The contractual relationship between Ocwen and Altisource changes significantly or there are significant changes to our pricing to Ocwen for services from which we generate material revenue
- Altisource otherwise fails to be retained as a service provider

Management cannot predict whether any of these events will occur or the amount of any impact they may have on Altisource. However, in the event one or more of these events materially negatively impact Altisource, we believe the variable nature of our cost structure would allow us to realign our cost structure in line with remaining revenue. Furthermore, in the event of a significant reduction in the volume of services purchased or loan portfolios serviced by Ocwen (such as a transfer of Ocwen's remaining servicing rights to a successor servicer), we believe the impact to Altisource could occur over an extended period of time. During this period, we believe that we will continue to generate revenue from all or a portion of Ocwen's loan portfolios.

Our Servicer Solutions, Origination Solutions and Consumer Real Estate Solutions businesses are focused on diversifying and growing our revenue and customer base and we have a sales and marketing strategy to support these businesses. Management

believes our plans, together with current liquidity and cash flows from operations, would be sufficient to meet our working capital, capital expenditures, debt service and other cash needs. However, there can be no assurance that our plans will be successful or our operations will be profitable.

Factors Affecting Comparability

The following items may impact the comparability of our results:

- The average number of loans serviced by Ocwen on REALServicing (including those MSRs owned by NRZ and subserviced by Ocwen) was approximately 1.1 million, 1.3 million and 1.5 million for the years ended December 31, 2018, 2017 and 2016, respectively. The average number of delinquent non-GSE loans serviced by Ocwen on REALServicing (including those MSRs owned by NRZ and subserviced by Ocwen) was approximately 152 thousand, 182 thousand and 219 thousand for the years ended December 31, 2018, 2017 and 2016, respectively.
- In August 2018, we sold our rental property management business to RESI for total transaction proceeds of \$18.0 million, \$15.0 million of which was received on the closing date of August 8, 2018 and \$3.0 million of which will be received on the earlier of a RESI change of control or on August 8, 2023. We recognized a \$13.7 million pretax gain on the sale of this business during the year ended December 31, 2018 in the accompanying consolidated statements of operations and comprehensive income (loss).
- In November 2018, the Company announced its plans to sell its short-term investments in real estate and discontinue the Company's BRS business and recognized a \$2.6 million write-off of goodwill attributable to the BRS business in the fourth quarter of 2018.
- In August 2018, Altisource initiated Project Catalyst, a restructuring plan intended to optimize our operations and reduce costs to better align our cost structure with our anticipated revenues and improve our operating margins. During the year ended December 31, 2018, we incurred \$11.6 million of severance costs, professional services fees and facility shut-down costs related to the restructuring plan. We expect to incur additional severance costs and professional services fees through 2019 in connection with this restructuring and will expense those costs as incurred. Based on our preliminary analysis, we currently anticipate the future costs relating to the restructuring plan to be in the range of approximately \$25 million to \$35 million.
- On June 21, 2018, the United States Supreme Court rendered a 5-4 majority decision in *South Dakota v. Wayfair, Inc.*, holding that a state may require a remote seller with no physical presence in the state to collect and remit sales tax on goods and services provided to purchasers in the state, overturning existing court precedent. The Company is analyzing its services for potential exposure to sales tax in various jurisdictions in the United States and believes that the Company has a related estimated probable loss of \$6.2 million. As a result, the Company recognized a \$6.2 million loss for the year ended December 31, 2018 in selling, general and administrative expenses in the consolidated statements of operations and comprehensive income (loss). The Company is in the process of developing and implementing a solution that will enable it to invoice, collect and remit sales tax in the applicable jurisdictions. The Company is also analyzing what rights, if any, it has to seek reimbursement for sales tax payments from clients. As the Company completes its evaluation of potential sales tax exposure, the Company may increase its accrual for sales tax exposure and recognize additional losses, which are not currently estimable. These additional losses could result in a material adjustment to our consolidated financial statements which would impact our financial condition and results of operations.
- On April 3, 2018, Altisource and its wholly-owned subsidiary, Altisource S.à r.l. entered into the Credit Agreement, pursuant to which, among other things, Altisource borrowed \$412.0 million in the form of Term B Loans. Proceeds from the Term B Loans were used to repay the Company's prior senior secured term loan. The comparative average interest rates under the Credit Agreement for the Term B Loans and the prior credit agreement were 6.0%, 4.6% and 4.5% for the years ended December 31, 2018, 2017 and 2016, respectively. In connection with the refinancing, we recognized a loss of \$4.4 million from the write-off of unamortized debt issuance costs and debt discount in 2018 (no comparative amounts in 2017 and 2016).
- In August 2018, the Company used the proceeds received from the sale of the rental property management business to RESI to repay \$15.0 million of the Term B Loans. In addition, the Company repaid \$49.9 million of the Term B Loans in the fourth quarter of 2018 from proceeds from the sale certain of the BRS inventory received during December 2018 and in anticipation of receiving additional proceeds during the first half of 2019.

- Effective January 1, 2018, the Company adopted Accounting Standards Update No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires certain equity investments to be measured at fair value with changes in fair value recognized in net income. Previously, changes in the fair value of the Company's available for sale securities were included in comprehensive income. During the year ended December 31, 2018, we recognized an unrealized loss of \$13.0 million (no comparative amounts in 2017 and 2016) on our investment in RESI in other income (expense), net in the consolidated statements of operations and comprehensive income (loss) from a change in the market value of RESI common shares. During the years ended December 31, 2017 and 2016, an unrealized gain (loss) on our investment in RESI of \$2.5 million and \$(1.7) million, respectively, net of income tax (provision) benefit, was reflected in other comprehensive income in the consolidated statements of operations and comprehensive income (loss).
- During 2017, we repurchased portions of our senior secured term loan with an aggregate par value of \$60.1 million at a weighted average discount of 10.7%, recognizing a net gain of \$5.6 million on the early extinguishment of debt in other income. During 2016, we repurchased portions of our senior secured term loan with an aggregate par value of \$51.0 million at a weighted average discount of 13.2%, recognizing a net gain of \$5.5 million on the early extinguishment of debt in other income.
- The Company's effective income tax rate for the year ended December 31, 2018 was 292.9%, which differs from the Luxembourg statutory income tax rate of 26.0%. In 2018, the Company's effective income tax rate was unusually high because certain of the Company's India and United States subsidiaries generated taxable income based on cost plus transfer pricing to our Luxembourg subsidiary for their services and the Luxembourg subsidiary incurred a taxable loss. As these jurisdictions have different effective income tax rates (i.e., India has a higher effective income tax rate than Luxembourg), and because of a \$1.6 million foreign income tax reserve (and related interest), the Company recognized consolidated income tax expense that was greater than income before income taxes and non-controlling interests.
- The effective income tax rate for the year ended December 31, 2017 was (780.9)%, impacted by three significant items. On December 27, 2017, two of the Company's wholly-owned subsidiaries, Altisource Solutions S.à r.l. and Altisource Holdings S.à r.l., merged, with Altisource Holdings S.à r.l. as the surviving entity. Altisource Holdings S.à r.l. was subsequently renamed Altisource S.à r.l. The merger is part of a larger subsidiary restructuring plan designed to simplify the Company's corporate structure, allow it to operate more efficiently and reduce administrative costs. For Luxembourg tax purposes, the merger was recognized at fair value and generated a net operating loss ("NOL") of \$1.3 billion, with a 17 year life, and generated a deferred tax asset of \$342.6 million as of December 31, 2017, before a valuation allowance of \$41.6 million. This deferred tax asset was partially offset by the impact of other changes in U.S. and Luxembourg income tax rates of \$6.3 million and an increase in certain foreign income tax reserves (and related interest) of \$10.5 million for the year ended December 31, 2017. Excluding these three items, the Company's adjusted effective income tax rate would have been 22.2% for the year ended December 31, 2017 (see non-GAAP measures defined and reconciled on pages 28 to 32). For the year ended December 31, 2016, the Company's effective income tax rate was 29.2% and was consistent with the Company's statutory rate of 29.2%.
- In the fourth quarter of 2016, we recorded a litigation settlement loss, net of insurance recovery, of \$28.0 million, net of a \$4.0 million insurance recovery related to an agreed settlement of a class action lawsuit (no comparative amounts in 2018 and 2017).
- On July 29, 2016, we acquired certain assets and assumed certain liabilities of Granite for \$9.5 million. Granite provides residential and commercial loan disbursement processing, risk mitigation and construction inspection services to lenders and is included in our Origination Solutions business in the Mortgage Market segment.
- During the year ended December 31, 2016, we purchased 4.1 million shares of RESI common stock for \$48.2 million. In addition, we incurred expenses of \$3.4 million related to this investment during the year ended December 31, 2016 (no comparative amounts in 2018 and 2017).

CONSOLIDATED RESULTS OF OPERATIONS

Summary Consolidated Results

Following is a discussion of our consolidated results of operations for the years ended December 31, 2018, 2017 and 2016. For a more detailed discussion of the factors that affected the results of our business segments in these periods, see “*Segment Results of Operations*” below.

The following table sets forth information on our results of operations for the years ended December 31:

<i>(in thousands, except per share data)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Service revenue					
Mortgage Market	\$ 655,766	(13)	\$ 754,058	(3)	\$ 774,514
Real Estate Market	88,755	2	86,821	2	84,805
Other Businesses, Corporate and Eliminations	60,959	4	58,682	(30)	83,280
Total service revenue	805,480	(10)	899,561	(5)	942,599
Reimbursable expenses	30,039	(25)	39,912	(23)	52,011
Non-controlling interests	2,683	(2)	2,740	2	2,693
Total revenue	838,202	(11)	942,213	(6)	997,303
Cost of revenue	622,165	(11)	699,865	1	690,045
Gross profit	216,037	(11)	242,348	(21)	307,258
Operating expenses (income):					
Selling, general and administrative expenses	175,670	(9)	192,642	(10)	214,155
Gain on sale of business	(13,688)	N/M	—	—	—
Restructuring charges	11,560	N/M	—	—	—
Litigation settlement loss, net of \$4,000 insurance recovery	—	—	—	(100)	28,000
Income from operations	42,495	(15)	49,706	(24)	65,103
Other income (expense), net:					
Interest expense	(26,254)	18	(22,253)	(9)	(24,412)
Unrealized loss on investments in equity securities	(12,972)	N/M	—	—	—
Other income (expense), net	(1,870)	(124)	7,922	118	3,630
Total other income (expense), net	(41,096)	187	(14,331)	(31)	(20,782)
Income before income taxes and non-controlling interests	1,399	(96)	35,375	(20)	44,321
Income tax (provision) benefit	(4,098)	(101)	276,256	N/M	(12,935)
Net (loss) income	(2,699)	(101)	311,631	N/M	31,386
Net income attributable to non-controlling interests	(2,683)	(2)	(2,740)	2	(2,693)
Net (loss) income attributable to Altisource	<u>\$ (5,382)</u>	(102)	<u>\$ 308,891</u>	N/M	<u>\$ 28,693</u>
Margins:					
Gross profit/service revenue	27%		27%		33%
Income from operations/service revenue	5%		6%		7%
(Loss) earnings per share:					
Basic	<u>\$ (0.32)</u>	(102)	<u>\$ 16.99</u>	N/M	<u>\$ 1.53</u>
Diluted	<u>\$ (0.32)</u>	(102)	<u>\$ 16.53</u>	N/M	<u>\$ 1.46</u>
Weighted average shares outstanding:					
Basic	17,073	(6)	18,183	(3)	18,696
Diluted	17,073	(9)	18,692	(5)	19,612

N/M — not meaningful.

<i>(in thousands, except per share data)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Non-GAAP Financial Measures ⁽¹⁾					
Adjusted net income attributable to Altisource	\$ 42,609	(23)	\$ 55,617	(41)	\$ 94,884
Adjusted diluted earnings per share	\$ 2.43	(18)	\$ 2.98	(38)	\$ 4.84
Adjusted EBITDA	\$ 118,279	(9)	\$ 130,687	(29)	\$ 184,501

⁽¹⁾ These are non-GAAP measures that are defined and reconciled to the corresponding GAAP measures on pages 28 to 32.

Revenue

We recognized service revenue of \$805.5 million for the year ended December 31, 2018, a 10% decrease compared to the year ended December 31, 2017. The decrease was driven by the reduction in the size of Ocwen's portfolio and number of delinquent loans in its portfolio resulting from loan repayments, loan modifications, short sales, REO sales and other forms of resolution in the Mortgage Market segment. Service revenue in the Real Estate Market segment increased for the year ended December 31, 2018 as a result of higher transaction volumes and commission rates per transaction in the Consumer Real Estate Solutions business and growth in home sale revenue in the BRS and renovation management businesses in Real Estate Investor Solutions, largely offset by a decline in revenues in the Real Estate Investor Solutions business from RESI's smaller portfolio of non-performing loans and REO, as RESI continues to sell off this portfolio and focus on directly acquiring, renovating and managing rental homes.

We recognized service revenue of \$899.6 million for the year ended December 31, 2017, a 5% decrease compared to the year ended December 31, 2016. The decrease was primarily due to lower service revenue in our IT infrastructure services and customer relationship management businesses in the Other Businesses, Corporate and Eliminations segment and, in the Mortgage Market segment, a reduction in the size of Ocwen's portfolio and number of delinquent loans in its portfolio resulting from loan repayments, loan modifications, short sales, REO sales and other forms of resolution. IT infrastructure services revenue declined from the transition of resources supporting Ocwen's technology infrastructure to Ocwen. Beginning in the fourth quarter of 2015 and continuing through 2017, we transitioned resources supporting Ocwen's technology infrastructure from Altisource to Ocwen. The decrease in the customer relationship management service revenue was primarily due to severed client relationships with certain non-profitable clients and a reduction in volume from the transition of services from one customer to another. The declines in the Mortgage Market segment were partially offset by growth in property preservation and inspection business from Ocwen as well as non-Ocwen customers and the impact of the 2015 change in the billing model for preservation services on new Ocwen REO referrals that resulted in certain services that were historically reimbursable expenses revenue becoming service revenue. Furthermore, Mortgage Market service revenue from loan disbursement processing services increased from the full year impact of the Granite acquisition in July 2016. Service revenue in the Real Estate Market was lower as a result of RESI's smaller portfolio of non-performing loans and REO, which was largely offset by increased service revenue from home sales in the BRS business, which began operations in the second half of 2016, and an increase in the renovation management business.

We recognized reimbursable expense revenue of \$30.0 million for the year ended December 31, 2018, a 25% decrease compared to the year ended December 31, 2017. We recognized reimbursable expense revenue of \$39.9 million for the year ended December 31, 2017, a 23% decrease compared to the year ended December 31, 2016. The decreases in reimbursable expense revenue were primarily a result of, in the Mortgage Market segment, a reduction in the size of Ocwen's portfolio and number of delinquent loans in its portfolio resulting from loan repayments, loan modifications, short sales, REO sales and other forms of resolution, as discussed in service revenue above. In addition, the decrease for the year ended December 31, 2017 was driven by the change in 2015 in the billing model for preservation services on new Ocwen REO referrals described above, which impacted reimbursable expense revenue in the Mortgage Market.

Certain of our revenues are impacted by seasonality. More specifically, revenues from property sales, loan originations and certain property preservation services typically tend to be at their lowest level during the fall and winter months and at their highest level during the spring and summer months. In addition, revenue in the asset recovery management business typically tends to be higher in the first quarter, as borrowers may utilize tax refunds and bonuses to pay debts, and generally declines throughout the rest of the year.

Cost of Revenue and Gross Profit

Cost of revenue principally includes payroll and employee benefits associated with personnel employed in customer service and operations roles, fees paid to external providers related to the provision of services, cost of real estate sold, reimbursable expenses, technology and telecommunications costs and depreciation and amortization of operating assets.

Cost of revenue consists of the following for the years ended December 31:

<i>(in thousands)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Compensation and benefits	\$ 200,486	(17)	\$ 240,487	(9)	\$ 264,796
Outside fees and services	278,380	(14)	325,459	8	301,116
Cost of real estate sold	47,659	95	24,398	N/M	1,040
Reimbursable expenses	30,039	(25)	39,912	(23)	52,011
Technology and telecommunications	41,588	(2)	42,340	(4)	44,295
Depreciation and amortization	24,013	(12)	27,269	2	26,787
Total	<u>\$ 622,165</u>	(11)	<u>\$ 699,865</u>	1	<u>\$ 690,045</u>

N/M — not meaningful.

We recognized cost of revenue of \$622.2 million for the year ended December 31, 2018, an 11% decrease compared to the year ended December 31, 2017. The decrease was primarily driven by lower service revenue from Ocwen’s portfolio in the Mortgage Market segment, and related cost reduction initiatives and early benefits of Project Catalyst, partially offset by an increase in cost of real estate sold in the Real Estate Investor Solutions business. The decrease in outside fees and services in the Servicer Solutions business in the Mortgage Market segment was driven by lower property preservation and inspection orders from the reduction in the size of Ocwen’s portfolio, as discussed in the revenue section above. The decline in compensation and benefits in certain of our businesses resulted from reduced headcount consistent with the revenue decline from the Ocwen and RESI portfolios and from the implementation of efficiency initiatives and early benefits of Project Catalyst. The decrease in reimbursable expenses was consistent with the decrease in reimbursable expense revenue discussed in the revenue section above. The increase in cost of real estate sold in the Real Estate Investor Solutions business in the Real Estate Market segment was due to growth in BRS home sale transactions.

We recognized cost of revenue of \$699.9 million for the year ended December 31, 2017, a 1% increase compared to the year ended December 31, 2016. The increase was primarily driven by higher outside fees and services and cost of real estate sold, partially offset by decreases in compensation and benefits and reimbursable expenses. Outside fees and services increased in the Mortgage Market due to growth in referrals of certain higher cost property preservation services in the Servicer Solutions business and the change in the billing model discussed in the revenue section above, partially offset by lower costs related to RESI’s smaller portfolio of non-performing loans and REO in the Real Estate Investor Solutions business. The decrease in reimbursable expenses in the Mortgage Market was primarily due to fewer REO properties under the prior billing model discussed in the revenue section above. The increases in cost of real estate sold were the result of properties sold in connection with our BRS business, which began operations in the second half of 2016.

Gross profit decreased to \$216.0 million, representing 27% of service revenue, for the year ended December 31, 2018 compared to \$242.3 million, representing 27% of service revenue, for the year ended December 31, 2017. Gross profit as a percentage of service revenue in 2018 was consistent with 2017, as the revenue declines were generally offset by lower cost of revenue, as discussed above.

Gross profit decreased to \$242.3 million, representing 27% of service revenue, for the year ended December 31, 2017 compared to \$307.3 million, representing 33% of service revenue, for the year ended December 31, 2016. Gross profit as a percentage of service revenue decreased in 2017 primarily due to revenue mix and investments in our growth businesses. Revenue mix changed from growth in the lower margin property preservation services, BRS and renovation management businesses and declines in other higher margin businesses.

Selling, General and Administrative Expenses

Selling, general and administration expenses (“SG&A”) include payroll for personnel employed in executive, finance, law, compliance, human resources, vendor management, facilities, risk management, sales and marketing roles. This category also includes professional fees, occupancy costs, marketing costs, depreciation and amortization of non-operating assets and other expenses.

SG&A expenses consist of the following for the years ended December 31:

<i>(in thousands)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Compensation and benefits	\$ 51,043	(12)	\$ 58,157	5	\$ 55,577
Professional services	16,950	26	13,421	(42)	23,284
Occupancy related costs	30,851	(15)	36,371	(3)	37,370
Amortization of intangible assets	28,412	(20)	35,367	(26)	47,576
Depreciation and amortization	6,786	(26)	9,178	(8)	10,001
Marketing costs	14,707	(9)	16,171	(42)	27,847
Other	26,921	12	23,977	92	12,500
Selling, general and administrative expenses	\$ 175,670	(9)	\$ 192,642	(10)	\$ 214,155

SG&A for the year ended December 31, 2018 of \$175.7 million decreased by 9% compared to the year ended December 31, 2017. The decrease was primarily driven by lower compensation and benefits, primarily in the Mortgage Market segment, as we reduced headcount from the implementation of efficiency initiatives and early benefits of Project Catalyst, and by lower amortization of intangible assets, due to lower revenue generated by the Homeward Residential, Inc. (“Homeward”) and Residential Capital, LLC (“ResCap”) portfolios (revenue-based amortization) in the Mortgage Market segment, consistent with the reduction in the size of Ocwen’s portfolio discussed in the revenue section above. Decreases in SG&A were also due to lower occupancy related costs, driven by initiatives to reduce our facilities footprint in 2017 and 2018. These decreases were partially offset by increases in Other Businesses, Corporate and Eliminations in Other from a \$6.2 million contingent loss accrual for sales tax exposure in the United States and an increase in professional services, from increased legal and professional services costs in connection with certain legal and regulatory matters.

SG&A for the year ended December 31, 2017 of \$192.6 million decreased by 10% compared to the year ended December 31, 2016. The decrease was primarily due to lower amortization of intangible assets driven by an increase in total projected revenue to be generated by the Homeward and ResCap portfolios over the lives of these portfolios (revenue-based amortization) and lower marketing costs, driven by initial non-recurring Owners.com market launch costs incurred during 2016 and the reduction in Owners.com recurring marketing spend as the business unit focused on improving the lead to closing conversion rate. In addition, legal costs in professional services were lower in connection with the resolution of, and reduction in activities related to, several litigation and regulatory matters. These decreases were partially offset by an increase in Other, primarily due to facility closures, litigation related costs, an increase in bad debt expense and a \$3.0 million favorable loss accrual adjustment in Other in 2016.

Other Operating Expenses (Income)

Other operating expenses (income) include the gain on sale of business, restructuring charges and litigation settlement loss, net of insurance recovery.

Other operating expenses (income) consist of the following for the years ended December 31:

<i>(in thousands)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Gain on sale of business	\$ (13,688)	N/M	\$ —	—	\$ —
Restructuring charges	11,560	N/M	—	—	—
Litigation settlement loss, net of \$4,000 insurance recovery	—	—	—	(100)	28,000
Other operating expenses (income)	\$ (2,128)	N/M	\$ —	(100)	\$ 28,000

N/M — not meaningful.

In August 2018, we sold our rental property management business to RESI for total transaction proceeds of \$18.0 million, \$15.0 million of which was received on the closing date of August 8, 2018 and \$3.0 million of which will be received on the earlier of a RESI change of control or August 8, 2023. For the year ended December 31, 2018, we recognized a \$13.7 million pretax gain on sale of this business in connection with this transaction (no comparative amounts in 2017 or 2016).

In August 2018, Altisource initiated Project Catalyst, a restructuring plan intended to optimize our operations and reduce costs to better align our cost structure with our anticipated revenues and improve our operating margins. During the year ended December 31, 2018, we incurred \$11.6 million of severance costs, professional services fees and facility shut-down costs related to the restructuring plan (no comparative amounts in 2017 or 2016). We expect to incur additional severance costs and professional services fees through 2019 in connection with this restructuring and will expense those costs as incurred. Based on our preliminary analysis, we currently anticipate the future costs relating to the restructuring plan to be in the range of approximately \$25 million to \$35 million.

For the year ended December 31, 2016, other operating expenses included a litigation settlement loss which consisted of a legal settlement accrual of \$28.0 million, net of a \$4.0 million insurance recovery (no comparative amounts in 2018 and 2017). The litigation settlement loss related to the agreed settlement of the putative class action litigation designated *In re: Altisource Portfolio Solutions, S.A. Securities Litigation* in the United States District Court for the Southern District of Florida. Altisource Portfolio Solutions S.A. and the officer and director defendants denied all claims of wrongdoing or liability. The settlement loss was recorded in 2016 and paid in 2017.

Income from Operations

Income from operations decreased to \$42.5 million, representing 5% of service revenue, for the year ended December 31, 2018 compared to \$49.7 million, representing 6% of service revenue, for the year ended December 31, 2017. Income from operations as a percentage of service revenue decreased slightly in 2018 compared to 2017, as SG&A did not decrease at the same rate as service revenue, driven by the sales tax accrual, as discussed above. The effect of the gain on sale of business was largely offset by restructuring charges.

Income from operations decreased to \$49.7 million, representing 6% of service revenue, for the year ended December 31, 2017 compared to \$65.1 million, representing 7% of service revenue, for the year ended December 31, 2016. The decrease was primarily due to 2017 revenue mix changes and investments in our growth businesses, partially offset by the 2016 litigation settlement loss of \$28.0 million and the decrease in SG&A, as discussed above.

Because the Mortgage Market is our largest and highest margin segment and Ocwen is our largest customer in this segment, declines in service revenue from Ocwen and the changes in mix of revenue from Ocwen have had a negative impact on our operating income.

Other Income (Expense), net

Other income (expense), net principally includes interest expense and other non-operating gains and losses. For 2018, other income (expense), net includes an unrealized loss on our investment in RESI (see Factors Affecting Comparability above for additional information).

Other income (expense), net for the year ended December 31, 2018 of \$(41.1) million increased by 187% compared to the year ended December 31, 2017. The increase in expenses in 2018 was primarily due to a \$(13.0) million unrealized loss on our investment in RESI, a \$(4.4) million loss on debt refinancing and higher interest expense from higher average interest rates on the Credit Agreement, partially offset by lower average debt balances as a result of debt repayments and repurchases in the current and prior years. The increase in 2018 expenses was also from a net gain on the early extinguishment of debt recognized in 2017. The comparative average interest rates under the Credit Agreement for the Term B Loans and the prior credit agreement were 6.0% and 4.6% for the years ended December 31, 2018 and 2017, respectively. During 2017, we repurchased portions of our senior secured term loan with an aggregate par value of \$60.1 million at a weighted average discount of 10.7%, recognizing a net gain of \$5.6 million on the early extinguishment of debt in other income (no comparative amount in 2018).

Other income (expense), net for the year ended December 31, 2017 of \$(14.3) million decreased by 31% compared to the year ended December 31, 2016. The decrease was primarily due to lower interest expense due to debt repurchases, partially offset by higher average interest rates, and higher other income in 2017. During 2017, we repurchased portions of our senior secured term loan with an aggregate par value of \$60.1 million at a weighted average discount of 10.7%, recognizing a net gain of \$5.6 million on the early extinguishment of debt in other income. During 2016, we repurchased portions of our senior secured term loan with an aggregate par value of \$51.0 million at a weighted average discount of 13.2%, recognizing a net gain of \$5.5 million on the early extinguishment of debt in other income. In addition, during the year ended December 31, 2016, we incurred expenses of \$3.4 million related to our investment in RESI (no comparative amounts in 2018 and 2017).

Income Tax (Provision) Benefit

We recognized an income tax (provision) benefit of \$(4.1) million, \$276.3 million and \$(12.9) million for the years ended December 31, 2018, 2017 and 2016, respectively, and our effective income tax rates for the years ended December 31, 2018, 2017 and 2016 were 292.9%, (780.9)% and 29.2%, respectively.

The Company's effective income tax rate for the year ended December 31, 2018 was 292.9%, which differs from the Luxembourg statutory income tax rate of 26.0%. In 2018, the Company's effective income tax rate was unusually high because certain of the Company's India and United States subsidiaries generated taxable income based on cost plus transfer pricing to our Luxembourg subsidiary for their services and the Luxembourg subsidiary incurred a taxable loss. As these jurisdictions have different effective income tax rates (i.e., India has a higher effective income tax rate than Luxembourg), and because of a \$1.6 million foreign income tax reserve (and related interest), the Company recognized consolidated income tax expense that was greater than income before income taxes and non-controlling interests.

The effective income tax rate for the year ended December 31, 2017 was impacted by three significant items. On December 27, 2017, two of the Company's wholly-owned subsidiaries, Altisource Solutions S.à r.l. and Altisource Holdings S.à r.l., merged, with Altisource Holdings S.à r.l. as the surviving entity. Altisource Holdings S.à r.l. was subsequently renamed Altisource S.à r.l. The merger is part of a larger subsidiary restructuring plan designed to simplify the Company's corporate structure, allow it to operate more efficiently and reduce administrative costs. For Luxembourg tax purposes, the merger was recognized at fair value and generated an NOL of \$1.3 billion, with a 17 year life, and generated a deferred tax asset of \$342.6 million as of December 31, 2017, before a valuation allowance of \$41.6 million. This deferred tax asset was partially offset by the impact of other changes in U.S. and Luxembourg income tax rates of \$6.3 million and an increase in certain foreign income tax reserves (and related interest) of \$10.5 million for the year ended December 31, 2017. Excluding these three items, the Company's adjusted effective income tax rate would have been 22.2% (see non-GAAP measures defined and reconciled on pages 28 to 32). Our adjusted effective income tax rate of 22.2% differs from the Luxembourg statutory tax rate of 27.1% for the year ended December 31, 2017 primarily due to certain deductions in Luxembourg and the mix of income and losses with varying tax rates in multiple taxing jurisdictions.

The Company's effective income tax rate for the year ended December 31, 2016 was consistent with the Luxembourg statutory tax rate of 29.2%.

SEGMENT RESULTS OF OPERATIONS

The following section provides a discussion of pretax results of operations of our business segments. Transactions between segments are accounted for as third party arrangements for purposes of presenting segment results of operations.

Financial information for our segments was as follows:

<i>(in thousands)</i>	For the year ended December 31, 2018			
	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue				
Service revenue	\$ 655,766	\$ 88,755	\$ 60,959	\$ 805,480
Reimbursable expenses	28,456	1,535	48	30,039
Non-controlling interests	2,683	—	—	2,683
	686,905	90,290	61,007	838,202
Cost of revenue	447,108	102,893	72,164	622,165
Gross profit (loss)	239,797	(12,603)	(11,157)	216,037
Operating expenses (income):				
Selling, general and administrative expenses	85,013	21,561	69,096	175,670
Gain on sale of business	—	(13,688)	—	(13,688)
Restructuring charges	2,495	113	8,952	11,560
Income (loss) from operations	152,289	(20,589)	(89,205)	42,495
Total other income (expense), net	81	77	(41,254)	(41,096)
Income (loss) before income taxes and non-controlling interests	<u>\$ 152,370</u>	<u>\$ (20,512)</u>	<u>\$ (130,459)</u>	<u>\$ 1,399</u>
Margins:				
Gross profit (loss)/service revenue	37%	(14)%	(18)%	27%
Income (loss) from operations/service revenue	23%	(23)%	(146)%	5%

<i>(in thousands)</i>	For the year ended December 31, 2017			
	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue				
Service revenue	\$ 754,058	\$ 86,821	\$ 58,682	\$ 899,561
Reimbursable expenses	36,886	2,966	60	39,912
Non-controlling interests	2,740	—	—	2,740
	793,684	89,787	58,742	942,213
Cost of revenue	545,507	96,967	57,391	699,865
Gross profit (loss)	248,177	(7,180)	1,351	242,348
Selling, general and administrative expenses	114,215	18,718	59,709	192,642
Income (loss) from operations	133,962	(25,898)	(58,358)	49,706
Total other income (expense), net	72	(4)	(14,399)	(14,331)
Income (loss) before income taxes and non-controlling interests	<u>\$ 134,034</u>	<u>\$ (25,902)</u>	<u>\$ (72,757)</u>	<u>\$ 35,375</u>
Margins:				
Gross profit (loss)/service revenue	33%	(8)%	2 %	27%
Income (loss) from operations/service revenue	18%	(30)%	(99)%	6%

	For the year ended December 31, 2016			
<i>(in thousands)</i>	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue				
Service revenue	\$ 774,514	\$ 84,805	\$ 83,280	\$ 942,599
Reimbursable expenses	50,117	1,785	109	52,011
Non-controlling interests	2,693	—	—	2,693
	<u>827,324</u>	<u>86,590</u>	<u>83,389</u>	<u>997,303</u>
Cost of revenue	546,540	64,566	78,939	690,045
Gross profit	280,784	22,024	4,450	307,258
Selling, general and administrative expenses	121,508	23,291	69,356	214,155
Litigation settlement loss, net of \$4,000 insurance recovery	—	—	28,000	28,000
Income (loss) from operations	159,276	(1,267)	(92,906)	65,103
Total other income (expense), net	154	(5)	(20,931)	(20,782)
	<u>\$ 159,430</u>	<u>\$ (1,272)</u>	<u>\$ (113,837)</u>	<u>\$ 44,321</u>
Margins:				
Gross profit/service revenue	36%	26 %	5 %	33%
Income (loss) from operations/service revenue	21%	(1)%	(112)%	7%

Mortgage Market

Revenue

Revenue by business unit was as follows for the years ended December 31:

<i>(in thousands)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Service revenue:					
Servicer Solutions	\$ 610,942	(13)	\$ 704,848	(2)	\$ 722,734
Origination Solutions	44,824	(9)	49,210	(5)	51,780
Total service revenue	655,766	(13)	754,058	(3)	774,514
Reimbursable expenses:					
Servicer Solutions	28,207	(23)	36,636	(26)	49,838
Origination Solutions	249	—	250	(10)	279
Total reimbursable expenses	28,456	(23)	36,886	(26)	50,117
Non-controlling interests	2,683	(2)	2,740	2	2,693
Total revenue	\$ 686,905	(13)	\$ 793,684	(4)	\$ 827,324

We recognized service revenue of \$655.8 million for the year ended December 31, 2018, a 13% decrease compared to the year ended December 31, 2017. The decrease was primarily a result of the reduction in the size of Ocwen's portfolio and number of delinquent loans in its portfolio resulting from loan repayments, loan modifications, short sales, REO sales and other forms of resolution in the Servicer Solutions business. In addition, Origination Solutions service revenue decreased, primarily from lower origination volumes in 2018.

We recognized service revenue of \$754.1 million for the year ended December 31, 2017, a 3% decrease compared to the year ended December 31, 2016. The decrease was primarily a result of the reduction in the size of Ocwen's portfolio and number of delinquent loans in its portfolio resulting from loan repayments, loan modifications, short sales, REO sales and other forms of resolution in the Servicer Solutions business. The decline in service revenue was partially offset by growth in the Servicer Solutions business in referrals of certain higher fee property preservation services, growth in non-Ocwen service revenues from new and existing customers and increases in loan disbursement processing services in connection with the Granite acquisition in July 2016. In addition, an increase in service revenue and a decrease in reimbursable expenses in the Servicer Solutions business was also the result of an early 2015 change in the billing model for preservation services on new Ocwen REO referrals that resulted in certain services that were historically reimbursable expenses revenue becoming service revenue.

We recognized reimbursable expense revenue of \$28.5 million for the year ended December 31, 2018, a 23% decrease compared to the year ended December 31, 2017. We recognized reimbursable expense revenue of \$36.9 million for the year ended December 31, 2017, a 26% decrease compared to the year ended December 31, 2016. The decreases were primarily a result of a reduction in the size of Ocwen's portfolio and number of delinquent loans in its portfolio resulting from loan repayments, loan modifications, short sales, REO sales and other forms of resolution, as discussed in service revenue above. For the year ended December 31, 2017, the decrease was also driven by the change in 2015 in the billing model for preservation services on new Ocwen REO referrals described above, which impacted reimbursable expense revenue.

Certain of our Mortgage Market businesses are impacted by seasonality. Revenues from property sales, loan originations and certain property preservation services are generally lowest during the fall and winter months and highest during the spring and summer months.

Cost of Revenue and Gross Profit

Cost of revenue consisted of the following for the years ended December 31:

<i>(in thousands)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Compensation and benefits	\$ 124,817	(24)	\$ 163,370	(8)	\$ 177,473
Outside fees and services	250,779	(15)	295,533	9	272,124
Reimbursable expenses	28,456	(23)	36,886	(26)	50,117
Technology and telecommunications	26,005	(15)	30,467	1	30,017
Depreciation and amortization	17,051	(11)	19,251	15	16,809
Cost of revenue	\$ 447,108	(18)	\$ 545,507	—	\$ 546,540

Cost of revenue for the year ended December 31, 2018 of \$447.1 million decreased by 18% compared to the year ended December 31, 2017. The decrease was primarily driven by lower service revenue from Ocwen's portfolio and related cost reduction initiatives, including early benefits of Project Catalyst. The decrease in outside fees and services was driven by lower property preservation and inspection orders from the reduction in the size of Ocwen's portfolio, as discussed in the revenue section above. The decline in compensation and benefits was primarily due to a reduction in headcount from lower revenue from the Ocwen portfolio and from the implementation of efficiency initiatives. In addition, decreases in compensation and benefits and technology and telecommunications costs were driven by the redeployment of certain technology resources to our Other Businesses, Corporate and Eliminations for the development of enterprise-wide technology initiatives. The decrease in reimbursable expenses was consistent with the decrease in reimbursable expense revenue discussed in the revenue section above.

Cost of revenue for the year ended December 31, 2017 of \$545.5 million decreased by less than 1% compared to the year ended December 31, 2016. Compensation and benefits declined in certain of the Servicer Solutions businesses as we reduced headcount in certain businesses from the decline in Ocwen's portfolio discussed in the revenue section above as well as the implementation of efficiency initiatives. In addition, reimbursable expenses decreased primarily as a result of the change in the billing model discussed in the revenue section above. These declines were largely offset by increases in outside fees and services, primarily due to growth in referrals of certain higher cost property preservation services and the change in the billing model in the Servicer Solutions business, consistent with the growth in service revenue discussed in the revenue section above.

Gross profit decreased to \$239.8 million, representing 37% of service revenue, for the year ended December 31, 2018 compared to \$248.2 million, representing 33% of service revenue, for the year ended December 31, 2017. Gross profit as a percentage of service revenue increased in 2018 compared to 2017, primarily from service revenue mix with a lower percentage of revenue from the lower margin property preservation services, the implementation of efficiency initiatives, including early benefits of Project Catalyst, and the redeployment of certain technology resources to Other Businesses, Corporate and Eliminations for the development of enterprise-wide technology initiatives, as discussed above.

Gross profit decreased to \$248.2 million, representing 33% of service revenue, for the year ended December 31, 2017 compared to 280.8 million, representing 36% of service revenue, for the year ended December 31, 2016. Gross profit as a percentage of service revenue decreased in 2017 compared to 2016, primarily due to revenue mix from growth in the lower margin property preservation services and declines in other higher margin businesses.

Our margins can vary substantially depending upon service revenue mix.

Selling, General and Administrative Expenses

SG&A expenses consisted of the following for the years ended December 31:

<i>(in thousands)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Compensation and benefits	\$ 15,339	(34)	\$ 23,089	5	\$ 22,087
Professional services	8,066	—	8,101	(31)	11,771
Occupancy related costs	17,368	(25)	23,275	12	20,737
Amortization of intangible assets	25,087	(23)	32,715	(27)	44,597
Depreciation and amortization	2,725	(29)	3,814	(5)	4,030
Marketing costs	6,595	(26)	8,925	(19)	10,980
Other	9,833	(31)	14,296	96	7,306
Selling, general and administrative expenses	\$ 85,013	(26)	\$ 114,215	(6)	\$ 121,508

SG&A for the year ended December 31, 2018 of \$85.0 million decreased by 26% compared to the year ended December 31, 2017. The decrease was driven by lower compensation and benefits due to lower cost allocations primarily from declining revenues, as discussed in the revenue section above, the implementation of efficiency initiatives, including early benefits of Project Catalyst, and by lower amortization of intangible assets from lower revenue generated by the Homeward and ResCap portfolios (revenue-based amortization). In addition, lower occupancy costs were driven by initiatives to reduce our facilities footprint in 2017 and 2018 and Other decreased from lower bad debt expense in 2018.

SG&A for the year ended December 31, 2017 of \$114.2 million decreased by 6% compared to the year ended December 31, 2016. The decrease was primarily driven by lower amortization of intangible assets, as a result of an increase in total projected revenue to be generated by the Homeward and ResCap portfolios over the lives of these portfolios (revenue-based amortization). In addition, legal costs in professional services were lower in connection with the resolution of, and reduction in activities related to, several litigation and regulatory matters. The decrease in SG&A was partially offset by a \$3.0 million favorable loss accrual adjustment in Other in 2016 and higher bad debt expense in 2017.

Restructuring charges

Restructuring charges for the year ended December 31, 2018 of \$2.5 million consist of severance costs and facility shut-down costs related to the restructuring plan we began implementing in the third quarter of 2018 (no comparative amounts in 2017 or 2016).

Income from Operations

Income from operations was \$152.3 million, representing 23% of service revenue, for the year ended December 31, 2018 compared to \$134.0 million, representing 18% of service revenue, for the year ended December 31, 2017. Income from operations as a percentage of service revenue increased in 2018 compared to 2017, primarily from higher gross profit margins driven by significantly reduced compensation and benefits, outside fees and services and technology and telecommunication costs and lower SG&A, partially offset by restructuring charges in 2018, as discussed above.

Income from operations was \$134.0 million, representing 18% of service revenue, for the year ended December 31, 2017 compared to \$159.3 million, representing 21% of service revenue, for the year ended December 31, 2016. Operating income as a percentage of service revenue decreased in 2017 compared to 2016, primarily as a result of lower gross profit margins from revenue mix changes, partially offset by lower SG&A, as discussed above.

Real Estate Market

Revenue

Revenue by business unit was as follows for the years ended December 31:

<i>(in thousands)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Service revenue:					
Consumer Real Estate Solutions	\$ 8,593	82	\$ 4,713	326	\$ 1,106
Real Estate Investor Solutions	80,162	(2)	82,108	(2)	83,699
Total service revenue	88,755	2	86,821	2	84,805
Reimbursable expenses:					
Consumer Real Estate Solutions	2	N/M	—	—	—
Real Estate Investor Solutions	1,533	(48)	2,966	66	1,785
Total reimbursable expenses	1,535	(48)	2,966	66	1,785
Total revenue	<u>\$ 90,290</u>	1	<u>\$ 89,787</u>	4	<u>\$ 86,590</u>

N/M — not meaningful.

We recognized service revenue of \$88.8 million for the year ended December 31, 2018, a 2% increase compared to the year ended December 31, 2017. The increase was primarily driven by growth in the Consumer Real Estate Solutions business from higher transaction volumes and commission rates per transaction and growth in home sale and home renovation revenue in the Real Estate Investor Solutions business. These increases were largely offset by a decline in revenue in the Real Estate Investor Solutions business from RESI's smaller portfolio of non-performing loans and REO, as RESI continues to sell off this portfolio and focus on directly acquiring, renovating and managing rental homes.

We recognized service revenue of \$86.8 million for the year ended December 31, 2017, a 2% increase compared to the year ended December 31, 2016. The increase was primarily due to growth in the Consumer Real Estate Solutions business from higher transaction volumes. Significant growth in BRS home sales revenue in the Real Estate Investor Solutions business, which began operations in the second half of 2016, was largely offset by RESI's lower property preservation referrals and REO sales in the Real Estate Investor Solutions business as RESI continued its transition from buying non-performing loans to directly acquiring rental homes.

Certain of our Real Estate Market businesses are impacted by seasonality. Revenues from property sales and certain property preservation services are generally lowest during the fall and winter months and highest during the spring and summer months.

Cost of Revenue and Gross Profit (Loss)

Cost of revenue consisted of the following for the years ended December 31:

<i>(in thousands)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Compensation and benefits	\$ 25,315	(29)	\$ 35,642	20	\$ 29,625
Outside fees and services	24,001	(10)	26,642	2	26,167
Cost of real estate sold	47,659	95	24,398	N/M	1,040
Reimbursable expenses	1,535	(48)	2,966	66	1,785
Technology and telecommunications	3,568	(39)	5,812	12	5,208
Depreciation and amortization	815	(46)	1,507	103	741
Cost of revenue	<u>\$ 102,893</u>	6	<u>\$ 96,967</u>	50	<u>\$ 64,566</u>

N/M — not meaningful.

Cost of revenue for the year ended December 31, 2018 of \$102.9 million increased by 6% compared to the year ended December 31, 2017. The increase was primarily due to an increase in the cost of real estate sold, in connection with our BRS program in the Real Estate Investor Solutions business, partially offset by lower compensation and benefits, which declined in certain of the Real

Estate Investor Solutions businesses as we reduced headcount consistent with the decreases in revenue volumes from RESI's portfolio discussed in the revenue section above and from efficiency initiatives.

Cost of revenue for the year ended December 31, 2017 of \$97.0 million increased by 50% compared to the year ended December 31, 2016. The increase was primarily due to BRS's increased real estate sales in the Real Estate Investor Solutions business. Compensation and benefits increased in the Consumer Real Estate Solutions business to support growth of this business, partially offset by lower compensation and benefits in the Real Estate Investor Solutions business as this business transitioned from supporting non-performing loans and REO to supporting real estate investors through our BRS and other rental and renovation services.

Gross loss increased to \$(12.6) million, representing (14)% of service revenue, for the year ended December 31, 2018 compared to \$(7.2) million, representing (8)% of service revenue, for the year ended December 31, 2017 and gross profit of \$22.0 million, representing 26% of service revenue, for the year ended December 31, 2016. The increases in gross loss as a percentage of service revenue in 2018 and 2017 were primarily the result of service revenue mix from fewer higher margin REO sales for RESI and from higher revenues in the lower margin BRS business. Our margins can vary substantially depending upon service revenue mix.

Selling, General and Administrative Expenses

SG&A expenses consisted of the following for the years ended December 31:

<i>(in thousands)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Compensation and benefits	\$ 3,610	7	\$ 3,387	79	\$ 1,890
Professional services	1,556	45	1,073	(37)	1,694
Occupancy related costs	1,857	(39)	3,043	34	2,278
Amortization of intangible assets	1,655	96	843	(14)	976
Depreciation and amortization	485	(33)	727	59	456
Marketing costs	7,741	10	7,020	(57)	16,424
Other	4,657	77	2,625	N/M	(427)
Selling, general and administrative expenses	\$ 21,561	15	\$ 18,718	(20)	\$ 23,291

N/M — not meaningful.

SG&A for the year ended December 31, 2018 of \$21.6 million increased by 15% compared to the year ended December 31, 2017. The increase was primarily driven by a \$2.6 million write-off of goodwill in Other as a result of our decision in the fourth quarter of 2018 to exit the BRS business, partially offset by lower occupancy related costs, due to lower facility costs from initiatives to reduce our facilities footprint.

SG&A for the year ended December 31, 2017 of \$18.7 million decreased by 20% compared to the year ended December 31, 2016. The decrease was primarily the result of lower marketing costs as a result of initial non-recurring Owners.com market launch costs incurred in 2016 and the reduction in Owners.com recurring marketing spend as the business unit focuses on improving the lead to closing conversion rate. This decrease was partially offset by an increase in Other, primarily due to a prior year favorable expense adjustment related to the Owners earn-out.

Gain on Sale of a Business

In August 2018, we sold our rental property management business to RESI for total transaction proceeds of \$18.0 million, \$15.0 million of which was received on the closing date of August 8, 2018 and \$3.0 million of which will be received on the earlier of a RESI change of control or August 8, 2023. For the year ended December 31, 2018, we recognized a \$13.7 million pretax gain on sale of this business in connection with this transaction (no comparative amounts in 2017 or 2016).

Restructuring charges

Restructuring charges for the year ended December 31, 2018 of \$0.1 million consist of severance costs related to the restructuring plan we began implementing in the third quarter of 2018 (no comparative amounts in 2017 or 2016).

Loss from Operations

Loss from operations was \$(20.6) million, representing (23)% of service revenue, for the year ended December 31, 2018 compared to a loss of \$(25.9) million, representing (30)% of service revenue, for the year ended December 31, 2017. Loss from operations

as a percentage of service revenue decreased in 2018 compared to 2017, primarily due to the gain on sale of business, partially offset by lower gross profit margins and increases in SG&A, as discussed above.

Income from operations decreased to a loss from operations of \$(25.9) million, representing (30)% of service revenue, for the year ended December 31, 2017 compared to a loss from operations of \$(1.3) million, representing (1)% of service revenue, for the year ended December 31, 2016. Loss from operations as a percentage of service revenue increased in 2017 compared to 2016, primarily as a result of lower gross margins, partially offset by lower SG&A, as discussed above.

Other Businesses, Corporate and Eliminations

Revenue

Revenue by business unit was as follows for the years ended December 31:

<i>(in thousands)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Service revenue:					
Customer relationship management	\$ 27,821	(2)	\$ 28,469	(23)	\$ 36,977
Asset recovery management	27,405	15	23,782	(1)	24,114
IT infrastructure services	5,733	(11)	6,431	(71)	22,189
Total service revenue	60,959	4	58,682	(30)	83,280
Reimbursable expenses:					
Asset recovery management	48	(20)	60	(45)	109
Total reimbursable expenses	48	(20)	60	(45)	109
Total revenue	<u>\$ 61,007</u>	4	<u>\$ 58,742</u>	(30)	<u>\$ 83,389</u>

We recognized service revenue of \$61.0 million for the year ended December 31, 2018, a 4% increase compared to the year ended December 31, 2017. The increase was primarily due to growth in asset recovery management service revenue from higher referral volumes.

We recognized service revenue of \$58.7 million for the year ended December 31, 2017, a 30% decrease compared to the year ended December 31, 2016. The decrease was primarily due to a decline in IT infrastructure services, which are typically billed on a cost plus basis, as beginning in the fourth quarter of 2015 and continuing through 2017, we transitioned resources supporting Ocwen's technology infrastructure from Altisource to Ocwen. The decrease in the customer relationship management service revenue was primarily due to severed client relationships with certain non-profitable clients and a reduction in volume from the transition of services from one customer to another.

Certain of our other businesses are impacted by seasonality. Revenue in the asset recovery management business typically tends to be higher in the first quarter, as borrowers may utilize tax refunds and bonuses to pay debts, and generally declines throughout the remainder of the year.

Cost of Revenue and Gross Profit

Cost of revenue consisted of the following for the years ended December 31:

<i>(in thousands)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Compensation and benefits	\$ 50,354	21	\$ 41,475	(28)	\$ 57,698
Outside fees and services	3,600	10	3,284	16	2,825
Reimbursable expenses	48	(20)	60	(45)	109
Technology and telecommunications	12,015	98	6,061	(33)	9,070
Depreciation and amortization	6,147	(6)	6,511	(30)	9,237
Cost of revenue	<u>\$ 72,164</u>	26	<u>\$ 57,391</u>	(27)	<u>\$ 78,939</u>

Cost of revenue for the year ended December 31, 2018 of \$72.2 million increased by 26% compared to the year ended December 31, 2017. The increase was primarily due to increases in compensation and benefits and technology and telecommunications costs,

driven by the redeployment of certain technology resources from the Mortgage Market segment to Other Businesses, Corporate and Eliminations for the development of enterprise-wide technology initiatives.

Cost of revenue for the year ended December 31, 2017 of \$57.4 million decreased by 27% compared to the year ended December 31, 2016. The decrease was primarily due to a decrease in compensation and benefits associated with the transition of resources supporting Ocwen's technology infrastructure to Ocwen and lower headcount levels in our customer relationship management business consistent with the decline in revenue, as discussed in the revenue section above.

Gross profit decreased to a gross loss of \$(11.2) million, representing (18)% of service revenue, for the year ended December 31, 2018 compared to gross profit of \$1.4 million, representing 2% of service revenue, for the year ended December 31, 2017. Gross profit as a percentage of service revenue decreased in 2018 compared to 2017, due to the increase in cost of revenue, principally driven by the redeployment of certain technology resources from the Mortgage Market segment for the development of enterprise-wide technology initiatives, which increased Other Businesses, Corporate and Eliminations cost of revenue and decreased cost of revenue in the Mortgage Market segment, as described above.

Gross profit decreased to \$1.4 million, representing 2% of service revenue, for the year ended December 31, 2017 compared to \$4.5 million, representing 5% of service revenue, for the year ended December 31, 2016. Gross profit as a percentage of service revenue decreased in 2017, primarily due to decreases in IT infrastructure and customer relationship management revenue, largely offset by a reduction in compensation and benefits. However, we were not able to reduce costs at the same rate as revenue declined.

Selling, General and Administrative Expenses

SG&A in Other Businesses, Corporate and Eliminations include SG&A expenses of the customer relationship management, asset recovery management and IT infrastructure services businesses. It also includes costs related to corporate support functions not allocated to the Mortgage Market and Real Estate Market segments.

Other Businesses, Corporate and Eliminations also include eliminations of transactions between the reportable segments.

SG&A expenses consisted of the following for the years ended December 31:

<i>(in thousands)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Compensation and benefits	\$ 32,094	1	\$ 31,681	—	\$ 31,600
Professional services	7,328	73	4,247	(57)	9,819
Occupancy related costs	11,626	16	10,053	(30)	14,355
Amortization of intangible assets	1,670	(8)	1,809	(10)	2,003
Depreciation and amortization	3,576	(23)	4,637	(16)	5,515
Marketing costs	371	64	226	(49)	443
Other	12,431	76	7,056	26	5,621
Selling, general and administrative expenses	\$ 69,096	16	\$ 59,709	(14)	\$ 69,356

SG&A for the year ended December 31, 2018 of \$69.1 million increased by 16% compared to the year ended December 31, 2017. The increase was primarily driven by the accrual of a \$6.2 million contingent loss accrual in Other for sales tax exposure in the United States and an increase in professional services, due to increased legal and professional services costs in connection with certain legal and regulatory matters, partially offset by unfavorable loss accrual adjustments of \$2.7 million related to facility closures and litigation related costs in Other in 2017.

SG&A for the year ended December 31, 2017 of \$59.7 million decreased by 14% compared to the year ended December 31, 2016. The decrease was primarily due to lower legal costs in professional services in connection with the resolution of, and reduction in activities related to, several legal and regulatory matters and lower occupancy costs driven by subleasing certain office facilities, partially offset by unfavorable loss accrual adjustments of \$2.7 million related to facility closures and litigation related costs in Other in 2017.

Restructuring charges

Restructuring charges for the year ended December 31, 2018 of \$9.0 million consist of severance costs, professional services fees and facility shut-down costs related to the restructuring plan we began implementing in the third quarter of 2018 (no comparative amounts in 2017 or 2016).

Litigation Settlement Loss, Net

For the year ended December 31, 2016, other operating expenses included a litigation settlement loss, which consisted of a legal settlement accrual of \$28.0 million, net of a \$4.0 million insurance recovery. The litigation settlement loss related to the agreed settlement of the putative class action litigation designated *In re: Altisource Portfolio Solutions, S.A. Securities Litigation* in the United States District Court for the Southern District of Florida. Altisource Portfolio Solutions S.A. and the officer and director defendants denied all claims of wrongdoing or liability. The settlement loss was recorded in 2016 and paid in 2017.

Loss from Operations

Loss from operations was \$(89.2) million for the year ended December 31, 2018 compared to a loss of \$(58.4) million for the year ended December 31, 2017. The loss from operations increased in 2018 compared to 2017, primarily driven by the decrease in gross profit from the shifting of technology resources from the Mortgage Market segment to support corporate initiatives, increases in SG&A, primarily due to the accrual for sales tax exposure in 2018, and restructuring charges, as discussed above.

Loss from operations decreased to \$(58.4) million for the year ended December 31, 2017 compared to loss from operations of \$(92.9) million for the year ended December 31, 2016. The loss from operations decreased in 2017 compared to 2016, primarily as a result of the 2016 litigation settlement loss, net of \$28.0 million and lower SG&A, as discussed above.

Other Income (Expense), Net

Other income (expense), net principally includes interest expense and other non-operating gains and losses. For 2018, other income (expense), net includes an unrealized loss on our investment in RESI (see Factors Affecting Comparability above for additional information).

Other income (expense), net for the year ended December 31, 2018 of \$(41.3) million increased by 187% compared to the year ended December 31, 2017. The increase in expenses in 2018 was primarily due to a \$(13.0) million unrealized loss on our investment in RESI, a \$(4.4) million loss on debt refinancing and higher interest expense from higher average interest rates on the Credit Agreement, partially offset by lower average debt balances as a result of debt repayments and repurchases in the current and prior years. The increase in 2018 expenses was also from a net gain on the early extinguishment of debt recognized in 2017. The comparative average interest rates under the Credit Agreement for the Term B Loans and the prior credit agreement were 6.0% and 4.6% for the years ended December 31, 2018 and 2017, respectively. During 2017, we repurchased portions of our senior secured term loan with an aggregate par value of \$60.1 million at a weighted average discount of 10.7%, recognizing a net gain of \$5.6 million on the early extinguishment of debt in other income (no comparative amount in 2018).

Other income (expense), net for the year ended December 31, 2017 of \$(14.4) million decreased by 31% compared to the year ended December 31, 2016. The decrease was primarily due to lower interest expense due to debt repurchases, partially offset by higher average interest rates, and higher other income in 2017. During 2017, we repurchased portions of our senior secured term loan with an aggregate par value of \$60.1 million at a weighted average discount of 10.7%, recognizing a net gain of \$5.6 million on the early extinguishment of debt in other income. During 2016, we repurchased portions of our senior secured term loan with an aggregate par value of \$51.0 million at a weighted average discount of 13.2%, recognizing a net gain of \$5.5 million on the early extinguishment of debt in other income. In addition, during the year ended December 31, 2016, we incurred expenses of \$3.4 million related to our investment in RESI (no comparative amounts in 2018 and 2017).

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary source of liquidity is cash flow from operations. We seek to deploy cash generated in a disciplined manner. Principally, we intend to use cash to develop and grow complementary services and businesses that we believe will generate attractive margins in line with our core capabilities and strategy. We use cash for repayments of our long-term debt, capital investments and seek to use cash from time to time to repurchase shares of our common stock and repurchase portions of our debt. In addition, we consider and evaluate business acquisitions that may arise from time to time that are aligned with our strategy. We also consider selling or closing businesses that are no longer aligned with our strategy.

For the year ended December 31, 2018, we used cash from operations, proceeds from the sale of the rental property management business to RESI and cash balances as of the beginning of the year to reduce outstanding debt by \$74.8 million. These repayments were applied to contractual amortization payments in the direct order of maturity. In 2018, we also used \$40.4 million to repurchase shares of our common stock and \$3.9 million for purchases of premises and equipment.

In 2017, we used \$59.8 million to repay and repurchase portions of the senior secured term loan and \$39.0 million to repurchase shares of our common stock. In 2016, we used \$50.7 million to repay and repurchase portions of the senior secured term loan, \$48.2 million to purchase equity securities in RESI and \$37.7 million to repurchase shares of our common stock. In 2017, we also used \$10.5 million for additions to premises and equipment.

Credit Agreement

On April 3, 2018, Altisource entered into the Credit Agreement pursuant to which Altisource borrowed \$412.0 million in the form of Term B Loans and obtained a \$15.0 million revolving credit facility. The Term B Loans mature in April 2024 and the revolving credit facility matures in April 2023.

Proceeds from the Term B Loans were used to repay the Company's prior senior secured term loan, which had an outstanding balance of \$412.1 million as of April 3, 2018. As of December 31, 2018, \$338.8 million of the Term B Loans were outstanding. There were no borrowings outstanding under the revolving credit facility as of December 31, 2018.

The Term B Loans must be repaid in consecutive quarterly principal installments with no repayments due in 2019 and the remaining amounts due of \$18.5 million in 2020 and \$12.4 million annually thereafter, with the balance due at maturity. All amounts outstanding under the Term B Loans will become due on the earlier of (i) April 3, 2024, and (ii) the date on which the loans are declared to be due and owing by the administrative agent at the request (or with the consent) of the Required Lenders (as defined in the Credit Agreement; other capitalized terms, unless defined herein, are defined in the Credit Agreement) or as otherwise provided in the Credit Agreement upon the occurrence of any event of default.

In addition to the scheduled principal payments, subject to certain exceptions, the Term B Loans are subject to mandatory prepayment upon issuances of debt, casualty and condemnation events and sales of assets, as well as from a percentage of Consolidated Excess Cash Flow if the leverage ratio is greater than 3.00 to 1.00, as calculated in accordance with the provisions of the Credit Agreement (the percentage increases if the leverage ratio exceeds 3.50 to 1.00). Certain mandatory prepayments reduce future contractual amortization payments by an amount equal to the mandatory prepayment. Except as discussed above with respect to the BRS homes sales proceeds repayment, no mandatory prepayments were owed for the year ended December 31, 2018.

The interest rate on the Term B Loans as of December 31, 2018 was 6.8%.

Altisource may incur incremental indebtedness under the Credit Agreement from one or more incremental lenders, which may include existing lenders, in an aggregate incremental principal amount not to exceed \$125.0 million, subject to certain conditions set forth in the Credit Agreement, including a sublimit of \$80.0 million with respect to incremental revolving credit commitments. The lenders have no obligation to provide any incremental indebtedness.

The Credit Agreement includes covenants that restrict or limit, among other things, our ability, subject to certain exceptions and baskets, to incur additional debt, pay dividends and repurchase shares of our common stock. In the event we require additional liquidity, our ability to obtain it may be limited by the Credit Agreement.

Cash Flows

The following table presents our cash flows for the years ended December 31:

<i>(in thousands)</i>	2018	% Increase (decrease)	2017	% Increase (decrease)	2016
Net (loss) income adjusted for non-cash items	\$ 72,510	(23)	\$ 93,769	(19)	\$ 115,470
Changes in operating assets and liabilities	(4,108)	85	(27,687)	(344)	11,348
Cash flows provided by operating activities	68,402	4	66,082	(48)	126,818
Cash flows provided by (used in) investing activities	11,084	207	(10,326)	87	(80,897)
Cash flows used in financing activities	(124,283)	(24)	(100,334)	(31)	(76,628)
Net decrease in cash, cash equivalents and restricted cash	(44,797)	—	(44,578)	(45)	(30,707)
Cash, cash equivalents and restricted cash at the beginning of the period	108,843	(29)	153,421	(17)	184,128
Cash, cash equivalents and restricted cash at the end of the period	<u>\$ 64,046</u>	(41)	<u>\$ 108,843</u>	(29)	<u>\$ 153,421</u>
Non-GAAP Financial Measures⁽¹⁾					
Adjusted cash flows from operating activities	\$ 79,370	(28)	\$ 110,462	(21)	\$ 139,843
Adjusted cash flows from operating activities less additions to premises and equipment	75,454	(25)	99,948	(14)	116,574

⁽¹⁾ These are non-GAAP measures that are defined and reconciled to the corresponding GAAP measures on pages 28 to 32.

Cash Flows from Operating Activities

Cash flows from operating activities generally consist of the cash effects of transactions and events that enter into the determination of net income. For the year ended December 31, 2018, cash flows provided by operating activities were \$68.4 million, or approximately \$0.08 for every dollar of service revenue, compared to cash flows from operating activities of \$66.1 million, or approximately \$0.07 for every dollar of service revenue, for the year ended December 31, 2017 and \$126.8 million of cash flows from operating activities, or approximately \$0.13 for every dollar of service revenue, for the year ended December 31, 2016. Cash flows from operating activities during 2018 were impacted by a \$10.5 million increase in short-term investments in real estate in connection with our BRS business. Cash flows from operating activities during 2017 were impacted by the \$28.0 million net payment for the previously accrued litigation settlement and a \$16.4 million increase in short-term investments in real estate in connection with our BRS business. Cash flows from operating activities during 2016 were impacted by a \$13.0 million increase in short-term investments in real estate in connection with our BRS business. Adjusting 2018 cash flows from operating activities for the litigation settlement payment and the increase in short-term investments in real estate, cash flows from operating activities would have been \$79.4 million, or approximately \$0.10 for every dollar of service revenue. Adjusting 2017 cash flows from operating activities for the net litigation settlement payment and the increase in short-term investments in real estate, cash flows from operating activities would have been \$110.5 million, or approximately \$0.12 for every dollar of service revenue. Adjusting 2016 cash flows from operating activities for the increase in short-term investments in real estate, cash flows from operating activities would have been \$139.8 million, or approximately \$0.15 for every dollar of service revenue. See non-GAAP measures defined and reconciled on pages 28 to 32.

The increase in cash flows from operations in 2018 compared to 2017 was primarily due to a decrease in cash used for changes in operating assets and liabilities, largely offset by a \$21.3 million decrease in net income, adjusted for non-cash items compared to the year ended December 31, 2017. The decrease in net income, adjusted for non-cash items, was primarily driven by lower gross profit in 2018 as a result of decreasing service revenues, which were partially offset by corresponding reductions in expenses. The decrease in cash used for changes in operating assets and liabilities was principally driven by the \$28.0 million net payment in 2017 of an accrued litigation settlement, a decrease in prepaid maintenance and income taxes receivable and a lower increase in short-term investments in real estate. These decreases were partially offset by a lower decrease in accounts receivable for the year ended December 31, 2018 due to service revenue mix and the timing of collections.

The decrease in cash flows from operating activities during 2017 compared to 2016 was driven by lower net income, the \$28.0 million net payment for the litigation settlement, increased short-term investments in real estate and the timing of payments of current liabilities, partially offset by higher collections of accounts receivable, primarily from timing of collections.

Operating cash flows can be negatively impacted because of the nature of some of our services and the mix of services provided. Certain services are performed immediately following or shortly after the referral, but the collection of the receivable does not occur until a specific event occurs (e.g., the foreclosure is complete, the REO asset is sold, etc.). Furthermore, lower margin services generate lower income and cash flows from operations. Consequently, our cash flows from operations may be negatively impacted when comparing one period to another.

Cash Flows from Investing Activities

Cash flows from investing activities generally include additions to premises and equipment, acquisitions and sales of businesses, and purchases and sales of equity securities. Cash flows from investing activities were \$11.1 million, \$(10.3) million and \$(80.9) million for the years ended December 31, 2018, 2017 and 2016, respectively. Cash flows from investing activities in 2018 consisted of \$15.0 million in proceeds from the sale of the rental property management business to RESI (no comparative amounts in 2017 and 2016). We used \$3.9 million, \$10.5 million and \$23.3 million for the years ended December 31, 2018, 2017 and 2016, respectively, for additions to premises and equipment primarily related to investments in the development of certain software applications, IT infrastructure and facility buildouts. The decreases in additions to premises and equipment in 2018 and 2017 primarily related to the completion of several software development projects prior to 2018 and facility buildouts and relocations prior to 2017.

During 2016, we purchased 4.1 million shares of RESI common stock for \$48.2 million including brokers' commissions. On July 29, 2016, we acquired Granite for \$9.5 million.

Cash Flows from Financing Activities

Cash flows from financing activities primarily include activities associated with repayments and repurchases of long-term debt, proceeds from stock option exercises, the purchase of treasury shares, distributions to non-controlling interests and the payment of tax withholdings on issuance of restricted shares and stock option exercises. Cash flows from financing activities were \$(124.3) million, \$(100.3) million and \$(76.6) million for the years ended December 31, 2018, 2017 and 2016, respectively. We used \$84.0 million in 2018 to refinance and reduce our debt, including debt issuance costs and repayments and repurchases of long term debt compared to \$59.8 million and \$50.7 million of repurchases and repayments of long-term debt in 2017 and 2016, respectively. We received proceeds from stock option exercises of \$3.6 million, \$2.4 million and \$9.6 million in 2018, 2017 and 2016, respectively. During 2016, we recognized an excess tax benefit on the exercise of stock options of \$4.8 million (no comparative amounts in 2018 and 2017). We also used \$40.4 million, \$39.0 million and \$37.7 million to repurchase shares of our common stock in 2018, 2017 and 2016, respectively. We distributed \$2.8 million, \$2.8 million and \$2.6 million to non-controlling interests during 2018, 2017 and 2016, respectively. In addition, we made payments of \$0.8 million and \$1.2 million to satisfy employee tax withholding obligations on the issuance of restricted shares during 2018 and 2017, respectively (no comparative amount in 2016). These payments were made to tax authorities, at the employees' direction, to satisfy the employees' tax obligations rather than issuing a portion of vested restricted shares to employees.

Liquidity Requirements after December 31, 2018

Our primary future liquidity obligations pertain to long-term debt repayments and interest expense under the Credit Agreement (see Liquidity section above) and distributions to Lenders One members. During the next 12 months, we expect to pay \$21.6 million of interest expense (assuming the current interest rate) under the Credit Agreement and distribute approximately \$2.8 million to the Lenders One members representing non-controlling interests.

We believe that our existing cash and cash equivalents balances, our anticipated cash flows from operations and availability under our revolving credit facility will be sufficient to meet our liquidity needs, including to fund required interest payments and additions to premises and equipment, for the next 12 months.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND RECENT ACCOUNTING PRONOUNCEMENTS

We prepare our consolidated financial statements in accordance with GAAP. In applying many of these accounting principles, we need to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses in our consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and judgments, however, are often subjective. Actual results may be negatively affected based on changing circumstances. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known.

We have identified the critical accounting policies and estimates addressed below. We also have other key accounting policies, which involve the use of assumptions, estimates and judgments that are significant to understanding our results. For additional information, see Note 2 to the consolidated financial statements. Although we believe that our assumptions, estimates and judgments

are reasonable, they are based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

Revenue Recognition

We recognize revenue when we satisfy a performance obligation by transferring control of a product or service to a customer in an amount that reflects the consideration that we expect to receive. This revenue can be recognized at a point in time or over time. We invoice customers based on our contractual arrangements with each customer, which may not be consistent with the period that revenues are recognized. When there is a timing difference between when we invoice customers and when revenues are recognized, we record either a contract asset (unbilled accounts receivable) or a contract liability (deferred revenue or other current liabilities), as appropriate. A description of our principal revenue generating activities by reportable segment are as follows:

Mortgage Market

- For the majority of the services we provide through the Mortgage Market segment, we recognize transactional revenue when the service is provided.
- For loan servicing technologies, we recognize revenue based on the number of loans on the system, on a per-transaction basis or over the estimated average number of months the loans and REO are on the platform, as applicable. We generally recognize revenue for professional services relating to loan servicing technologies over the contract period. For our loan origination system, we generally recognize revenue over the contract term, beginning on the commencement date of each contract. For foreclosure trustee services, we recognize revenue over the period during which we perform the related services, with full recognition upon completion and/or recording the related foreclosure deed. For loan disbursement processing services, we recognize revenue over the period during which we perform the processing services with full recognition upon completion of the disbursements. We use judgment to determine the period over which we recognize revenue for certain of these services. For mortgage charge-off collections performed on behalf of our clients, we recognize revenue as a percentage of amounts collected following collection from the borrowers.
- For real estate brokerage and auction services, we recognize revenue on a net basis (i.e., the commission on the sale) as we perform services as an agent without assuming the risks and rewards of ownership of the asset and the commission earned on the sale is a fixed percentage or amount.
- Reimbursable expenses revenue, primarily related to our property preservation and inspection services, real estate sales and our foreclosure trustee services businesses, is included in revenue with an equal amount recognized in cost of revenue. These amounts are recognized on a gross basis, principally because generally we have control over selection of vendors and the vendor relationships are with us, rather than with our customers.

Real Estate Market

- For the majority of the services we provide through the Real Estate Market segment, we recognize transactional revenue when the service is provided.
- For renovation services, revenue is recognized over the period of the construction activity, based on the estimated percentage of completion of each project. We use judgment to determine the period over which we recognize revenue for certain of these services. For real estate brokerage and auction services, we recognize revenue on a net basis (i.e., the commission on the sale) as we perform services as an agent without assuming the risks and rewards of ownership of the asset and the commission earned on the sale is a fixed percentage or amount. For the buy-renovate-lease-sell business, we recognize revenue associated with our sales of short-term investments in real estate on a gross basis (i.e., the selling price of the property) as we assume the risks and rewards of ownership of the asset.
- Reimbursable expenses revenue, primarily related to our real estate sales business, is included in revenue with an equal offsetting expense recognized in cost of revenue. These amounts are recognized on a gross basis, principally because we generally have control over selection of vendors and the vendor relationships are with us, rather than with our customers.

Other Businesses, Corporate and Eliminations

- For the majority of the services we provide through Other Businesses, Corporate and Eliminations, we recognize transactional revenue when the service is provided. We generally earn fees for our post-charge-off consumer debt collection services as a percentage of the amount we collect on delinquent consumer receivables and recognize revenue following collection from the borrowers. We provide customer relationship management services for which we typically earn and recognize revenue on a per-person, per-call or per-minute basis as the related services are performed.
- For the IT infrastructure services we provide to Ocwen, RESI and AAMC, we recognize revenue primarily based on the number of users of the applicable systems, fixed fees and the number and type of licensed platforms. We recognize

revenue associated with implementation services upon completion and maintenance services ratably over the related service period.

Goodwill and Identifiable Intangible Assets

Goodwill

We evaluate goodwill for impairment annually during the fourth quarter or more frequently when an event occurs or circumstances change in a manner that indicates the carrying value may not be recoverable. We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value as a basis for determining whether we need to perform the quantitative two-step goodwill impairment test. Only if we determine, based on qualitative assessment, that it is more likely than not that a reporting unit's fair value is less than its carrying value will we calculate the fair value of the reporting unit. We would then test goodwill for impairment by first comparing the book value of net assets to the fair value of the reporting units. If the fair value is determined to be less than the book value, a second step is performed to compute the amount of impairment as the difference between the estimated fair value of goodwill and the carrying value. We estimate the fair value of the reporting units using discounted cash flows and market comparisons. The discounted cash flow method is based on the present value of projected cash flows. Forecasts of future cash flows are based on our estimate of future sales and operating expenses, based primarily on estimated pricing, sales volumes, market segment share, cost trends and general economic conditions. Certain estimates of discounted cash flows involve businesses with limited financial history and developing revenue models. The estimated cash flows are discounted using a rate that represents our weighted average cost of capital. The market comparisons include an analysis of revenue and earnings multiples of guideline public companies compared to the Company.

Identifiable Intangible Assets

Identified intangible assets consist primarily of customer related intangible assets, operating agreements, trademarks and trade names and other intangible assets. We determine the useful lives of our identifiable intangible assets after considering the specific facts and circumstances related to each intangible asset. Factors we consider when determining useful lives include the contractual term of any arrangements, the history of the asset, our long-term strategy for use of the asset and other economic factors. We amortize intangible assets that we deem to have definite lives in proportion to actual and expected customer revenues or on a straight-line basis over their useful lives, generally ranging from 4 to 20 years.

We perform tests for impairment if conditions exist that indicate the carrying value may not be recoverable. When facts and circumstances indicate that the carrying value of intangible assets determined to have definite lives may not be recoverable, management assesses the recoverability of the carrying value by preparing estimates of cash flows of discrete intangible assets generally consistent with models utilized for internal planning purposes. If the sum of the undiscounted expected future cash flows is less than the carrying value, we recognize an impairment to the extent the carrying amount exceeds fair value.

Income Taxes

We record income taxes in accordance with ASC Topic 740, *Income Taxes* ("ASC Topic 740"). We account for certain income and expense items differently for financial reporting purposes and income tax purposes. We recognize deferred income tax assets and liabilities for these differences between the financial reporting basis and the tax basis of our assets and liabilities as well as expected benefits of utilizing net operating loss and credit carryforwards. The most significant temporary differences relate to accrued compensation, amortization, loss carryforwards and valuation allowances. We measure deferred income tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which we anticipate recovery or settlement of those temporary differences. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions including evaluating uncertainties under ASC Topic 740. We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on our results of operations.

Recently Adopted and Future Adoption of New Accounting Pronouncements

See Note 2 to the consolidated financial statements for a discussion of the recent adoption of a new accounting pronouncements and the future adoption of new accounting pronouncements.

OTHER MATTERS

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist of escrow and trust arrangements and operating leases.

We hold customers' assets in escrow and trust accounts at various financial institutions pending completion of certain real estate activities. We also hold cash in trust accounts at various financial institutions where contractual obligations mandate maintaining dedicated bank accounts for our asset recovery management business's collections. These amounts are held in escrow and trust accounts for limited periods of time and are not included in the consolidated balance sheets. Amounts held in escrow and trust accounts were \$23.6 million and \$35.1 million at December 31, 2018 and 2017, respectively.

Contractual Obligations, Commitments and Contingencies

Our long-term contractual obligations generally include our long-term debt and operating lease payments on certain of our premises and equipment. The following table sets forth information relating to our contractual obligations as of December 31, 2018:

<i>(in thousands)</i>	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Non-cancelable operating lease obligations	\$ 51,908	\$ 17,600	\$ 23,986	\$ 8,999	\$ 1,323
Senior secured term loan	338,822	—	30,852	24,720	283,250
Contractual interest payments ⁽¹⁾	105,422	21,638	41,209	37,953	4,622
Total	\$ 496,152	\$ 39,238	\$ 96,047	\$ 71,672	\$ 289,195

⁽¹⁾ Represents estimated future interest payments on our Credit Agreement based on the interest rate as of December 31, 2018.

For further information, see Note 14 and Note 25 to the consolidated financial statements.

Customer Concentration

Ocwen

Revenue from Ocwen primarily consists of revenue earned from the loan portfolios serviced and subserviced by Ocwen when Ocwen engages us as the service provider, and revenue earned directly from Ocwen, pursuant to the Ocwen Services Agreements. For the years ended December 31, 2018, 2017 and 2016, we recognized revenue from Ocwen of \$437.4 million, \$542.0 million and \$561.9 million, respectively. Revenue from Ocwen as a percentage of segment and consolidated revenue was as follows for the years ended December 31:

	2018	2017	2016
Mortgage Market	63%	67%	65%
Real Estate Market	1%	1%	—%
Other Businesses, Corporate and Eliminations	9%	11%	27%
Consolidated revenue	52%	58%	56%

We earn additional revenue related to the portfolios serviced and subserviced by Ocwen when a party other than Ocwen or the MSR owner selects Altisource as the service provider. For the years ended December 31, 2018, 2017 and 2016, we recognized revenue of \$47.1 million, \$148.5 million and \$188.0 million, respectively, related to the portfolios serviced by Ocwen when a party other than Ocwen or the MSR owner selected Altisource as the service provider. These amounts are not included in deriving revenue from Ocwen as a percentage of revenue in the table above.

As of February 22, 2019, Altisource and Ocwen entered into agreements that, among other things, facilitate Ocwen's transition from REALServicing and related technologies to another mortgage servicing software platform, establish a process for Ocwen to review and approve the assignment of one or more of our agreements to potential buyers of Altisource's business lines, permit Ocwen to use service providers other than Altisource for up to 10% of referrals from certain portfolios (determined on a service-by-service basis), subject to certain restrictions, and affirms Altisource's role as a strategic service provider to Ocwen through August 2025. We do not anticipate that a servicing technology transition would materially impact the other services we provide

to Ocwen. For the years ended December 31, 2018, 2017 and 2016, service revenue from REALServicing and related technologies was \$35.1 million, \$37.2 million and \$40.2 million, respectively.

NRZ

Ocwen has disclosed that NRZ is its largest client. As of September 30, 2018, NRZ owned MSR or rights to MSR relating to approximately 57% of loans serviced and subserviced by Ocwen (measured in UPB). In July 2017 and January 2018, Ocwen and NRZ entered into a series of agreements pursuant to which the parties agreed, among other things, to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen's legal title to the Subject MSR and under which Ocwen will subservice mortgage loans underlying the Subject MSR for an initial term of five years.

On August 28, 2017, Altisource, through its licensed subsidiaries, entered into the Brokerage Agreement with NRZ which extends through August 2025. Under this agreement and related amendments, Altisource remains the exclusive provider of brokerage services for REO associated with the Subject MSR, irrespective of the subservicer, subject to certain limitations. NRZ's brokerage subsidiary receives a cooperative brokerage commission on the sale of certain REO properties from these portfolios subject to certain exceptions.

The Brokerage Agreement can, at Altisource's discretion, be terminated by Altisource, if a services agreement is not signed by Altisource and NRZ. The Brokerage Agreement may otherwise only be terminated upon the occurrence of certain specified events. Termination events include, but are not limited to, a breach of the terms of the Brokerage Agreement (including, without limitation, the failure to meet performance standards and non-compliance with law in a material respect), the failure to maintain licenses which failure materially prevents performance of the contract, regulatory allegations of non-compliance resulting in an adversarial proceeding against NRZ, voluntary or involuntary bankruptcy, appointment of a receiver, disclosure in a Form 10-K or Form 10-Q that there is significant uncertainty about Altisource's ability to continue as a going concern, failure to maintain a specified level of cash and an unapproved change of control.

For the years ended December 31, 2018 and 2017, we recognized revenue from NRZ of \$28.7 million and \$2.4 million, respectively, under the Brokerage Agreement (no comparative amount in 2016). For the years ended December 31, 2018 and 2017, we recognized additional revenue of \$83.6 million and \$3.9 million, respectively, relating to the Subject MSR when a party other than NRZ selects Altisource as the service provider (no comparative amount in 2016).

On August 28, 2017, Altisource and NRZ also entered into Services LOI, setting forth the terms pursuant to which Altisource would remain the exclusive service provider of fee-based services for the Subject MSR, irrespective of the subservicer, through August 2025. The Services LOI expired on December 15, 2018. Altisource is providing services on the Subject MSR pursuant to its agreements with Ocwen.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

Our financial market risk consists primarily of interest rate and foreign currency exchange rate risk.

Interest Rate Risk

As of December 31, 2018, the interest rate charged on the Term B Loan was 6.8%. The interest rate is calculated based on the Adjusted Eurodollar Rate (as defined in the senior secured term loan agreement) with a minimum floor of 1.00% plus 4.00%.

Based on the principal amount outstanding at December 31, 2018, a one percentage point increase in the Eurodollar rate would increase our annual interest expense by approximately \$3.4 million, based on the December 31, 2018 Adjusted Eurodollar Rate. There would be a \$3.4 million decrease in our annual interest expense if there was a one percentage point decrease in the Eurodollar Rate.

Currency Exchange Risk

We are exposed to currency risk from potential changes in currency values of our non-United States dollar denominated expenses, assets, liabilities and cash flows. Our most significant currency exposure relates to the Indian rupee. Based on expenses incurred in Indian rupees during 2018, a one percentage point increase or decrease in value of the Indian rupee in relation to the United States dollar would increase or decrease our annual expenses by approximately \$0.8 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Reports of Independent Registered Public Accounting Firm	62
Consolidated Balance Sheets as of December 31, 2018 and 2017	65
Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2018, 2017 and 2016	66
Consolidated Statements of Equity for the years ended December 31, 2018, 2017 and 2016	67
Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016	68
Notes to Consolidated Financial Statements	69

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of Altisource Portfolio Solutions S.A.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Altisource Portfolio Solutions S.A. and subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive income (loss), equity, and cash flows for the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2019 expressed an unqualified opinion.

Adoption of New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for revenue from contracts with customers as a result of the adoption of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* effective January 1, 2018, under the modified retrospective method.

Emphasis of Concentration of Revenue and Uncertainties

As discussed in Note 3 to the consolidated financial statements, Ocwen Financial Corporation (“Ocwen”) is the Company’s largest customer. Ocwen purchases certain mortgage services and technology services from the Company under agreements with terms extending through August 2025. Ocwen has disclosed that New Residential Investment Corp. (“NRZ”) is its largest client. In July 2017 and January 2018, Ocwen and NRZ entered into a series of agreements pursuant to which the parties agreed, among other things, to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen’s legal title to certain mortgage servicing rights (“MSRs”) and under which Ocwen will subservice mortgage loans underlying these MSRs for an initial term of five years. NRZ can terminate its subservicing agreement with Ocwen in exchange for the payment of a termination fee. As of February 22, 2019, the Company and Ocwen entered into agreements that, among other things, facilitate Ocwen’s transition from REALServicing and related technologies to another mortgage servicing software platform, establish a process for Ocwen to review and approve the assignment of one or more of the Company’s agreements to potential buyers of the Company’s business lines, permit Ocwen to use service providers other than the Company for up to 10% of referrals from certain portfolios (determined on a service-by-service basis), subject to certain restrictions, and affirms the Company’s role as a strategic service provider to Ocwen through August 2025. As discussed in Note 25 to the consolidated financial statements, Ocwen has been and is subject to a number of federal and state regulatory matters and is subject to other challenges and uncertainties that could have significant adverse effects on Ocwen’s business. Note 25 also discusses the potential implications of these uncertainties to the Company including the loss of Ocwen as a customer, the termination of Ocwen’s subservicing agreement with NRZ, or a reduction in the number or volume of services Ocwen purchases from the Company.

Opinion on the Supplemental Information

The schedule listed in the index at Item 15 of the Form 10-K has been subjected to audit procedures performed in conjunction with the audit of the Company’s consolidated financial statements. The schedule listed in the index at Item 15 of the Form 10-K is the responsibility of the Company’s management. Our audit procedures included determining whether the schedule listed in the index at Item 15 of the Form 10-K reconciles to the consolidated financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the schedule listed in the index at Item 15 of the Form 10-K. In forming our opinion on the schedule listed in the index at Item 15 of the Form 10-K, we evaluated whether the schedule listed in the index at Item 15 of the Form 10-K, including its form and content, is presented in conformity with accounting principles generally accepted in the United States of America. In our opinion, the schedule listed in the index at Item 15 of the Form 10-K is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Mayer Hoffman McCann P.C.

We have served as the Company's auditor since 2016.

February 26, 2019
Clearwater, Florida

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of Altisource Portfolio Solutions S.A.:

Opinion on Internal Control Over Financial Reporting

We have audited Altisource Portfolio Solutions S.A. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2018, based on criteria established in 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in 2013 Internal Control - Integrated Framework issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets and related consolidated statements of operations and comprehensive income (loss), consolidated statement of equity, cash flows and financial statement schedule as of December 31, 2018 and 2017 and for the three years in the period ended December 31, 2018 of the Company, and our report dated February 26, 2019, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's change in method of accounting for revenue from contracts with customers as a result of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, effective January 1, 2018, and an emphasis of matter paragraph regarding concentration of revenue with Ocwen Financial Corporation ("Ocwen") and uncertainties faced by Ocwen.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Mayer Hoffman McCann P.C.

February 26, 2019
Clearwater, Florida

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Consolidated Balance Sheets
(in thousands, except per share data)

	December 31,	
	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 58,294	\$ 105,006
Investment in equity securities	36,181	49,153
Accounts receivable, net	36,466	52,740
Short-term investments in real estate (Note 9)	39,873	29,405
Prepaid expenses and other current assets	30,720	35,337
Total current assets	201,534	271,641
Premises and equipment, net	45,631	73,273
Goodwill	81,387	86,283
Intangible assets, net	91,653	120,065
Deferred tax assets, net (Note 22)	309,089	303,707
Other assets	12,406	10,195
Total assets	<u>\$ 741,700</u>	<u>\$ 865,164</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 87,240	\$ 84,400
Current portion of long-term debt	—	5,945
Deferred revenue	10,108	9,802
Other current liabilities	7,030	9,414
Total current liabilities	104,378	109,561
Long-term debt, less current portion	331,476	403,336
Other non-current liabilities	9,178	12,282
Commitments, contingencies and regulatory matters (Note 25)		
Equity:		
Common stock (\$1.00 par value; 100,000 shares authorized, 25,413 issued and 16,276 outstanding as of December 31, 2018; 17,418 outstanding as of December 31, 2017)	25,413	25,413
Additional paid-in capital	122,667	112,475
Retained earnings	590,655	626,600
Accumulated other comprehensive income	—	733
Treasury stock, at cost (9,137 shares as of December 31, 2018 and 7,995 shares as of December 31, 2017)	(443,304)	(426,609)
Altisource equity	295,431	338,612
Non-controlling interests	1,237	1,373
Total equity	296,668	339,985
Total liabilities and equity	<u>\$ 741,700</u>	<u>\$ 865,164</u>

See accompanying notes to consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(in thousands, except per share data)

	For the years ended December 31,		
	2018	2017	2016
Revenue	\$ 838,202	\$ 942,213	\$ 997,303
Cost of revenue	622,165	699,865	690,045
Gross profit	216,037	242,348	307,258
Operating expenses (income):			
Selling, general and administrative expenses	175,670	192,642	214,155
Gain on sale of business (Note 4)	(13,688)	—	—
Restructuring charges (Note 24)	11,560	—	—
Litigation settlement loss, net of \$4,000 insurance recovery (Note 20)	—	—	28,000
Income from operations	42,495	49,706	65,103
Other income (expense), net:			
Interest expense	(26,254)	(22,253)	(24,412)
Unrealized loss on investment in equity securities (Note 6)	(12,972)	—	—
Other (expense) income, net	(1,870)	7,922	3,630
Total other income (expense), net	(41,096)	(14,331)	(20,782)
Income before income taxes and non-controlling interests	1,399	35,375	44,321
Income tax (provision) benefit	(4,098)	276,256	(12,935)
Net (loss) income	(2,699)	311,631	31,386
Net income attributable to non-controlling interests	(2,683)	(2,740)	(2,693)
Net (loss) income attributable to Altisource	<u>\$ (5,382)</u>	<u>\$ 308,891</u>	<u>\$ 28,693</u>
(Loss) Earnings per share:			
Basic	<u>\$ (0.32)</u>	<u>\$ 16.99</u>	<u>\$ 1.53</u>
Diluted	<u>\$ (0.32)</u>	<u>\$ 16.53</u>	<u>\$ 1.46</u>
Weighted average shares outstanding:			
Basic	<u>17,073</u>	<u>18,183</u>	<u>18,696</u>
Diluted	<u>17,073</u>	<u>18,692</u>	<u>19,612</u>
Comprehensive (loss) income:			
Net (loss) income	\$ (2,699)	\$ 311,631	\$ 31,386
Other comprehensive (loss) income, net of tax:			
Reclassification of unrealized gain on investment in equity securities, net of income tax provision of \$200, to retained earnings from the cumulative effect of an accounting change (Note 2)	(733)	—	—
Unrealized gain (loss) on investment in equity securities, net of income tax (provision) benefit of \$0, \$(921), \$720	—	2,478	(1,745)
Comprehensive (loss) income, net of tax	(3,432)	314,109	29,641
Comprehensive income attributable to non-controlling interests	(2,683)	(2,740)	(2,693)
Comprehensive (loss) income attributable to Altisource	<u>\$ (6,115)</u>	<u>\$ 311,369</u>	<u>\$ 26,948</u>

See accompanying notes to consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Consolidated Statements of Equity
(in thousands)

	Altisource Equity							Total
	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Non-controlling interests	
	Shares							
Balance, January 1, 2016	25,413	\$ 25,413	\$ 96,321	\$ 369,270	\$ —	\$ (440,026)	\$ 1,292	\$ 52,270
Comprehensive income:								
Net income	—	—	—	28,693	—	—	2,693	31,386
Other comprehensive loss, net of tax	—	—	—	—	(1,745)	—	—	(1,745)
Distributions to non-controlling interest holders	—	—	—	—	—	—	(2,580)	(2,580)
Share-based compensation expense	—	—	6,188	—	—	—	—	6,188
Excess tax benefit on stock-based compensation	—	—	4,779	—	—	—	—	4,779
Exercise of stock options and issuance of restricted shares	—	—	—	(64,177)	—	73,735	—	9,558
Repurchase of shares	—	—	—	—	—	(37,662)	—	(37,662)
Balance, December 31, 2016	25,413	25,413	107,288	333,786	(1,745)	(403,953)	1,405	62,194
Comprehensive income:								
Net income	—	—	—	308,891	—	—	2,740	311,631
Other comprehensive income, net of tax	—	—	—	—	2,478	—	—	2,478
Distributions to non-controlling interest holders	—	—	—	—	—	—	(2,772)	(2,772)
Share-based compensation expense	—	—	4,255	—	—	—	—	4,255
Cumulative effect of an accounting change (Note 17)	—	—	932	(932)	—	—	—	—
Exercise of stock options and issuance of restricted shares	—	—	—	(13,491)	—	15,865	—	2,374
Treasury shares withheld for the payment of tax on restricted share issuances	—	—	—	(1,654)	—	490	—	(1,164)
Repurchase of shares	—	—	—	—	—	(39,011)	—	(39,011)
Balance, December 31, 2017	25,413	25,413	112,475	626,600	733	(426,609)	1,373	339,985
Net loss	—	—	—	(5,382)	—	—	2,683	(2,699)
Distributions to non-controlling interest holders	—	—	—	—	—	—	(2,819)	(2,819)
Share-based compensation expense	—	—	10,192	—	—	—	—	10,192
Cumulative effect of accounting changes (Note 2)	—	—	—	(9,715)	(733)	—	—	(10,448)
Exercise of stock options and issuance of restricted shares	—	—	—	(19,245)	—	22,889	—	3,644
Treasury shares withheld for the payment of tax on restricted share issuances and stock option exercises	—	—	—	(1,603)	—	778	—	(825)
Repurchase of shares	—	—	—	—	—	(40,362)	—	(40,362)
Balance, December 31, 2018	25,413	\$ 25,413	\$ 122,667	\$ 590,655	\$ —	\$ (443,304)	\$ 1,237	\$ 296,668

See accompanying notes to consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Consolidated Statements of Cash Flows
(in thousands)

	For the years ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net (loss) income	\$ (2,699)	\$ 311,631	\$ 31,386
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	30,799	36,447	36,788
Amortization of intangible assets	28,412	35,367	47,576
Unrealized loss on investment in equity securities	12,972	—	—
Change in the fair value of acquisition related contingent consideration	—	24	(3,555)
Goodwill write-off from business exit (Note 11)	2,640	—	—
Share-based compensation expense	10,192	4,255	6,188
Bad debt expense	2,830	5,116	1,829
Gain on early extinguishment of debt	—	(5,637)	(5,464)
Amortization of debt discount	717	301	413
Amortization of debt issuance costs	965	833	1,141
Deferred income taxes	(5,791)	(297,336)	(2,597)
Loss on disposal of fixed assets	727	2,768	1,765
Gain on sale of business (Note 4)	(13,688)	—	—
Loss on debt refinancing (Note 14)	4,434	—	—
Changes in operating assets and liabilities, net of effect of acquisition:			
Accounts receivable	14,556	29,965	15,980
Short-term investments in real estate	(10,468)	(16,380)	(13,025)
Prepaid expenses and other current assets	4,617	(5,754)	(7,856)
Other assets	2,278	770	1,053
Accounts payable and accrued expenses	1,651	2,576	(9,113)
Other current and non-current liabilities	(16,742)	(38,864)	24,309
Net cash provided by operating activities	<u>68,402</u>	<u>66,082</u>	<u>126,818</u>
Cash flows from investing activities:			
Additions to premises and equipment	(3,916)	(10,514)	(23,269)
Acquisition of business, net of cash acquired	—	—	(9,409)
Proceeds from the sale of business (Note 4)	15,000	—	—
Purchase of investment in equity securities	—	—	(48,219)
Other investing activities	—	188	—
Net cash provided by (used in) investing activities	<u>11,084</u>	<u>(10,326)</u>	<u>(80,897)</u>
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	407,880	—	—
Repayments and repurchases of long-term debt	(486,759)	(59,761)	(50,723)
Debt issuance costs	(5,042)	—	—
Proceeds from stock option exercises	3,644	2,374	9,558
Excess tax benefit on stock-based compensation	—	—	4,779
Purchase of treasury shares	(40,362)	(39,011)	(37,662)
Distributions to non-controlling interests	(2,819)	(2,772)	(2,580)
Payment of tax withholding on issuance of restricted shares and stock option exercises	(825)	(1,164)	—
Net cash used in financing activities	<u>(124,283)</u>	<u>(100,334)</u>	<u>(76,628)</u>
Net decrease in cash, cash equivalents and restricted cash	(44,797)	(44,578)	(30,707)
Cash, cash equivalents and restricted cash at the beginning of the period	108,843	153,421	184,128
Cash, cash equivalents and restricted cash at the end of the period	<u>\$ 64,046</u>	<u>\$ 108,843</u>	<u>\$ 153,421</u>
Supplemental cash flow information:			
Interest paid	\$ 24,123	\$ 21,210	\$ 22,717
Income taxes paid, net	7,136	18,332	18,327
Non-cash investing and financing activities:			
(Decrease) increase in payables for purchases of premises and equipment	\$ (32)	\$ (1,311)	\$ 404

See accompanying notes to consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements

NOTE 1 — ORGANIZATION

Description of Business

Altisource Portfolio Solutions S.A., together with its subsidiaries (which may be referred to as “Altisource,” the “Company,” “we,” “us” or “our”), is an integrated service provider and marketplace for the real estate and mortgage industries. Combining operational excellence with a suite of innovative services and technologies, Altisource helps solve the demands of the ever-changing markets we serve.

NOTE 2 — BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Intercompany transactions and accounts have been eliminated in consolidation.

Principles of Consolidation

The financial statements include the accounts of the Company, its wholly-owned subsidiaries and those entities in which we have a variable interest and are the primary beneficiary.

Altisource consolidates Best Partners Mortgage Cooperative, Inc., which is managed by The Mortgage Partnership of America, L.L.C. (“MPA”), a wholly-owned subsidiary of Altisource. Best Partners Mortgage Cooperative, Inc. is a mortgage cooperative doing business as Lenders One[®] (“Lenders One”). MPA provides services to Lenders One under a management agreement that ends on December 31, 2025 (with renewals for three successive five-year periods at MPA’s option).

The management agreement between MPA and Lenders One, pursuant to which MPA is the management company, represents a variable interest in a variable interest entity. MPA is the primary beneficiary of Lenders One as it has the power to direct the activities that most significantly impact the cooperative’s economic performance and the right to receive benefits from the cooperative. As a result, Lenders One is presented in the accompanying consolidated financial statements on a consolidated basis and the interests of the members are reflected as non-controlling interests. As of December 31, 2018, Lenders One had total assets of \$2.7 million and total liabilities of \$1.3 million. As of December 31, 2017, Lenders One had total assets of \$4.6 million and total liabilities of \$3.1 million.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosures of contingent liabilities in the consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, determining share-based compensation, income taxes, collectability of receivables, valuation of acquired intangibles and goodwill, depreciable lives and valuation of fixed assets and contingencies. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

We classify all highly liquid instruments with an original maturity of three months or less at the time of purchase as cash equivalents.

Accounts Receivable, Net

Accounts receivable are presented net of an allowance for doubtful accounts that represents an amount that we estimate to be uncollectible. We have estimated the allowance for doubtful accounts based on our historical write-offs, our analysis of past due accounts based on the contractual terms of the receivables and our assessment of the economic status of our customers, if known. The carrying value of accounts receivable, net, approximates fair value.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (*Continued*)

Premises and Equipment, Net

We report premises and equipment, net at cost or estimated fair value at acquisition for premises and equipment recorded in connection with a business combination and depreciate these assets over their estimated useful lives using the straight-line method as follows:

Furniture and fixtures	5 years
Office equipment	5 years
Computer hardware	5 years
Computer software	3-7 years
Leasehold improvements	Shorter of useful life, 10 years or the term of the lease

Maintenance and repair costs are expensed as incurred. We capitalize expenditures for significant improvements and new equipment and depreciate the assets over the shorter of the capitalized asset's life or the life of the lease.

We review premises and equipment for impairment following events or changes in circumstances that indicate the carrying amount of an asset or asset group may not be recoverable. We measure recoverability of assets to be held and used by comparing the carrying amount of an asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset or asset group exceeds its estimated future cash flows, we recognize an impairment charge for the amount that the carrying value of the asset or asset group exceeds the fair value of the asset or asset group.

Computer software includes the fair value of software acquired in business combinations, capitalized software development costs and purchased software. Capitalized software development and purchased software are recorded at cost and amortized using the straight-line method over their estimated useful lives. Software acquired in business combinations is recorded at fair value and amortized using the straight-line method over its estimated useful life.

Business Combinations

We account for acquisitions using the purchase method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*. The purchase price of an acquisition is allocated to the assets acquired and liabilities assumed using their fair value as of the acquisition date.

Goodwill

Goodwill represents the excess cost of an acquired business over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. We evaluate goodwill for impairment annually during the fourth quarter or more frequently when an event occurs or circumstances change in a manner that indicates the carrying value may not be recoverable. We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value as a basis for determining whether we need to perform the quantitative two-step goodwill impairment test. Only if we determine, based on qualitative assessment, that it is more likely than not that a reporting unit's fair value is less than its carrying value will we calculate the fair value of the reporting unit. We would then test goodwill for impairment by first comparing the book value of net assets to the fair value of the reporting units. If the fair value is determined to be less than the book value, a second step is performed to compute the amount of impairment as the difference between the estimated fair value of goodwill and the carrying value. We estimate the fair value of the reporting units using discounted cash flows and market comparisons. The discounted cash flow method is based on the present value of projected cash flows. Forecasts of future cash flows are based on our estimate of future sales and operating expenses, based primarily on estimated pricing, sales volumes, market segment share, cost trends and general economic conditions. Certain estimates of discounted cash flows involve businesses with limited financial history and developing revenue models. The estimated cash flows are discounted using a rate that represents our weighted average cost of capital. The market comparisons include an analysis of revenue and earnings multiples of guideline public companies compared to the Company.

Intangible Assets, Net

Identified intangible assets consist primarily of customer related intangible assets, operating agreements, trademarks and trade names and other intangible assets. Identifiable intangible assets acquired in business combinations are recorded based on their fair values at the date of acquisition. We determine the useful lives of our identifiable intangible assets after considering the specific facts and circumstances related to each intangible asset. Factors we consider when determining useful lives include the contractual term of any arrangements, the history of the asset, our long-term strategy for use of the asset and other economic factors. We amortize intangible assets that we deem to have definite lives in proportion to actual and expected customer revenues or on a straight-line basis over their useful lives, generally ranging from 4 to 20 years.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

We perform tests for impairment if conditions exist that indicate the carrying value may not be recoverable. When facts and circumstances indicate that the carrying value of intangible assets determined to have definite lives may not be recoverable, management assesses the recoverability of the carrying value by preparing estimates of cash flows of discrete intangible assets generally consistent with models utilized for internal planning purposes. If the sum of the undiscounted expected future cash flows is less than the carrying value, we recognize an impairment to the extent the carrying amount exceeds fair value.

Long-Term Debt

Long-term debt is reported net of applicable discount or premium and net of debt issuance costs. The debt discount or premium and debt issuance costs are amortized to interest expense through maturity of the related debt using the effective interest method.

Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

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

Level 2 — Observable inputs other than quoted prices included in Level 1

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

Financial assets and financial liabilities are classified based on the lowest level of input that is significant to the fair value measurements. Our assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

Functional Currency

The currency of the primary economic environment in which our operations are conducted is the United States dollar. Therefore, the United States dollar has been determined to be our functional and reporting currency. Non-United States dollar transactions and balances have been measured in United States dollars in accordance with ASC Topic 830, *Foreign Currency Matters*. All transaction gains and losses from the measurement of monetary balance sheet items denominated in non-United States dollar currencies are reflected in the consolidated statements of operations and comprehensive income (loss) as income or expenses, as appropriate.

Defined Contribution 401(k) Plan

Some of our employees currently participate in a defined contribution 401(k) plan under which we may make matching contributions equal to a discretionary percentage determined by us. We recorded expenses of \$1.2 million in each of the three years in the period ended December 31, 2018, related to our discretionary contributions.

Revenue Recognition

We recognize revenue when we satisfy a performance obligation by transferring control of a product or service to a customer in an amount that reflects the consideration that we expect to receive. This revenue can be recognized at a point in time or over time. We invoice customers based on our contractual arrangements with each customer, which may not be consistent with the period that revenues are recognized. When there is a timing difference between when we invoice customers and when revenues are recognized, we record either a contract asset (unbilled accounts receivable) or a contract liability (deferred revenue or other current liabilities), as appropriate. A description of our principal revenue generating activities by reportable segment are as follows:

Mortgage Market

- For the majority of the services we provide through the Mortgage Market segment, we recognize transactional revenue when the service is provided.
- For loan servicing technologies, we recognize revenue based on the number of loans on the system, on a per-transaction basis or over the estimated average number of months the loans and real estate owned (“REO”) are on the platform, as applicable. We generally recognize revenue for professional services relating to loan servicing technologies over the contract period. For our loan origination system, we generally recognize revenue over the contract term, beginning on the commencement date of each contract. For foreclosure trustee services, we recognize revenue over the period during which we perform the related services, with full recognition upon completion and/or recording the related foreclosure deed. For loan disbursement processing services, we recognize revenue over the period during which we perform the

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

processing services with full recognition upon completion of the disbursements. We use judgment to determine the period over which we recognize revenue for certain of these services. For mortgage charge-off collections performed on behalf of our clients, we recognize revenue as a percentage of amounts collected following collection from the borrowers.

- For real estate brokerage and auction services, we recognize revenue on a net basis (i.e., the commission on the sale) as we perform services as an agent without assuming the risks and rewards of ownership of the asset and the commission earned on the sale is a fixed percentage or amount.
- Reimbursable expenses revenue, primarily related to our property preservation and inspection services, real estate sales and our foreclosure trustee services businesses, is included in revenue with an equal amount recognized in cost of revenue. These amounts are recognized on a gross basis, principally because generally we have control over selection of vendors and the vendor relationships are with us, rather than with our customers.

Real Estate Market

- For the majority of the services we provide through the Real Estate Market segment, we recognize transactional revenue when the service is provided.
- For renovation services, revenue is recognized over the period of the construction activity, based on the estimated percentage of completion of each project. We use judgment to determine the period over which we recognize revenue for certain of these services. For real estate brokerage and auction services, we recognize revenue on a net basis (i.e., the commission on the sale) as we perform services as an agent without assuming the risks and rewards of ownership of the asset and the commission earned on the sale is a fixed percentage or amount. For the buy-renovate-lease-sell business, we recognize revenue associated with our sales of short-term investments in real estate on a gross basis (i.e., the selling price of the property) as we assume the risks and rewards of ownership of the asset.
- Reimbursable expenses revenue, primarily related to our real estate sales business, is included in revenue with an equal offsetting expense recognized in cost of revenue. These amounts are recognized on a gross basis, principally because we generally have control over selection of vendors and the vendor relationships are with us, rather than with our customers.

Other Businesses, Corporate and Eliminations

- For the majority of the services we provide through Other Businesses, Corporate and Eliminations, we recognize transactional revenue when the service is provided. We generally earn fees for our post-charge-off consumer debt collection services as a percentage of the amount we collect on delinquent consumer receivables and recognize revenue following collection from the borrowers. We provide customer relationship management services for which we typically earn and recognize revenue on a per-person, per-call or per-minute basis as the related services are performed.
- For the information technology (“IT”) infrastructure services we provide to Ocwen Financial Corporation (“Ocwen”), Front Yard Residential Corporation (“RESI”) and Altisource Asset Management Corporation (“AAMC”), we recognize revenue primarily based on the number of users of the applicable systems, fixed fees and the number and type of licensed platforms. We recognize revenue associated with implementation services upon completion and maintenance services ratably over the related service period.

Share-Based Compensation

Share-based compensation is accounted for under the provisions of ASC Topic 718, *Compensation - Stock Compensation* (“ASC Topic 718”). Under ASC Topic 718, the cost of services received in exchange for an award of equity instruments is generally measured based on the grant date fair value of the award. Share-based awards that do not require future service are expensed immediately. Share-based awards that require future service are recognized over the relevant service period. In 2017, the Company adopted FASB Accounting Standards Update (“ASU”) No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”). In connection with adopting ASU 2016-09, the Company made an accounting policy election to account for forfeitures in compensation expense as they occur. Prior to adopting ASU No. 2016-09, the Company estimated forfeitures for share-based awards in compensation expense that were not expected to vest.

Income Taxes

We record income taxes in accordance with ASC Topic 740, *Income Taxes* (“ASC Topic 740”). We account for certain income and expense items differently for financial reporting purposes and income tax purposes. We recognize deferred income tax assets and liabilities for these differences between the financial reporting basis and the tax basis of our assets and liabilities as well as

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

expected benefits of utilizing net operating loss and credit carryforwards. The most significant temporary differences relate to accrued compensation, amortization, loss carryforwards and valuation allowances. We measure deferred income tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which we anticipate recovery or settlement of those temporary differences. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions including evaluating uncertainties under ASC Topic 740. We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on our results of operations.

Earnings Per Share

We compute earnings per share ("EPS") in accordance with ASC Topic 260, *Earnings Per Share*. Basic net income per share is computed by dividing net income attributable to Altisource by the weighted average number of shares of common stock outstanding for the period. Diluted net income per share reflects the assumed conversion of all dilutive securities using the treasury stock method.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and during 2016, the FASB issued additional guidance providing clarifications and corrections, including: ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, and ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* (collectively "Topic 606"). Topic 606 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most prior revenue recognition guidance. This new standard requires that an entity recognize revenue for the transfer of promised goods or services to a customer in an amount that reflects the consideration that the entity expects to receive and consistent with the delivery of the performance obligation described in the underlying contract with the customer.

The Company adopted Topic 606 effective January 1, 2018 retrospectively with the cumulative effect recognized on the date of initial application (the modified retrospective approach) for all contracts. As a result of this adoption, the Company recognized an \$11.2 million increase in deferred revenue, a \$1.1 million increase in unbilled accounts receivable, a \$0.3 million increase in other current liabilities and a \$10.4 million decrease in retained earnings as of January 1, 2018. Because the Company adopted Topic 606 retrospectively with a cumulative effect as of January 1, 2018, the comparative results as of and for the year ended December 31, 2017 have not been restated and continue to be reported under ASC Topic 605, *Revenue Recognition* and SEC Staff Accounting Bulletin Topic 13, *Revenue Recognition*. The details of the significant changes and quantitative impact of the adoption of Topic 606 are described below. Also see Revenue Recognition above and Note 18 for additional information on revenue, including disaggregation of revenue and contract balances.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

The following table summarizes the impact of adopting Topic 606 on the Company's consolidated balance sheet as of December 31, 2018:

<i>(in thousands)</i>	Impact of the adoption of Topic 606		
	As reported	Adjustments	Balances without adoption of Topic 606
Accounts receivable, net	\$ 36,466	\$ (455)	\$ 36,011
Total current assets	201,534	(455)	201,079
Total assets	741,700	(455)	741,245
Deferred revenue	10,108	(1,511)	8,597
Other current liabilities	7,030	(3,490)	3,540
Total current liabilities	104,378	(5,001)	99,377
Other non-current liabilities	9,178	269	9,446
Retained earnings	590,655	4,277	594,932
Altisource equity	295,431	4,277	299,708
Total equity	296,668	4,277	300,945
Total liabilities and equity	741,700	(455)	741,245

The following table summarizes the impact of adopting Topic 606 on the Company's consolidated statement of operations and comprehensive income (loss) for the year ended December 31, 2018:

<i>(in thousands)</i>	Impact of the adoption of Topic 606		
	As reported	Adjustments	Balances without adoption of Topic 606
Revenue	\$ 838,202	\$ (6,692)	\$ 831,510
Cost of revenue	622,165	2,116	624,281
Gross profit	216,037	(8,808)	207,229
Income from operations	42,495	(8,808)	33,687
Income (loss) before income taxes and non-controlling interests	1,399	(8,808)	(7,409)
Income tax (provision) benefit	(4,098)	2,637	(1,461)
Net loss	(2,699)	(6,171)	(8,870)
Net loss attributable to Altisource	(5,382)	(6,171)	(11,553)

The adoption of Topic 606 did not have any impact on net cash flows used in operating, financing or investing activities on the Company's consolidated statement of cash flows for the year ended December 31, 2018.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This standard requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The standard also simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value. It also amends certain financial statement presentation and disclosure requirements associated with the fair value of financial instruments. This standard was effective for the Company on January 1, 2018. The adoption of this standard resulted in a cumulative effect adjustment to increase retained earnings and decrease accumulated other comprehensive income by \$0.7 million on January 1, 2018. Changes in the fair value of the Company's investment in RESI subsequent to January 1, 2018, as well as any equity investments acquired in the future, are reflected as a component of net income in the Company's consolidated statements of operations and comprehensive income (loss).

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This standard addresses eight specific cash flow issues with the objective of reducing the existing diversity

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

in practice. This standard was effective for the Company on January 1, 2018, and the adoption of this guidance did not have any effect on the Company's consolidated statement of cash flows.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. This standard requires that companies recognize the income tax consequences of an intra-entity transfer of an asset (other than inventory) when the transfer occurs. Previous guidance prohibited companies from recognizing current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This standard was effective for the Company on January 1, 2018, and the adoption of this guidance did not have any effect on the Company's results of operations and financial position.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This standard requires that companies include restricted cash and restricted cash equivalents in their cash and cash equivalent balances in the statement of cash flows. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard was effective for the Company on January 1, 2018, and was adopted using the retrospective transition method, as required by the standard. The adoption of this standard resulted in the classification of the Company's restricted cash with cash and cash equivalents reflected in the Company's consolidated statements of cash flows. As a result, the Company included \$5.8 million, \$3.8 million and \$4.1 million of restricted cash with cash and cash equivalents in its consolidated statements of cash flows as of December 31, 2018, 2017 and 2016, respectively.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This standard clarifies the definition of a business and provides a screen to determine if a set of inputs, processes and outputs is a business. The standard specifies that when substantially all of the fair value of gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the assets acquired would not be a business. Under the new guidance, in order to be considered a business, an acquisition must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. In addition, the standard narrows the definition of the term "output" so that it is consistent with how it is described in Topic 606. This standard was effective for the Company on January 1, 2018, and the adoption of this guidance did not have any effect on the Company's results of operations and financial position.

In February 2017, the FASB issued ASU No. 2017-05, *Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*. This standard was issued to clarify the scope of Subtopic 610-20, *Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets*, and to add guidance for partial sales of nonfinancial assets. Subtopic 610-20 provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. This standard was effective for the Company on January 1, 2018, and the adoption of this guidance did not have any effect on the Company's results of operations and financial position.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*. This standard provides guidance about which changes to the terms or conditions of a share-based payment award require the application of modification accounting. This standard requires companies to continue to apply modification accounting, unless the fair value, vesting conditions and classification of an award all do not change as a result of the modification. This standard was effective for the Company on January 1, 2018, and the adoption of this guidance did not have any effect on the Company's results of operations and financial position.

Future Adoption of New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* and in July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* and ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements* (collectively "Topic 842"). Topic 842 introduces a new lessee model that brings substantially all leases on the balance sheet. This standard will require lessees to recognize lease assets and lease liabilities on their balance sheets and disclose key information about leasing arrangements in their financial statements. This standard will be effective for annual periods beginning after December 15, 2018, including interim periods within that reporting period. Based on the Company's analysis of arrangements where the Company is a lessee, we estimate that the new standard will result in the addition of approximately \$42.4 million right-of-use assets and lease liabilities onto the Company's consolidated balance sheet.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This standard will simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Current guidance requires that companies compute the implied fair value of goodwill under Step 2 by performing procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

in a business combination. This standard will require companies to perform annual or interim goodwill impairment tests by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. This standard will be effective for annual periods beginning after December 15, 2019, including interim periods within that reporting period, and will be applied prospectively. Early adoption of this standard is permitted. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements; however, adoption of this standard as of December 31, 2018 would not have had any impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. This standard requires at a minimum the annual review of the assumptions used for liability measurement with the impact of any change recorded in net income, standardizes the liability discount rate with the effect of rate changes recorded in other comprehensive income, requires the measurement of market risk benefits at fair value, simplifies the amortization of deferred acquisition costs and requires enhanced disclosures. This standard will be effective for annual periods beginning after December 15, 2020, including interim periods within that reporting period. Early adoption of this standard is permitted. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This standard modifies certain disclosure requirements such as the valuation processes for Level 3 fair value measurements. This standard also requires new disclosures such as the disclosure of certain assumptions used to develop significant unobservable inputs for Level 3 fair value measurements. This standard will be effective for annual periods beginning after December 15, 2019, including interim periods within that reporting period. Early adoption of either the entire standard or only the provisions that eliminate or modify requirements is permitted. The Company currently does not expect the adoption of this guidance to have an impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)*. This standard aligns the requirements for capitalizing implementation costs in a hosting arrangement service contract with the existing guidance for capitalizing implementation costs incurred for an internal-use software license. This standard also requires capitalizing or expensing implementation costs based on the nature of the costs and the project stage during which they are incurred and establishes additional disclosure requirements. This standard will be effective for annual periods beginning after December 15, 2019, including interim periods within that reporting period. Early adoption of this standard is permitted. The Company currently plans to adopt the standard prospectively and is currently evaluating the impact this guidance may have on its consolidated financial statements.

NOTE 3 — CUSTOMER CONCENTRATION

Ocwen

Ocwen is a residential mortgage loan servicer of mortgage servicing rights (“MSRs”) it owns, including those MSRs in which others have an economic interest, and a subservicer of MSRs owned by others.

During the year ended December 31, 2018, Ocwen was our largest customer, accounting for 52% of our total revenue. Ocwen purchases certain mortgage services and technology services from us under the terms of services agreements and amendments thereto (collectively, the “Ocwen Services Agreements”) with terms extending through August 2025. Certain of the Ocwen Services Agreements contain a “most favored nation” provision and also grant the parties the right to renegotiate pricing, among other things.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

Revenue from Ocwen primarily consists of revenue earned from the loan portfolios serviced and subserviced by Ocwen when Ocwen engages us as the service provider, and revenue earned directly from Ocwen, pursuant to the Ocwen Services Agreements. For the years ended December 31, 2018, 2017 and 2016, we recognized revenue from Ocwen of \$437.4 million, \$542.0 million and \$561.9 million, respectively. Revenue from Ocwen as a percentage of segment and consolidated revenue was as follows for the years ended December 31:

	2018	2017	2016
Mortgage Market	63%	67%	65%
Real Estate Market	1%	1%	—%
Other Businesses, Corporate and Eliminations	9%	11%	27%
Consolidated revenue	52%	58%	56%

We earn additional revenue related to the portfolios serviced and subserviced by Ocwen when a party other than Ocwen or the MSR owner selects Altisource as the service provider. For the years ended December 31, 2018, 2017 and 2016, we recognized revenue of \$47.1 million, \$148.5 million and \$188.0 million, respectively, related to the portfolios serviced by Ocwen when a party other than Ocwen or the MSR owner selected Altisource as the service provider. These amounts are not included in deriving revenue from Ocwen as a percentage of revenue in the table above.

As of December 31, 2018, accounts receivable from Ocwen totaled \$15.2 million, \$11.6 million of which was billed and \$3.6 million of which was unbilled. As of December 31, 2017, accounts receivable from Ocwen totaled \$18.9 million, \$13.6 million of which was billed and \$5.3 million of which was unbilled.

As of February 22, 2019, Altisource and Ocwen entered into agreements that, among other things, facilitate Ocwen's transition from REALServicing and related technologies to another mortgage servicing software platform, establish a process for Ocwen to review and approve the assignment of one or more of our agreements to potential buyers of Altisource's business lines, permit Ocwen to use service providers other than Altisource for up to 10% of referrals from certain portfolios (determined on a service-by-service basis), subject to certain restrictions, and affirms Altisource's role as a strategic service provider to Ocwen through August 2025. We do not anticipate that a servicing technology transition would materially impact the other services we provide to Ocwen. For the years ended December 31, 2018, 2017 and 2016, service revenue from REALServicing and related technologies was \$35.1 million, \$37.2 million and \$40.2 million, respectively.

NRZ

New Residential Investment Corp. (individually, together with one or more of its subsidiaries or one or more of its subsidiaries individually, "NRZ") is a residential investment trust that invests in and manages residential mortgage related assets in the United States including MSRs and excess MSRs.

Ocwen has disclosed that NRZ is its largest client. As of September 30, 2018, NRZ owned MSRs or rights to MSRs relating to approximately 57% of loans serviced and subserviced by Ocwen (measured in unpaid principal balances ("UPB")) (the "Subject MSRs"). In July 2017 and January 2018, Ocwen and NRZ entered into a series of agreements pursuant to which the parties agreed, among other things, to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen's legal title to the Subject MSRs and under which Ocwen will subservice mortgage loans underlying the Subject MSRs for an initial term of five years.

On August 28, 2017, Altisource, through its licensed subsidiaries, entered into a Cooperative Brokerage Agreement, as amended, and related letter agreement (collectively, the "Brokerage Agreement") with NRZ which extends through August 2025. Under this agreement and related amendments, Altisource remains the exclusive provider of brokerage services for REO associated with the Subject MSRs, irrespective of the subservicer, subject to certain limitations. NRZ's brokerage subsidiary receives a cooperative brokerage commission on the sale of certain REO properties from these portfolios subject to certain exceptions.

The Brokerage Agreement can, at Altisource's discretion, be terminated by Altisource if a services agreement is not signed by Altisource and NRZ. The Brokerage Agreement may otherwise only be terminated upon the occurrence of certain specified events. Termination events include, but are not limited to, a breach of the terms of the Brokerage Agreement (including, without limitation, the failure to meet performance standards and non-compliance with law in a material respect), the failure to maintain licenses which failure materially prevents performance of the contract, regulatory allegations of non-compliance resulting in an adversarial proceeding against NRZ, voluntary or involuntary bankruptcy, appointment of a receiver, disclosure in a Form 10-K or Form 10-Q that there is significant uncertainty about Altisource's ability to continue as a going concern, failure to maintain a specified level of cash and an unapproved change of control.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

For the years ended December 31, 2018 and 2017, we recognized revenue from NRZ of \$28.7 million and \$2.4 million, respectively, under the Brokerage Agreement (no comparative amount in 2016). For the years ended December 31, 2018 and 2017, we recognized additional revenue of \$83.6 million and \$3.9 million, respectively, relating to the Subject MSRs when a party other than NRZ selects Altisource as the service provider (no comparative amount in 2016).

On August 28, 2017, Altisource and NRZ also entered into a non-binding Letter of Intent, as amended, to enter into a services agreement (the “Services LOI”), setting forth the terms pursuant to which Altisource would remain the exclusive service provider of fee-based services for the Subject MSRs, irrespective of the subservicer, through August 2025. The Services LOI expired on December 15, 2018. Altisource is providing services on the Subject MSRs pursuant to its agreements with Ocwen.

NOTE 4 — SALE OF BUSINESS

In August 2018, Altisource entered into an amendment to its agreements with RESI to sell Altisource’s rental property management business to RESI and permit RESI to internalize certain services that had been provided by Altisource. These services were historically provided under an agreement between RESI and Altisource, in which Altisource was the sole provider of rental property management services to RESI through December 2027, subject to certain exceptions. The proceeds from the transaction totaled \$18.0 million, payable in two installments. The first installment of \$15.0 million was received on the closing date of August 8, 2018. The second installment of \$3.0 million will be received on the earlier of a RESI change of control or on August 8, 2023. The second installment was recorded as a long-term receivable with a discounted value of \$2.2 million as of December 31, 2018 in Other Assets in the consolidated balance sheets. In connection with the sale of the rental property management business, the Company recognized a pretax gain of \$13.7 million for the year ended December 31, 2018 in the accompanying consolidated statements of operations and comprehensive income (loss).

NOTE 5 — ACQUISITION

Granite Acquisition

On July 29, 2016, we acquired certain assets and assumed certain liabilities of Granite Loan Management of Delaware, LLC (“Granite”) for \$9.5 million in cash. Granite provides residential and commercial loan disbursement processing, risk mitigation and construction inspection services to lenders. The Granite acquisition is not material in relation to the Company’s results of operations or financial position.

The final allocation of the purchase price is as follows:

(in thousands)

Accounts receivable, net	\$ 1,024
Prepaid expenses	22
Other assets	25
Premises and equipment, net	299
Non-compete agreements	100
Trademarks and trade names	100
Customer relationships	3,400
Goodwill	4,827
	<u>9,797</u>
Accounts payable and accrued expenses	(57)
Other current liabilities	<u>(192)</u>
Purchase price	<u>\$ 9,548</u>

NOTE 6 — INVESTMENT IN EQUITY SECURITIES

During the year ended December 31, 2016, we purchased 4.1 million shares of RESI common stock for \$48.2 million. This investment is reflected in the consolidated balance sheets at fair value of \$36.2 million and \$49.2 million as of December 31, 2018 and 2017, respectively. During the year ended December 31, 2018, we recognized an unrealized loss of \$13.0 million (no comparative amounts in 2017 and 2016) on our investment in RESI in other income (expense), net in the consolidated statements of operations and comprehensive income (loss) as a result of a change in the market value of RESI common shares. During the years ended December 31, 2017 and 2016, an unrealized gain (loss) on our investment in RESI of \$2.5 million and \$(1.7) million, respectively, net of income tax (provision) benefit, was reflected in other comprehensive income in the consolidated statements

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

of operations and comprehensive income (loss) (see Note 2 for additional information on the adoption of the new accounting standard on investments in equity securities). During the years ended December 31, 2018, 2017 and 2016, we earned dividends of \$2.5 million, \$2.5 million and \$2.3 million, respectively, related to this investment. In addition, during the year ended December 31, 2016, we incurred expenses of \$3.4 million related to this investment (no comparative amounts in 2018 and 2017).

Pursuant to the agreement between Altisource and RESI to sell the rental property management business to RESI (see Note 4 for additional information), Altisource is subject to a lock-up period with respect to the sale or transfer of the shares of common stock of RESI owned by Altisource (the “Shares”). During the period between the closing date of the sale and December 31, 2018, Altisource was restricted from selling any of the Shares. During each quarter of 2019, Altisource is permitted to transfer no more than 25% of the Shares (approximately 1.0 million shares as of December 31, 2018), provided that any Shares not sold in the applicable quarter will increase the amount that may be sold in the subsequent quarters by 50% of the unsold permitted amount. Thereafter, all transfer restrictions will expire and any remaining Shares will be freely transferable. Notwithstanding these restrictions, Altisource retains the right to sell or transfer the Shares at any time: (i) where Altisource has a good faith belief that its or its affiliates’ liquidity should be increased and the sale is necessary to achieve such an increase; (ii) where the proceeds of sales will be used to finance a strategic acquisition transaction; (iii) in privately negotiated block transactions with unrelated third parties or a similar transaction; or (iv) where RESI is the subject of a tender offer that is reasonably likely to result in a change of control or where RESI undergoes a change of control.

NOTE 7 — ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following as of December 31:

<i>(in thousands)</i>	2018	2017
Billed	\$ 35,590	\$ 40,787
Unbilled	11,759	22,532
	<u>47,349</u>	<u>63,319</u>
Less: Allowance for doubtful accounts	(10,883)	(10,579)
Total	<u>\$ 36,466</u>	<u>\$ 52,740</u>

Unbilled accounts receivable consist primarily of certain real estate asset management, REO sales, title and closing services for which we generally recognize revenue when the service is provided but collect upon closing of the sale, and foreclosure trustee services, for which we generally recognize revenues over the service delivery period but bill following completion of the service. We also include amounts in unbilled accounts receivable that are earned during a month and billed in the following month.

Bad debt expense amounted to \$2.8 million, \$5.1 million and \$1.8 million for the years ended December 31, 2018, 2017 and 2016, respectively, and is included in selling, general and administrative expenses in the consolidated statements of operations and comprehensive income (loss).

NOTE 8 — PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following as of December 31:

<i>(in thousands)</i>	2018	2017
Maintenance agreements, current portion	\$ 5,600	\$ 8,014
Income taxes receivable	7,940	9,227
Prepaid expenses	7,484	7,898
Other current assets	9,696	10,198
Total	<u>\$ 30,720</u>	<u>\$ 35,337</u>

NOTE 9 — DISCONTINUATION OF THE BUY-RENOVATE-LEASE-SELL BUSINESS

On November 26, 2018, the Company announced its plans to sell its short-term investments in real estate (“BRS Inventory”) and discontinue the Company’s Buy-Renovate-Lease-Sell (“BRS”) business. Altisource’s BRS business is a component of the Real Estate Investor Solutions business and focuses on buying, renovating, leasing and selling single-family homes to real estate investors. The BRS business is not material in relation to the Company’s results of operations or financial position. In anticipation

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

of receiving the majority of the proceeds from the sale of the BRS Inventory over the fourth quarter of 2018 and the first half of 2019, the Company repaid \$49.9 million of its debt in the fourth quarter of 2018.

NOTE 10 — PREMISES AND EQUIPMENT, NET

Premises and equipment, net consists of the following as of December 31:

<i>(in thousands)</i>	2018	2017
Computer hardware and software	\$ 182,215	\$ 179,567
Office equipment and other	7,384	9,388
Furniture and fixtures	13,313	14,092
Leasehold improvements	29,781	33,417
	<u>232,693</u>	<u>236,464</u>
Less: Accumulated depreciation and amortization	(187,062)	(163,191)
Total	<u>\$ 45,631</u>	<u>\$ 73,273</u>

Depreciation and amortization expense amounted to \$30.8 million, \$36.4 million and \$36.8 million for the years ended December 31, 2018, 2017 and 2016, respectively, and is included in cost of revenue for operating assets and in selling, general and administrative expenses for non-operating assets in the consolidated statements of operations and comprehensive income (loss).

NOTE 11 — GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

Goodwill was recorded in connection with the 2016 acquisition of Granite, the 2015 acquisitions of CastleLine Holdings, LLC and its subsidiaries, GoldenGator, LLC, REISmart, LLC and Onit Solutions, LLC, the 2014 acquisition of certain assets and assumption of certain liabilities of Owners Advantage, LLC (“Owners”), the 2013 acquisition of the Homeward Residential, Inc. fee-based business, the 2011 acquisitions of Springhouse, LLC and Tracmail and the 2010 acquisition of MPA. See Note 5 for additional information on the 2016 acquisition (there were no acquisitions in 2018 or 2017). Changes in goodwill during the years ended December 31, 2018 and 2017 are summarized below:

<i>(in thousands)</i>	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Total
Balance as of January 1 and December 31, 2017	\$ 73,259	\$ 10,056	\$ 2,968	\$ 86,283
Disposition	—	(2,256)	—	(2,256)
Write-off	—	(2,640)	—	(2,640)
Balance as of December 31, 2018	<u>\$ 73,259</u>	<u>\$ 5,160</u>	<u>\$ 2,968</u>	<u>\$ 81,387</u>

During 2018, goodwill was reduced by \$2.3 million in connection with the sale of the rental property management business to RESI (see Note 4). Also during 2018, we recorded a \$2.6 million write-off of goodwill attributable to the BRS business, as a result of our decision to discontinue the BRS business in the fourth quarter of 2018 (see Note 9).

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

Intangible Assets, Net

Intangible assets, net consist of the following as of December 31:

<i>(in thousands)</i>	Weighted average estimated useful life <i>(in years)</i>	Gross carrying amount		Accumulated amortization		Net book value	
		2018	2017	2018	2017	2018	2017
Definite lived intangible assets:							
Trademarks and trade names	15	\$ 11,349	\$ 15,354	\$ (6,244)	\$ (8,881)	\$ 5,105	\$ 6,473
Customer related intangible assets	10	273,172	277,828	(207,639)	(188,258)	65,533	89,570
Operating agreement	20	35,000	35,000	(15,632)	(13,865)	19,368	21,135
Non-compete agreements	4	1,230	1,560	(1,026)	(897)	204	663
Intellectual property	10	300	300	(145)	(115)	155	185
Other intangible assets	5	3,745	3,745	(2,457)	(1,706)	1,288	2,039
Total		\$ 324,796	\$ 333,787	\$ (233,143)	\$ (213,722)	\$ 91,653	\$ 120,065

Amortization expense for definite lived intangible assets was \$28.4 million, \$35.4 million and \$47.6 million for the years ended December 31, 2018, 2017 and 2016, respectively. Expected annual definite lived intangible asset amortization expense for 2019 through 2023 is \$20.4 million, \$17.7 million, \$11.6 million, \$7.3 million and \$6.3 million, respectively.

NOTE 12 — OTHER ASSETS

Other assets consist of the following as of December 31:

<i>(in thousands)</i>	2018	2017
Security deposits	\$ 3,972	\$ 5,304
Restricted cash	5,752	3,837
Other	2,682	1,054
Total	\$ 12,406	\$ 10,195

NOTE 13 — ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accounts payable and accrued expenses consist of the following as of December 31:

<i>(in thousands)</i>	2018	2017
Accounts payable	\$ 27,853	\$ 15,682
Accrued salaries and benefits	31,356	41,363
Accrued expenses - general	27,866	27,268
Income taxes payable	165	87
Total	\$ 87,240	\$ 84,400

Other current liabilities consist of the following as of December 31:

<i>(in thousands)</i>	2018	2017
Unfunded cash account balances	\$ 4,932	\$ 5,900
Other	2,098	3,514
Total	\$ 7,030	\$ 9,414

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

NOTE 14 — LONG-TERM DEBT

Long-term debt consists of the following as of December 31:

<i>(in thousands)</i>	2018	2017
Senior secured term loans	\$ 338,822	\$ 413,581
Less: Debt issuance costs, net	(3,855)	(3,158)
Less: Unamortized discount, net	(3,491)	(1,142)
Net long-term debt	331,476	409,281
Less: Current portion	—	(5,945)
Long-term debt, less current portion	\$ 331,476	\$ 403,336

On April 3, 2018, Altisource Portfolio Solutions S.A. and its wholly-owned subsidiary, Altisource S.à r.l. entered into a credit agreement (the “Credit Agreement”) with Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent, and certain lenders. Under the Credit Agreement, Altisource borrowed \$412.0 million in the form of Term B Loans and obtained a \$15.0 million revolving credit facility. The Term B Loans mature in April 2024 and the revolving credit facility matures in April 2023. Altisource Portfolio Solutions S.A. and certain subsidiaries are guarantors of the term loan and the revolving credit facility (collectively, the “Guarantors”).

Proceeds from the Term B Loans were used to repay the Company’s prior senior secured term loan, which had an outstanding balance of \$412.1 million as of April 3, 2018. In connection with the refinancing, we recognized a loss of \$4.4 million from the write-off of unamortized debt issuance costs and debt discount in the second quarter of 2018. This loss was included in other income (expense), net in the consolidated statements of operations and comprehensive income (loss).

The Term B Loans must be repaid in consecutive quarterly principal installments with remaining amounts due of \$18.5 million in 2020 and \$12.4 million annually thereafter, with the balance due at maturity. During 2018, the Company used the proceeds received from the sale of the rental property management business to RESI (see Note 4) to repay \$15.0 million of the Term B Loans. In addition, the Company repaid \$49.9 million of the Term B Loans in the fourth quarter of 2018 from proceeds from the sale certain of the BRS Inventory received during December 2018 and in anticipation of receiving additional proceeds during the first half of 2019 (see Note 9). These repayments were applied to contractual amortization payments in the direct order of maturity. All amounts outstanding under the Term B Loans will become due on the earlier of (i) April 3, 2024, and (ii) the date on which the loans are declared to be due and owing by the administrative agent at the request (or with the consent) of the Required Lenders (as defined in the Credit Agreement; other capitalized terms, unless defined herein, are defined in the Credit Agreement) or as otherwise provided in the Credit Agreement upon the occurrence of any event of default.

In addition to the scheduled principal payments, subject to certain exceptions, the Term B Loans are subject to mandatory prepayment upon issuances of debt, casualty and condemnation events and sales of assets, as well as from a percentage of Consolidated Excess Cash Flow if the leverage ratio is greater than 3.00 to 1.00, as calculated in accordance with the provisions of the Credit Agreement (the percentage increases if the leverage ratio exceeds 3.50 to 1.00). Certain mandatory prepayments reduce future contractual amortization payments by an amount equal to the mandatory prepayment. Except as discussed above with respect to the BRS Inventory proceeds repayment, no mandatory prepayments were owed for the year ended December 31, 2018.

Altisource may incur incremental indebtedness under the Credit Agreement from one or more incremental lenders, which may include existing lenders, in an aggregate incremental principal amount not to exceed \$125.0 million, subject to certain conditions set forth in the Credit Agreement, including a sublimit of \$80.0 million with respect to incremental revolving credit commitments. The lenders have no obligation to provide any incremental indebtedness.

The Term B Loans bear interest at rates based upon, at our option, the Adjusted Eurodollar Rate or the Base Rate. Adjusted Eurodollar Rate term loans bear interest at a rate per annum equal to the sum of (i) the greater of (x) the Adjusted Eurodollar Rate for a three month interest period and (y) 1.00% plus (ii) 4.00%. Base Rate term loans bear interest at a rate per annum equal to the sum of (i) the greater of (x) the Base Rate and (y) 2.00% plus (ii) 3.00%. The interest rate at December 31, 2018 was 6.80%.

Loans under the revolving credit facility bear interest at rates based upon, at our option, the Adjusted Eurodollar Rate or the Base Rate. Adjusted Eurodollar Rate revolving loans bear interest at a rate per annum equal to the sum of (i) the Adjusted Eurodollar Rate for a three month interest period plus (ii) 4.00%. Base Rate revolving loans bear interest at a rate per annum equal to the sum of (i) the Base Rate plus (ii) 3.00%. The unused commitment fee is 0.50%. There were no borrowings outstanding under the revolving credit facility as of December 31, 2018.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

The payment of all amounts owing by Altisource under the Credit Agreement is guaranteed by the Guarantors and is secured by a pledge of all equity interests of certain subsidiaries of Altisource, as well as a lien on substantially all of the assets of Altisource S.à r.l. and the Guarantors, subject to certain exceptions.

The Credit Agreement includes covenants that restrict or limit, among other things, our ability, subject to certain exceptions and baskets, to incur indebtedness; incur liens on our assets; sell, transfer or dispose of assets; make Restricted Junior Payments including share repurchases, dividends and repayment of junior indebtedness; make investments; dispose of equity interests of any Material Subsidiaries; engage in a line of business substantially different than existing businesses and businesses reasonably related, complimentary or ancillary thereto; amend material debt agreements or other material contracts; engage in certain transactions with affiliates; enter into sale/leaseback transactions; grant negative pledges or agree to such other restrictions relating to subsidiary dividends and distributions; make changes to our fiscal year; and engage in mergers and consolidations; and to the extent any Revolving Credit Loans are outstanding on the last day of a fiscal quarter, permit the Total Leverage Ratio to be greater than 3.50:1.00 as of the last day of such fiscal quarter, subject to a customary cure provision (the “Revolving Financial Covenant”).

The Credit Agreement contains certain events of default including (i) failure to pay principal when due or interest or any other amount owing on any other obligation under the Credit Agreement within five days of becoming due, (ii) material incorrectness of representations and warranties when made, (iii) breach of certain other covenants, subject to cure periods described in the Credit Agreement, (iv) a breach of the Revolving Financial Covenant, subject to a customary cure provision and not an Event of Default with respect to the Term Loans unless and until the Required Revolving Lenders accelerate the Revolving Credit Loans, (v) failure to pay principal or interest on any other debt that equals or exceeds \$40.0 million when due, (vi) default on any other debt that equals or exceeds \$40.0 million that causes, or gives the holder or holders of such debt the ability to cause, an acceleration of such debt, (vii) occurrence of a Change of Control, (viii) bankruptcy and insolvency events, (ix) entry by a court of one or more judgments against us in an amount in excess of \$40.0 million that remain unbonded, undischarged or unstayed for a certain number of days after the entry thereof, (x) the occurrence of certain ERISA events and (xi) the failure of certain Loan Documents to be in full force and effect. If any event of default occurs and is not cured within applicable grace periods set forth in the Credit Agreement or waived, all loans and other obligations could become due and immediately payable and the facility could be terminated.

During 2017, we repurchased portions of our senior secured term loan with an aggregate par value of \$60.1 million at a weighted average discount of 10.7%, recognizing a net gain of \$5.6 million on the early extinguishment of debt. During 2016, we repurchased portions of our senior secured term loan with an aggregate par value of \$51.0 million at a weighted average discount of 13.2%, recognizing a net gain of \$5.5 million on the early extinguishment of debt. There were no similar repurchases in 2018. These net gains are included in other income (expense), net in the consolidated statements of operations and comprehensive income (loss) (see Note 21).

At December 31, 2018, debt issuance costs were \$3.9 million, net of \$0.7 million of accumulated amortization. At December 31, 2017, debt issuance costs were \$3.2 million, net of \$7.1 million of accumulated amortization.

Interest expense on the senior secured term loans, including amortization of debt issuance costs and the net debt discount, totaled \$26.3 million, \$22.3 million and \$24.4 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Maturities of our long-term debt are as follows:

<i>(in thousands)</i>	Maturities
2019	\$ —
2020	18,492
2021	12,360
2022	12,360
2023	12,360
2024	283,250
	<u>\$ 338,822</u>

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

NOTE 15 — OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of the following as of December 31:

<i>(in thousands)</i>	2018	2017
Income tax liabilities	\$ 7,069	\$ 5,955
Deferred revenue	19	2,101
Other non-current liabilities	2,090	4,226
Total	\$ 9,178	\$ 12,282

NOTE 16 — FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

The following table presents the carrying amount and estimated fair value of financial instruments and certain liabilities measured at fair value as of December 31, 2018 and 2017. The following fair values are estimated using market information and what the Company believes to be appropriate valuation methodologies under GAAP:

<i>(in thousands)</i>	Carrying amount	December 31, 2018			Carrying amount	December 31, 2017		
		Fair value				Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets:								
Cash and cash equivalents	\$ 58,294	\$ 58,294	\$ —	\$ —	\$ 105,006	\$ 105,006	\$ —	\$ —
Restricted cash	5,752	5,752	—	—	3,837	3,837	—	—
Investment in equity securities	36,181	36,181	—	—	49,153	49,153	—	—
Long-term receivable (Note 4)	2,221	—	—	2,221	—	—	—	—
Liabilities:								
Senior secured term loan	338,822	—	330,351	—	413,581	—	407,377	—

Fair Value Measurements on a Recurring Basis

Cash and cash equivalents and restricted cash are carried at amounts that approximate their fair values due to the highly liquid nature of these instruments and were measured using Level 1 inputs.

Investment in equity securities is carried at fair value and consist of 4.1 million shares of RESI common stock. The investment in equity securities is measured using Level 1 inputs as these securities have quoted prices in active markets.

The fair value of our senior secured term loan is based on quoted market prices. Based on the frequency of trading, we do not believe that there is an active market for our debt. Therefore, the quoted prices are considered Level 2 inputs.

In connection with the sale of the rental property management business in August 2018, Altisource will receive \$3.0 million on the earlier of a RESI change of control or on August 8, 2023 (see Note 4 for additional information). We measure long-term receivables without a stated interest rate based on the present value of the future payments.

There were no transfers between different levels during the periods presented.

Concentrations of Credit Risk

Financial instruments that subject us to concentrations of credit risk primarily consist of cash and cash equivalents and accounts receivable. Our policy is to deposit our cash and cash equivalents with larger, highly rated financial institutions. The Company derives over 50% of its revenues from Ocwen (see Note 3 for additional information on Ocwen revenues and accounts receivable balance). The Company mitigates its concentrations of credit risk with respect to accounts receivable by actively monitoring past due accounts and the economic status of larger customers, if known.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

NOTE 17 — SHAREHOLDERS' EQUITY AND SHARE-BASED COMPENSATION**Common Stock**

At December 31, 2018, we had 100 million shares authorized, 25.4 million shares issued and 16.3 million shares of common stock outstanding. At December 31, 2017, we had 100.0 million shares authorized, 25.4 million shares issued and 17.4 million shares of common stock outstanding. The holders of shares of Altisource common stock generally are entitled to one vote for each share on all matters voted on by shareholders, and the holders of such shares generally will possess all voting power.

Equity Incentive Plan

Our 2009 Equity Incentive Plan (the "Plan") provides for various types of equity awards, including stock options, stock appreciation rights, stock purchase rights, restricted shares, restricted share units and other awards, or a combination of any of the above. Under the Plan, we may grant up to 6.7 million Altisource share-based awards to officers, directors, employees and to employees of our affiliates. As of December 31, 2018, 1.2 million share-based awards were available for future grant under the Plan. Expired and forfeited awards are available for reissuance.

Share Repurchase Program

On May 15, 2018, our shareholders approved the renewal and replacement of the share repurchase program previously approved by the shareholders on May 17, 2017. Under the program, we are authorized to purchase up to 4.3 million shares of our common stock, based on a limit of 25% of the outstanding shares of common stock on the date of approval, at a minimum price of \$1.00 per share and a maximum price of \$500.00 per share, for a period of five years from the date of approval. As of December 31, 2018, approximately 3.4 million shares of common stock remain available for repurchase under the program. We purchased 1.6 million shares of common stock at an average price of \$25.53 per share during the year ended December 31, 2018, 1.6 million shares at an average price of \$23.84 per share during the year ended December 31, 2017 and 1.4 million shares at an average price of \$26.81 per share during the year ended December 31, 2016. Luxembourg law limits share repurchases to the balance of Altisource Portfolio Solutions S.A. (unconsolidated parent company) retained earnings, less the value of shares repurchased. As of December 31, 2018, we can repurchase up to approximately \$139 million of our common stock under Luxembourg law. Our Credit Agreement also limits the amount we can spend on share repurchases, which was approximately \$489 million as of December 31, 2018, and may prevent repurchases in certain circumstances.

Share-Based Compensation

We issue share-based awards in the form of stock options, restricted shares and restricted share units for certain employees, officers and directors. We recognized share-based compensation expense of \$10.2 million, \$4.3 million and \$6.2 million for the years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018, estimated unrecognized compensation costs related to share-based awards amounted to \$11.8 million, which we expect to recognize over a weighted average remaining requisite service period of approximately 1.90 years.

In connection with the January 1, 2017 adoption of ASU No. 2016-09 (see Note 2), the Company made an accounting policy election to account for forfeitures in compensation expense as they occur, rather than continuing to apply the Company's previous policy of estimating forfeitures. Prior to this accounting change, share-based compensation expense for stock options and restricted shares was recorded net of estimated forfeiture rates ranging from 0% to 40%. This policy election resulted in a cumulative effect adjustment of \$0.9 million to retained earnings and additional paid-in capital as of January 1, 2017 using the modified retrospective transition method.

Stock Options

Stock option grants are composed of a combination of service-based, market-based and performance-based options.

Service-Based Options. These options generally vest over three or four years with equal annual vesting and expire on the earlier of ten years after the date of grant or following termination of service. A total of 500 thousand service-based awards were outstanding as of December 31, 2018.

Market-Based Options. These option grants generally have two components, each of which vests only upon the achievement of certain criteria. The first component, which we refer to as "ordinary performance" grants, generally consists of two-thirds of the market-based grant and begins to vest if the stock price is at least double the exercise price, as long as the stock price realizes a compounded annual gain of at least 20% over the exercise price. The remaining third of the market-based options, which we refer to as "extraordinary performance" grants, generally begins to vest if the stock price is at least triple the exercise price, as long as the stock price realizes a compounded annual gain of at least 25% over the exercise price. Market-based

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

awards vest in three or four year installments with the first installment vesting upon the achievement of the criteria and the remaining installments vesting thereafter in equal annual installments. Market-based options generally expire on the earlier of ten years after the date of grant or following termination of service, unless the performance criteria is met prior to termination of service or in the final three years of the option term, in which case vesting will generally continue in accordance with the provisions of the award agreement. A total of 662 thousand market-based awards were outstanding as of December 31, 2018.

Performance-Based Options. These option grants generally begin to vest upon the achievement of certain specific financial measures. Generally, the awards begin vesting if the performance criteria are achieved; one-fourth vest on each anniversary of the grant date. For certain other financial measures, awards cliff-vest upon the achievement of the specific performance during the period from 2018 through 2021. The award of performance-based options is adjusted based on the level of achievement specified in the award agreements. If the performance criteria achieved is above threshold performance levels, participants have the opportunity to vest in 50% to 200% of the option grants, depending upon performance achieved. If the performance criteria achieved is below a certain threshold, the award is canceled. The options expire on the earlier of ten years after the date of grant or following termination of service. There were 279 thousand performance-based awards outstanding as of December 31, 2018.

The Company granted 277 thousand stock options (at a weighted average exercise price of \$25.15 per share), 244 thousand stock options (at a weighted average exercise price of \$33.28 per share) and 145 thousand stock options (at a weighted average exercise price of \$29.17 per share) during the years ended December 31, 2018, 2017 and 2016, respectively.

The fair values of the service-based options and performance-based options were determined using the Black-Scholes option pricing model and the fair values of the market-based options were determined using a lattice (binomial) model. The following assumptions were used to determine the fair values as of the grant date:

	2018		2017		2016	
	Black-Scholes	Binomial	Black-Scholes	Binomial	Black-Scholes	Binomial
Risk-free interest rate (%)	2.66 – 3.10	1.64 – 3.22	1.89 – 2.29	0.77 – 2.38	1.25 – 1.89	0.23 – 2.23
Expected stock price volatility (%)	70.31 – 71.86	71.36 – 71.86	61.49 – 71.52	66.68 – 71.52	59.75 – 62.14	59.76 – 62.14
Expected dividend yield	—	—	—	—	—	—
Expected option life (in years)	6.00 – 6.25	2.56 – 4.33	6.00 – 7.50	2.55 – 4.82	6.00 – 6.25	4.06 – 4.88
Fair value	\$16.17 – \$19.68	\$14.67 – \$20.26	\$13.57 – \$24.80	\$11.94 – \$24.30	\$11.15 – \$18.60	\$11.06 – \$19.27

We determined the expected option life of all service-based stock option grants using the simplified method. We use the simplified method because we believe that our historical data does not provide a reasonable basis upon which to estimate expected option life.

The following table summarizes the weighted average grant date fair value of stock options granted per share, the total intrinsic value of stock options exercised and the grant date fair value of stock options that vested during the years ended December 31:

<i>(in thousands, except per share amounts)</i>	2018	2017	2016
Weighted average grant date fair value of stock options granted per share	\$ 16.31	\$ 20.44	\$ 16.82
Intrinsic value of stock options exercised	4,609	3,028	18,209
Grant date fair value of stock options that vested	1,760	2,279	2,698

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

The following table summarizes the activity related to our stock options:

	Number of options	Weighted average exercise price	Weighted average contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at December 31, 2017	1,745,906	\$ 28.20	4.96	\$ 10,202
Granted	276,876	25.15		
Exercised	(330,537)	11.33		
Forfeited	(251,679)	32.21		
Outstanding at December 31, 2018	<u>1,440,566</u>	30.78	5.04	945
Exercisable at December 31, 2018	<u>874,304</u>	27.42	3.20	902

In 2018, the Company modified the performance thresholds that are required to be met in order for vesting to occur for 263 thousand stock options granted to 16 employees during the year ended December 31, 2018. The award modification did not change the inputs into the valuation model or the Company's assessment of the probability of vesting as of the effective date of the modifications. Consequently, no incremental compensation expense was required as a result of this modification.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2018:

Exercise price range ⁽¹⁾	Options outstanding			Options exercisable		
	Number	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number	Weighted average remaining contractual life (in years)	Weighted average exercise price
\$10.01 — \$20.00	212,667	6.06	\$ 18.79	203,344	6.05	\$ 18.79
\$20.01 — \$30.00	925,563	4.79	24.60	537,607	2.07	23.81
\$30.01 — \$40.00	132,586	6.20	34.63	54,478	3.54	32.82
\$60.01 — \$70.00	71,000	3.19	60.73	51,375	3.19	60.74
\$70.01 — \$80.00	25,000	4.51	72.78	6,250	0.45	72.78
\$80.01 — \$90.00	25,000	5.60	86.69	6,250	5.60	86.69
\$90.01 — \$100.00	46,875	5.00	95.64	13,125	4.51	95.59
\$100.01 — \$110.00	1,875	0.45	105.11	1,875	0.45	105.11
	<u>1,440,566</u>			<u>874,304</u>		

⁽¹⁾ These options contain market-based and performance-based components as described above.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

The following table summarizes the market prices necessary in order for the market-based options to begin to vest:

Vesting price	Market-based options	
	Ordinary performance	Extraordinary performance
\$40.01 — \$50.00	6,400	—
\$50.01 — \$60.00	60,164	9,323
\$60.01 — \$70.00	16,648	6,325
\$70.01 — \$80.00	—	11,500
\$80.01 — \$90.00	—	19,080
\$90.01 — \$100.00	—	8,325
\$140.01 — \$150.00	12,500	—
\$170.01 — \$180.00	12,500	—
\$180.01 — \$190.00	7,500	19,625
Over \$190.00	15,000	23,750
Total	130,712	97,928
Weighted average share price	\$ 49.46	\$ 47.79

Other Share-Based Awards

The Company's other share-based and similar types of awards are composed of restricted shares and, beginning in 2018, restricted share units. The restricted shares and restricted share units are composed of a combination of service-based awards and performance-based awards.

Service-Based Awards. These awards generally vest over one to four years with (a) vesting in equal annual installments, (b) vesting of all of the restricted shares and restricted share units at the end of the vesting period or (c) vesting beginning after two years of service. A total of 482 thousand service-based awards were outstanding as of December 31, 2018.

Performance-Based Awards. These awards generally begin to vest upon the achievement of certain specific financial measures. Generally, the awards begin vesting if the performance criteria are achieved; one-third vest on each anniversary of the grant date. The number of performance-based restricted shares that may vest will be based on the level of achievement, as specified in the award agreements. If the performance criteria achieved is above threshold performance levels, participants have the opportunity to vest in 80% to 150% of the restricted share award, depending on performance achieved. If the performance criteria achieved is below a certain threshold, the award is canceled. A total of four thousand performance-based awards were outstanding as of December 31, 2018.

The Company granted 376 thousand restricted shares and restricted share units (at a weighted average grant date fair value of \$21.57 per share) during the year ended December 31, 2018.

The following table summarizes the activity related to our restricted shares and restricted share units:

	Number of restricted shares and restricted share units
Outstanding at December 31, 2017	356,509
Granted	375,524
Issued	(111,565)
Forfeited/canceled	(134,662)
Outstanding at December 31, 2018	485,806

In 2018, the Company modified the vesting condition to remove the requirement that a certain employee be employed by the Company in order for the restricted shares to vest for 31 thousand restricted shares granted in the fourth quarter of 2017 and the first quarter of 2018. The award modification did not change the inputs into the valuation model or the Company's assessment of the probability of vesting as of the effective date of the modifications. Consequently, no incremental compensation expense was required as a result of this modification.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

NOTE 18 — REVENUE

We classify revenue in three categories: service revenue, revenue from reimbursable expenses and non-controlling interests. Service revenue consists of amounts attributable to our fee-based services and sales of short-term investments in real estate. Reimbursable expenses and non-controlling interests are pass-through items for which we earn no margin. Reimbursable expenses consist of amounts we incur on behalf of our customers in performing our fee-based services that we pass directly on to our customers without a markup. Non-controlling interests represent the earnings of Lenders One, a consolidated entity that is a mortgage cooperative managed, but not owned, by Altisource. Lenders One is included in revenue and reduced from net income to arrive at net income attributable to Altisource (see Note 2). The components of revenue were as follows for the years ended December 31:

<i>(in thousands)</i>	2018	2017	2016
Service revenue	\$ 805,480	\$ 899,561	\$ 942,599
Reimbursable expenses	30,039	39,912	52,011
Non-controlling interests	2,683	2,740	2,693
Total	\$ 838,202	\$ 942,213	\$ 997,303

As discussed in Note 2, the Company adopted Topic 606 effective January 1, 2018 using the cumulative effect method.

Disaggregation of Revenue

Disaggregation of total revenues by segments and major source is as follows:

<i>(in thousands)</i>	Twelve months ended December 31, 2018			
	Revenue recognized when services are performed or assets are sold	Revenue related to technology platforms and professional services	Reimbursable expenses revenue	Total revenue
Mortgage Market:				
Servicer Solutions	\$ 537,161	\$ 73,782	\$ 28,207	\$ 639,150
Origination Solutions	38,597	8,909	249	47,755
Total Mortgage Market	575,758	82,691	28,456	686,905
Real Estate Market:				
Consumer Real Estate Solutions	8,593	—	2	8,595
Real Estate Investor Solutions	80,162	—	1,533	81,695
Total Real Estate Market	88,755	—	1,535	90,290
Other Businesses, Corporate and Eliminations	55,226	5,733	48	61,007
Total revenue	\$ 719,739	\$ 88,424	\$ 30,039	\$ 838,202

Contract Balances

Our contract assets consist of unbilled accounts receivable (see Note 7). Our contract liabilities consist of current deferred revenue as reported on the consolidated balance sheets and non-current deferred revenue (see Note 15). Revenue recognized that was included in the contract liability at the beginning of the period, including amounts added to the contract liability as part of the cumulative effect of adopting Topic 606, was \$20.6 million for the year ended December 31, 2018.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

NOTE 19 — COST OF REVENUE

Cost of revenue principally includes payroll and employee benefits associated with personnel employed in customer service and operations roles, fees paid to external providers related to the provision of services, cost of real estate sold, reimbursable expenses, technology and telecommunications costs as well as depreciation and amortization of operating assets. The components of cost of revenue were as follows for the years ended December 31:

<i>(in thousands)</i>	2018	2017	2016
Compensation and benefits	\$ 200,486	\$ 240,487	\$ 264,796
Outside fees and services	278,380	325,459	301,116
Cost of real estate sold	47,659	24,398	1,040
Reimbursable expenses	30,039	39,912	52,011
Technology and telecommunications	41,588	42,340	44,295
Depreciation and amortization	24,013	27,269	26,787
Total	\$ 622,165	\$ 699,865	\$ 690,045

NOTE 20 — SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND OTHER OPERATING EXPENSES

Selling, general and administrative expenses include payroll and employee benefits associated with personnel employed in executive, finance, law, compliance, human resources, vendor management, facilities, risk management, sales and marketing roles. This category also includes professional fees, occupancy costs, marketing costs, depreciation and amortization of non-operating assets and other expenses. The components of selling, general and administrative expenses were as follows for the years ended December 31:

<i>(in thousands)</i>	2018	2017	2016
Compensation and benefits	\$ 51,043	\$ 58,157	\$ 55,577
Professional services	16,950	13,421	23,284
Occupancy related costs	30,851	36,371	37,370
Amortization of intangible assets	28,412	35,367	47,576
Depreciation and amortization	6,786	9,178	10,001
Marketing costs	14,707	16,171	27,847
Other	26,921	23,977	12,500
Total	\$ 175,670	\$ 192,642	\$ 214,155

In addition, on September 8, 2014, the West Palm Beach Firefighters' Pension Fund filed a putative securities class action suit against Altisource Portfolio Solutions S.A. and certain of its current or former officers and directors in the United States District Court for the Southern District of Florida. On January 19, 2017, the parties notified the Court of their agreement to settle the action to resolve all claims related to this matter for a payment by the Company of \$32.0 million, \$4.0 million of which was funded by insurance proceeds. The net expense of \$28.0 million was recorded as a litigation settlement loss, net in other operating expenses for the year ended December 31, 2016.

NOTE 21 — OTHER INCOME (EXPENSE), NET

Other income (expense), net consists of the following for the years ended December 31:

<i>(in thousands)</i>	2018	2017	2016
Loss on debt refinancing	\$ (4,434)	\$ —	\$ —
Gain on early extinguishment of debt	—	5,637	5,464
Expenses related to the purchase of investment in equity securities	—	—	(3,356)
Interest income	740	270	91
Other, net	1,824	2,015	1,431
Total	\$ (1,870)	\$ 7,922	\$ 3,630

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

NOTE 22 — INCOME TAXES

The components of income before income taxes and non-controlling interests consist of the following for the years ended December 31:

<i>(in thousands)</i>	2018	2017	2016
Domestic - Luxembourg	\$ (22,513)	\$ 9,123	\$ 8,498
Foreign - U.S.	8,398	7,967	16,655
Foreign - non-U.S.	15,514	18,285	19,168
Total	\$ 1,399	\$ 35,375	\$ 44,321

The income tax provision (benefit) consists of the following for the years ended December 31:

<i>(in thousands)</i>	2018	2017	2016
Current:			
Domestic - Luxembourg	\$ 275	\$ 737	\$ 160
Foreign - U.S. federal	1,838	2,405	9,556
Foreign - U.S. state	336	364	258
Foreign - non-U.S.	7,440	17,574	5,558
	<u>\$ 9,889</u>	<u>\$ 21,080</u>	<u>\$ 15,532</u>
Deferred:			
Domestic - Luxembourg	\$ (4,927)	\$ (295,318)	\$ 432
Foreign - U.S. federal	(291)	(111)	(3,065)
Foreign - U.S. state	134	(210)	(100)
Foreign - non-U.S.	(707)	(1,697)	136
	<u>\$ (5,791)</u>	<u>\$ (297,336)</u>	<u>\$ (2,597)</u>
Income tax provision (benefit)	\$ 4,098	\$ (276,256)	\$ 12,935

In June 2010, the Company received a tax ruling regarding the treatment of certain intangibles that existed for determining the Company's taxable income, which was scheduled to expire in 2019 unless extended, renewed or terminated by the Company. On December 27, 2017, two of the Company's wholly-owned subsidiaries, Altisource Solutions S.à r.l. and Altisource Holdings S.à r.l., merged, with Altisource Holdings S.à r.l. as the surviving entity. Altisource Holdings S.à r.l. was subsequently renamed Altisource S.à r.l. The merger is part of a larger subsidiary restructuring plan designed to simplify the Company's corporate structure, allow it to operate more efficiently and reduce administrative costs. For Luxembourg tax purposes, the merger was recognized at fair value and generated a net operating loss ("NOL") of \$1.3 billion, with a 17 year life, and generated a deferred tax asset of \$342.6 million as of December 31, 2017, before a valuation allowance of \$41.6 million. This deferred tax asset was partially offset by the impact of other changes in U.S. and Luxembourg income tax rates of \$6.3 million and an increase in certain foreign income tax reserves (and related interest) of \$10.5 million for the year ended December 31, 2017. The Company's June 2010 tax ruling was terminated in connection with the merger of the Company's Luxembourg subsidiaries.

We operate under tax holidays in certain geographies in India, the Philippines and Uruguay. The India tax holidays are effective through 2020. The Philippines tax holiday has been extended-through June 2019. We operate in a Uruguay free trade zone that provides an indefinite future tax benefit. The tax holidays are conditioned upon our meeting certain employment and investment thresholds. The impact of these tax holidays decreased foreign taxes by \$0.7 million (\$0.04 per diluted share), \$0.9 million (\$0.05 per diluted share) and \$0.9 million (\$0.04 per diluted share) for the years ended December 31, 2018, 2017 and 2016, respectively.

The Company accounts for certain income and expense items differently for financial reporting purposes and income tax purposes. We recognize deferred income tax assets and liabilities for these differences between the financial reporting basis and the tax basis of our assets and liabilities as well as expected benefits of utilizing net operating loss and credit carryforwards. We measure deferred income tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which we expect to recover or settle those temporary differences.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

A summary of the tax effects of the temporary differences is as follows for the years ended December 31:

<i>(in thousands)</i>	2018	2017
Non-current deferred tax assets:		
Net operating loss carryforwards	\$ 353,209	\$ 349,154
U.S. federal and state tax credits	314	407
Other non-U.S. deferred tax assets	6,161	5,724
Share-based compensation	1,586	1,496
Accrued expenses	5,242	6,494
Unrealized losses	3,131	—
Non-current deferred tax liabilities:		
Intangible assets	(9,855)	(8,015)
Depreciation	(1,225)	(3,318)
Other non-U.S. deferred tax liability	(1,769)	(1,692)
Other	(954)	(260)
	<u>355,840</u>	<u>349,990</u>
Valuation allowance	<u>(46,751)</u>	<u>(46,283)</u>
Non-current deferred tax assets, net	<u><u>\$ 309,089</u></u>	<u><u>\$ 303,707</u></u>

A valuation allowance is provided when it is deemed more likely than not that some portion or all of a deferred tax asset will not be realized. In determining whether a valuation allowance is needed, the Company considered estimates of future taxable income, future reversals of temporary differences, the tax character of gains and losses and the impact of tax planning strategies that can be implemented, if warranted. The net increase in valuation allowance of \$0.5 million during 2018 is primarily related to the portion of the Luxembourg NOL that we project will not be used prior to expiration.

We have not recognized Luxembourg deferred taxes on cumulative earnings of non-Luxembourg affiliates as we have chosen to indefinitely reinvest these earnings. The earnings reinvested as of December 31, 2018 were approximately \$82.9 million, which if distributed would result in additional tax due totaling approximately \$15.0 million.

The Company had a deferred tax asset of \$353.2 million as of December 31, 2018 relating to Luxembourg, U.S. federal, state and foreign net operating losses compared to \$349.2 million as of December 31, 2017. As of December 31, 2018 and 2017, a valuation allowance of \$45.0 million and \$44.4 million, respectively, has been established related to Luxembourg NOLs, and a valuation allowance of \$1.5 million and \$1.7 million, respectively, has been established related to state NOLs. The gross amount of net operating losses available for carryover to future years is approximately \$1,355.5 million as of December 31, 2018 and approximately \$1,339.6 million as of December 31, 2017. These losses are scheduled to expire between the years 2023 and 2038. As of December 31, 2018 and 2017, \$7.4 million and \$8.9 million, respectively, of our NOLs are subject to Section 382 of the Internal Revenue Code which limits the application of these NOLs against federal taxable income to approximately \$1.3 million per year.

On December 22, 2017, the Jobs Act was enacted, which reforms corporate tax legislation in the United States and related laws. One of the provisions of the new tax law reduces the U.S. federal corporate tax rate from 35% to 21%. The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. As of December 31, 2018 and 2017, the amount recorded related to the remeasurement of our deferred tax balance was \$(0.2) million and \$2.9 million, respectively.

In addition, the Company had a deferred tax asset of \$0.3 million and \$0.4 million as of December 31, 2018 and 2017, respectively, relating to the U.S. federal and state tax credits. The U.S. federal credit carryforward was fully utilized in 2018. The state tax credit carryforwards are scheduled to expire with the filing of state income tax returns for the tax years 2018 through 2028.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

Income tax computed by applying the Luxembourg statutory rate differs from income tax computed at the effective tax rate primarily from differences between the Luxembourg statutory and foreign statutory tax rates applied to entities in different jurisdictions, shown in the tax rate reconciliation table below as tax rate differences on foreign earnings, increases in uncertain tax positions, state taxes, remeasurement of deferred taxes related to tax rate changes, recognition of net operating losses created by the December 27, 2017 legal entity merger (see above), an increase in unrecognized tax benefits and a valuation allowance against deferred tax assets the Company believes it is more likely than not will not be realized.

The following table reconciles the Luxembourg statutory tax rate to our effective tax rate for the years ended December 31:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutory tax rate	26.01%	27.08 %	29.22%
Change in valuation allowance	43.08	119.20	(0.08)
State tax expense	28.58	0.50	2.30
Tax credits	—	(2.13)	(1.81)
Uncertain tax positions	114.18	30.16	(3.65)
Unrecognized tax loss	—	(1,008.20)	—
Income tax rate change	—	57.36	—
Tax rate differences on foreign earnings	73.11	—	—
Other	7.96	(4.91)	3.20
	<u>292.92%</u>	<u>(780.94)%</u>	<u>29.18%</u>

The Company follows ASC Topic 740 which clarifies the accounting and disclosure for uncertainty in tax positions. We analyzed our tax filing positions in all of the domestic and foreign tax jurisdictions where we are required to file income tax returns as well as for all open tax years subject to audit in these jurisdictions. The Company has open tax years in the United States (2015 through 2017), India (2011 through 2018) and Luxembourg (2012 through 2016).

The following table summarizes changes in unrecognized tax benefits during the years ended December 31:

<i>(in thousands)</i>	<u>2018</u>	<u>2017</u>
Amount of unrecognized tax benefits as of the beginning of the year	\$ 8,892	\$ 758
Decreases as a result of tax positions taken in a prior period	(956)	(78)
Increases as a result of tax positions taken in a prior period	1	53
Increases as a result of tax positions taken in the current period	1,750	8,159
Amount of unrecognized tax benefits as of the end of the year	<u>\$ 9,687</u>	<u>\$ 8,892</u>

The total amount of unrecognized tax benefits including interest and penalties that, if recognized, would affect the effective tax rate is \$13.0 million and \$11.5 million as of December 31, 2018 and 2017, respectively. The Company recognizes interest, if any, related to unrecognized tax benefits as a component of income tax expense. As of December 31, 2018 and 2017, the Company had recorded accrued interest and penalties related to unrecognized tax benefits of \$3.3 million and \$2.6 million, respectively.

NOTE 23 — EARNINGS PER SHARE

Basic EPS is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the assumed conversion of all dilutive securities using the treasury stock method.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

Basic and diluted EPS are calculated as follows for the years ended December 31:

<i>(in thousands, except per share data)</i>	2018	2017	2016
Net (loss) income attributable to Altisource	\$ (5,382)	\$ 308,891	\$ 28,693
Weighted average common shares outstanding, basic	17,073	18,183	18,696
Dilutive effect of stock options, restricted shares and restricted share units	—	509	916
Weighted average common shares outstanding, diluted	17,073	18,692	19,612
(Loss) earnings per share:			
Basic	\$ (0.32)	\$ 16.99	\$ 1.53
Diluted	\$ (0.32)	\$ 16.53	\$ 1.46

For the years ended December 31, 2018, 2017 and 2016, 0.3 million options, 0.5 million options and 0.4 million options, respectively, that were anti-dilutive have been excluded from the computation of diluted EPS. These options were anti-dilutive and excluded from the computation of diluted EPS because their exercise price was greater than the average market price of our common stock. Also excluded from the computation of diluted EPS are 0.5 million options and restricted shares, 0.4 million options and 0.4 million options for the years ended December 31, 2018, 2017 and 2016, respectively, which begin to vest upon the achievement of certain market criteria related to our common stock price, performance criteria and an annualized rate of return to shareholders that have not yet been met. Furthermore, as a result of the net loss attributable to Altisource for the year ended December 31, 2018, 0.5 million options, restricted shares and restricted share units were excluded from the computation of diluted EPS, as their impact was anti-dilutive.

NOTE 24 — RESTRUCTURING CHARGES

In August 2018, Altisource initiated Project Catalyst, a restructuring plan intended to optimize our operations and reduce costs to better align our cost structure with our anticipated revenues and improve our operating margins. During the year ended December 31, 2018, we incurred \$11.6 million of severance costs, professional services fees and facility shut-down costs related to the restructuring plan. We expect to incur additional severance costs and professional services fees through 2019 in connection with this restructuring and will expense those costs as incurred. Based on our preliminary analysis, we currently anticipate the future costs relating to the restructuring plan to be in the range of approximately \$25 million to \$35 million.

NOTE 25 — COMMITMENTS, CONTINGENCIES AND REGULATORY MATTERS

We record a liability for contingencies if an unfavorable outcome is probable and the amount of loss can be reasonably estimated, including expected insurance coverage. For proceedings where the reasonable estimate of loss is a range, we record a best estimate of loss within the range.

Litigation

We are currently involved in legal actions in the course of our business, some of which seek monetary damages. We do not believe that the outcome of these proceedings, both individually and in the aggregate, will have a material impact on our financial condition, results of operations or cash flows.

Regulatory Matters

Periodically, we are subject to audits, examinations and investigations by federal, state and local governmental authorities and receive subpoenas, civil investigative demands or other requests for information from such governmental authorities in connection with their regulatory or investigative authority. We are currently responding to such inquiries from governmental authorities relating to certain aspects of our business. We believe it is premature to predict the potential outcome or to estimate any potential financial impact in connection with these inquiries.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (*Continued*)

Sales Taxes

On June 21, 2018, the United States Supreme Court rendered a 5-4 majority decision in *South Dakota v. Wayfair, Inc.*, holding that a state may require a remote seller with no physical presence in the state to collect and remit sales tax on goods and services provided to purchasers in the state, overturning existing court precedent. The Company is analyzing its services for potential exposure to sales tax in various jurisdictions in the United States and believes that the Company has a related estimated probable loss of \$6.2 million. As a result, the Company recognized a \$6.2 million loss for the year ended December 31, 2018 in selling, general and administrative expenses in the consolidated statements of operations and comprehensive income (loss). The Company is in the process of developing and implementing a solution that will enable it to invoice, collect and remit sales tax in the applicable jurisdictions. The Company is also analyzing what rights, if any, it has to seek reimbursement for sales tax payments from clients. As the Company completes its evaluation of potential sales tax exposure, the Company may increase its accrual for sales tax exposure and recognize additional losses, which are not currently estimable. These additional losses could result in a material adjustment to our consolidated financial statements which would impact our financial condition and results of operations.

Ocwen Related Matters

As discussed in Note 3, during the year ended December 31, 2018, Ocwen was our largest customer, accounting for 52% of our total revenue. Additionally, 6% of our revenue for the year ended December 31, 2018 was earned on the loan portfolios serviced by Ocwen, when a party other than Ocwen or the MSR owner selected Altisource as the service provider.

Ocwen has disclosed that it is subject to a number of ongoing federal and state regulatory examinations, cease and desist orders, consent orders, inquiries, subpoenas, civil investigative demand, requests for information and other actions and is subject to pending legal proceedings, some of which include claims against Ocwen for substantial monetary damages. For example, on May 15, 2017, Ocwen disclosed that on April 20, 2017, the Consumer Financial Protection Bureau and the State of Florida filed separate complaints in the United States District Court for the Southern District of Florida against Ocwen alleging violations of Federal consumer financial law and, in the case of Florida, Florida statutes. As another example, on May 15, 2017, Ocwen also disclosed that on April 28, 2017, the Commonwealth of Massachusetts filed a lawsuit against Ocwen in the Superior Court for the Commonwealth of Massachusetts alleging violations of state consumer financial laws relating to Ocwen's servicing business, including lender-placed insurance and property preservation fees. Ocwen disclosed that the complaints seek to obtain permanent injunctive relief, consumer redress, refunds, restitution, disgorgement, damages, civil penalties, costs and fees and other relief. The foregoing or other matters could result in, and in some cases, have resulted in, adverse regulatory or other actions against Ocwen. Previous regulatory actions against Ocwen resulted in subjecting Ocwen to independent oversight of its operations and placing certain restrictions on its ability to acquire servicing rights.

In addition to the above, Ocwen may become subject to future federal and state regulatory investigations, cease and desist orders, consent orders, inquiries, subpoenas, civil investigative demands, requests for information, other matters or legal proceedings, any of which could also result in adverse regulatory or other actions against Ocwen.

Ocwen has disclosed that NRZ is its largest client. As of September 30, 2018, NRZ owned MSRs or rights to MSRs relating to approximately 57% of loans serviced and subserviced by Ocwen (measured in UPB). In July 2017 and January 2018, Ocwen and NRZ entered into a series of agreements pursuant to which the parties agreed, among other things, to undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen's legal title to the Subject MSRs and under which Ocwen will subservice mortgage loans underlying the Subject MSRs for an initial term of five years. NRZ can terminate its sub-servicing agreement with Ocwen in exchange for the payment of a termination fee.

The foregoing may have significant adverse effects on Ocwen's business and/or our continuing relationship with Ocwen. For example, Ocwen may be required to alter the way it conducts business, including the parties it contracts with for services (including IT and software services), it may be required to seek changes to its existing pricing structure with us, it may lose its non-government-sponsored enterprise ("GSE") servicing rights or subservicing arrangements or may lose one or more of its state servicing or origination licenses. Additional regulatory actions or adverse financial developments may impose additional restrictions on or require changes in Ocwen's business that could require it to sell assets or change its business operations. Any or all of these effects could result in our eventual loss of Ocwen as a customer or a reduction in the number and/or volume of services they purchase from us or the loss of other customers.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

If any of the following events occurred, Altisource's revenue could be significantly lower and our results of operations could be materially adversely affected, including from the possible impairment or write-off of goodwill, intangible assets, property and equipment, other assets and accounts receivable:

- Altisource loses Ocwen as a customer or there is a significant reduction in the volume of services they purchase from us
- Ocwen loses, sells or transfers a significant portion or all of its remaining non-GSE servicing rights or subservicing arrangements and Altisource fails to be retained as a service provider
- Ocwen loses state servicing licenses in states with a significant number of loans in Ocwen's servicing portfolio
- The contractual relationship between Ocwen and Altisource changes significantly or there are significant changes to our pricing to Ocwen for services from which we generate material revenue
- Altisource otherwise fails to be retained as a service provider

Management cannot predict whether any of these events will occur or the amount of any impact they may have on Altisource. However, in the event one or more of these events materially negatively impact Altisource, we believe the variable nature of our cost structure would allow us to realign our cost structure in line with remaining revenue. Furthermore, in the event of a significant reduction in the volume of services purchased or loan portfolios serviced by Ocwen (such as a transfer of Ocwen's remaining servicing rights to a successor servicer), we believe the impact to Altisource could occur over an extended period of time. During this period, we believe that we will continue to generate revenue from all or a portion of Ocwen's loan portfolios.

Our Servicer Solutions, Origination Solutions and Consumer Real Estate Solutions businesses are focused on diversifying and growing our revenue and customer base and we have a sales and marketing strategy to support these businesses. Management believes our plans, together with current liquidity and cash flows from operations, would be sufficient to meet our working capital, capital expenditures, debt service and other cash needs. However, there can be no assurance that our plans will be successful or our operations will be profitable.

Leases

We lease certain premises and equipment under various operating lease agreements. Future minimum lease payments at December 31, 2018 under non-cancelable operating leases with an original term exceeding one year are as follows:

<i>(in thousands)</i>	Operating lease obligations
2019	\$ 17,600
2020	14,137
2021	9,849
2022	5,558
2023	3,441
Thereafter	1,323
	<u>\$ 51,908</u>

Total operating lease expense, net of sublease income, was \$19.9 million, \$19.0 million and \$17.6 million for the years ended December 31, 2018, 2017 and 2016, respectively. Sublease income was \$1.6 million, \$1.3 million and less than \$0.5 million for the years ended December 31, 2018, 2017 and 2016, respectively. The minimum lease payments in the table above have not been reduced by minimum sublease rentals totaling \$2.8 million expected to be received under non-cancelable subleases. The operating leases generally relate to office locations and reflect customary lease terms which range from less than 1 year to 10 years in duration.

We have executed five standby letters of credit totaling \$3.1 million, related to four office leases and a litigation matter that are secured by restricted cash balances.

Escrow and Trust Balances

We hold customers' assets in escrow and trust accounts at various financial institutions pending completion of certain real estate activities. We also hold cash in trust accounts at various financial institutions where contractual obligations mandate maintaining dedicated bank accounts for our asset recovery management business's collections. These amounts are held in escrow and trust accounts for limited periods of time and are not included in the consolidated balance sheets. Amounts held in escrow and trust accounts were \$23.6 million and \$35.1 million at December 31, 2018 and 2017, respectively.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

NOTE 26 — SEGMENT REPORTING

Our business segments are based upon our organizational structure, which focuses primarily on the services offered, and are consistent with the internal reporting used by our Chief Executive Officer (our chief operating decision maker) to evaluate operating performance and to assess the allocation of our resources.

We report our operations through two reportable segments: *Mortgage Market* and *Real Estate Market*. In addition, we report *Other Businesses, Corporate and Eliminations* separately. The *Mortgage Market* segment provides loan servicers and originators with marketplaces, services and technologies that span the mortgage lifecycle. The *Real Estate Market* segment provides real estate consumers and rental property investors with marketplaces and services that span the real estate lifecycle. In addition, the *Other Businesses, Corporate and Eliminations* segment includes businesses that provide post-charge-off consumer debt collection services primarily to debt originators (e.g., credit card, auto lending and retail credit), customer relationship management services primarily to the utility, insurance and hotel industries and IT infrastructure management services. *Other Businesses, Corporate and Eliminations* also includes interest expense and costs related to corporate support functions including executive, finance, law, compliance, human resources, vendor management, facilities, risk management, and sales and marketing costs not allocated to the business units as well as eliminations between the reportable segments.

Financial information for our segments is as follows:

	For the year ended December 31, 2018			
(in thousands)	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue	\$ 686,905	\$ 90,290	\$ 61,007	\$ 838,202
Cost of revenue	447,108	102,893	72,164	622,165
Gross profit (loss)	239,797	(12,603)	(11,157)	216,037
Operating expenses (income):				
Selling, general and administrative expenses	85,013	21,561	69,096	175,670
Gain on sale of business	—	(13,688)	—	(13,688)
Restructuring charges	2,495	113	8,952	11,560
Income (loss) from operations	152,289	(20,589)	(89,205)	42,495
Total other income (expense), net	81	77	(41,254)	(41,096)
Income (loss) before income taxes and non-controlling interests	<u>\$ 152,370</u>	<u>\$ (20,512)</u>	<u>\$ (130,459)</u>	<u>\$ 1,399</u>
	For the year ended December 31, 2017			
(in thousands)	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue	\$ 793,684	\$ 89,787	\$ 58,742	\$ 942,213
Cost of revenue	545,507	96,967	57,391	699,865
Gross profit (loss)	248,177	(7,180)	1,351	242,348
Selling, general and administrative expenses	114,215	18,718	59,709	192,642
Income (loss) from operations	133,962	(25,898)	(58,358)	49,706
Total other income (expense), net	72	(4)	(14,399)	(14,331)
Income (loss) before income taxes and non-controlling interests	<u>\$ 134,034</u>	<u>\$ (25,902)</u>	<u>\$ (72,757)</u>	<u>\$ 35,375</u>

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

For the year ended December 31, 2016

<i>(in thousands)</i>	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue	\$ 827,324	\$ 86,590	\$ 83,389	\$ 997,303
Cost of revenue	546,540	64,566	78,939	690,045
Gross profit	280,784	22,024	4,450	307,258
Selling, general and administrative expenses	121,508	23,291	69,356	214,155
Litigation settlement loss, net of \$4,000 insurance recovery	—	—	28,000	28,000
Income (loss) from operations	159,276	(1,267)	(92,906)	65,103
Total other income (expense), net	154	(5)	(20,931)	(20,782)
Income (loss) before income taxes and non-controlling interests	<u>\$ 159,430</u>	<u>\$ (1,272)</u>	<u>\$ (113,837)</u>	<u>\$ 44,321</u>

<i>(in thousands)</i>	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Total assets:				
December 31, 2018	\$ 236,138	\$ 66,772	\$ 438,790	\$ 741,700
December 31, 2017	304,346	64,624	496,194	865,164

Our services are primarily provided to customers located in the United States. Premises and equipment, net consist of the following, by country, as of December 31:

<i>(in thousands)</i>	2018	2017
United States	\$ 25,693	\$ 46,268
India	3,154	8,136
Luxembourg	14,975	16,688
Philippines	1,754	2,038
Uruguay	55	143
Total	<u>\$ 45,631</u>	<u>\$ 73,273</u>

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (Continued)

NOTE 27 — QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables contain selected unaudited statement of operations information for each quarter of 2018 and 2017. The following information reflects all normal recurring adjustments necessary for a fair presentation of the information for the periods presented. The operating results for any quarter are not necessarily indicative of results for any future period. Our business is affected by seasonality.

<i>(in thousands, except per share data)</i>	2018 quarter ended (1)(2)(3)(4)(5)(6)(7)			
	March 31,	June 30,	September 30,	December 31,
Revenue	\$ 197,438	\$ 218,556	\$ 204,575	\$ 217,633
Gross profit	50,244	55,350	56,995	53,448
(Loss) income before income taxes and non-controlling interests	(4,972)	3,071	16,129	(12,829)
Net (loss) income	(3,607)	2,255	9,521	(10,868)
Net (loss) income attributable to Altisource	(4,132)	1,568	8,667	(11,485)
(Loss) earnings per share:				
Basic	\$ (0.24)	\$ 0.09	\$ 0.51	\$ (0.69)
Diluted	\$ (0.24)	\$ 0.09	\$ 0.49	\$ (0.69)
Weighted average shares outstanding:				
Basic	17,378	17,142	17,033	16,745
Diluted	17,378	17,553	17,575	16,745
2017 quarter ended (1)(8)				
<i>(in thousands, except per share data)</i>	March 31,	June 30,	September 30,	December 31,
Revenue	\$ 240,483	\$ 250,685	\$ 234,979	\$ 216,066
Gross profit	62,530	65,292	60,081	54,445
Income before income taxes and non-controlling interests	9,746	12,160	10,357	3,112
Net income	7,160	9,722	7,766	286,983
Net income attributable to Altisource	6,545	9,035	6,961	286,350
Earnings per share:				
Basic	\$ 0.35	\$ 0.49	\$ 0.39	\$ 16.16
Diluted	\$ 0.34	\$ 0.48	\$ 0.38	\$ 15.72
Weighted average shares outstanding:				
Basic	18,662	18,335	18,023	17,724
Diluted	19,304	18,836	18,429	18,211

(1) The sum of quarterly amounts, including per share amounts, may not equal amounts reported for year-to-date periods. This is due to the effects of rounding and changes in the number of weighted average shares outstanding for each period.

(2) Effective January 1, 2018, the Company adopted Accounting Standards Update No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires certain equity investments to be measured at fair value with changes in fair value recognized in net income. Previously, changes in the fair value of the Company's available for sale securities were included in comprehensive income. During the three months ended March 31, 2018, June 30, 2018, September 30, 2018 and December 31, 2018, we recognized unrealized (losses) gains from our investment in RESI common shares of \$(7.5) million, \$1.5 million, \$1.8 million and \$(8.8) million, respectively. See Note 6.

(3) In April 2018, Altisource entered into the Credit Agreement, pursuant to which, among other things, Altisource borrowed \$412.0 million in the form of Term B Loans. Proceeds from the Term B Loans were used to repay the Company's prior senior secured term loan. In connection with the refinancing, we recognized a loss of \$4.4 million from the write-off of the unamortized debt issuance costs and debt discount in the second quarter of 2018. See Note 14.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
Notes to Consolidated Financial Statements (*Continued*)

- (4) In August 2018, we sold our rental property management business to RESI for total transaction proceeds of \$18.0 million, \$15.0 million of which was received on the closing date of August 8, 2018 and \$3.0 million of which will be received on the earlier of a RESI change of control or August 8, 2023. We recognized a \$13.7 million pretax gain on the sale of this business during the third quarter of 2018. See Note 4.
- (5) In August 2018, we initiated Project Catalyst, a restructuring plan intended to optimize our operations and reduce costs to align our cost structure with our anticipated revenues and improve our operating margins. During the three months ended September 30, 2018 and December 31, 2018, we incurred \$3.4 million and \$8.1 million, respectively, of severance costs, facility shut-down costs and professional services fees related to the restructuring plan. See Note 24.
- (6) In connection with a United States Supreme Court decision in June 2018, the Company is analyzing its services for potential exposure to sales tax in various jurisdictions in the United States and believes that the Company has a related estimated probable loss of \$6.2 million. The Company recognized \$5.9 million and \$0.4 million during the three months ended September 30, 2018 and December 31, 2018, respectively. See Note 25.
- (7) In November 2018, the Company announced its plans to sell its BRS Inventory and discontinue the Company's BRS business. The Company recorded a write-off of goodwill related to its plan to discontinue the BRS business of \$2.6 million during the three months ended December 31, 2018. See Notes 9 and 11.
- (8) During the three months ended December 31, 2017, the Company recognized net tax benefits of \$284.1 million. On December 27, 2017, two of the Company's wholly-owned subsidiaries, Altisource Solutions S.à r.l. and Altisource Holdings S.à r.l., merged, with Altisource Holdings S.à r.l. as the surviving entity. For Luxembourg tax purposes, the merger was recognized at fair value and generated an NOL of \$1.3 billion and a deferred tax asset, net of valuation allowance, of \$300.9 million. This deferred tax benefit was partially offset by \$6.3 million of income tax from changes in U.S. and Luxembourg income tax rates and a \$10.5 million increase in certain foreign income tax reserves (and related interest). See Note 22.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of December 31, 2018, an evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based on this evaluation, such officers have concluded that our disclosure controls and procedures were effective as of December 31, 2018.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2018 based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of this assessment, management concluded that, as of December 31, 2018, our internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Mayer Hoffman McCann P.C. has independently assessed the effectiveness of our internal control over financial reporting and its report is included herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the quarter ended December 31, 2018, 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.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated herein by reference to our definitive proxy statement in connection with our 2019 annual meeting of shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to our definitive proxy statement in connection with our 2019 annual meeting of shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated herein by reference to our definitive proxy statement in connection with our 2019 annual meeting of shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to our definitive proxy statement in connection with our 2019 annual meeting of shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated herein by reference to our definitive proxy statement in connection with our 2019 annual meeting of shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a) The following documents are filed as part of this annual report.
1. *Financial Statements*
See Item 8 above.
 2. *Financial Statement Schedules:*
Schedule II - *Valuation and Qualifying Accounts* - included below.
 3. *Exhibits:*

Exhibit Number	Exhibit Description
<u>2.1</u>	<u>Form of Separation Agreement between Altisource Portfolio Solutions S.A. and Ocwen Financial Corporation (incorporated by reference to Exhibit 2.1 of the Registrant's Form 10-12B/A — Amendment No. 1 to Form 10 as filed with the Commission on June 29, 2009)</u>
<u>2.2</u>	<u>Separation Agreement, dated as of December 21, 2012, between Altisource Residential Corporation and Altisource Portfolio Solutions S.A. (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on December 28, 2012)</u>
<u>2.3</u>	<u>Separation Agreement, dated as of December 21, 2012, between Altisource Asset Management Corporation and Altisource Portfolio Solutions S.A. (incorporated by reference to Exhibit 2.2 to the Company's Form 8-K filed on December 28, 2012)</u>
<u>2.4</u>	<u>Purchase and Sale Agreement, dated as of March 29, 2013, by and among Altisource Portfolio Solutions, Inc., Altisource Solutions S.à r.l., Ocwen Financial Corporation, Homeward Residential, Inc. and Power Valuation Services, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on April 4, 2013)</u>
<u>2.5</u>	<u>Purchase and Sale Agreement, dated as of August 19, 2013, by and among Altisource Portfolio Solutions S.A., Altisource Solutions S.à r.l. and the Equity Interestholders of Equator, LLC (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on August 21, 2013)</u>
<u>3.1</u>	<u>Amended and Restated Articles of Incorporation of Altisource Portfolio Solutions S.A. (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q filed on August 9, 2017)</u>
<u>10.1</u>	<u>Separation Agreement, dated as of August 10, 2009, by and between Altisource Portfolio Solutions S.A. and Ocwen Financial Corporation (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K as filed with the Commission on August 13, 2009)</u>
<u>10.2</u>	<u>Tax Matters Agreement, dated as of August 10, 2009, by and between Altisource Solutions S.à r.l. and Ocwen Financial Corporation (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K as filed with the Commission on August 13, 2009)</u>
<u>10.3</u>	<u>Transition Services Agreement, dated as of August 10, 2009, by and between Altisource Solutions S.à r.l. and Ocwen Financial Corporation (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K as filed with the Commission on August 13, 2009)</u>
<u>10.4</u>	<u>Employee Matters Agreement, dated as of August 10, 2009, by and between Altisource Solutions S.à r.l. and Ocwen Financial Corporation (incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K as filed with the Commission on August 13, 2009)</u>
<u>10.5</u>	<u>Technology Products Services Agreement, dated as of August 10, 2009, by and between Altisource Solutions S.à r.l. and Ocwen Financial Corporation (incorporated by reference to Exhibit 10.5 of the Registrant's Current Report on Form 8-K as filed with the Commission on August 13, 2009)</u>
<u>10.6</u>	<u>Services Agreement, dated as of August 10, 2009, by and between Altisource Solutions S.à r.l. and Ocwen Financial Corporation (incorporated by reference to Exhibit 10.6 of the Registrant's Current Report on Form 8-K as filed with the Commission on August 13, 2009)</u>
<u>10.7</u>	<u>Data Center and Disaster Recovery Services Agreement, dated as of August 10, 2009, by and between Altisource Solutions S.à r.l. and Ocwen Financial Corporation (incorporated by reference to Exhibit 10.7 of the Registrant's Current Report on Form 8-K as filed with the Commission on August 13, 2009)</u>

Table of Contents

- [10.8](#) [Intellectual Property Agreement, dated as of August 10, 2009, by and between Altisource Solutions S.à r.l. and Ocwen Financial Corporation \(incorporated by reference to Exhibit 10.8 of the Registrant's Current Report on Form 8-K as filed with the Commission on August 13, 2009\)](#)
- [10.9](#) † [Employment Contract between Altisource Solutions S.à r.l. and William B. Shepro \(incorporated by reference from Exhibit 10.9 to Amendment No. 1 to the Registration Statement on Form 10 of Altisource Portfolio Solutions S.A. as filed with the Commission on June 29, 2009\)](#)
- [10.10](#) † [Employment Contract between Altisource Solutions S.à r.l. and Kevin J. Wilcox \(incorporated by reference from Exhibit 10.11 to Amendment No. 1 to the Registration Statement on Form 10 of Altisource Portfolio Solutions S.A. as filed with the Commission on June 29, 2009\)](#)
- [10.11](#) [Purchase and Sale Agreement, dated as of February 12, 2010, by and among Altisource Portfolio Solutions S.A., and the Equity Interest Holders of The Mortgage Partnership of America, L.L.C. and the Management Owners \(incorporated by reference to Exhibit 10.12 of the Company's 10-K as filed with the Commission on March 17, 2010\)](#)
- [10.12](#) † [Form of Put Option Agreements \(incorporated by reference to Exhibit 10.13 of the Company's 10-K as filed with the Commission on March 17, 2010\)](#)
- [10.13](#) † [Form of Non-qualified Stock Option Agreement, pursuant to the 2009 Equity Incentive Plan \(incorporated by reference to Exhibit 10.14 of the Company's 10-K as filed with the Commission on February 18, 2011\)](#)
- [10.14](#) [First Amendment to the Transition Services Agreement, dated as of August 10, 2011, by and between Ocwen Financial Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K as filed with the Commission on August 16, 2011\)](#)
- [10.15](#) † [Employment Agreement dated March 13, 2012 between Altisource Solutions S.à r.l. and Michelle D. Esterman \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K as filed with the Commission on March 16, 2012\)](#)
- [10.16](#) [Support Services Agreement, dated as of August 10, 2012, by and between Ocwen Mortgage Servicing, Inc. and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on August 16, 2012\)](#)
- [10.17](#) † [First Amendment to the Employment Contract dated as of August 15, 2012 between Altisource Solutions S.à r.l. and William B. Shepro \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on August 20, 2012\)](#)
- [10.18](#) † [First Amendment to the Employment Contract dated as of August 15, 2012 between Altisource Solutions S.à r.l. and Kevin J. Wilcox \(incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on August 20, 2012\)](#)
- [10.19](#) [Services Agreement, dated as of October 1, 2012, by and between Ocwen Mortgage Servicing, Inc. and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on October 5, 2012\)](#)
- [10.20](#) [Technology Products Services Agreement, dated as of October 1, 2012, by and between Ocwen Mortgage Servicing, Inc. and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on October 5, 2012\)](#)
- [10.21](#) [Data Center and Disaster Recovery Agreement, dated as of October 1, 2012, by and between Ocwen Mortgage Servicing, Inc. and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on October 5, 2012\)](#)
- [10.22](#) [Intellectual Property Agreement, dated as of October 1, 2012, by and between Ocwen Mortgage Servicing, Inc. and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.4 of the Company's Form 8-K filed on October 5, 2012\)](#)
- [10.23](#) [First Amendment to Support Services Agreement, dated as of October 1, 2012, by and between Ocwen Mortgage Servicing, Inc. and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.5 of the Company's Form 8-K filed on October 5, 2012\)](#)
- [10.24](#) [First Amendment to Services Agreement, dated as of October 1, 2012, by and between Ocwen Financial Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.6 of the Company's Form 8-K filed on October 5, 2012\)](#)
- [10.25](#) [First Amendment to Technology Products and Services Agreement, dated as of October 1, 2012, by and between Ocwen Financial Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.7 of the Company's Form 8-K filed on October 5, 2012\)](#)

- [10.26](#) [First Amendment to Data Center and Disaster Recovery Agreement, dated as of October 1, 2012, by and between Ocwen Financial Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.8 of the Company's Form 8-K filed on October 5, 2012\)](#)
- [10.27](#) [First Amendment to Intellectual Property Agreement, dated as of October 1, 2012, by and between Ocwen Financial Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.9 of the Company's Form 8-K filed on October 5, 2012\)](#)
- [10.28](#) [Support Services Agreement, dated as of December 21, 2012, between Altisource Residential Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on December 28, 2012\)](#)
- [10.29](#) [Support Services Agreement, dated as of December 21, 2012, between Altisource Asset Management Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on December 28, 2012\)](#)
- [10.30](#) [Tax Matters Agreement, dated as of December 21, 2012, between Altisource Residential Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on December 28, 2012\)](#)
- [10.31](#) [Tax Matters Agreement, dated as of December 21, 2012, between Altisource Asset Management Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.4 of the Company's Form 8-K filed on December 28, 2012\)](#)
- [10.32](#) ^{**} [Master Services Agreement, dated as of December 21, 2012, between Altisource Residential Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.5 of the Company's Form 8-K filed on December 28, 2012\)](#)
- [10.33](#) [Trademark License Agreement, dated as of December 21, 2012, between Altisource Residential Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.6 of the Company's Form 8-K filed on December 28, 2012\)](#)
- [10.34](#) [Trademark License Agreement, dated as of December 21, 2012, between Altisource Asset Management Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.7 of the Company's Form 8-K filed on December 28, 2012\)](#)
- [10.35](#) [Technology Products Services Agreement, between Altisource Asset Management Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.8 of the Company's Form 8-K filed on December 28, 2012\)](#)
- [10.36](#) [Second Amendment to Services Agreement, dated as of March 29, 2013, by and between Ocwen Financial Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on April 4, 2013\)](#)
- [10.37](#) [Second Amendment to Technology Products Services Agreement, dated as of March 29, 2013, by and between Ocwen Financial Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on April 4, 2013\)](#)
- [10.38](#) [Second Amendment to Data Center and Disaster Recovery Services Agreement, dated as of March 29, 2013, by and between Ocwen Financial Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on April 4, 2013\)](#)
- [10.39](#) [Second Amendment to Intellectual Property Agreement, dated as of March 29, 2013, by and between Ocwen Financial Corporation and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.4 of the Company's Form 8-K filed on April 4, 2013\)](#)
- [10.40](#) [First Amendment to Services Agreement, dated as of March 29, 2013, by and between Ocwen Mortgage Servicing, Inc. and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.5 of the Company's Form 8-K filed on April 4, 2013\)](#)
- [10.41](#) [First Amendment to Technology Products Services Agreement, dated as of March 29, 2013, by and between Ocwen Mortgage Servicing, Inc. and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.6 of the Company's Form 8-K filed on April 4, 2013\)](#)
- [10.42](#) [First Amendment to Data Center and Disaster Recovery Services Agreement, dated as of March 29, 2013, by and between Ocwen Mortgage Servicing, Inc. and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.7 of the Company's Form 8-K filed on April 4, 2013\)](#)
- [10.43](#) [First Amendment to Intellectual Property Agreement, dated as of March 29, 2013, by and between Ocwen Mortgage Servicing, Inc. and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.8 of the Company's Form 8-K filed on April 4, 2013\)](#)

- [10.44 Agreement, dated as of April 12, 2013, by and among Altisource Solutions S.à r.l., Ocwen Financial Corporation and Ocwen Mortgage Servicing, Inc. \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on April 18, 2013\)](#)
- [10.45 Amendment No. 1 to Credit Agreement, dated as of May 7, 2013, among Altisource Solutions S.à r.l., as borrower, Altisource Portfolio Solutions S.A., Bank of America, N.A., as administrative agent and incremental term lender and the other lenders party thereto \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on May 13, 2013\)](#)
- [10.46 † Form of Cash Retention Award Agreement \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on April 21, 2015\)](#)
- [10.47 † Form of Restricted Stock Award Agreement \(incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on April 21, 2015\)](#)
- [10.48 † Form of Non-Qualified Stock Option Award Agreement \(incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q filed on July 23, 2015\)](#)
- [10.49 † Employment Agreement dated April 30, 2013 between Altisource Solutions S.à r.l. and Vivek Bhandari \(incorporated by reference to Exhibit 10.60 of the Company's Form 10-K filed on March 15, 2016\)](#)
- [10.50 † Employment Agreement dated June 17, 2011 between Altisource Solutions S.à r.l. and Joseph A. Davila \(incorporated by reference to Exhibit 10.61 of the Company's Form 10-K filed on March 15, 2016\)](#)
- [10.51 † Amended and Restated Employment Agreement effective as of October 1, 2014 between Altisource Solutions S.à r.l. and Gregory J. Ritts \(incorporated by reference to Exhibit 10.63 of the Company's Form 10-K filed on March 15, 2016\)](#)
- [10.52 † Non-Qualified Stock Option Award Agreement between the Company and Gregory J. Ritts dated as of August 29, 2016 \(incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q filed on October 27, 2016\)](#)
- [10.53 † Non-Qualified Stock Option Award Agreement between the Company and Vivek Bhandari dated as of August 29, 2016 \(incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q filed on October 27, 2016\)](#)
- [10.54 † Form of Director Restricted Share Award Agreement \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on August 24, 2016\)](#)
- [10.55 Amendment and Waiver Agreement dated September 30, 2016 between Altisource Solutions S.à r.l. and Altisource Residential Corporation \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on October 3, 2016\)](#)
- [10.56 † Form of Non-Qualified Stock Option Award Agreement \(2017 Performance-Based Stock Options\) \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on April 13, 2017\)](#)
- [10.57 † Form of Non-Qualified Stock Option Award Agreement \(Service Revenue Stock Options\) \(incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on April 13, 2017\)](#)
- [10.58 † Form of Restricted Stock Award Agreement \(2017 Performance-Based Restricted Shares\) \(incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on April 13, 2017\)](#)
- [10.59 † Form of Restricted Stock Award Agreement \(Service-Based Restricted Shares\) \(incorporated by reference to Exhibit 10.4 of the Company's Form 8-K filed on April 13, 2017\)](#)
- [10.60 † Employment Agreement dated August 3, 2017 between Altisource Solutions S.à r.l. and Indroneel Chatterjee \(incorporated by reference to Exhibit 10.5 of the Company's Form 10-Q filed on October 26, 2017\)](#)
- [10.61 † Non-Qualified Stock Option Award Agreement between the Company and Indroneel Chatterjee dated as of October 5, 2017 \(incorporated by reference to Exhibit 10.6 of the Company's Form 10-Q filed on October 26, 2017\)](#)
- [10.62 † Restricted Stock Award Agreement between the Company and Indroneel Chatterjee dated as of October 5, 2017 \(incorporated by reference to Exhibit 10.7 of the Company's Form 10-Q filed on October 26, 2017\)](#)
- [10.63 ** Cooperative Brokerage Agreement, dated as of August 28, 2017, between REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. \(incorporated by reference to Exhibit 10.8 of the Company's Form 10-Q filed on October 26, 2017\)](#)
- [10.64 ** Letter Agreement, dated as of August 28, 2017, between New Residential Investment Corp., New Residential Mortgage LLC, REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and Altisource Solutions S.à r.l. \(incorporated by reference to Exhibit 10.9 of the Company's Form 10-Q filed on October 26, 2017\)](#)

Table of Contents

- [10.65](#) ** [First Amendment to the Cooperative Brokerage Agreement, dated as of November 16, 2017, between REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. \(incorporated by reference to Exhibit 10.71 of the Company's Form 10-K filed on February 22, 2018\)](#)
- [10.66](#) ** [Second Amendment to the Cooperative Brokerage Agreement, dated as of January 18, 2018, between REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. \(incorporated by reference to Exhibit 10.72 of the Company's Form 10-K filed on February 22, 2018\)](#)
- [10.67](#) [Third Amendment to the Cooperative Brokerage Agreement, dated as of March 23, 2018, between REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. \(incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q filed on April 26, 2018\)](#)
- [10.68](#) † [Form of Non-Qualified Stock Option Award Agreement \(2018 Performance-Based Stock Options\) \(incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q filed on April 26, 2018\)](#)
- [10.69](#) † [Form of Restricted Share Unit Award Agreement \(2018 Service-Based Restricted Share Units\) \(incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q filed on April 26, 2018\)](#)
- [10.70](#) [Credit Agreement, dated April 3, 2018 among Altisource S.à r.l. and Altisource Portfolio Solutions S.A., Morgan Stanley Senior Funding, Inc., as Administrative Agent and Collateral Agent, and the Lenders party thereto \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on April 4, 2018\)](#)
- [10.71](#) † [Form of Non-Qualified Stock Option Award Agreement \(2018 Performance-Based Stock Options\) \(incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q filed on July 26, 2018\)](#)
- [10.72](#) [Amendment No. 1 to Credit Agreement dated as of June 27, 2018 among Altisource S.à r.l. and Altisource Portfolio Solutions S.A., Morgan Stanley Senior Funding, Inc., as Administrative Agent and Collateral Agent, and the Lenders party thereto \(incorporated by reference to Exhibit 10.3 of the Company's Form 10-Q filed on July 26, 2018\)](#)
- [10.73](#) † [Mutual Consent to Termination of Employment Agreement and Full Release dated as of August 31, 2018 between Altisource S.à r.l. and Indroneel Chatterjee \(incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q filed on October 25, 2018\)](#)
- [10.74](#) † [Employment Agreement dated as of September 1, 2018 between Altisource Solutions, Inc. and Indroneel Chatterjee \(incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q filed on October 25, 2018\)](#)
- [10.75](#) [Omnibus Amendment to Master Services Agreement, Waiver Agreement, Services Letter and Fee Letter, dated August 8, 2018 among Altisource S.à r.l. and Front Yard Residential Corporation \(incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on August 9, 2018\)](#)
- [10.76](#) [Fourth Amendment to the Cooperative Brokerage Agreement, dated as of September 11, 2018, between REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp. \(incorporated by reference to Exhibit 10.4 of the Company's Form 10-Q filed on October 25, 2018\)](#)
- [10.77](#) † [Settlement Agreement and Full Release dated as of October 16, 2018 between Altisource S.à r.l. and Joseph A. Davila \(incorporated by reference to Exhibit 10.5 of the Company's Form 10-Q filed on October 25, 2018\)](#)
- [10.78](#) *† [Second Amended and Restated Employment Contract dated as of November 6, 2018 between Altisource Solutions S.à r.l. and Gregory J. Ritts](#)
- [10.79](#) *† [Employment Agreement effective as of August 1, 2017 between Altisource Solutions S.à r.l. and Marcello Mastioni](#)
- [10.80](#) *† [Non-Qualified Stock Option Award Agreement between the Company and Marcello Mastioni dated as of August 1, 2017](#)
- [10.81](#) *† [Restricted Share Award Agreement between the Company and Marcello Mastioni dated as of August 1, 2017](#)
- [10.82](#) *† [Altisource Portfolio Solutions S.A. Amended and Restated 2009 Equity Incentive Plan, dated as of November 12, 2018](#)
- [21.1](#) * [Subsidiaries of the Registrant.](#)
- [23.1](#) * [Consent of Independent Registered Public Accounting Firm \(Mayer Hoffman McCann P.C.\).](#)
- [31.1](#) * [Section 302 Certification of the Chief Executive Officer pursuant to Exchange Act Rule 13a-14\(a\).](#)
- [31.2](#) * [Section 302 Certification of the Chief Financial Officer pursuant to Exchange Act Rule 13a-14\(a\).](#)
- [32.1](#) * [Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101* Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Annual Report on Form 10-K for the year ended December 31, 2018 is formatted in XBRL interactive data files: (i) Consolidated Balance Sheets at December 31, 2018 and December 31, 2017; (ii) Consolidated Statements of Operations and Comprehensive Income (Loss) for each of the years in the three-year period ended December 31, 2018; (iii) Consolidated Statements of Equity for each of the years in the three-year period ended December 31, 2018 (iv) Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2018; (v) Notes to Consolidated Financial Statements; and (vi) Financial Statement Schedule.

* Filed herewith

** Portions of this exhibit have been redacted pursuant to a request for confidential treatment. The non-public information has been filed separately with the Securities and Exchange Commission.

† Denotes management contract or compensatory arrangement

SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS

For the years ended December 31, 2018, 2017 and 2016:

<i>(in thousands)</i>	Balance at Beginning of Period	Additions		Deductions Note ⁽²⁾	Balance at End of Period
		Charged to Expenses	Charged to Other Accounts Note ⁽¹⁾		
Deductions from asset accounts:					
Allowance for doubtful accounts:					
Year 2018	\$ 10,579	\$ 2,830	\$ (7)	\$ 2,519	\$ 10,883
Year 2017	10,424	5,116	(3,107)	1,854	10,579
Year 2016	18,456	1,829	250	10,111	10,424
Valuation allowance for deferred tax assets:					
Year 2018	\$ 46,283	\$ 468	\$ —	\$ —	\$ 46,751
Year 2017	3,467	42,816	—	—	46,283
Year 2016	3,558	228	—	319	3,467

⁽¹⁾ For allowance for doubtful accounts, primarily includes amounts previously written off which were credited directly to this account when recovered.

⁽²⁾ For allowance for doubtful accounts, amounts written off as uncollectible or transferred to other accounts or utilized.

SIGNATURES

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

Date: February 26, 2019

Altisource Portfolio Solutions S.A.

By: /s/ William B. Shepro

Name: William B. Shepro

Title: Director and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Michelle D. Esterman

Name: Michelle D. Esterman

Title: Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Timo Vättö</u> Timo Vättö	Chairman of the Board of Directors	February 26, 2019
<u>/s/ William B. Shepro</u> William B. Shepro	Director and Chief Executive Officer (Principal Executive Officer)	February 26, 2019
<u>/s/ Scott E. Burg</u> Scott E. Burg	Director	February 26, 2019
<u>/s/ W. Michael Linn</u> W. Michael Linn	Director	February 26, 2019
<u>/s/ Joseph L. Morettini</u> Joseph L. Morettini	Director	February 26, 2019
<u>/s/ Roland Müller-Ineichen</u> Roland Müller-Ineichen	Director	February 26, 2019
<u>/s/ Michelle D. Esterman</u> Michelle D. Esterman	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 26, 2019

**SECOND AMENDED AND RESTATED EMPLOYMENT CONTRACT DATED AS OF
NOVEMBER 6, 2018**

BY AND BETWEEN:

1. ALTISOURCE S.à r.l., a private limited liability company (*société à responsabilité limitée*) organised under the laws of the Grand Duchy of Luxembourg, with registered office at 40, Avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register under number B. 189519 (“S.à r.l.”) (hereinafter referred to as the “**Employer**”)

and

2. GREGORY J. RITTS (hereinafter referred to as the “**Employee**”)

The Employee and the Employer may hereinafter collectively be referred to as the “**Parties**”, each being a “**Party**”.

WITNESSETH:

WHEREAS, the Employee and the Employer previously entered into a First Amended and Restated Employment Contract, effective October 27, 2014; and

WHEREAS, the Parties now desire to further amend and restate Employee’s employment contract with the Employer, effective November 6, 2018, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, it has been agreed by and between the Parties as follows:

Article 1 - Definitions:

Amendment Date: the effective date of this Second Amended and Restated Employment Contract dated November 6, 2018;

Appointment or Employment: the employment of the Employee by the Employer on the terms of this Contract;

Cause: the occurrence of one or more of the following: (i) the willful misconduct by the Employee with regard to the Company which has a material adverse effect on the Company; (ii) the willful refusal of the Employee to attempt to follow the proper direction of the Chief Executive Officer (the “CEO”) and/or Chief Administration and Risk Officer (“CARO”) of the Company, which is not cured within thirty (30) days of receipt of a written notice from the Board which specifically identifies such purported failure by Employee, provided that the foregoing refusal by Employee shall not be “Cause” if such direction is illegal, unethical or immoral and Employee promptly so notifies the CEO and/

or the CARO of the Company and such notification specifically identifies the illegal, unethical or immoral nature of the direction; (iii) material and continuing failure by Employee to perform the duties required of him under the present Contract (other than any such failure resulting from incapacity due to physical or mental illness or where performance would constitute Good Reason) which is not cured within thirty (30) days of receipt of a written demand for substantial performance from the Board which specifically identifies the manner in which it is believed that Employee has substantially and continually refused to attempt to perform his duties hereunder; (iv) the Employee being convicted of a felony; (v) a material breach of this Contract, which is not cured within thirty (30) days of receipt of a written notice of such breach from the Board specifically identifying the manner in which it is believed that Employee has materially breached this Contract, or (vi) drunkenness or the possession of narcotics on Company property, willful or material damage to the Company's property or repeated or material violations of Company policies, provided that such Company policy violations have not been cured within thirty (30) days of receipt of written notice which specifically identifies the policies at issue. No act, or failure to act, on Employee's part shall be considered "willful" unless done, or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interests of the Company. The definitions of Cause set forth in Employee's existing equity award agreements shall be deemed to be replaced in their entirety by the definition of Cause set forth in this paragraph. Notwithstanding the foregoing, Employee shall only have the opportunity to cure under clauses (ii), (iii), (v) and (vi) to the extent that the circumstance(s) giving rise to Cause is/are in the reasonable good faith judgment of the Managers of the Employer susceptible to cure, and Employee has not previously cured any other circumstance giving rise to Cause under this Agreement in the preceding twelve (12) month period.

Change of Control: the occurrence of any one or more of the following: (i) the acquisition by any person or entity, or two or more persons and/or entities acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), of outstanding shares of voting stock of Altisource Portfolio Solutions S.A. ("ASPS") at any time if after giving effect to such acquisition, and as a result of such acquisition, such person(s) or entity(ies) own more than fifty percent (50%) of such outstanding voting stock, (ii) the sale in one or more transactions of substantially all of the Company's assets to any person or entity, or two or more persons and/or entities acting in concert, or (iii) the merger, consolidation or similar transaction resulting in a reduction of the interest in ASPS stock of the pre-transaction shareholders to less than fifty percent (50%) of the post-transaction ownership. Notwithstanding anything herein to the contrary, the definition of Change of Control set forth herein shall not be broader than the definition of "change in control event" as set forth under Section 409A of the Internal Revenue Code of 1986, as amended, and the guidance promulgated thereunder, and if a transaction or event does not otherwise fall within such definition of change in control event, it shall not be deemed a Change of Control for purposes of this Contract. Where applicable, the definitions of Change of Control set forth in Employee's existing equity award agreements shall be deemed to be replaced in their entirety by the definition of Change of Control set forth in this paragraph.

Company: the Employer, its parent company and its subsidiaries;

Confidential Information: information (of any nature and in any format) which is not in the public domain, relating to the business, products, affairs and finances of the Employer;

Contract: the present unlimited period Second Amended and Restated Employment Contract;

Good Reason: the occurrence or failure to cause the occurrence, as the case may be, without Employee's express written consent of any of the following circumstances, which is not cured within ninety (90) days after written notice thereof by the Employee to the Employer: (i) any substantial unreasonable material diminution of Employee's positions, duties or responsibilities hereunder (except in each case in connection with the termination of Employee's employment for Cause or disability or as a result of Employee's death, or temporarily as a result of Employee's illness or other absence), (ii) removal of the Employee from executive positions with the Employer or ASPS without election or appointment to an equal or higher position, (iii) a change in the reporting structure such that Employee no longer directly reports to the CARO or the CEO, (iv) Employer action that results in a materially negative change in the compensation or benefits of Employee (which, for the avoidance of doubt, shall not include (a) the failure to allow Employee to continue to participate in a Long-Term Incentive Plan, other incentive plan or other benefits if such benefits are discontinued, temporarily or permanently, for other similarly-situated executives) or (b) a reduction of Employee's incentive compensation, whether material or not, where such reduction results from the failure to meet applicable achievement criteria), (v) a material change required by the Company in the geographic location at which Employee must perform the services (for the avoidance of doubt, in no event will a change in geographic location within the Grand Duchy of Luxembourg constitute a "material change" in geographic location) or (vi) any material breach by the Employer of any provision of this Agreement; provided however that in all such circumstances identified in clauses (i) through (vi), "Good Reason" will not exist and will not be a Qualifying Event unless the relevant circumstance occurs or fails to occur, as the case may be, prior to September 24, 2020 and William Shepro is no longer serving as the Chief Executive Officer of ASPS at the time such circumstance occurs or fails to occur.

Incapacity: any illness or injury which prevents the Employee from carrying out his duties; and

Rules and Regulations: any internal rules and regulations which may be periodically prepared by the Company and which apply to all its employees including the Employee.

Article 2 - Duties and Nature of Service

(a) Employee's employment shall continue under this Second Amended and Restated Employment Contract commencing on the Amendment Date and Employee shall fulfill the position of Chief Legal and Compliance Officer. As such, he will execute tasks and have such responsibilities including, but not limited to, the following:

- Providing legal and regulatory advice and counsel, expertise and leadership relating to all aspects of the Company's legal matters, including litigation and governmental investigations management, as well as legal

and compliance risk mitigation, general corporate law and governance;

- Department Administration; managing the Law and Compliance Department, consisting of Transactions, Litigation, etc.;
- Setting quality and service standards, arranging appropriate training, developing form documents, managing the department's budget, billing, collections and vendors, and managing staffing assignments and workloads;
- Directing the defense of the organization against suits or claims and prepares prosecution of the organizations claims against others; managing a coordinated legal approach to respond to parallel internal investigations in support of simultaneous civil litigation and federal and state inquiries;
- Supervising and managing the provision of legal services, through either internal personnel or external counsel, to meet the strategic objectives of the organization; actively managing legal issues to minimize risk and costs for the organization; serving as primary contact with outside counsel;
- Ensuring that legal procedures, legal policies and documentation are in place to support the business from a financial and regulatory perspective; monitoring the effectiveness of legal risk controls and identifying and remedying control gaps; and
- Such other responsibilities as deemed appropriate by the Managers of the Employer.

The Parties hereby acknowledge and accept that considering the nature of the Employee's activities it is impossible to provide a comprehensive description of the activities to be performed by him, which shall include all the tasks that are directly or indirectly necessary or useful for the performance of the concerned duties.

- (b) The Employee shall serve the Employer on the terms of this Contract and accept the aforementioned position. The Employee shall work for the Employer in this position or in any other similar position, which the Employer may assign to him over the course of time.
- (c) The Employment will take place in such various geographical locations, including abroad, as may be reasonably designated by the Employer. The Employee consents that the geographical location of the Employment is not a substantive clause of this Contract. The Head Office of the Employer is 40, Avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg.
- (d) The Employee expressly confirms that he is not bound to any other company, firm or entity by a non-competition or any other such clause which would prevent him from signing the present Contract.
- (e) The Employee shall undertake to inform the Employer immediately in writing of any changes in his personal situation such as his address, family status or number of children. The Employer shall treat all such information confidentially.
- (f) The Employee warrants that, as of the Amendment Date, he is entitled to work in Luxembourg without any additional approvals and will notify the Employer immediately if he ceases to be so-entitled during the Employment.

- (g) The Employee shall comply with all the rules, policies and procedures set out in the internal Rules and Regulations, which shall be established over the course of time by the Company and a copy of which will be made available to the Employee once adopted. Such Rules and Regulations may be modified at any time and do not form part of this Contract. In the event of conflict between the terms of this Contract and the terms of the Rules and Regulations, this Contract shall prevail.

Article 3 - Duration

- (a) Either Party may terminate this Contract in writing, giving the other no less than the following legal prior notice, in accordance with article L.124-1 of the Luxembourg Labor Code:

In the case of the dismissal of the Employee by the Employer, the latter must respect a minimum prior notice of:

- Two (2) months if the term of the Employment is under five (5) years
- Four (4) months if the term is between five (5) and ten (10) years
- Six (6) months if the term of the Employment is over ten (10) years

In the case of the resignation of the Employee, the following prior notice must be given:

- One (1) month if the term of the Employment is under five (5) years
- Two (2) months if the term is between five (5) and ten (10) years
- Three (3) months if the term of the Employment is over ten (10) years

The respective prior notice will run from the fifteenth (15th) day of the month if notice was given before such a date, or from the first (1st) day of the following month if notice was given after the fifteenth (15th) of the month.

The Employer reserves the right to pay salary in lieu of notice for all or any part of the notice period.

- (b) In accordance with article L.124-7 of the Luxembourg Labor Code, if the Employee is dismissed for reasons other than the gross misconduct described in article L.124-10, the Employer shall pay the Employee as severance:

- One (1) month's gross base salary if the term of the Employment is between five (5) and ten (10) years
- Two (2) months' gross base salary if the term of the Employment is between ten (10) and fifteen (15) years
- Three (3) months' gross base salary if the term of the Employment is over fifteen (15) years

Any amounts paid to the Employee pursuant to Article 8 of this Contract will be inclusive of any payments required under article L.124-7 of the Luxembourg Labor Code as set forth in this Article 3(b).

- (c) To the extent that Employee is terminated by the Employer for reasons other than for Cause, the Employer will pay additional amounts to the Employee as set forth in Article 8 of this Contract pursuant to and contingent upon the execution of a general release of claims in the form provided by the Employer (the "Employer's Release Agreement").

- (d) Notwithstanding the above, the Employer may terminate the Contract with immediate effect without notice and with no liability to make any further payment to the Employee (other than in respect of amounts accrued due and unpaid at the date of termination) if the Employee commits any act or misconduct rendering the working relationship under the Employment immediately and durably impossible to maintain, in accordance with article L.124-10 of the Luxembourg Labor Code.
- (e) The Contract will automatically terminate by operation of the law on the date on which the Employee is declared to be medically unable to perform his duties under the Contract by the pre-employment, or any subsequent, medical examination; on the fifty-second week of continual Incapacity over any one hundred and four week period; when the Employee reaches the legal retirement age or is attributed an old-age pension or any other of the provisions specified under articles L.125-2 to L.125-4 of the Luxembourg Labor Code.

Article 4 - Remuneration

- (a) The Employee's annual gross base salary is 370,608 Euros, as of the Amendment Date (based on the latest revision to Employee's salary prior to the Amendment Date which took place on August 1, 2018). **This annual gross base salary shall be payable in twenty four (24) instalments.**
- (b) In accordance with article L.223-1 of the Luxembourg Labor Code, the salary shall be adapted and vary proportionally with the variations of the index of cost of living in the Grand Duchy of Luxembourg. The above salary has been fixed in consideration of the index applicable at the date on which this employment agreement becomes effective (Salary Index at the time of the Amendment Date: 814.40 as of August 1, 2018).
- (c) The Employee's salary shall accrue from day to day and be paid in arrears twice monthly directly into the Employee's bank account. The Employee shall inform the Employer of all necessary details relating thereto.
- (d) The Employer hereby informs the Employee that in order to fulfill the obligations under the Contract and to pay his salary, the following information about the Employee may be transmitted: his name, address, civil status, date of birth, any documents given during the recruiting and employment proceedings (including the curriculum vitae), the employment agreement and salary, proof of payment, all raises or modifications of salary, the hours effectively worked, any correspondence with the employees as well as all other documents relating to the Contract (such as holiday requests or Incapacity certificates). The Employee consents to the transfer of the above personal information within the group of companies of the Employer, including outside of the European Union, as contemplated by Article 19 Paragraph 1(a) of the Luxembourg law on Data Protection of August 2, 2002. The Employee is permitted to access the above information and may demand the rectification of any error thereupon.

- (e) Upon satisfaction of the relevant performance criteria in accordance with Altisource's Incentive Plan, as amended from time to time by the Employer in its sole discretion, the Employee may be entitled to an annual discretionary bonus as per a scorecard as amended from time to time. At the target performance level, as of the Amendment Date, the Employee can anticipate earning approximately 240,000 United States Dollars in incentive compensation on an annual basis, less applicable withholding taxes (based on the latest revision to Employee's incentive compensation target prior to the Amendment Date which took place on August 1, 2017). The annual incentive may be paid in a combination of cash and restricted share units (or other similar equity instrument).
- (f) There is no legal entitlement to the annual bonus and payment is at the sole discretion of the Employer. Any target incentive will be prorated for the actual time that the Employee has worked for the Employer during the applicable working year. Payment of the incentive will be made in USD or EUR at the then-applicable USD to EUR exchange rate at the Employee's sole discretion.
- (g) The Employee will be eligible for certain Relocation and Expatriate Benefits while employed in Luxembourg in accordance with the Altisource Relocation Plan provided to the Employee by the Employer.
- (h) It is expressly agreed that any bonus, premium or any other fringe benefits not arising from any legal or contractual provision or regulation, granted to the Employee, shall be deemed to be a gift, whatever their frequency and their amount and may therefore not be considered as vested rights to the benefit of the Employee.
- (i) The salary and other benefits of the Employee shall be payable after deduction of all compulsory contributions to the social security system (if applicable) in existence in Luxembourg and after deduction of the retentions at source of income tax (if applicable) and, should the case arise, any other charges imposed by Luxembourg Law.
- (j) The Employee's remuneration may be periodically revised by the Employer without requiring a written amendment to this Contract.

Article 5 - Working Hours and Holidays

- (a) The working hours shall be fixed in accordance with the applicable legal provisions in the Grand-Duchy of Luxembourg and the Employee's salary is based on a minimum average of forty (40) working hours per week and eight (8) hours per day scheduled in principle from Monday to Friday. The Employee hereby acknowledges that general working hours or overtime statutory provisions are not applicable to his position as a higher level employee ("*cadre supérieur*") within the meaning of article L.211-3 of the Luxembourg Labor Code, and in accordance with article L.211-27 (4) of the Luxembourg Labor Code. Working hours may thus vary according to the Employer's requirements.

- (b) The Employee shall have the right to twenty-five (25) days of paid annual leave, in addition to the Luxembourg public holidays, notwithstanding article L.233-4 of the Luxembourg Labor Code's provisions.
- (c) The Employee will respect a reasonable delay between requesting leave from the Employer and taking it, in order to not perturb the functioning of the Employer in accordance with article L.233-10 of the Luxembourg Labor Code. The Employer shall respect the Employee's request to the extent that the request does not perturb the functioning of the Employer or conflict with other employees' leave.
- (d) The Employee shall take, and the Employer shall allow the Employee to take, his accumulated leave in full before the end of each calendar year, in accordance with articles L.233-9 and L.233-10 of the Luxembourg Labor Code.
- (e) In the event that business reasons prevent the Employee from taking all his annual leave entitlement during the calendar year, he may transfer the remaining leave entitlement to the next calendar year, in which case they shall expire on the 31st of March, unless prevented again by business reasons.

Article 6 - Incapacity

- (a) The Employee who is incapable of working for any reason of illness or accident shall notify the Employer or his representative as soon as possible on the first day of Incapacity, either personally or by way of an intermediary. Such notification may be made orally or in writing.
- (b) The Employee has three (3) days to provide the Employer with a medical certificate in which the beginning and the expected duration of disability is stated. The Employer reserves the right to request a medical counter examination.
- (c) Subject to the Employee's compliance with the provisions of the Luxembourg Labor Code, he shall, in principle, continue to receive his full salary and contractual benefits (if any) from the Employer during the initial sickness period provided by article L.121-6 of the Luxembourg Labor Code.

Article 7 - Confidential Information / Employer properties

- (a) The Employee shall treat as confidential all information concerning the activities of the Company, and he shall not disclose to third parties, or to other employees, any information of which he may have been made aware during the present Contract, notwithstanding that which is reasonably necessary to permit normal performance of their respective duties by the parties concerned.
- (b) The Employee undertakes both during this employment with the Employer and at any time after the termination thereof not to perform or participate in any act of unfair competition.

- (c) Any breach of this obligation occurring while the Contract is in place, shall constitute a serious fault rendering immediately and definitively any further relationship between the Employer and the Employee impossible and justifying the immediate dismissal of the Employee without any notice or indemnity and without prejudice to any further proceedings or claims which may be exercised by the Employer.
- (d) All notes, reports, listings, files, documents, and contacts howsoever related to the Employer are and shall remain the exclusive property of the Employer and shall be created, processed, and stored by the Employee in a confidential manner exclusively on behalf of the Employer.
- (e) When the present Contract shall come to an end, the Employee must return to the Employer all documents as well as copies of such documents which may be in the possession of or under the control of the Employee, and the Employee undertakes to do everything to assist the Employer to recover all documents which may be beyond the control of the Employee.

Article 8 - Payments Upon Certain Events.

- (a) In the event that (i) Employee's employment with the Company is terminated by the Company other than for Cause (as defined in Article 1) prior to September 24, 2020, (ii) Employee resigns from his employment with the Company for Good Reason (as defined in Article 1) prior to September 24, 2020 or (iii) a Change of Control (as defined in Article 1) occurs and Employee is employed at the time the Change of Control occurs (each, a "Qualifying Event"), then, subject to satisfaction of the condition set forth in Article 8(g):
 - the Company shall pay Employee a one-time lump sum cash payment equal to (i) twelve (12) months of his then-current base salary plus (ii) one (1) year's annual incentive compensation (calculated at one hundred percent (100%) of his then-current Target Amount (as defined below)); and
 - if a Qualifying Event occurs after October 1st of a calendar year and before the annual incentive compensation for such calendar year is paid, the Company shall pay Employee a lump sum payment for his annual incentive compensation for such year based on actual performance results (such payment to be prorated to the date of the Qualifying Event if the Qualifying Event occurs between October 1st and December 31st of such calendar year).

For the avoidance of doubt, for purposes of this Contract, the date of termination without Cause, shall be Employee's last day of employment after expiration of any notice periods.

- (b) In addition to the payments set forth in Article 8(a) above, subject to satisfaction of the condition set forth in Article 8(g) and notwithstanding anything to the contrary in the applicable award agreement(s), upon a Qualifying Event, Employee would also be entitled to:

- the immediate vesting of any then-outstanding service-based stock options (or the cash intrinsic value thereof at the Company's option) granted pursuant to his Non-Qualified Stock Option Award Agreement dated as of August 29, 2016);
 - the immediate vesting of any then-outstanding service-based restricted shares (or the cash intrinsic value thereof at the Company's option) granted pursuant to his Restricted Share Award Agreement dated as of April 15, 2015; his Restricted Share Award Agreement dated as of April 7, 2017; his Restricted Share Award Agreement dated as of July 27, 2017 and his Restricted Share Award Agreement dated as of November 13, 2017;
 - the immediate vesting of any then-outstanding restricted stock units (or the cash intrinsic value thereof at the Company's option) granted pursuant to his Restricted Stock Unit Award Agreement dated as of February 12, 2018;
 - the vesting of any then-outstanding market-based stock option awards (or the cash intrinsic value thereof at the Company's option) granted pursuant to his Non-Qualified Stock Option Award Agreement dated as of October 1, 2014, his Non-Qualified Stock Option Award Agreement dated as of August 29, 2016; and his Non-Qualified Stock Option Award Agreement dated as of July 27, 2017; *provided that* the relevant market hurdles for such stock options have been met prior to the Qualifying Event or within ninety (90) days thereafter, with the vesting occurring on the later of the date of the Qualifying Event or the date such market hurdles are met; and
 - the vesting of any then-outstanding performance-based stock option awards (or the cash intrinsic value thereof at the Company's option) granted pursuant to his Non-Qualified Stock Option Award Agreement dated as of April 7, 2017 (based on service revenue targets) and his Non-Qualified Stock Option Award Agreement dated as of February 12, 2018 (based on 2018 Adjusted EPS targets); *provided that* the relevant performance hurdles for such stock options have been met prior to the Qualifying Event or within ninety (90) days thereafter, with the vesting occurring on the later of the date of the Qualifying Event or the date such performance hurdles are met; provided that the number of stock options that will so vest shall be determined in accordance with the terms of the applicable award agreement and related Exhibit A based on the degree of achievement of the performance goals set forth therein.
- (c) Any stock options vesting as a result of the occurrence of a Qualifying Event and subsequent satisfaction of the condition set forth in Article 8(g), shall be exercisable as follows:

- if the Qualifying Event is a Qualifying Event as defined under Article 8(a)(i) and (ii), the vested stock options shall be exercisable for a period of six months from the date such stock options vest and, thereafter, shall terminate; and
 - if the Qualifying Event is a Change of Control, as defined under Article 8(a)(iii), the vested stock options shall be exercisable for a period ending on the later of (i) the (6) month anniversary of the date such stock options vest or (ii) the six (6) month anniversary of the date of Employee's last day of employment with the Company and, thereafter, shall terminate.
- (d) Except as provided in (i) Article 8(b) and (c), (ii) the definitions of "Cause," "Change of Control" and "Good Reason" in Article 1 above and (iii) Article 10(a) below, all terms of Employee's equity award agreements shall otherwise govern the treatment of Employee's equity awards in all aspects.
- (e) In the event Employee is still employed by the Company on September 24, 2020, not serving a notice period, and no Change of Control has occurred ("Retention Date"), the Company shall pay Employee a one-time lump sum cash payment equal to (i) twelve (12) months of his then-current base salary plus (ii) an amount equal to one (1) year's annual incentive compensation (calculated at one hundred percent (100%) of his then-current Target Amount (as defined below)).
- (f) As used herein, the term "Target Amount" shall refer only to the amount of Employee's incentive compensation at the target performance level pursuant to Article 4(e) herein, and shall exclude any target compensation under the Company's Long-Term Incentive Plan or any other plan or program that may be implemented by the Company.
- (g) It is an express condition to the payment of any amount or post-termination benefit called for under this Article 8 that Employee shall execute the Employer's Release Agreement that becomes irrevocable pursuant to its terms no later than sixty (60) days (or such shorter period set forth in the Employer's Release) following the Qualifying Event or Retention Date, as applicable.
- (h) Notwithstanding anything herein to the contrary, the amounts paid under this Article 8 will include any payments required under article L.124-7 of the Luxembourg Labor Code as referenced in Article 3(b) above.
- (i) Employee and the Employer intend for all payments under this Article 8 to be exempt from Section 409A of the US Internal Revenue Code of 1986, as amended ("Code"), including without limitation under the short-term deferral exempt set forth in Treasury Regulation Section 1.409A-1(b)(4) and the separation pay exemptions set forth in Treasury Regulation 1.409A-1(b)(9). For purposes of Section 409A of the Code, each payment of compensation or benefits under this Article 8 shall be treated as a separate payment. Notwithstanding the foregoing, if any amount or benefit otherwise payable under this Article 8 in the event of Employee's termination of

employment constitutes “nonqualified deferred compensation” within the meaning of Code Section 409A, payment of such amount or benefit shall commence when the Employee incurs a “separation from service” within the meaning of Treasury Regulation 1.409A-1(h), without regard to any of the optional provisions thereunder, from the Employer and any entity that would be considered a single employer with the Employer under Code Section 414(b) or 414(c) (“Separation from Service”). Such payments or benefits shall be provided in accordance with the timing provisions of this Contract by substituting the Contract’s references to “termination of employment” or “termination” with Separation from Service. In addition, if at the time of Employee’s Separation from Service the Employee is a “specified employee” within the meaning of Code Section 409A(a)(2)(B)(i), any amount or benefit that constitutes “nonqualified deferred compensation” within the meaning of Code Section 409A that becomes payable under this Article 8 to Employee on account of the Employee’s Separation from Service will not be paid until after the earlier of (i) first business day of the seventh month following Employee’s Separation from Service, or (ii) the date of the Employee’s death (the “409A Suspension Period”). Within 14 calendar days after the end of the 409A Suspension Period, the Employee shall be paid a cash lump sum payment equal to any payments and benefits that the Company would otherwise have been required to provide under Article 8 of this Contract but for the imposition of the 409A Suspension Period delayed because of the preceding sentence. Thereafter, the Employee shall receive any remaining payments and benefits due under this Contract in accordance with the terms of Article 8 (as if there had not been any Suspension Period beforehand).

Article 9 - Other Obligations

- (a) Throughout the duration of this Contract, the Employee will work exclusively for the Employer and will not take up any other occupation or engage in any act which is directly or indirectly competitive with the business of the Employer or any of its affiliated companies and to its detriment.
- (b) Throughout the duration of this Contract, the Employee shall not have any direct or indirect interest in any other business or organisation if that business or organisation competes or might reasonably be considered by the Employer to compete with the Company or any of its affiliated companies or if this impairs or might reasonably be considered to impair the Employee’s ability to act in the best interests of the Company or any of its affiliated companies.

Article 10 - Non-competition and Non-solicitation

- (a) In consideration of the Employment and the salary and other compensation and benefits payable under this Contract (including but not limited to any payments that may be made pursuant to Article 8 above or Article 10(c) below, as applicable), during a twenty-four (24) month period following the date upon which his service under this Contract terminates or expires, the Employee hereby undertakes that he will not run within the Grand Duchy of Luxembourg or in the United States of America a personal business similar or in competition with the business

of the Company nor enter into an employment contract with a business similar or in competition with the business of the Company. In that regard, the Employee shall not directly or indirectly on his own behalf, or in the service of or on behalf of others, engage in, provide any executive, managerial, supervisory, sales, marketing, research, or customer-related services to, or own (other than ownership of less than one percent (1%) of the outstanding voting securities of any entity the voting securities of which are traded on a national securities exchange) a beneficial or legal interest in, any business (other than the Company) which (i) concerns the business of the Company or any affiliate thereof or (ii) is competitive or likely to be competitive with the business of the Company or any affiliate thereof. The non-competition covenants set forth in Employee's existing equity award agreements shall be deemed to be replaced in their entirety by the non-competition covenant set forth in this Article 10(a).

- (b) The Employee agrees that he will disclose the existence of his obligations pursuant to Article 10 of this Contract to any potential employer prior to accepting employment.
- (c) If the Employee's employment ends and a Qualifying Event has not taken place, in consideration of the obligations set forth in Article 10(a) above, and in addition to any amounts owed pursuant to articles L.124-1 and L.124-7 of the Luxembourg Labor Code (as set forth in Articles 3(a) and 3(b) herein), the Employer will pay to the Employee four (4) months of his gross base salary. The Employer will pay the Employee these additional severance amounts subject to the Employee's execution of the Employer's Release Agreement.
- (d) Throughout the duration of this Contract and for a period of twenty-four (24) months following its termination, the Employee will not, directly or indirectly, solicit or hire or assist any other person or entity in soliciting or hiring any employee of the Company or any of its affiliated companies to perform services for any entity (other than the Company or any other affiliated companies), or attempt to induce any such employee to leave the Company or any of its affiliated companies.
- (e) Throughout the duration of this Contract and for a period of twenty-four (24) months following its termination, the Employee will not, directly or indirectly, solicit or hire or assist any other person or entity in soliciting or hiring any client of the Company or any of its affiliated companies, or attempt to induce any such client to leave the Company or any of its affiliated companies.
- (f) Any breach of these obligations shall constitute a serious fault and might give raise to one or several claims or proceedings to be exercised by the Company before the courts and authorities concerned.
- (g) The Employee expressly agrees that the provisions of Article 10 of the Contract may be enforced against him in any court or competent jurisdiction in the United States.

- (h) In the event that this article is determined by a court which has jurisdiction to be unenforceable in part or in whole, the court shall be deemed to have the authority to revise any provision of this Contract to the minimum extent necessary to be enforceable to the maximum extent permitted by law.

Article 11 - Intellectual property

- (a) Any inventions, devices or concepts, as well as any result of research, any original creation or program, related to the field of activity of the Company and made or developed by the Employee during his employment and for a period of one (1) year after termination of such relationship for whatsoever reason, belongs to the exclusive legal and beneficial ownership of the Employer, in accordance with the relevant provisions of patent and copyright laws applicable in Luxembourg.
- (b) The Employee hereby grants, assigns and conveys to the Employer all right, title, and interest in and to all inventions, devices or concepts, as well as any result of research, any original creation or program, and all other materials (as well as the copyrights, patents, trade secrets, and similar rights attendant hereto) conceived, reduced to practice, authored, developed or delivered by the Employee either solely or jointly with others, during and in connection with the performance of services under the Contract with the Employer.
- (c) The Employee shall have no right to disclose or use any such inventions, devices or concepts, as well as any result of research, any original creation or program, and all other materials for any purpose whatsoever and shall not communicate to any third party the nature of or details relating to such inventions, devices or concepts, as well as any result of research, any original creation or program, and all other materials.
- (d) The Employee agrees that he will comply with all obligations set forth in the Employee Intellectual Property Agreement provided by the Employer and incorporated herein by this reference.

Article 12 - Use of information technologies

The Employee undertakes not to use the Internet with the Company's hardware if such activity does not comply with applicable law and public order, and if it adversely affects the Company's interests.

Article 13 - Data protection

- (a) As part of the performance of the Contract, as required by law or for the Employer's legitimate interests, the Employer may process personal data on the Employee prior, during and after the Employment. Details on such processing and on the rights of employees can be found in the Human Resources section of the Company's intranet.

- (b) The Employee acknowledges that he has been informed that the Employer will be responsible for the processing of his personal data, such as his name, address, social security number, bank details, photo, as well as any personal information necessary for personnel management and salary administration.
- (c) The Employee acknowledges that his personal data may be transferred to affiliates. A copy of the legal basis for the transfer of data to third countries will be made available in the Human Resources section of the Company's intranet.
- (d) The Employees' data will be held by the Employer for as long as legally required and processed in accordance with applicable personal data protection legislation and regulations.
- (e) The Employer hereby informs the Employee of, without limitation, his rights of access, deletion and rectification of his personal data, as well as of his right of complaint to the local data protection authority and his right to object to the processing of, or illegal use of, personal data, in accordance with the applicable legal provisions on data protection.

Article 14 - Miscellaneous

- (a) All notices and other communications provided for hereunder shall be in English and in writing, delivered by hand or by registered or certified mail (return receipt requested) and delivered or addressed to the addressee at its address below (or any other address it may subsequently notify in writing to the other Party):

If to the Employer, to:

Address: 40, Avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg (or any other address that becomes corporate headquarters and published in the Luxembourg Gazette ("*Mémorial*"), with an electronic copy to KevinJ.Wilcox@altisource.lu)

Attention: Kevin J. Wilcox

If to the Employee, to:

Address: In Luxembourg, address communicated separately

Attention: Gregory J. Ritts

The date on which a notice shall be deemed validly given shall be the date of its receipt by the addressee, i.e. the date appearing on the acknowledgment or refusal of receipt or the addressee's countersignature.

- (b) No amendment or waiver of any provision of this Contract, nor consent to or departure by either Party therefrom, nor any subsidiary agreement relating to the subject matter of this Contract, shall in any event be valid unless it is in writing and signed by or on behalf of both Parties.

(c) The possible nullity or non-applicability of one or more provisions of the present Contract shall not result in the nullification of the entire Contract.

Article 15 - Governing Law and Jurisdiction

Except for breaches of the provisions of Article 10 herein, the present Contract shall be governed, interpreted and performed by and in accordance with the law in force in the Grand- Duchy of Luxembourg. Except for breaches of the provisions of Article 10 herein, each Party expressly agrees to submit to the exclusive jurisdiction of the Courts of Luxembourg over any claim or matter arising under.

Article 16 - Contractual Interpretation

If any provision of this Contract is held to be unenforceable, then this Contract will be deemed amended to the extent necessary to render the otherwise unenforceable provision, and the rest of the Contract, valid and enforceable. If a court declines to amend this Contract as provided herein, the invalidity or unenforceability of any provision of this Contract shall not affect the validity or enforceability of the remaining provisions, which shall be enforced as if the offending provision had not been included in this Contract.

In witness whereof the present Contract has been signed in duplicate and each of the Parties acknowledges having received one original version.

The Employer

Altisource S.à r.l.

/s/Kevin J. Wilcox

By: Kevin J. Wilcox, Manager

Date: November 6, 2018

The Employee

/s/Gregory J. Ritts

By: Gregory J. Ritts

Date: November 6, 2018

EMPLOYMENT CONTRACT OF INDEFINITE DURATION

BY AND BETWEEN:

1. ALTISOURCE SOLUTIONS S.à r.l., a private limited liability company (*société à responsabilité limitée*) organised under the laws of the Grand Duchy of Luxembourg, with registered office at 40, avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register under number B. 147268 (“S.à r.l.”) (hereinafter referred to as the “**Employer**”); and
2. Marcello Mastioni born on 15 October 1975 in Milan, Italy and currently residing at [address] (hereinafter referred to as the “**Employee**”)

The Employee and the Employer may hereinafter collectively be referred to as the “**Parties**”, each being a “**Party**”.

It has been agreed by and between the Parties as follows:

Article 1 - Definitions:

Appointment or Employment: the employment of the Employee by the Employer on the terms of this Contract.

Commencement Date: August 1, 2017 (contingent upon the satisfactory completion of the Swiss criminal background check).

Company: the Employer, its parent companies, subsidiaries, and their respective successors and assigns.

Confidential Information: information (of any nature and in any format) which is not in the public domain, relating to the business, products, affairs and finances of the Employer.

Contract: the present unlimited period employment contract.

Good Reason: (a) any substantial unreasonable material diminution by the Employer of the Employee’s positions, duties or responsibilities hereunder (except in each case in connection with the termination of the Employee’s employment for the gross misconduct described in article L.124-10 or as a result of the Employee’s death or disability, or temporarily as a result of the Employee’s illness or other absence), (b) the assignment by the Employer to the Employee of duties or responsibilities that are materially inconsistent with the Employee’s position or (c) any other material breach by the Employer of this Contract; provided, however, that in each case: (i) the Employee gives written notice to the Employer of the facts and circumstances constituting the breach within thirty (30) days following the Employee’s knowledge of the occurrence of the breach; (ii) the Employer fails to remedy the breach within thirty (30) days following the Employee’s written notice of the breach; and (iii) the Employee terminates his employment within thirty (30) days following the Employer’s failure to remedy the breach. Notwithstanding

the foregoing, in no event shall the designation or non-designation of the Employee as a Section 16 Officer of Altisource Portfolio Solutions S.A. or as a member of the board of directors of any entity of the Company be considered to constitute Good Reason.

Incapacity: any illness or injury which prevents the Employee from carrying out his duties.

Rules and Regulations: any internal rules and regulations which may be periodically prepared by the Company, which (a) apply to similarly situated employees including the Employee and (b) have been effectively and expressly brought to the Employee's attention and made available to him.

Restrictive Period: for purposes of Article 9 (a):

- (a) if the Contract terminates within the first twelve (12) months of Employment, the Restrictive Period shall be the twelve (12) month period following the date on which the Contract terminates
- (b) if the Contract terminates between twelve (12) and thirteen (13) months of Employment, the Restrictive Period shall be the eleven (11) month period following the date on which the Contract terminates
- (c) if the Contract terminates between thirteen (13) and fourteen (14) months of Employment, the Restrictive Period shall be the ten (10) month period following the date on which the Contract terminates
- (d) if the Contract terminates between fourteen (14) months and fifteen (15) months of Employment, the Restrictive Period shall be the nine (9) month period following the date on which the Contract terminates
- (e) if the Contract terminates between fifteen (15) and sixteen (16) months of Employment, the Restrictive Period shall be the eight (8) month period following the date on which the Contract terminates
- (f) if the Contract terminates between sixteen (16) months and seventeen (17) months of Employment, the Restrictive Period shall be the seven (7) month period following the date on which the Contract terminates
- (g) if the Contract terminates after 17 months of Employment, the Restrictive Period shall be the six (6) month period following the date on which the Contract terminates.

Section 16 Officer: an executive officer for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

Article 2 - Duties and Nature of Service

- (a) The Employer shall employ the Employee from the Commencement Date to fulfill the position of President, Real Estate Marketplace. The Employee will have the responsibilities enumerated in Article 2(b) below, or such other authority, functions, duties, powers and responsibilities as may be assigned to the Employee from time to time by the Managers of the Employer consistent with the Employee's position with the Company. The Parties hereby

acknowledge and accept that considering the nature of the Employee's activities it is impossible to provide a comprehensive description of the activities to be performed by him, which shall include all the tasks that are directly or indirectly necessary or useful for the performance of the concerned duties further to reasonable and common international standards. The Parties further acknowledge and agree that this position is an initial position that is likely to evolve over time, and that any change to the Employee's responsibilities or title shall not require an amendment to this Contract; provided that any material change to the Employee's responsibilities or change to the Employee's title shall be subject to written confirmation of approval by the Employee.

(b) Employee's initial responsibilities will include, but not be limited to, the following:

- Providing strategic leadership, managing all operations and P&L responsibility for Altisource's Real Estate Marketplace businesses, including by: (i) leading development of revenue growth strategies; (ii) developing the business strategies in line with market opportunities and the vision, mission and financial objectives of the Company; (iii) collaborating across the Company to implement marketplace services and to develop new products, processes and technologies;
- Driving organizational capabilities by: (i) assessing organizational requirements for talent, technology and market presence and developing plans to meet those requirements; (ii) attracting, retaining and enabling a team of world class professionals; (iii) structuring the business units for optimal efficiency and effectiveness; and (iv) developing a strong team of market and product owners and designers through effective leadership and team development;
- Building the organizational culture and brand by: (i) championing the Altisource values; (ii) driving an environment of compliance, customer centricity, innovation and performance; and (iii) acting as the Company's ambassador and captivating the national stage through presentations, trade journal articles and appropriate press coverage; and
- Such other responsibilities as deemed appropriate by the Managers of the Employer.

(c) The Employee shall serve the Employer on the terms of this Contract and accepts the aforementioned position. The Employee shall work for the Employer in this position or in any other similar position, which the Employer may assign to him over the course of time. Notwithstanding anything in this Contract to the contrary, the Employee understands and agrees that the Employment is contingent upon the satisfactory completion of the Swiss criminal background check.

(d) The Employment will take place in such various geographical locations, including abroad, as may be reasonably designated by the Employer, provided that the standard of life and economic conditions are equivalent to those of the Grand Duchy of Luxembourg and that the new role is at least equivalent in terms of position level and remuneration. The Employee further expressly agrees to work, to be posted and even to be transferred to another entity of the Company if such entity is located in the U.S. or in the E.U., and provided that the destination country and the new role meet the conditions above.

- (e) The registered office of the Employer is 40, avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg. The Employee shall carry out his duties in the Grand-Duchy of Luxembourg or at such other place as instructed by the Employer within the framework and limits described in Article 2(d) above. The Employee shall undertake all national and international business travels justified by the business needs and his function.
- (f) The Employee expressly confirms that he is not bound to any other company, firm or entity by a non-competition or any other such clause which would prevent him from signing the present Contract.
- (g) The Employee shall undertake to inform the Employer immediately in writing of any changes in his personal situation such as his address, family status or number of children. The Employer shall treat all such information confidentially.
- (h) The Employee warrants in principle that he is entitled to work in Luxembourg without any additional approvals and will notify the Employer immediately if he ceases to be so-entitled during the Employment.
- (i) The Employee consents to undergo an obligatory medical examination within two (2) months of commencing the Employment in order to verify his physical aptitude to fulfill his obligations under the Employment.
- (j) The Employee shall comply with all the rules, policies and procedures set out in the internal Rules and Regulations, which shall be established over the course of time by the Company and a copy of which will be made available to the Employee once adopted. Such Rules and Regulations may be modified at any time and do not form part of this Contract. In the event of conflict between the terms of this Contract and the terms of the Rules and Regulations, this Contract shall prevail.

Article 3 - Duration and Termination Terms and Conditions

- (a) Either Party may terminate this Contract in writing, giving the other no less than the following legal prior notice, in accordance with article L.124-1 of the Luxembourg Labor Code:

In the case of the dismissal of the Employee by the Employer, the latter must respect a minimum prior notice of:

- Three (3) months if the term of the Employment is under five (5) years (notwithstanding the provisions of article L-124-1 of the Luxembourg Labor Code)
- Four (4) months if the term of the Employment is between five (5) and ten (10) years
- Six (6) months if the term of the Employment is over ten (10) years

In the case of the resignation of the Employee, the following prior notice must be given:

- One (1) month if the term of the Employment is under five (5) years
- Two (2) months if the term of the Employment is between five (5) and ten (10) years
- Three (3) months if the term of the Employment is over ten (10) years

The respective prior notice will run from the fifteenth (15th) day of the month if notice was given before such a date, or from the first (1st) day of the following month if notice was given after the fifteenth (15th) of the month. The Employer reserves the right to pay salary in lieu of notice for all or any part of the notice period.

- (b) In accordance with article L.124-7 of the Luxembourg Labor Code, if the Employee is dismissed for reasons other than the gross misconduct described in article L.124-10, the Employer shall pay the Employee as severance:
- One (1) month's gross base salary if the term of the Employment is between five (5) and ten (10) years
 - Two (2) months' gross base salary if the term of the Employment is between ten (10) and fifteen (15) years
 - Three (3) months' gross base salary if the term of the Employment is over fifteen (15) years
- (c) In addition, to the extent that Employee is terminated for reasons other than the gross misconduct described in article L.124-10 of the Luxembourg Labor Code, or the Employee resigns for Good Reason, the Employer shall also pay additional amounts to the Employee as set forth in Article 4 of this Contract, including the Minimum Guaranteed Compensation and other applicable amounts.
- (d) Notwithstanding the above, the Employer may terminate the Contract with immediate effect without Employee notice and with no liability to make any further payment to the Employee (other than in respect of amounts accrued due and unpaid at the date of termination) if the Employee commits an act of gross misconduct in accordance with article L.124-10 of the Luxembourg Labor Code.
- (e) The Contract will automatically terminate by operation of the law on the date on which the Employee is declared to be medically unable to perform his duties under the Contract by the pre-employment, or any subsequent, medical examination; on the fifty-second week of continual Incapacity over any one hundred and four week period; when the Employee reaches the legal retirement age or is attributed an old-age pension or any other of the provisions specified under articles L.125-2 to L.125-4 of the Luxembourg Labor Code.

Article 4 - Remuneration^[1]

- (a) The Employee's annual gross base salary shall be 492,000 Euros. This annual gross base salary shall be payable

[¹ This Article does not reflect Mr. Mastioni's current remuneration]

in twenty-four (24) instalments. In addition, the Employer will pay to the Employee (i) an annual Cost of Living Allowance of 18,000 Euros, which shall be payable in twenty-four (24) instalments, and (ii) an annual Housing Allowance of 50,000 Euros, which shall also be payable in twenty four (24) instalments.

- (b) In accordance with article L.223-1 of the Luxembourg Labor Code, the salary shall be adapted and vary proportionally with the variations of the index of cost of living in the Grand Duchy of Luxembourg. The above salary has been fixed in consideration of the index applicable at the date on which this Contract becomes effective (Salary Index at the time of the signature of the present Contract: 794.54 as of January 1, 2017).
- (c) The Employee's salary, Cost of Living Allowance and Housing Allowance shall accrue from day to day and be paid in arrears twice monthly directly into the Employee's bank account. The Employee shall inform the Employer of all necessary details relating thereto.
- (d) The Employer hereby informs the Employee that in order to fulfill the obligations under the Contract and to pay his salary, the following information about the Employee may be transmitted: name, address, civil status, date of birth, any documents given during the recruiting and employment proceedings (including the curriculum vitae), the employment agreement and salary, proof of payment, all raises or modifications of salary, the hours effectively worked, any correspondence with the employees as well as all other documents relating to the Contract (such as holiday requests or Incapacity certificates). The Employee consents to the transfer of the above personal information within the group of companies of the Employer, including outside of the European Union, as contemplated by Article 19 Paragraph 1(a) of the Luxembourg law on Data Protection of August 2, 2002. The Employee is permitted to access the above information and may demand the rectification of any error thereupon. The Employer will use best efforts to keep this information confidential and to disclose it only when legally required. For avoidance of doubt, if the Employee is designated as a Section 16 Officer of Altisource Portfolio Solutions S.A., the Company will be authorized to publicly disclose such information to the extent required pursuant to the rules and regulations promulgated by the Securities and Exchange Commission, and the Employee expressly consents to such disclosures.
- (e) Upon satisfaction of the relevant performance criteria in accordance with Altisource's Incentive Plan, as amended from time to time by the Employer in its sole discretion, the Employee may be entitled to an annual discretionary bonus as per a scorecard as amended from time to time, which scorecard will be made available to the Employee as set forth below. At the target performance level at which the Employee meets the Employer's performance expectations, the Employee can anticipate earning approximately 300,000 Euros in cash incentive compensation on an annual basis. If the Employee exceeds the Employer's performance expectations, the Employee can anticipate earning up to 450,000 Euros in cash incentive compensation on an annual basis. There is no legal entitlement to the annual bonus and payment is at the sole discretion of the Employer. Any incentive will be prorated for the actual time that the Employee has worked for the Employer during the applicable working year. Notwithstanding anything in this Contract to the contrary, for calendar year 2017, Employee will be entitled to receive an annual bonus prorated to his start date, subject to his continued employment through the date of payment (expected March 2018) and subject to his performance meeting or exceeding expectations, as determined by the Company in its

sole discretion. The Employer shall provide the Employee with a scorecard outlining in writing the performance expectations linked to achieving the discretionary bonus for calendar year 2017 (the “2017 Scorecard”) no later than two (2) months following the Employee’s start date. Should the Employer fail to provide such 2017 Scorecard within the prescribed timeframe, the prorated 2017 annual incentive compensation payment shall be deemed due, notwithstanding whether or not the Employee remains employed by the Company through the date of payment. After 2017, at the beginning of each calendar year, in a timely manner and not later than the end of March of each year, the Employers shall provide to the Employee a scorecard outlining in writing the performance expectations linked to achieving the discretionary bonus in that year; should the Employer fail to provide such scorecard, the bonus payment shall be deemed due notwithstanding whether or not the Employee remains employed by the Company through the date of payment. Notwithstanding anything herein to the contrary, it is understood and agreed by the Employee that the Company shall have discretion to approve reasonable amendments to his scorecard throughout the year (including after March 31 of such year) as deemed appropriate by the Company in light of changed conditions or changes to the Company’s business during the year.

- (f) The Employee will be eligible for certain relocation benefits while employed in Luxembourg in accordance with the Altisource Relocation Plan, provided to the Employee by the Employer and incorporated in this Contract by reference.
- (g) If the Employee’s employment with the Employer terminates by reason other than (i) termination by the Company for gross misconduct as described in article L.124-10 of the Luxembourg Labor Code or (ii) Employee’s voluntary resignation, and the Employee relocates within 180 days of such termination, the Employer will reimburse the Employee for the relocation costs back to Switzerland (or other location in the European Union) or an equivalent lump sum, at the Employee’s discretion; provided however, that such costs shall not exceed the original costs associated with the Executive’s “General Relocation Assistance” described in the Altisource Relocation Plan.
- (h) The Employer shall provide the Employee with (i) a one-time Tax Assistance payment of 50,000 Euros payable with the Employee’s first base salary payment following the Commencement Date in accordance with the Company’s regular payroll schedule and (ii) a one-time Tax Assistance payment of 50,000 Euros on August 1, 2018, subject only to the condition that the Employee is employed on such dates.
- (i) It is expressly agreed that any bonus, premium or any other fringe benefits not arising from any legal or contractual provision or regulation, granted to the Employee, shall be deemed to be a gift, whatever their frequency and their amount and may therefore not be considered as vested rights to the benefit of the Employee.
- (j) The salary and other benefits of the Employee shall be payable after deduction of all compulsory contributions to the social security system (if applicable) in existence in Luxembourg and after deduction of the retentions at source of income tax (if applicable) and, should the case arise, any other charges imposed by Luxembourg Law whenever and if due.

(k) For historical reasons, in order to compensate the Employee for the loss from him renouncing his previous employer benefits, if (i) the Contract is terminated by the Employer for reasons other than the Employee's gross misconduct as described in article L.124-10 of the Luxembourg Labor Code or (ii) the Employee terminates the Contract for Good Reason (clauses (i) and (ii), each a "Termination Event" and together the "Termination Events"), then also in exchange for the non-competition covenants contained in Article 9(a) herein and the Employee's other obligations set forth in this Contract, the Employer shall provide the Employee with the Minimum Guaranteed Compensation Payment set forth in the table below in addition to any other amounts that may be due from the Employer to the Employee under this Contract and notwithstanding anything to the contrary in this Contract:

Term of the Employment	Minimum Guaranteed Compensation Payment
0-12 months	860,000 Euros
After 12 months	788,300 Euros
After 13 months	716,700 Euros
After 14 months	645,000 Euros
After 15 months	573,300 Euros
After 16 months	501,700 Euros
After 17 months	430,000 Euros

If the Contract is terminated following a Termination Event, then, during the notice period, the Employee shall notify the Employer of all existing or potential claims that he may have against the Company (if any) and the Parties shall negotiate a separation and release agreement in good faith to settle any matters relating to the employment relationship and its termination.

For the avoidance of doubt, following a Termination Event, the Minimum Guaranteed Compensation Payment shall be due in accordance with the above table under all circumstances, including, without limitation, if the Parties are unable to successfully negotiate a separation and release agreement during the notice period.

Article 5 - Working Hours and Holidays

- (a) The working hours shall be fixed in accordance with the applicable legal provisions in the Grand-Duchy of Luxembourg and the Employee's salary is based on a minimum average of forty (40) working hours per week and eight (8) hours per day scheduled in principle from Monday to Friday. The Employee hereby acknowledges that general working hours or overtime statutory provisions are not applicable to his position as a higher level employee ("*cadre supérieur*") within the meaning of article L.211-3 of the Luxembourg Labor Code, and in accordance with article L.211-27 (4) of the Luxembourg Labor Code. Working hours may thus vary according to the Employer's requirements.
- (b) The Employee shall have the right to twenty-five (25) days of paid annual leave, in addition to the Luxembourg public holidays, notwithstanding article L.233-4 of the Luxembourg Labor Code's provisions.

- (c) The Employee will respect a reasonable delay between requesting leave from the Employer and taking it, in order to not perturb the functioning of the Employer in accordance with article L.233-10 of the Luxembourg Labor Code. The Employer shall respect the Employee's request to the extent that the request does not perturb the functioning of the Employer or conflict with other employees' leave.
- (d) The Employee shall take, and the Employer shall allow the Employee to take, his accumulated leave in full before the end of each calendar year, in accordance with articles L.233-9 and L.233-10 of the Luxembourg Labor Code.
- (e) In the event that business reasons prevent the Employee from taking all his annual leave entitlement during the calendar year, he may transfer the remaining leave entitlement to the next calendar year, in which case it shall expire on the 31st of March, unless prevented again by business reasons. In case of termination of the present Contract, any days not taken will be paid to the Employee.

Article 6 - Incapacity

- (a) The Employee who is incapable of working for any reason of illness or accident shall notify the Employer or his representative as soon as possible on the first day of Incapacity, either personally or by way of an intermediary. Such notification may be made orally or in writing.
- (b) The Employee has three (3) days to provide the Employer with a medical certificate in which the beginning and the expected duration of Incapacity is stated. The Employer reserves the right to request a medical counter examination.
- (c) Subject to the Employee's compliance with the provisions of the Luxembourg Labor Code, he shall, in principle, continue to receive his full salary and contractual benefits (if any) from the Employer during the initial sickness period provided by article L.121-6 of the Luxembourg Labor Code.

Article 7 - Confidential Information / Employer properties

- (a) The Employee shall treat as confidential all information concerning the activities of the Company, and he shall not disclose to third parties, or to other employees, any information of which he may have been made aware during the present Contract, notwithstanding that which is reasonably necessary to permit normal performance of their respective duties by the parties concerned, and with the exception of information already known or already public.
- (b) The Employee undertakes both during this employment with the Employer and at any time after the termination thereof not to perform or participate in any act of unfair competition.
- (c) Any breach of this obligation occurring while the Contract is in place, shall constitute a serious fault rendering immediately and definitively any further relationship between the Employer and the Employee impossible and

justifying the immediate dismissal of the Employee without any notice or indemnity and without prejudice to any further proceedings or claims which may be exercised by the Employer.

- (d) All notes, reports, listings, files, documents, and contacts howsoever related to the Employer are and shall remain the exclusive property of the Employer and shall be created, processed, and stored by the Employee in a confidential manner exclusively on behalf of the Employer.
- (e) When the present Contract shall come to an end, the Employee must return to the Employer all documents as well as copies of such documents which may be in the possession of or under the control of the Employee, and the Employee undertakes to do everything to assist the Employer to recover all documents which may be beyond the control of the Employee.

Article 8 - Obligations

- (a) Throughout the duration of this Contract, the Employee will work exclusively for the Employer and will not take up any other occupation or engage in any act which is directly or indirectly competitive with the business of the Employer or any of its affiliated companies and to its detriment.
- (b) Throughout the duration of this Contract, the Employee shall not have any direct or indirect interest in any other business or organisation if that business or organisation competes or might reasonably be considered by the Employer to compete with the Company or any of its affiliated companies or if this impairs or might reasonably be considered to impair the Employee's ability to act in the best interests of the Company or any of its affiliated companies.

Article 9 - Non-competition and Non-solicitation

- (a) Upon a Termination Event, in consideration for the Minimum Guaranteed Compensation Payment, the Employee hereby undertakes that, during the Restrictive Period, he will not run within the Grand Duchy of Luxembourg or in the United States of America a personal business similar or in competition with the Business of the Company Division, nor enter into an employment contract with a company whose business is similar to, or in competition with, the Business of the Company Division. As used in this Article 9(a), "Business of the Company Division" means a business whose core activity is an online Internet marketplace aimed at facilitating retail and investor real estate buy and sell transactions. In that regard, the Employee shall not actively proceed to engage in, provide any executive, managerial, supervisory, sales, marketing, research, or customer-related services to, or own (other than ownership of less than one percent (1%) of the outstanding voting securities of any entity, or any affiliate thereof, the voting securities of which are traded on a national securities exchange) a beneficial or legal interest in, any business (other than the Company) which (i) conducts similar business as the Business of the Company Division or (ii) is competitive or likely to be competitive with the Business of the Company Division.

- (b) If the present Contract terminates other than pursuant to a Termination Event, the Employee hereby undertakes that he will not engage in the activities described in Article 9(a) above for a period of six (6) months. In consideration for this obligation, the Employer will pay to the Employee six (6) months' base salary; provided however, that the Employer may waive Employee's obligations pursuant to this Article 9(b) unilaterally on condition that it notifies the Employee (by email or mail) within two (2) weeks from the notice of termination of the Contract by either party. If the Employer waives these obligations and provides the required notification, the Employer will be relieved from the payment obligations set forth in this Article 9(b).
- (c) Throughout the duration of this Contract and for a period of two (2) years following its termination, the Employee will not actively solicit or hire, or actively assist any other person or entity in soliciting or hiring any employee of the Company or any of its affiliated companies to perform services for any entity (other than the Company or any other affiliated companies), or attempt to induce any such employee to leave the Company or any of its affiliated companies.
- (d) Throughout the duration of this Contract and for a period of two (2) years following its termination, the Employee will not actively solicit or hire or actively assist any other person or entity in soliciting or hiring any client of the Company or any of its affiliated companies, or attempt to induce any such client to leave the Company or any of its affiliated companies.
- (e) Any breach of these obligations shall constitute a serious fault and might give raise to one or several claims or proceedings to be exercised by the Company before the courts and authorities concerned.
- (f) The Employee expressly agrees that the provisions of Section 9 of the Contract may be enforced against him in any court or competent jurisdiction in the United States.
- (g) In the event that this article is determined by a court which has jurisdiction to be unenforceable in part or in whole, the court shall be deemed to have the authority to revise any provision of this Contract to the minimum extent necessary to be enforceable to the maximum extent permitted by law.

Article 10 - Intellectual property

- (a) Any inventions, devices or concepts, as well as any result of research, any original creation or program, related to the field of activity of the Company and made or developed by the Employee during his employment, belongs to the exclusive legal and beneficial ownership of the Employer, in accordance with the relevant provisions of patent and copyright laws applicable in Luxembourg.
- (b) The Employee hereby grants, assigns and conveys to the Employer all right, title, and interest in and to all inventions, devices or concepts, as well as any result of research, any original creation or program, and all other materials (as well as the copyrights, patents, trade secrets, and similar rights attendant hereto) conceived, reduced

to practice, authored, developed or delivered by the Employee either solely or jointly with others, during and in connection with the performance of services under the Contract with the Employer.

- (c) The Employee shall have no right to disclose or use any such inventions, devices or concepts, as well as any result of research, any original creation or program, and all other materials for any purpose whatsoever and shall not communicate to any third party the nature of or details relating to such inventions, devices or concepts, as well as any result of research, any original creation or program, and all other materials.
- (d) The Employee agrees that he will comply with all obligations set forth in the Employee Intellectual Property Agreement provided by the Employer and incorporated herein by this reference.

Article 11 - Use of information technologies

The Employee undertakes not to use the Internet with the Company's hardware if such activity does not comply with applicable law and public order, and if it adversely affects the Company's interests.

Article 12 - Data protection

- (a) The Luxembourg law of 2 August 2002, implemented in articles L.261-1 and L.261-2 of the Luxembourg Labor code, defines how the Employees' personal data may be used for normal administrative purposes resulting out of the Employees' employment with the Employer. By signing this Contract, the Employee expressly agrees to his data being used for this purpose. The Employee commits himself to inform the Employer of any modification of his personal data (i.e. address, bank account number etc.).
- (b) The Employees' data will be held for as long as legally required and held confidentially.
- (c) This data is retained as long as the obligations and duties deriving from them are no longer legally required. The Employee may at any time request the Employer to provide him with his personal data or require the correction of the data in case of justified grievances.
- (d) The data or the evidence of destruction of such data will be sent back to the Employee when all obligations and duties are no longer legally required and if requested by the Employee following the date that such obligations and duties are no longer legally required.

Article 13 - Miscellaneous

- (a) All notices and other communications provided for hereunder shall be in English and in writing, delivered by hand or by registered or certified mail (return receipt requested) and delivered or addressed to the addressee at its address below (or any other address it may subsequently notify in writing to the other Party):

If to the Employer, to:

Address: 40, Avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg (or any other address that becomes corporate headquarters and published in the Luxembourg Gazette ("*Mémorial*"), with an electronic copy to KevinJ.Wilcox@altisource.lu)

Attention: Kevin J. Wilcox

If to the Employee, to:

Address: In Luxembourg, address to be established

Attention: Marcello Mastioni

The date on which a notice shall be deemed validly given shall be the date of its receipt by the addressee, i.e. the date appearing on the acknowledgment or refusal of receipt or the addressee's countersignature.

- (b) No amendment or waiver of any provision of this Contract, nor consent to or departure by either Party therefrom, nor any subsidiary agreement relating to the subject matter of this Contract, shall in any event be valid unless it is in writing and signed by or on behalf of both Parties.
- (c) This Contract may be assigned by Employer to any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of Employer. This Agreement shall be binding upon and inure to the benefit of the Parties, their successors, assigns, heirs, executors and legal representatives. If there shall be a successor to Employer or Employer shall assign this Agreement, then as used in this Agreement, (a) the term "Employer" shall mean Employer as hereinbefore defined and any successor or any permitted assignee, as applicable, to which this Agreement is assigned.
- (d) The possible nullity or non-applicability of one or more provisions of the present Contract shall not result in the nullification of the entire Contract.

Article 14 - Governing Law and Jurisdiction

The present Contract shall be governed, interpreted and performed by and in accordance with the law in force in the Grand-Duchy of Luxembourg. Each Party expressly agrees to submit to the exclusive jurisdiction of the Courts of

Luxembourg over any claim or matter arising under. In case the Employee's place of work is transferred elsewhere, the jurisdiction and the applicable law will be the ones in force at the new location.

Article 15 - Contractual Interpretation

If any provision of this Contract is held to be unenforceable, then this Contract will be deemed amended to the extent necessary to render the otherwise unenforceable provision, and the rest of the Contract, valid and enforceable. If a court declines to amend this Contract as provided herein, the invalidity or unenforceability of any provision of this Contract shall not affect the validity or enforceability of the remaining provisions, which shall be enforced as if the offending provision had not been included in this Contract.

In witness whereof the present Contract has been signed in duplicate and each of the Parties acknowledges having received one original version.

The Employer

Altisource Solutions S.à r.l.

/s/ Kevin J. Wilcox

By: Kevin J. Wilcox, Manager

Date: April 22, 2017

The Employee

/s/ Marcello Mastioni

By: Marcello Mastioni

Date: April 23, 2017

NON-QUALIFIED STOCK OPTION AWARD AGREEMENT

THIS NON-QUALIFIED STOCK OPTION AWARD AGREEMENT (the “Agreement”) is made as of August 1, 2017 (the “Grant Date”), between Altisource Portfolio Solutions S.A., a Luxembourg société anonyme (“Altisource” and, together with its subsidiaries and affiliates, the “Company”), and Marcello Mastioni, an employee of the Company (the “Employee”).

WHEREAS, the Company desires, by affording the Employee an opportunity to purchase shares of its common stock, par value \$1.00 per share (“Shares”), to further the objectives of the Company’s 2009 Equity Incentive Plan (the “2009 Plan”).

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, and intending to be legally bound hereby, the parties hereto have agreed, and do hereby agree, as follows:

1. OPTION GRANT

This Non-Qualified Stock Option Award is included in and is part of the Employment Contract signed between Altisource Solutions S.à r.l., a subsidiary of Altisource, and the Employee with a Commencement Date of August 1, 2017 (the “Employment Contract”).

The Company hereby grants to the Employee, pursuant to and subject to the 2009 Plan, the right and option to purchase all or any part of an aggregate 50,000 Shares from the Company for a purchase price of \$25.93 per share (the “Strike Price”), on the terms and conditions set forth in this Agreement (the “Options”).

2. OPTION TERM

The term of the Options shall begin on the Grant Date and will continue for a period of ten (10) years from the Grant Date or, for the Ordinary Performance-Based Options and Extraordinary Performance-Based Options, a period of three (3) years after the commencement of vesting, whichever is longer, except as provided in Section 5 below. To the extent the Ordinary Performance-Based Options or Extraordinary Performance-Based Options do not commence vesting on or before ten (10) years from the Grant Date, they will terminate.

3. VESTING OF OPTIONS

A. Vesting Schedule

- (1) Time-Based Vesting. Subject to the provisions of Sections 5 and 6 below, 20,000 of the Options (the “Time-Based Options”) shall vest in three (3) equal annual increments, as follows. One-third (1/3) of the Time-Based Options shall vest on each anniversary of the date of this Agreement commencing on the first anniversary of this Agreement and continuing until all Time-Based Options are vested.

(2) Performance-Based Vesting. The remaining 30,000 Options shall be performance awards pursuant to Section 6.04 of the 2009 Plan (the “Performance-Based Options”) and shall vest based on the achievement of the following performance criteria as follows, subject in each case to the provisions of Sections 5 and 6 below.

(a) Ordinary Performance-Based Vesting. Two-thirds (2/3) of the Performance-Based Options (the “Ordinary Performance-Based Options”) shall vest in three (3) equal annual increments, as follows. One-third (1/3) of the Ordinary Performance-Based Options shall vest on the date as of which both of the following performance criteria have been met: (x) the per share price of the Shares at any time from the date of this Agreement equals or exceeds two times the Strike Price, and (y) investors achieve a 20% Annualized Rate of Return from the date of this Agreement based on the Strike Price. Thereafter, one-third (1/3) of the Ordinary Performance-Based Options shall automatically vest on each of the consecutive two (2) anniversaries of the date of such initial vesting.

(b) Extraordinary Performance-Based Vesting. One-third (1/3) of the Performance-Based Options (the “Extraordinary Performance-Based Options”) shall vest in three (3) equal annual increments, as follows. One-third (1/3) of the Extraordinary Performance-Based Options shall vest on the date as of which both of the following extraordinary performance criteria have been met: (x) the per share price of the Shares at any time from the date of this Agreement equals or exceeds three times the Strike Price, and (y) investors achieve a 25% Annualized Rate of Return from the date of this Agreement based on the Strike Price. Thereafter, one-third (1/3) of the Extraordinary Performance-Based Options shall automatically vest on each of the consecutive two (2) anniversaries of the date of such initial vesting.

For the avoidance of doubt, the requisite ordinary performance and/or extraordinary performance criteria provided in clauses (x) and (y) of Section 3, Subsections A(2)(a) and A(2)(b) above, once satisfied for the initial vesting of the Ordinary Performance-Based Options and/or the Extraordinary Performance-Based Options, respectively, do not need to continue to be satisfied for vesting of the same on the subsequent two (2) anniversaries of such initial vesting.

B. Accelerated Vesting

Notwithstanding the vesting schedule provided in Section 3, Subsection A above:

- (1) If the Employee’s employment is terminated by reason of (a) death or Disability or (b) Retirement, then the Time-Based Options shall vest and shall become immediately exercisable in full on the date of such termination; provided, however, that the Employee’s right to such accelerated vesting is subject to the requirement that the Employee has been employed with the Company for a period of at least two (2) years on the date of death or Disability, or three (3) years on the date of Retirement, unless otherwise determined by the Company in its sole discretion.
- (2) If the Employee’s employment is terminated by reason of death or Disability, then the Ordinary Performance-Based Options and the Extraordinary Performance-Based Options shall remain outstanding, subject to vesting only upon satisfaction of the respective criteria for the vesting

of such options set forth in Section 3, Subsection A above; provided, however, that the Employee's right to such continued vesting is subject to the requirement that the Employee has been employed with the Company for a period of at least two (2) years on the date of death or Disability, unless otherwise determined by the Company in its sole discretion.

In case the Employee's employment is terminated by reason of death or Disability and the Employee is dead or incapacitated, the vested shares will be transferred to the Employee's legal heirs.

C. General

The Employee shall have none of the rights of a stockholder with respect to any of the Shares subject to the Options until such Shares shall be issued in the Employee's name or the name of the Employee's designee following the exercise of the Options.

4. METHOD OF OPTION EXERCISE

- A. Subject to the terms and conditions of this Agreement, the Options may be exercised by written notice to the Company at its executive offices to the attention of the Corporate Secretary of the Company (the "Secretary"). Such notice shall state the election to exercise the Options, shall state the number of shares in respect of which it is being exercised (the "Purchased Shares") and shall be signed by the person or persons so exercising the Options. In no case may the Options be exercised as to less than fifty (50) Shares at any one time (or the remaining Shares then purchasable under the Options, if less than fifty (50) Shares) or for a fractional Share. Except as provided in Section 5 below, the Options may not be exercised unless the Employee shall, at the time of the exercise, be an employee of the Company. During the Employee's lifetime, only the Employee or the Employee's guardian or legal representative may exercise the Options.
- B. Such notice shall be accompanied by (i) a personal check payable to the order of the Company for payment of the full purchase price of the Purchased Shares, (ii) delivery to the Company of the number of Shares duly endorsed for transfer and owned by the Employee that have an aggregate Fair Market Value equal to the aggregate purchase price of the Purchased Shares or (iii) payment therefor made in such other manner as may be acceptable to the Company on such terms as may be determined by the Compensation Committee of the Board of Directors (the "Committee"). "Fair Market Value" shall have the meaning given to that term in the 2009 Plan. In addition to and at the time of payment of the purchase price, the person exercising the Options shall pay to the Company the full amount of any federal and state withholding or other taxes applicable to the taxable income of such person resulting from such exercise in cash unless the Committee in its sole discretion shall permit such taxes to be paid in Shares. Such payment may also be made in the form of payroll withholding, at the election of the option holder. The Company shall issue the Shares of the said Purchased Shares as soon as practicable after receipt of the notice and all required payments by the person or persons exercising the Options as provided in Section 4, Subsection A above. Unless the person or persons exercising the Options shall otherwise direct the Company in writing, such Shares shall be registered in the name of the person or persons so exercising the Options and shall be delivered as aforesaid to or upon the written order of the person or persons exercising the Options.

- C. In the event the Options shall be exercised, pursuant to Sections 3 and 5 hereof, by any person or persons other than the Employee, such notice shall be accompanied by appropriate proof of the derivative right of such person or persons to exercise the Options.
- D. The date of exercise of the Options shall be the date on which the notice, the documents and all payments required under this Section 4 are received by or arranged with the Secretary. If such notice is received after the market closes, the following trading day will be considered the date of exercise. All Shares that shall be purchased upon the exercise of the Options as provided herein shall be fully paid and non-assessable.
- E. The Company may require the Employee to exercise the Options electronically through the Shareworks system or any other online system pursuant to the procedures set forth therein as determined by the Company in its sole discretion.
- F. The Company may amend the procedures set forth in Section 4, Subsections A through E in its sole discretion.

5. TERMINATION OF OPTIONS

The Options may not be exercised to any extent after termination of the Options in one of the ways, whichever first occurs, set forth below in this Section 5.

- A. The Options shall terminate upon the exercise of such Options in the manner provided in this Agreement and the 2009 Plan, whether or not the Shares are ultimately delivered.
- B. Except as may otherwise be provided in Section 5, Subsection C below for the earlier termination of the Options, the Options and all rights and obligations thereunder shall expire ten (10) years after the Grant Date; *provided, however*, that in the event that the applicable ordinary performance and/or extraordinary performance conditions are achieved prior to the tenth anniversary of the Grant Date, the Ordinary Performance-Based Options and the Extraordinary Performance-Based Options shall terminate on the earlier to occur of: (1) the third anniversary of the date the relevant performance criteria are achieved, or (2) the tenth anniversary of the Grant Date. For the avoidance of doubt, the achievement of performance conditions for the Performance-Based Options only will not extend the life of the Extraordinary Performance-Based Options beyond the tenth anniversary of the date of this Agreement. For the further avoidance of doubt, in the event of an employment termination described in Section 5, Subsection C below, all Options shall terminate on the dates detailed in Section 5, Subsection C, regardless of whether ordinary performance conditions or extraordinary performance conditions have been achieved.

C. If, prior to exercise, expiration, surrender or cancellation of the Options, the Employee's employment terminates, the Options shall terminate in accordance with the 2009 Plan except as follows:

- (1) by reason of Disability, then the Options shall terminate not later than (a) five (5) years after the date of such termination of employment or (b) the end of the Option's term, whichever occurs first. In the event of the death of the Employee after such termination of employment, the Options shall terminate on the earlier to occur of: (i) three (3) years after the date of the Employee's death; or (ii) the end of the Option's term, during which period the Options may be exercised by the person or persons to whom the Employee's rights shall pass by will or by the applicable laws of descent or distribution.
- (2) by reason of death, then the Options shall terminate no later than (a) three (3) years after the date of the Employee's death or (b) the end of the Option's term, whichever occurs first, during which period the Options may be exercised at any time by the person or persons to whom the Employee's rights shall pass by will or by the applicable laws of descent or distribution.
- (3) by reason of termination of employment by the Company for Cause (as defined in Section 10 Subsection B), then all Options shall terminate on such date of termination of employment.
- (4) by reason of termination of employment by the Employee (subject to Section 5, Subsection C(5) below with respect to Retirement), then all unvested Options shall terminate on such date of termination of employment and all vested Options shall terminate on the date that is six (6) months after the date of such termination of employment.
- (5) by reason of termination of employment by the Company without Cause or Retirement of the Employee, then (a) with respect to all Time-Based Options, (x) all unvested Time-Based Options shall terminate on the date of such termination of employment, provided that any unvested options that are scheduled to vest within the calendar year in which such termination of employment occurs shall terminate on the six (6) month anniversary of the date such options vest and (y) all vested Time-Based Options shall terminate on the six (6) month anniversary of the date of such termination of employment, and (b) with respect to the Ordinary Performance-Based Options and the Extraordinary Performance-Based Options, (i) if the respective performance criteria for such Ordinary Performance-Based Options or such Extraordinary Performance-Based Options have been satisfied on or prior to the ninety (90) day anniversary of the date of such termination of employment, such Ordinary Performance-Based Options or Extraordinary Performance-Based Options, as applicable, shall terminate on the later of (x) the six (6) month anniversary of the date such Option vests, or (y) the six (6) month anniversary of the date of such termination of employment, and (ii) if the respective performance criteria for such Ordinary Performance-Based Options or Extraordinary Performance-Based Options have not been satisfied on or prior to the ninety (90) day anniversary of the date of such termination of employment, such Ordinary Performance-Based Options or

Extraordinary Performance-Based Options, as applicable, shall terminate on the ninety (90) day anniversary of the date of termination of employment. Notwithstanding the foregoing, if the respective performance criteria for the Ordinary Performance-Based Options or the Extraordinary Performance Based Options have been satisfied on or prior to the ninety (90) day anniversary of the date of such termination of employment, the Company will have the right in its sole discretion to require the Employee to exercise all or part of such Ordinary Performance-Based Options or such Extraordinary Performance-Based Options at any time. For the avoidance of doubt, in no event shall this Section 5, Subsection C(4) extend the life of the Options beyond the Option term as set forth in Section 2 of this Agreement.

- D. The Employee's right to retain any Options following termination of employment under this Section 5 is subject in all cases to the requirement that the Employee has been employed with the Company for a period of at least two (2) years on the date of such termination of employment, or three (3) years in the case of Retirement, unless otherwise determined by the Company in its sole discretion.

6. CONDITIONS UPON TERMINATION OF EMPLOYMENT

- A. If the Employee is terminated by the Company without Cause (as defined in Section 10 Subsection B of this Agreement) or resigns for Good Reason (as defined in the Employment Contract), then, during the Restrictive Period, the Employee shall receive the Minimum Guaranteed Compensation Payment outlined in the Employment Contract and shall be subject to the non-compete covenants set forth in Article 9(a) of the Employment Contract which are incorporated herein by reference.
- B. The Employee shall be available during the Restrictive Period at reasonable times for consultations at the request of the Company's management with respect to phases of the business with which the Employee was actively connected during the Employee's employment, but such consultations shall not be required to be performed during usual vacation periods or periods of illness or other incapacity or without reasonable compensation and cost reimbursement.
- C. The Employee acknowledges that the Company would not have awarded the Options granted to the Employee under this Agreement absent the Employee's agreement to be bound by the covenants made in this Section 6.
- D. In the event that the Employee fails to comply with any of the promises made in this Section 6, then in addition to and not in limitation of any and all other remedies available to the Company at law or in equity (a) the Options, to the extent then unexercised, whether vested or unvested, will be immediately forfeited and cancelled and (b) the Employee will be required to immediately deliver to the Company an amount (in cash or in Shares) equal to the market value (on the date of exercise) of any Shares acquired on exercise of the Options less the exercise price paid for such Shares (the "Share Value") to the extent such Shares were acquired by the Employee upon exercise of the Options at any time from 180 days prior to the earlier of (i) the date of termination of employment or (ii) the date the Employee fails to comply with any promise made in this Section 6, to 180 days after the date when the Company learns that the Employee has not complied with any such promise. The Employee will deliver such Share Value amount (either in cash or in Shares) to the Company on such terms and conditions as

may be required by the Company. The Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the Share Value amount and any other damage amount against any amount that might be owed to the Employee by the Company.

- E. The Employee further acknowledges that in the event that the covenants made in this Section 6 are not fulfilled, the damage to the Company would be irreparable. The Company, in addition to any other remedies available to it, including, without limitation, the remedies set forth in Sections 6, Subsection (D) above, shall be entitled to injunctive relief against the Employee's breach or threatened breach of said covenants.
- F. Any determination by the Board of Directors with regard to Section 6, Subsections (D) and (E) shall be conclusive.

7. ADJUSTMENT UPON CHANGES IN STOCK; CHANGE OF CONTROL/RESTRUCTURING EVENT

- A. Except to the extent governed by Section 7, Subsection (B) below, if there shall be any change in the Shares subject to the Options granted hereunder, through merger, consolidation, reorganization, recapitalization, stock dividend, stock split, spin off of one or more subsidiaries or other change in the corporate structure, appropriate adjustments shall be made by the Board of Directors in its discretion (or if the Company is not the surviving company in any such transaction, the Board of Directors of the surviving company - with the Board of Directors of the Company and the surviving company collectively referred to in this Section 7 as the "Board") in the aggregate number and kind of shares subject to the 2009 Plan and the number and kind of shares and the price per share subject to the Options. Further, the Board shall adjust the ordinary performance conditions and extraordinary performance conditions as appropriate to avoid inequitable dilution or enlargement of award values or rights in connection with such a corporate transaction or restructuring. Without limiting the generality of the foregoing, in the event of a restructuring or transaction resulting in some or all of the Company's Shares being convertible into equity of a separate company, the Board shall have the authority to replace outstanding Options with any one or more of the following: (A) adjusted options of the Company; (B) adjusted options on the equity of the separate company; and (C) a combination of adjusted options on the shares of both the Company and the separate company, all as the Board sees as equitable. In the event of any such option adjustment and/or conversion, the Board shall attempt to reasonably approximate the aggregate value of the Employee's outstanding Options under this Agreement. For the avoidance of doubt, in the event Employee remains employed with the separate company that results from a restructuring or transaction covered by this Section 7, for purposes of this Agreement, the Employee will be deemed to remain employed as if the Employee continued employment with the Company such that the employment termination provisions applicable to Options shall not be invoked unless and until the Employee's employment with such separate company shall terminate.
- B. If a Change of Control/Restructuring Event occurs, the acquiring person or entity shall have the right to cancel the Options in exchange for a payment equal to the then intrinsic value of the Options as determined by the Board, effective as of the Change of Control/Restructuring Date, or to allow the Options to continue in full force and effect in accordance with the terms hereof. If the Options are to remain in place following such Change of Control/Restructuring

Event, the Board shall have the right in its discretion to make appropriate adjustments in the aggregate number and kind of Shares and the price per Share subject to the Options. Further, the Board shall adjust the ordinary performance conditions and extraordinary performance conditions as appropriate to avoid inequitable dilution or enlargement of award values or rights in connection with such Change of Control/Restructuring Event. Such discretions shall include the authority to replace outstanding Options with any one or more of the following: (a) adjusted options of the Company; (b) adjusted options on the equity of any separate company surviving such Change of Control/Restructuring event; and (c) a combination of adjusted options on the shares of both the Company and the separate company, as such Board sees as equitable. In the event of any such option adjustment and/or conversion, such Board shall attempt to reasonably approximate the aggregate value of the Employee's outstanding Options under this Agreement.

- C. The 2009 Plan and Agreement and the awards granted hereunder shall not affect the right of the Company to reclassify, recapitalize, issue equity or otherwise change its capital or debt structure or to merge, consolidate, convey any or all of its assets, dissolve, liquidate, wind up or otherwise reorganize. The Board of Directors shall have the discretion to make adjustments to the awards made hereunder to reflect any changes that the Board of Directors deems appropriate as a result of any sale, an IPO, business combination, acquisition, recapitalization, reclassification, merger, consolidation, reorganization, stock dividend, stock split, spin off of one or more divisions or subsidiaries, a "going private" transaction (which shall mean any transaction that results in the occurrence of any of the following events: (i) Altisource's common stock is no longer listed on any national securities exchange or quoted on the Nasdaq National Market or other securities quotation system; (ii) Altisource is no longer subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act; or (iii) Altisource becomes subject to Rule 13e-3 under the Exchange Act) or similar transaction affecting the awards. Upon the occurrence of any such events, the Board of Directors may make appropriate adjustments to the awards made hereunder to avoid inequitable dilution or enlargement of award values or rights in connection with any such event (as determined by the Board of Directors in its sole discretion based on any facts and circumstances it considers relevant). For the avoidance of doubt, the awards are subject to the dilutive impact of equity issuances (including an IPO) or other costs of capital made in connection with acquisitions or capital raises.

8. NON-TRANSFERABILITY OF OPTIONS

The Options shall not be transferable otherwise than by will or by the applicable laws of descent and distribution. More particularly (but without limiting the generality of the foregoing), the Options may not be assigned, transferred (except as aforesaid), pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Options contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Options, shall be null and void and without effect.

9. PAYMENT OF EXPENSES AND COMPLIANCE WITH LAWS

The Company shall at all times during the term of the Options reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Agreement, shall pay all original issue and/or transfer taxes with respect to the issue and/or transfer of Shares pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Company, shall be applicable thereto.

10. DEFINITIONS

- A. As used herein, the term “Annualized Rate of Return” shall be determined as a function of the Corporation’s stock price appreciation and dividends and other distributions over the Strike Price. For this purpose, dividends and other distributions shall be deemed reinvested in stock of the Company on the date such dividends and distributions are paid to shareholders. The Committee shall make all determinations of Annualized Rate of Return under this Agreement at its sole discretion.
- B. As used herein in this Agreement, the term “Cause” shall have the meaning described in articles L.124-10 of the Luxembourg Labor Code, which will receive a very strict and narrow definition and application.
- C. As used herein in this Agreement, “Change of Control/Restructuring Date” shall mean either the date (i) which includes the “closing” of the transaction which makes a Change of Control/Restructuring Event effective if the Change of Control/Restructuring Event is made effective through a transaction which has a “closing” or (ii) a Change of Control/Restructuring Event is reported in accordance with applicable law as effective to the Securities and Exchange Commission if the Change of Control/Restructuring Event is made effective other than through a transaction which has a “closing.”
- D. As used herein in this Agreement, a “Change of Control/Restructuring Event” shall mean (i) the acquisition by any person or entity, or two or more persons and/or entities acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), of outstanding shares of voting stock of the Company at any time if after giving effect to such acquisition, and as a result of such acquisition, such person(s) or entity(ies) own more than fifty percent (50%) of such outstanding voting stock, (ii) the sale in one or more transactions of substantially all of the Company’s assets to any person or entity, or two or more persons and/or entities acting in concert, or (iii) the merger, consolidation or similar transaction resulting in a reduction of the interest in the Company’s stock of the pre-transaction stockholders to less than fifty percent (50%) of the post-transaction ownership. To the extent the Employee’s employment agreement conflicts with the Change of Control/Restructuring Event definition set forth in the immediately preceding sentence, the Employee’s employment agreement will govern.
- E. As used herein in this Agreement, the term “Confidential Information” shall mean all information relating to Company, including any of its subsidiaries, customers, vendors, and affiliates, of any kind whatsoever; know-how; experience; expertise; business plans; ways of doing business; business results or prospects; financial books, data and plans; pricing; supplier information and agreements; investor or lender data and information; business processes (whether or not the subject of a patent), computer software and specifications therefore; leases;

and any and all agreements entered into by Company or its affiliates and any information contained therein; database mining and marketing; customer relationship management programs; any technical, operating, design, economic, client, customer, consultant, consumer or collector related data and information, marketing strategies or initiatives and plans which at the time or times concerned is either capable of protection as a trade secret or is considered to be of a confidential nature regardless of form. Confidential Information shall not include: (i) information that is or becomes generally available to the public other than as a result of a disclosure in breach of this Agreement, (ii) information that was available on a non-confidential basis prior to the date hereof or becomes available from a person other than the Company who was not otherwise bound by confidentiality obligations to the Company and was not otherwise prohibited from disclosing the information or (iii) Confidential Information that is required by law to be disclosed, in which case, Employee will provide the Company with notice of such obligation immediately to allow the Company to seek such intervention as it may deem appropriate to prevent such disclosure including and not limited to initiating legal or administrative proceedings prior to disclosure.

- F. As used herein in this Agreement, the term “Disability” shall mean a physical or mental impairment which, as reasonably determined by the Board of Directors, renders the Employee unable to perform the essential functions of his employment with the Company, even with reasonable accommodation that does not impose an undue hardship on the Company, for more than one hundred and eighty (180) days in any twelve (12) month period, unless a longer period is required by federal or state law, in which case that longer period would apply.
- G. As used herein in this Agreement, the term “Restrictive Period” shall be defined as follows:
- (1) if the Employment Contract terminates within the first twelve (12) months of Employment (as defined in the Employment Contract), the Restrictive Period shall be the twelve (12) month period following the date on which the Employment Contract terminates
 - (2) if the Employment Contract terminates between twelve (12) and thirteen (13) months of Employment, the Restrictive Period shall be the eleven (11) month period following the date on which the Employment Contract terminates
 - (3) if the Employment Contract terminates between thirteen (13) and fourteen (14) months of Employment, the Restrictive Period shall be the ten (10) month period following the date on which the Employment Contract terminates
 - (4) if the Employment Contract terminates between fourteen (14) months and fifteen (15) months of Employment, the Restrictive Period shall be the nine (9) month period following the date on which the Employment Contract terminates
 - (5) if the Employment Contract terminates between fifteen (15) and sixteen (16) months of Employment, the Restrictive Period shall be the eight (8) month period following the date on which the Employment Contract terminates
 - (6) if the Employment Contract terminates between sixteen (16) months and seventeen (17) months of Employment, the Restrictive Period shall be the seven (7) month period following the date on which the Employment Contract terminates

- (7) if the Employment Contract terminates after 17 months of Employment, the Restrictive Period shall be the six (6) month period following the date on which the Employment Contract terminates.

H. As used herein in this Agreement, the term “Retirement” shall mean termination (other than by reason of death or Disability) of the Employee’s employment with the Company or one of its subsidiaries pursuant to and in accordance with a plan or program of the Company or subsidiary applicable to the Employee provided, however, that for purposes of this Agreement only, the Employee must have attained the age of sixty (60) and been an employee of the Company for not less than three (3) years as of the date of termination of employment by reason of Retirement.

11. AMENDMENT

In the event that the Board of Directors shall amend the 2009 Plan under the provisions of Section 9 of the 2009 Plan and such amendment shall modify or otherwise affect the subject matter of this Agreement, this Agreement shall, to that extent, be deemed to be amended by such amendment to the 2009 Plan. The Company shall notify the Employee in writing of any such amendment to the 2009 Plan and this Agreement as soon as practicable after its approval. Notwithstanding any other provision of this Agreement or the 2009 Plan, the Employee’s Options under this Agreement may not be amended in a way that materially diminishes the value of the Options without the Employee’s consent to the amendment.

12. CONSTRUCTION

In the event of any conflict between the 2009 Plan and this Agreement, the provisions of the 2009 Plan shall control. This Agreement shall be governed in all respects by the laws of the State of Georgia. No provision of this Agreement shall limit in any way whatsoever any right that the Company may otherwise have to terminate the employment of the Employee at any time.

If any provision of this Agreement is held to be unenforceable, then this provision will be deemed amended to the extent necessary to render the otherwise unenforceable provision, and the rest of the Agreement, valid and enforceable. If a court declines to amend this Agreement as provided herein, the invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

13. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Company and the Employee and supersedes all other discussions, correspondence, representations, understandings and agreements between the parties, with respect to the subject matter hereof.

14. HEADINGS

The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed a part hereof.

15. CONFIRMING INFORMATION

By accepting this Agreement, either through electronic means or by providing a signed copy, the Employee (i) acknowledges and confirms that the Employee has read and understood the 2009 Plan and the Agreement and (ii) acknowledges that acceptance through electronic means is equivalent to doing so by providing a signed copy.

[SIGNATURE PAGE FOLLOWS]

I hereby agree to and accept the terms of this Agreement.

Employee

/s/ Marcello Mastioni
Marcello Mastioni

Altisource Portfolio Solutions S.A.

By: /s/ William B. Shepro
Name: William B. Shepro
Title: Chief Executive Officer

Attested by: /s/ Kevin J. Wilcox
Name: Kevin J. Wilcox
Title: Chief Administration and Risk Officer

RESTRICTED SHARE AWARD AGREEMENT

THIS RESTRICTED SHARE AWARD AGREEMENT (the “Agreement”) is made and entered into as of August 1, 2017 (the “Grant Date”), by and between **Altisource Portfolio Solutions S.A.**, a Luxembourg société anonyme (“Altisource” and, together with its subsidiaries and affiliates, the “Company”), and Marcello Mastioni, an employee of the Company (the “Employee”).

WHEREAS, The Company desires, by awarding the Employee restricted shares of its common stock, par value \$1.00 per share (“Shares”), to further the objectives of the Company’s 2009 Equity Incentive Plan (the “2009 Plan”). Capitalized terms used but not defined herein have the meanings set forth in the 2009 Plan.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, and intending to be legally bound hereby, the parties hereto have agreed, and do hereby agree, as follows:

1. RESTRICTED SHARE AWARD

This Restricted Share Award is included in and is part of the Employment Contract signed between Altisource Solutions S.à r.l., a subsidiary of Altisource, and the Employee with a Commencement Date of August 1, 2017 (the “Employment Contract”).

The Company hereby grants to the Employee, pursuant to and subject to the 2009 Plan, 30,000 shares of Restricted Stock (the “Restricted Shares”) on the terms and conditions herein set forth (the “Restricted Share Award”).

2. VESTING OF RESTRICTED SHARE AWARD

A. Vesting Schedule

The Restricted Shares will vest in three (3) equal annual increments commencing on the first anniversary of the Grant Date and continuing on the second and third anniversaries thereof. Except as provided in Section 2, Subsections B and C below, Restricted Shares will not vest unless the Employee is, at the time of vesting, an employee of the Company.

B. Accelerated Vesting

If, prior to the vesting of the entire Restricted Share Award, the Employee’s employment is terminated by reason of death or Disability, all unvested Restricted Shares shall immediately vest, subject to the requirement that the Employee has been employed with the Company for a period of at least two (2) years on the date of death or Disability, and shall be transferred to the Employee’s legal heirs in case of death.

C. Vesting Upon Termination Without Cause

If, prior to the vesting of the entire Restricted Share Award, the Employee’s employment is terminated by the Company without Cause (as such term is defined in Section 10 Subsection A) within Employee’s first twenty-four (24) months of employment, unvested Restricted Shares that are scheduled to vest within twelve (12) months of such termination of employment shall vest on the scheduled vesting day. For avoidance of doubt, the unvested Restricted Shares that are scheduled to vest within twelve

(12) months of such termination of employment shall vest on the schedule vesting day notwithstanding any other restrictions, conditions or provisions included in this Agreement, in the Employment Contract, in the Company's 2009 Equity Incentive Plan (the "2009 Plan") or in any other documents. Any other Restricted Shares that are unvested on the date of such termination shall immediately terminate on such date.

3. OWNERSHIP OF RESTRICTED SHARES; DIVIDENDS

A. Ownership of Shares

Subject to the restrictions set forth in the Plan and this Award Agreement, Employee shall possess all incidents of ownership of the Restricted Shares granted hereunder, including, without limitation, but subject to Section 3, Subsection B below, the right to receive dividends with respect to such Restricted Shares (but only to the extent declared and paid to holders of Common Stock by the Company in its sole discretion), provided, however, that any such dividends shall accrue, but only be delivered to Employee with respect to Restricted Shares that have vested, and such dividends shall be treated, to the extent required by applicable law, as additional compensation for tax purposes if paid on Restricted Shares. Notwithstanding the foregoing, Employee shall have no right to vote the Restricted Shares unless and only to the extent the Restricted Shares have vested in accordance with this Agreement.

B. Dividends

Any dividends with respect to Restricted Shares (whether such dividends are paid in cash, stock or other property) (i) shall be subject to the same restrictions (including the risk of forfeiture) as the Restricted Shares with respect to which they are issued; (ii) shall herein be encompassed within the term "Restricted Shares"; (iii) shall be held by the Company for Employee prior to vesting; and (iv) shall be paid or otherwise released to Employee, without interest, promptly after the vesting of Restricted Shares with respect to which they were issued.

C. Non-Transferability of the Restricted Share Award

The Restricted Share Award shall not be transferable otherwise than by will or by the applicable laws of descent and distribution. More particularly (but without limiting the generality of the foregoing), the Restricted Share Award may not be assigned, transferred (except as aforesaid), pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Restricted Share Award contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Restricted Share Award, shall be null and void and without effect.

4. TERMINATION OF RESTRICTED SHARE AWARD

In the event of resignation by the Employee (including as a result of retirement) or in case of termination of the Employee for Cause (as defined in Section 10 Subsection A), the Restricted Share Award shall terminate and all unvested Restricted Shares shall be forfeited by the Employee as of the date of termination. In no event shall the granting of the Restricted Share Award or its acceptance by the Employee give or be deemed to give the Employee any right to continued employment by the Company or any of its subsidiaries.

5. CONDITIONS UPON TERMINATION OF EMPLOYMENT

- A. If the Employee is terminated by the Company without Cause (as defined in Section 10 Subsection A of this Agreement) or resigns for Good Reason (as defined in the Employment Contract), then, during the Restrictive Period, the Employee shall receive the Minimum Guaranteed Compensation Payment outlined in the Employment Contract and shall be subject to the non-compete covenants set forth in Article 9(a) of the Employment Contract which are incorporated herein by reference.
- B. The Employee shall be available during the Restrictive Period at reasonable times to provide information to the Company at the request of the Company's management with respect to phases of the business with which he/she was actively connected during his/her employment, but such availability shall not be required during usual vacation periods or periods of illness or other incapacity or without reasonable compensation and cost reimbursement.
- C. In the event that the Employee fails to comply with any of the promises made in this Section 5, then in addition to and not in limitation of any and all other remedies available to the Company at law or in equity (a) Restricted Shares, to the extent then unvested, will be immediately forfeited by the Employee and returned to the Company and (b) the Employee will be required to immediately deliver to the Company an amount (in cash or in Shares) equal to the market value of any Shares that have vested under the vesting schedule as of the date of such vesting (the "Share Value") to the extent such Shares vested at any time from one hundred eighty (180) days prior to the date of termination of employment to one hundred eighty (180) days after the date when the Company learns that the Employee has not complied with any such promise. The Employee will deliver such Share Value amount to the Company on such terms and conditions as may be required by the Company. The Company will be entitled to enforce this repayment obligation by all legal means available, including, without limitation, to set off the Share Value amount and any other damage amount against any amount that might be owed to the Employee by the Company.
- D. The Employee acknowledges that in the event that the covenants made in this Section 5 are not fulfilled, the damage to the Company would be irreparable. The Company, in addition to any other remedies available to it, including, without limitation, the remedies set forth in Section 5, Subsection C above, shall be entitled to injunctive relief against the Employee's breach or threatened breach of said covenants.

Any determination by the Board of Directors with regard to Section 5, Subsection C and Section 5, Subsection D shall be conclusive.

The Employee acknowledges that the Company would not have awarded the Restricted Shares to the Employee under this Agreement absent the Employee's agreement to be bound by the covenants made in this Section 5.

6. INCOME TAXES

- A. Generally

Except as provided in the next sentence, the Company shall withhold and/or receive the return of a number of Shares having a fair market value equal to the taxes that the Company determines it is required to withhold under applicable tax laws with respect to the Restricted Shares (with such withholding obligation determined based on any applicable minimum statutory withholding rates), in connection with the vesting of Restricted Shares. In the event the Company cannot (under applicable

legal, regulatory, listing or other requirements) satisfy such tax withholding obligation in such method, Employee makes a Section 83(b) election pursuant to Section 6, Subsection B below, or the parties otherwise agree in writing, then the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring Employee to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to Employee; and/or (iii) by allowing Employee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by Employee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a fair market value on the date of surrender equal to the amount required to be withheld. For these purposes, the fair market value of the Shares to be withheld or repurchased, as applicable, shall be determined using the opening price of the Shares on the date that the amount of tax to be withheld is to be determined.

B. Section 83(b) Election.

Employee hereby acknowledges that he or she may file an election pursuant to Section 83(b) of the Code to be taxed currently on the fair market value of the Restricted Shares (less any purchase price paid for the Shares), provided that such election must be filed with the Internal Revenue Service no later than thirty (30) days after the grant of such Restricted Shares. Employee will seek the advice of his or her own tax advisors as to the advisability of making such a Section 83(b) election, the potential consequences of making such an election, the requirements for making such an election, and the other tax consequences of the Restricted Share Award under federal, state, and any other laws that may be applicable. The Company and its affiliates and agents have not and are not providing any tax advice to Employee.

7. CORPORATE TRANSACTIONS

If there shall be any change in the Shares, through merger, consolidation, reorganization, recapitalization, stock dividend, stock split, spin off of one or more subsidiaries or other change in the corporate structure, appropriate adjustments shall be made by the Company's Board of Directors in its reasonable discretion (or if the Company is not the surviving company in any such transaction, the Board of Directors of the surviving company - with the Board of Directors of the Company and the surviving company collectively referred to in this Section 7 as the "Board") in the aggregate number and kind of Shares subject to the 2009 Plan and the number and kind of Shares subject to the Restricted Share Award. Without limiting the generality of the foregoing, in the event of a restructuring or transaction resulting in some or all of the Company's Shares being convertible into equity of a separate company, the Board shall have the authority to replace outstanding Restricted Shares with any one or more of the following: (A) adjusted restricted shares of the Company; (B) adjusted restricted shares on the equity of the separate company; and (C) a combination of adjusted restricted shares on the shares of both the Company and the separate company, all as the Board sees as equitable. In the event of any such restricted share adjustment and/or conversion, the Board shall attempt to reasonably approximate the aggregate value of the Employee's outstanding Restricted Shares under this Agreement. For the avoidance of doubt, in the event Employee remains employed with the separate company that results from a restructuring or transaction covered by this Section 7, for purposes of this Agreement, he/she will be deemed to remain employed as if he/she continued employment with the Company such that the employment termination provisions applicable to the Restricted Share Award shall not be invoked unless and until his/her employment with such separate company shall terminate.

8. PAYMENT OF EXPENSES AND COMPLIANCE WITH LAWS

The Company shall reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Agreement, shall pay all original issue and/or transfer taxes with respect to the issue and/or transfer of Shares pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Company, shall be applicable thereto.

9. ADDITIONAL CONDITIONS

- A. Employee hereby represents and covenants that (a) any Share acquired upon the vesting of the Restricted Share Award will be acquired pursuant to the Employment Contract, and as an investment not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), unless such acquisition has been registered under the Securities Act and any applicable state securities law; (b) any subsequent sale of any such Shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Company, the Employee shall submit a written statement, in form satisfactory to the Company, to the effect that such representation (x) is true and correct as of the date of acquisition of any Shares hereunder or (y) is true and correct as of the date of any sale of any such Shares, as applicable. As a further condition precedent to the delivery to the Employee of any Shares subject to the Restricted Share Award, the Employee shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance of the Shares and, in connection therewith, shall execute any documents which the Company shall in its sole discretion deem necessary or advisable.
- B. The Restricted Share Award is subject to the condition that if the listing, registration or qualification of the Shares subject to the Restricted Share Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the vesting or delivery of the Shares hereunder, the Shares subject to the Restricted Share Award shall not vest or be delivered, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company shall use reasonable efforts to effect or obtain any such listing, registration, qualification, consent or approval.

10. DEFINITIONS

- A. As used herein in this Agreement, the term "Cause" shall have the meaning described in articles L.124-10 of the Luxembourg Labor Code.
- B. As used herein in this Agreement, the term "Disability" shall mean a physical or mental impairment which, as reasonably determined by the Board of Directors, renders the Employee unable to perform the essential functions of his employment with the Company, even with reasonable accommodation that does not impose an undue hardship on the Company, for more than one hundred and eighty (180) days in any twelve (12) month period, unless a longer period is required by federal or state law, in which case that longer period would apply.

- C. As used herein in this Agreement, the term “Restrictive Period” shall have the following meaning:
- (1) if the Employment Contract terminates within the first twelve (12) months of Employment (as defined in the Employment Contract), the Restrictive Period shall be the twelve (12) month period following the date on which the Employment Contract terminates
 - (2) if the Employment Contract terminates between twelve (12) and thirteen (13) months of Employment, the Restrictive Period shall be the eleven (11) month period following the date on which the Employment Contract terminates
 - (3) if the Employment Contract terminates between thirteen (13) and fourteen (14) months of Employment, the Restrictive Period shall be the ten (10) month period following the date on which the Employment Contract terminates
 - (4) if the Employment Contract terminates between fourteen (14) months and fifteen (15) months of Employment, the Restrictive Period shall be the nine (9) month period following the date on which the Employment Contract terminates
 - (5) if the Employment Contract terminates between fifteen (15) and sixteen (16) months of Employment, the Restrictive Period shall be the eight (8) month period following the date on which the Employment Contract terminates
 - (6) if the Employment Contract terminates between sixteen (16) months and seventeen (17) months of Employment, the Restrictive Period shall be the seven (7) month period following the date on which the Employment Contract terminates
 - (7) if the Employment Contract terminates after 17 months of Employment, the Restrictive Period shall be the six (6) month period following the date on which the Employment Contract terminates.

11. AMENDMENT

In the event that the Company’s Board of Directors amends the 2009 Plan under the provisions of Section 9 of the 2009 Plan and such amendment shall modify or otherwise affect the subject matter of this Agreement, this Agreement shall, to that extent, be deemed to be amended by such amendment to the 2009 Plan. The Company shall notify the Employee in writing of any such amendment to the 2009 Plan and this Agreement as soon as practicable after its approval. Notwithstanding any other provision of this Agreement or the 2009 Plan, the Employee’s rights under this Agreement may not be amended in a way that materially diminishes the value of the award without the Employee’s consent to the amendment.

12. CONSTRUCTION

In the event of any conflict between the 2009 Plan and this Agreement, the provisions of the 2009 Plan shall control. This Agreement shall be governed in all respects by the laws of the State of Georgia. No provision of this Agreement shall limit in any way whatsoever any right that the Company may otherwise have to terminate the employment of the Employee at any time.

If any provision of this Agreement is held to be unenforceable, then this provision will be deemed amended to the extent necessary to render the otherwise unenforceable provision, and the rest of this Agreement, valid

and enforceable. If a court declines to amend this Agreement as provided herein, the invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

13. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Company and the Employee and supersedes all other discussions, correspondence, representations, understandings and agreements between the parties, with respect to the subject matter hereof.

14. HEADINGS

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed a part hereof.

15. CONFIRMING INFORMATION

By accepting this Agreement, either through electronic means or by providing a signed copy, the Employee (i) acknowledges and confirms that he/she has read and understood the 2009 Plan and this Agreement and (ii) acknowledges that acceptance through electronic means is equivalent to doing so by providing a signed copy.

[SIGNATURE PAGE FOLLOWS]

I hereby agree to and accept the terms of this Agreement.

Employee

/s/ Marcello Mastioni

Marcello Mastioni

Altisource Portfolio Solutions S.A.

By: /s/ William B. Shepro

Name: William B. Shepro

Title: Chief Executive Officer

Attested by: /s/ Kevin J. Wilcox

Name: Kevin J. Wilcox

Title: Chief Administration and Risk Officer

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
AMENDED AND RESTATED
2009 EQUITY INCENTIVE PLAN
(as of November 12, 2018)

SECTION 1. PURPOSE

- 1.01 The purpose of the 2009 Equity Incentive Plan (the “Plan”) is to assist Altisource Portfolio Solutions S.A. (the “Company”) in attracting, retaining and motivating directors and employees of outstanding ability and to align their interests with those of the shareholders of the Company.

SECTION 2. DEFINITIONS; CONSTRUCTION

- 2.01 **Definitions.** In addition to the terms defined elsewhere in the Plan, the following terms as used in the Plan shall have the following meanings when used with initial capital letters:
- 2.01.1 “*Award*” means any Option, Restricted Stock, Restricted Stock Unit, Performance Award or Other Stock-Based Award, or any other right or interest relating to Shares granted under the Plan.
- 2.01.2 “*Award Agreement*” means any written agreement, contract or other instrument or document evidencing an Award.
- 2.01.3 “*Board*” means the Company’s Board of Directors.
- 2.01.4 “*Code*” means the Internal Revenue Code of 1986, as amended from time to time, together with rules, regulations and interpretations promulgated thereunder. References to particular sections of the Code shall include any successor provisions.
- 2.01.5 “*Change of Control*” shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), whether or not the Company is then subject to such reporting requirement.
- 2.01.6 “*Committee*” means, the Compensation Committee or such other committee of the Board as may be designated by the Board to administer the Plan, as referred to in Section 3.01 hereof, consisting of at least three members of the Board; provided however, that any member of the Committee participating in the taking of any action under the Plan shall qualify as (1) an “outside director” as then defined under Section 162(m) of the Code or any successor provision, (2) a “non-employee director” as then defined under Rule 16b-3 or any successor rule and (3) an “independent” director under the rules of the NASDAQ Global Market.
- 2.01.7 “*Common Stock*” means shares of the common stock, par value \$1.00 per share, and such other securities of the Company or other company or entity as may be substituted for Shares pursuant to Section 8.01 hereof.
- 2.01.8 “*Covered Employee*” shall have the meaning provided in Section 162(m)(3) of the Code.
- 2.01.9 “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

- 2.01.10 “*Fair Market Value*” of shares of any stock, including but not limited to Common Stock, or units of any other securities (herein “shares”), shall be the mean between the highest and lowest sales prices per share for the date(s) as established by the Board as of which Fair Market Value is to be determined in the principal market in which such shares are traded, as quoted at www.nasdaq.com/symbol/ASPS (or in such other reliable website or publication as the Committee, in its discretion, may determine to rely upon). If the Fair Market Value of shares on any date(s) cannot be determined on the basis set forth in the preceding sentence, or if a determination is required as to the Fair Market Value on any date of property other than shares, the Committee shall in good faith determine the Fair Market Value of such shares or other property on such date(s). Fair Market Value shall be determined without regard to any restriction other than a restriction which, by its terms, will never lapse.
- 2.01.11 “*Option*” means a right, granted under Section 6.02 hereof, to purchase Shares at a specified price during specified time periods.
- 2.01.12 “*Other Stock-Based Award*” means an Award, granted under Section 6.05 hereof, that is denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares.
- 2.01.13 “*Participant*” means (a) an employee of the Company or any Subsidiary or affiliate, including, but not limited to, a Covered Employee, or (b) a member of the Board, who, in the case of either clause (a) or (b), is granted an Award under the Plan.
- 2.01.14 “*Performance Award*,” “*Performance Goal*” and “*Performance Period*” shall have the meanings provided in Section 6.04.
- 2.01.15 “*Person*” means “person” as such term is used for purposes of Section 13(d) or 14(d) of the Exchange Act, including any individual, corporation, limited liability company, partnership, trust, unincorporated organization, government or any agency or political subdivision thereof, or any other entity or any group of persons.
- 2.01.16 “*Retirement*” means, unless otherwise specified in an Award Agreement, termination (other than by reason of death or disability) by the Participant of the Participant’s employment with the Company or any Subsidiary or affiliate pursuant to and in accordance with a plan or program of the Company or any Subsidiary or affiliate applicable to the Participant, provided, however that the Participant must have attained the age of fifty-five (55) and been an employee of the Company or any Subsidiary or affiliate for not less than three (3) years as of the date of termination of employment by reason of Retirement.
- 2.01.17 “*Restricted Stock*” means Shares, granted under Section 6.03 hereof, that are subject to certain restrictions.
- 2.01.18 “*Restricted Stock Units*” means units, granted under Section 6.03 hereof, representing the notional right to receive a specified number of Shares upon the satisfaction of certain conditions set forth therein.
- 2.01.19 “*Rule 16b-3*” means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor to such Rule promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.
- 2.01.20 “*Shares*” means the common stock of the Company, par value \$1.00 per share, and such other securities of the Company as may be substituted for Shares pursuant to Section 8.01 hereof.

2.01.21 “*Subsidiary*” means any company in an unbroken chain of companies beginning with the Company, if each of the companies other than the last company in the chain owns stock possessing at least 50% of the total combined voting power of all classes of stock in one of the other companies in the chain.

2.02 **Construction.** For purposes of the Plan, the following rules of construction shall apply:

2.02.1 The word “or” is disjunctive but not necessarily exclusive.

2.02.2 Words in the singular include the plural; words in the plural include the singular; words in the neuter gender include the masculine and feminine genders, and words in the masculine or feminine gender include the other and neuter genders.

SECTION 3. ADMINISTRATION

3.01 The Plan shall be administered by the Committee. References hereinafter to the Committee shall mean the Compensation Committee of the Board (or other appointed committee). The Committee shall have complete, full and final authority to take the following actions, in each case subject to and consistent with the provisions of the Plan:

- (i) to designate Participants;
- (ii) to determine the type or types of Awards to be granted to each Participant;
- (iii) to determine the number of Awards to be granted, the number of Shares or amount of cash or other property to which an Award will relate, the terms and conditions of any Award (including, but not limited to, any exercise price, grant price or purchase price, any limitation or restriction, any schedule for lapse of limitations, forfeiture restrictions or restrictions on exercisability or transferability, and accelerations or waivers thereof, including in the case of a Change of Control based in each case on such considerations as the Committee shall determine), and all other matters to be determined in connection with an Award;
- (iv) to determine whether, to what extent and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards or other property, or an Award may be accelerated, vested, canceled, forfeited, exchanged or surrendered;
- (v) to interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan;
- (vi) to prescribe the form of each Award Agreement, which need not be identical for each Participant;
- (vii) to adopt, amend, suspend, waive and rescind such rules and regulations as the Committee may deem necessary or advisable to administer the Plan;
- (viii) to correct any defect or supply any omission or reconcile any inconsistency, and to construe and interpret the Plan, the rules and regulations, any Award Agreement or other instrument entered into or Award made under the Plan;

- (ix) to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan; and
- (x) to make such filings and take such actions as may be required from time to time by appropriate state, regulatory and governmental agencies. Any action of the Committee with respect to the Plan shall be final, conclusive and binding on all Persons, including the Company, Subsidiaries, Participants and any Person claiming any rights under the Plan from or through any Participants. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers, managers and/or agents of the Company or any Subsidiary the authority, subject to such terms as the Committee shall determine, to perform administrative and other functions under the Plan. Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him by an officer, manager or other employee of the Company or a Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company and/or Committee to assist in the administration of the Plan.

SECTION 4. SHARES SUBJECT TO THE PLAN

4.01 The maximum net number of Shares which may be issued and in respect of which Awards may be granted under the Plan shall be limited to 6,666,667 shares of Common Stock, subject to adjustment as provided in Section 8.01, which may be used for all forms of Awards. Each Share issued under the Plan pursuant to an Award other than an Option or other purchase right in which the Participant pays the Fair Market Value for such Share measured as of the grant date, or appreciation right which is based upon the Fair Market Value of a Share as of the grant date, shall reduce the number of available Shares by 1.00.

For purposes of this Section 4.01, the number of Shares to which an Award relates shall be counted against the number of Shares available under the Plan on a one-for-one basis at the time of grant of the Award, unless such number of Shares cannot be determined at that time, in which case the number of Shares actually issued pursuant to the Award shall be counted against the number of Shares available under the Plan at the time of issuance; provided, however, that Awards related to or retroactively added to, or granted in tandem with, substituted for or converted into, other Awards shall be counted or not counted against the number of Shares reserved and available under the Plan in accordance with procedures adopted by the Committee so as to ensure appropriate counting but avoid double counting.

If any Shares to which an Award relates are forfeited or the Award otherwise terminates without payment being made to the Participant in the form of Shares or if payment is made to the Participant in the form of cash, cash equivalents or other property other than Shares, any Shares counted against the number of Shares available under the Plan with respect to such Award shall, to the extent of any such forfeiture or termination or alternative payment, again be available for Awards under the Plan. Any Shares distributed pursuant to an Award may consist, in whole or part, of authorized and unissued Shares, including Shares repurchased by the Company for purposes of the Plan.

SECTION 5. ELIGIBILITY

5.01 Awards may be granted only to individuals who are employees of the Company or any Subsidiary or affiliate or to members of the Board.

SECTION 6. SPECIFIC TERMS OF AWARDS

6.01 **General.** Subject to the terms of the Plan and any applicable Award Agreement, Awards may be granted as set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to the terms of Section 9.01), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including separate escrow provisions and terms requiring forfeiture of Awards in the event of termination of employment or service by the Participant. Except as required by applicable law, Awards may be granted for no consideration other than prior and/or future services.

6.02 **Options.** The Committee is authorized to grant Options to Participants on the following terms and conditions:

- (i) *Exercise Price.* The criteria for determining the exercise price per Share of an Option shall be determined and such price shall be established by the Committee prior to each grant.
- (ii) *Option Term.* The term of each Option shall be determined by the Committee, except that no Option shall be exercisable after the expiration of ten years from the date of grant. The Option shall be evidenced by a form of Award Agreement, and subject to the terms thereof.
- (iii) *Times and Methods of Exercise.* The Committee shall determine the time or times at which an Option may be exercised in whole or in part, the methods by which the exercise price may be paid or deemed to be paid, and the form of such payment, including, without limitation, cash, Shares, or other property or any combination thereof, having a Fair Market Value on the date of exercise equal to the exercise price, provided, however, that in the case of a Participant who is at the time of exercise subject to Section 16 of the Exchange Act, any portion of the exercise price representing a fraction of a Share shall in any event be paid in cash or in property other than any equity security (as defined by the Exchange Act) of the Company. Delivery of Shares in payment of the exercise price of an Option, if authorized by the Committee, may be accomplished through the effective transfer to the Company of Shares held by a broker or other agent.

Unless otherwise determined by the Committee, the Company will also cooperate with any Person exercising an Option who participates in a cashless exercise program of a broker or other agent under which all or part of the Shares received upon exercise of the Option are sold through the broker or other agent, for the purpose of paying the exercise price of an Option. Notwithstanding the preceding sentence, unless the Committee, in its discretion, shall otherwise determine, the exercise of the Option shall not be deemed to occur, and no Shares will be issued by the Company upon exercise of an Option, until the Company has received payment in full of the exercise price.

- (iv) *Termination of Employment.* In the case of Participants, unless otherwise determined by the Committee and/or reflected in the Award Agreement or award program:
 - (A) if a Participant shall die while employed or engaged by the Company or a Subsidiary or affiliate or during a period following termination of employment or engagement

during which an Option otherwise remains exercisable under this Section 6.02(iv), Options granted to the Participant, to the extent exercisable at the time of the Participant's death, may be exercised within two years after the date of the Participant's death, but not later than the expiration date of the Options, by the executor or administrator of the Participant's estate or by the Person or Persons to whom the Participant shall have transferred such right by will or by the laws of descent and distribution.

- (B) if the Participant must terminate employment or engagement due to disability, the Options may be exercised within three years after the date of termination, but not later than the expiration date of the Options.
 - (C) if the Participant's employment or engagement is terminated by reason of Retirement the Options shall vest and shall become immediately exercisable in full on the date of termination and may be exercised within three years after the date of Retirement, but not later than the expiration date of the Options.
 - (D) if the employment or engagement of a Participant with the Company or its Subsidiaries or affiliates shall be involuntarily terminated under circumstances which would qualify the Participant for benefits under a severance plan of the Company or shall terminate his or her employment or engagement with the written consent of the Company or a Subsidiary, the Committee may elect to vest the Options immediately. Options granted to the Participant, to the extent exercisable at the date of the Participant's termination of employment or engagement, may be exercised within six months after the date of termination of employment or engagement, but not later than the expiration date of the Options.
 - (E) except to the extent an Option remains exercisable under paragraphs (A) through (D) above, any Option granted to a Participant shall terminate six months after the date of termination of employment or engagement of the Participant with the Company or a Subsidiary or affiliate.
- (v) *Individual Option Limit.* The aggregate number of Shares for which Options may be granted under the Plan to any single Participant in any calendar year shall not exceed 666,667 Shares. The limitation in the preceding sentence shall be interpreted and applied in a manner consistent with Section 162(m) of the Code.

6.03 **Restricted Stock or Restricted Stock Units.** The Committee is authorized to grant Restricted Stock or Restricted Stock Units to Participants on the following terms and conditions:

- (i) *Issuance and Restrictions.* Restricted Stock or Restricted Stock Units shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends or dividend equivalents thereon), which restrictions may lapse separately or in combination at such times, under such circumstances, in such installments or otherwise, as the Committee shall determine at the time of grant or thereafter. The restriction period applicable to Restricted Stock or Restricted Stock Units shall, in the case of a time-based restriction, be not less than two years, with ratable vesting over such period or, in the case of a performance-based restriction period, be not less than one year.
- (ii) *Forfeiture.* Except as otherwise determined by the Committee at the time of grant or thereafter, upon termination of employment, engagement or other service (as determined under criteria

established by the Committee) during the applicable restriction period, Restricted Stock or Restricted Stock Units that are at that time subject to restrictions shall be forfeited and reacquired by the Company; provided, however, that the Committee may provide, by rule or regulation or in any Award Agreement, that restrictions on Restricted Stock or Restricted Stock Units shall be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part restrictions on Restricted Stock or Restricted Stock Units.

- (iii) *Certificates for Shares.* Restricted Stock or Restricted Stock Units granted under the Plan may be evidenced in such manner as the Committee shall determine, including, without limitation, with respect to Restricted Stock, issuance of certificates representing Shares, which may be held in escrow. Certificates representing Restricted Stock shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock.

6.04 **Performance Awards.** The Committee is authorized to grant Performance Awards to Participants on the following terms and conditions:

- (i) *Right to Payment.* A Performance Award shall represent a right to receive Shares based on the achievement, or the level of achievement, during a specified Performance Period of one or more Performance Goals established by the Committee at the time of the Award.
- (ii) *Terms of Performance Awards.* At or prior to the time a Performance Award is granted, the Committee shall cause to be set forth in the Award Agreement or otherwise in writing (1) the Performance Goals applicable to the Award and the Performance Period during which the achievement of the Performance Goals shall be measured, (2) the amount which may be earned by the Participant based on the achievement, or the level of achievement, of the Performance Goals or the formula by which such amount shall be determined and (3) such other terms and conditions applicable to the Award as the Committee may, in its discretion, determine to include therein. The terms so established by the Committee shall be objective such that a third party having knowledge of the relevant facts could determine whether or not any Performance Goal has been achieved, or the extent of such achievement, and the amount, if any, which has been earned by the Participant based on such performance. The Committee may retain the discretion to reduce (but not to increase) the amount of a Performance Award which will be earned based on the achievement of Performance Goals. When the Performance Goals are established, the Committee shall also specify the manner in which the level of achievement of such Performance Goals shall be calculated and the weighting assigned to such Performance Goals. The Committee may determine that unusual items or certain specified events or occurrences, including changes in accounting standards or tax laws and the effects of non-operational items or extraordinary items as defined by generally accepted accounting principles, shall be excluded from the calculation to the extent permitted in Section 162(m).
- (iii) *Performance Goals.* “Performance Goals” shall mean one or more pre-established, objective measures of performance during a specified “Performance Period,” selected by the Committee in its discretion.

Performance Goals may be based upon one or more of the following objective performance measures and expressed in either, or a combination of, absolute or relative values: earnings per share, earnings per share growth, return on capital employed, costs, net income, net income growth, operating margin, revenues, revenue growth, revenue from operations, expenses, income from operations as a percent of capital employed, income from operations, cash flow,

market share, return on equity, return on assets, earnings (including EBITDA and EBIT), operating cash flow, operating cash flow as a percent of capital employed, economic value added, gross margin, total shareholder return, workforce diversity, number of accounts, workers' compensation claims, budgeted amounts, cost per hire, turnover rate, and/or training costs and expenses. Performance Goals based on such performance measures may be based either on the performance of the Company, a Subsidiary or Subsidiaries, affiliate, any branch, department, business unit or other portion thereof under such measure for the Performance Period and/or upon a comparison of such performance with the performance of a peer group of companies, prior Performance Periods or other measure selected or defined by the Committee at the time of making a Performance Award. The Committee may in its discretion also determine to use other objective performance measures as Performance Goals.

- (iv) *Committee Certification.* Following completion of the applicable Performance Period, and prior to any payment of a Performance Award to the Participant, the Committee shall determine in accordance with the terms of the Performance Award and shall certify in writing whether the applicable Performance Goal or Goals were achieved, or the level of such achievement, and the amount, if any, earned by the Participant based upon such performance. For this purpose, approved minutes of the meeting of the Committee at which certification is made shall be sufficient to satisfy the requirement of a written certification.

Performance Awards are not intended to provide for the deferral of compensation, such that payment of Performance Awards shall be paid within two and one-half months following the end of the calendar year in which the Performance Period ends or such other time period if and to the extent as may be required to avoid characterization of such Awards as deferred compensation.

- (v) *Maximum Individual Performance Award Payments.* In any one calendar year, the maximum amount which may be earned by any single Participant under Performance Awards granted under the Plan shall be limited to 666,667 Shares. In the case of multi-year Performance Periods, the amount which is earned in any one calendar year is the amount paid for the Performance Period divided by the number of calendar years in the period. In applying this limit, the number of Shares earned by a Participant shall be measured as of the close of the applicable calendar year which ends the Performance Period, regardless of the fact that certification by the Committee and actual payment to the Participant may occur in a subsequent calendar year or years.
- (vi) *Termination of Employment.* Except as may be set forth in the Participant's Award Agreement or as otherwise determined by the Committee, vesting shall cease on the date of the Participant's termination of employment or engagement.

6.05 **Other Stock-Based Awards.** The Committee is authorized, subject to limitations under applicable law, to grant to Participants, in lieu of salary, cash bonus, fees or other payments, such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares, as deemed by the Committee to be consistent with the purposes of the Plan, including, without limitation, purchase rights, appreciation rights, Shares awarded which are not subject to any restrictions or conditions, convertible securities, exchangeable securities or other rights convertible or exchangeable into Shares, as the Committee in its discretion may determine. In the discretion of the Committee, such Other Stock-Based Awards, including Shares, or other types of Awards authorized under the Plan, may be used in connection with, or to satisfy obligations of the Company or a Subsidiary under, other compensation or incentive plans, programs or arrangements of the Company or any Subsidiary for eligible Participants.

The Committee shall determine the terms and conditions of Other Stock-Based Awards. Shares or securities delivered pursuant to a purchase right granted under this Section 6.05 shall be purchased for such consideration, paid for by such methods and in such forms, including, without limitation, cash, Shares, or other property or any combination thereof, as the Committee shall determine, but the value of such consideration shall not be less than the Fair Market Value of such Shares or other securities on the date of grant of such purchase right.

Appreciation rights may not be granted at a price less than the fair market value of the underlying Shares on the date of grant. Delivery of Shares or other securities in payment of a purchase right or appreciation right, if authorized by the Committee, may be accomplished through the effective transfer to the Company of Shares or other securities held by a broker or other agent. Unless otherwise determined by the Committee, the Company will also cooperate with any Person exercising a purchase right who participates in a cashless exercise program of a broker or other agent under which all or part of the Shares or securities received upon exercise of a purchase right are sold through the broker or other agent, or under which the broker or other agent makes a loan to such Person, for the purpose of paying the exercise price of a purchase right.

Notwithstanding the preceding sentence, unless the Committee, in its discretion, shall otherwise determine, the exercise of the purchase right shall not be deemed to occur, and no Shares or other securities will be issued by the Company upon exercise of a purchase right, until the Company has received payment in full of the exercise price.

SECTION 7. GENERAL TERMS OF AWARDS

- 7.01 **Stand-Alone, Tandem and Substitute Awards.** Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, or in tandem with, any other Award granted under the Plan or any award granted under any other plan, program or arrangement of the Company or any Subsidiary (subject to the terms of Section 9.01) or any business entity acquired or to be acquired by the Company or a Subsidiary.

Awards granted in addition to or in tandem with other Awards or awards may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

- 7.02 **Certain Restrictions Under Rule 16b-3.** Upon the effectiveness of any amendment to Rule 16b-3, this Plan and any Award Agreement for an outstanding Award held by a Participant then subject to Section 16 of the Exchange Act shall be deemed to be amended, without further action on the part of the Committee, the Board or the Participant, to the extent necessary for Awards under the Plan or such Award Agreement to qualify for the exemption provided by Rule 16b-3, as so amended, except to the extent any such amendment requires shareholder approval.

- 7.03 **Decisions Required to be Made by the Committee.** Other provisions of the Plan and any Award Agreement notwithstanding, if any decision regarding an Award or the exercise of any right by a Participant, at any time such Participant is subject to Section 16 of the Exchange Act, is required to be made or approved by the Committee or the Board in order that a transaction by such Participant will be exempt under Rule 16b-3, then the Committee or the Board shall retain full and exclusive power and authority to make such decision or to approve or disapprove any such decision by the Participant.

- 7.04 **Term of Awards.** The term of each Award shall be for such period as may be determined by the Committee; provided, however, that in no event shall the term of any Option exceed a period of ten years from the date of its grant.
- 7.05 **Form of Payment of Awards.** Subject to the terms of the Plan and any applicable Award Agreement, payments or substitutions to be made by the Company upon the grant, exercise or other payment or distribution of an Award may be made in such forms as the Committee shall determine at the time of grant or thereafter (subject to the terms of Section 9.01), including, without limitation, cash, Shares, or other property or any combination thereof, in each case in accordance with rules and procedures established, or as otherwise determined, by the Committee.
- 7.06 **Limits on Transfer of Awards; Beneficiaries.** No right or interest of a Participant in any Award shall be pledged, encumbered or hypothecated to or in favor of any Person other than the Company, or shall be subject to any lien, obligation or liability of such Participant to any Person other than the Company or a Subsidiary except as otherwise established by the Committee at the time of grant or thereafter. No Award and no rights or interests therein shall be assignable or transferable by a Participant otherwise than by will or the laws of descent and distribution, and any Option or other right to purchase or acquire Shares granted to a Participant under the Plan shall be exercisable during the Participant's lifetime only by such Participant. A beneficiary, guardian, legal representative or other Person claiming any rights under the Plan from or through any Participant shall be subject to all the terms and conditions of the Plan and any Award Agreement applicable to such Participant as well as any additional restrictions or limitations deemed necessary or appropriate by the Committee.
- 7.07 **Registration and Listing Compliance.** No Award shall be paid and no Shares or other securities shall be distributed with respect to any Award in a transaction subject to the registration requirements of the Securities Act of 1933, as amended, or any state securities law or subject to a listing requirement under any listing agreement between the Company and any national securities exchange, and no Award shall confer upon any Participant rights to such payment or distribution until such laws and contractual obligations of the Company have been complied with in all material respects. Except to the extent required by the terms of an Award Agreement or another contract between the Company and the Participant, neither the grant of any Award nor anything else contained herein shall obligate the Company to take any action to comply with any requirements of any such securities laws or contractual obligations relating to the registration (or exemption therefrom) or listing of any Shares or other securities, whether or not necessary in order to permit any such payment or distribution.
- 7.08 **Stock Certificates.** Awards representing Shares under the Plan may be recorded in book entry form until the lapse of restrictions or limitations thereon, or issued in the form of certificates. All certificates for Shares delivered under the terms of the Plan shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under federal or state securities laws, rules and regulations thereunder, and the rules of any national securities exchange or automated quotation system on which Shares are listed or quoted. The Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions or any other restrictions or limitations that may be applicable to Shares. In addition, during any period in which Awards or Shares are subject to restrictions or limitations under the terms of the Plan or any Award Agreement, the Committee may require any Participant to enter into an agreement providing that certificates representing Shares issuable or issued pursuant to an Award shall remain in the physical custody of the Company or such other Person as the Committee may designate.

SECTION 8. ADJUSTMENT PROVISIONS

8.01 If a dividend, dividend equivalents or other distribution shall be declared upon the Common Stock payable in shares of the Common Stock, the number of shares of Common Stock then subject to any outstanding Options, Performance Awards or Other Stock Based Awards, the number of shares of Common Stock which may be issued under the Plan but are not then subject to outstanding Options, Performance Awards or Other Stock Based Awards and the maximum number of shares as to which Options or Performance Awards may be granted and as to which shares may be awarded under Sections 6.02(vi) and 6.04(v), shall be adjusted by adding thereto the number of shares of Common Stock which would have been distributable thereon if such shares had been outstanding on the date fixed for determining the shareholders entitled to receive such stock dividend or distribution. Shares of Common Stock so distributed with respect to any Restricted Stock held in escrow shall also be held by the Company in escrow and shall be subject to the same restrictions as are applicable to the Restricted Stock on which they were distributed.

If the outstanding shares of Common Stock shall be changed into or exchangeable for a different number or kind of shares of stock or other securities of the Company or another company, or cash or other property, whether through reorganization, reclassification, recapitalization, stock split-up, combination of shares, merger or consolidation, then the Committee is authorized and has sole discretion, as to any Award of Options, Restricted Stock, Restricted Stock Units, Performance Award or Other Stock-Based Awards, to take any one or more of the following actions (which need not be uniform for Awards): (i) provide for the purchase of any such Award for an amount of cash equal to the net value of such Award to the holder thereof (taking into account any exercise price with respect to such Award and the Fair Market Value of the Shares as of that time) that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable; (ii) make such adjustment to any such Award then outstanding as the Committee deems appropriate to reflect such change or exchange of Shares for a different number or kind of shares of stock or other securities; and (iii) cause any such Award then outstanding to be assumed, or new rights substituted therefor, by the Company or such other company then a party to such transaction, including without limitation, by the substitution for the shares of Common Stock then subject to outstanding Awards the number and kind of shares of stock or other securities (and the cash or other property) into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchangeable. In such case, the Committee shall also have the discretion to cause there to be substituted for each share of Common Stock which may in the future be issued under the Plan but which is not then subject to any outstanding Award the number and kind of shares of stock or other securities into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchangeable. Unless otherwise determined by the Committee in its discretion, any such stock or securities, as well as any cash or other property, into or for which any Restricted Stock held in escrow may be changed or exchangeable in any such transaction in the Committee's discretion shall also be held by the Company in escrow and shall be subject to the same restrictions as are applicable to the Restricted Stock in respect of which such stock, securities, cash or other property was issued or distributed.

In case of any adjustment or substitution as provided for in this Section 8.01, the aggregate option price for all Shares subject to each then outstanding Option, Performance Award or Other Stock Based Award prior to such adjustment or substitution shall be the aggregate option price for all shares of stock or other securities (including any fraction), cash or other property to which such Shares shall have been adjusted or which shall have been substituted for such Shares. Any new option price per share or other unit shall be carried to at least three decimal places, with the last decimal place rounded upwards to the nearest whole number.

If the outstanding shares of the Common Stock shall be changed in value by reason of any spin-off, split-off, split-up, dividend in partial liquidation, dividend in property other than cash, or extraordinary distribution to shareholders of the Common Stock, then (a) the Committee shall make any adjustments to any then outstanding Option, Performance Award or Other Stock Based Award, which it determines are equitably required to prevent dilution or enlargement of the rights of optionees and awardees which would otherwise result from any such transaction, and (b) unless otherwise determined by the Committee in its discretion, any stock, securities, cash or other property distributed with respect to any Restricted Stock held in escrow or for which any Restricted Stock held in escrow shall be exchanged in any such transaction shall also be held by the Company in escrow and shall be subject to the same restrictions as are applicable to the Restricted Stock in respect of which such stock, securities, cash or other property was distributed or exchanged.

No adjustment or substitution provided for in this Section 8.01 shall require the Company to issue or sell a fraction of a Share or other security. Accordingly, all fractional Shares or other securities which result from any such adjustment or substitution shall be eliminated and not carried forward to any subsequent adjustment or substitution. Owners of Restricted Stock held in escrow shall be treated in the same manner as owners of Common Stock not held in escrow with respect to fractional Shares created by an adjustment or substitution of Shares, except that, unless otherwise determined by the Committee in its discretion, any cash or other property paid in lieu of a fractional Share shall be subject to restrictions similar to those applicable to the Restricted Stock exchanged therefor.

In the event of any other change in or conversion of the Common Stock, the Committee may in its discretion adjust the outstanding Awards and other amounts provided in the Plan in order to prevent the dilution or enlargement of rights of Participants.

SECTION 9. AMENDMENTS TO AND TERMINATION OF THE PLAN

9.01 The Board may amend, alter, suspend, discontinue or terminate the Plan without the consent of shareholders or Participants, except that, without the approval of the shareholders of the Company, no amendment, alteration, suspension, discontinuation or termination shall be made if shareholder approval is required by any federal or state law or regulation or by the rules of any stock exchange on which the Shares may then be listed, or if the amendment, alteration or other change materially increases the benefits accruing to Participants, increases the number of Shares available under the Plan or modifies the requirements for participation under the Plan, or if the Board in its discretion determines that obtaining such shareholder approval is for any reason advisable; provided, however, that except as provided in Section 7.02, without the written consent of the Participant, no amendment, alteration, suspension, discontinuation or termination of the Plan may materially and adversely affect the rights of such Participant under any Award theretofore granted to him. The Committee may, consistent with the terms of the Plan, waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue or terminate, any Award theretofore granted, prospectively or retrospectively; provided, however, that except as provided in Section 7.02, without the consent of a Participant, no amendment, alteration, suspension, discontinuation or termination of any Award may materially and adversely affect the rights of such Participant under any Award theretofore granted to him; and provided further that, except as provided in Section 8.01 of the Plan, the exercise price of any outstanding Option may not be reduced, whether through amendment, cancellation or replacement, unless such reduction is approved by the shareholders of the Company.

SECTION 10. GENERAL PROVISIONS

- 10.01 **No Right to Awards; No Shareholder Rights.** No Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants, except as provided in any other compensation, fee or other arrangement. No Award shall confer on any Participant any of the rights of a shareholder of the Company unless and until Shares are in fact issued to such Participant in connection with such Award.
- 10.02 **Withholding.** To the extent required by applicable Federal, state, local or foreign law, the Participant or his successor shall make arrangements satisfactory to the Company, in its discretion, for the satisfaction of any withholding tax obligations that arise in connection with an Award. The Company shall not be required to issue any Shares or make any other payment under the Plan until such obligations are satisfied. The Company is authorized to withhold from any Award granted or any payment due under the Plan, including from a distribution of Shares, amounts of withholding taxes due with respect to an Award, its exercise or any payment thereunder, and to take such other action as the Committee may deem necessary or advisable to enable the Company and Participants to satisfy obligations for the payment of such taxes. This authority shall include authority to withhold or receive Shares, Awards or other property and to make cash payments in respect thereof in satisfaction of such tax obligations.
- 10.03 **No Right to Employment or Continuation of Service.** Nothing contained in the Plan or any Award Agreement shall confer, and no grant of an Award shall be construed as conferring, upon any Participant any right to continue in the employ or service of the Company or to interfere in any way with the right of the Company or shareholders to terminate his employment or service at any time or increase or decrease his compensation, fees, or other payments from the rate in existence at the time of granting of an Award, except as provided in any Award Agreement or other compensation, fee or other arrangement.
- 10.04 **Unfunded Status of Awards; Creation of Trusts.** The Plan is intended to constitute an “unfunded” plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give any such Participant any rights that are greater than those of a general unsecured creditor of the Company; provided, however, that the Committee may authorize the creation of trusts or make other arrangements to meet the Company’s obligations under the Plan to deliver Shares or other property pursuant to any Award, which trusts or other arrangements shall be consistent with the “unfunded” status of the Plan unless the Committee otherwise determines.
- 10.05 **No Limit on Other Compensatory Arrangements.** Nothing contained in the Plan shall prevent the Company from adopting other or additional compensation, fee or other arrangements (which may include, without limitation, employment agreements with executives and arrangements which relate to Awards under the Plan), and such arrangements may be either generally applicable or applicable only in specific cases. Notwithstanding anything in the Plan to the contrary, the terms of each Award shall be construed so as to be consistent with such other arrangements in effect at the time of the Award.
- 10.06 **No Fractional Shares.** No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

- 10.07 **Governing Law.** The validity, interpretation, construction and effect of the Plan and any rules and regulations relating to the Plan shall be governed by the laws of the Grand Duchy of Luxembourg (without regard to the conflicts of laws thereof).
- 10.08 **Severability.** If any provision of the Plan or any Award is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or Award, it shall be deleted and the remainder of the Plan or Award shall remain in full force and effect; provided, however, that, unless otherwise determined by the Committee, the provision shall not be construed or deemed amended or deleted with respect to any Participant whose rights and obligations under the Plan are not subject to the law of such jurisdiction or the law deemed applicable by the Committee.

SECTION 11. EFFECTIVE DATE AND TERM OF THE PLAN

- 11.01 The effective date and date of adoption of the Plan shall be August 7, 2009, the date of adoption of the Plan by the Board, provided that such adoption of the Plan is approved by a majority of the votes cast at a duly held meeting of shareholders at which a quorum representing a majority of the outstanding voting stock of the Company is, either in person or by proxy, present and voting. Notwithstanding anything else contained in the Plan or in any Award Agreement, no Option or other purchase right granted under the Plan may be exercised, and no Shares may be distributed pursuant to any Award granted under the Plan, prior to such shareholder approval. In the event such shareholder approval is not obtained, all Awards granted under the Plan shall automatically be deemed void and of no effect.

LIST OF SUBSIDIARIES

The following are subsidiaries of Altisource Portfolio Solutions S.A. as of December 31, 2018 and the jurisdictions in which they are organized.

Name	Jurisdiction of incorporation or organization
Altisource S.à r.l.	Luxembourg
Absotech Solutions Private Limited	India
Altisource Access CA, Inc.	Delaware
Altisource Access, Inc.	Delaware
Altisource Asia Holdings Ltd. I	Mauritius
Altisource Asset Acquisition, Inc.	Delaware
Altisource Business Solutions, Inc.	Philippines
Altisource Business Solutions Private Limited	India
Altisource Business Solutions S.à r.l.	Luxembourg
Altisource Collaborative S.à r.l.	Luxembourg
Altisource Consumer Analytics S.à r.l.	Luxembourg
Altisource Document Solutions S.à r.l.	Luxembourg
Altisource Fulfillment Operations, Inc.	Delaware
Altisource Holdings, LLC	Delaware
Altisource Mortgage Solutions S.à r.l.	Luxembourg
Altisource Online Auction, Inc.	Delaware
Altisource Outsourcing Solutions S.R.L.	Uruguay
Altisource Portfolio Solutions, Inc.	Delaware
Altisource Real Estate Web Portal S.à r.l.	Luxembourg
Altisource Single Family, Inc.	Delaware
Altisource Solutions B.V.	Netherlands
Altisource Solutions, Inc.	Delaware
Altisource Solutions, LLC	Delaware
Altisource Spend Management S.à r.l.	Luxembourg
Altisource Technology Solutions S.à r.l.	Luxembourg
Altisource US Data, Inc.	Delaware
Association of Certified Mortgage Originators Risk Retention Group, Inc.	Nevada
Association of Certified Originators	Nevada
Beltline Road Insurance Agency, Inc.	Texas
BRS Better Neighborhoods, Inc.	Delaware
CastleLine Holdings, LLC	Delaware
CastleLine Re, Inc.	Nevada
CastleLine Risk and Insurance Services, LLC	Nevada
Coolsol Solutions Private Limited	India
Equator, LLC	California
GoldenGator, LLC	Delaware
Hubzu Notes, LLC	Delaware
Hubzu USA, Inc.	Delaware
Investability Solutions, Inc.	Delaware
Nationwide Credit, Inc.	Georgia
noteXchange, LLC	Delaware
Onit Solutions, LLC	Colorado
Polyplay Solutions Private Limited	India
Power Default Services, Inc.	Delaware
Premium Title Agency, Inc.	Delaware
Premium Title Insurance Agency - UT, Inc.	Utah
Premium Title of California, Inc.	California
Premium Title Services - FL, Inc.	Delaware

Name	Jurisdiction of incorporation or organization
Premium Title Services - IL, Inc.	Delaware
Premium Title Services, Inc.	Florida
Premium Title Services - Indiana, Inc.	Delaware
Premium Title Services - MD, Inc.	Delaware
Premium Title Services - MN, Inc.	Delaware
Premium Title Services - MO, Inc.	Delaware
Premium Title Services - NY, Inc.	Delaware
Premium Title Services - VA, Inc.	Delaware
PTS – Escrow, Inc.	Delaware
PTS – Texas Title, Inc.	Delaware
REALHome Services and Solutions – CT, Inc.	Connecticut
REALHome Services and Solutions, Inc.	Florida
REIsmart, LLC	Delaware
Springhouse, LLC	Missouri
The Mortgage Partnership of America, L.L.C.	Missouri
Timidain Solutions Private Limited	India
Western Progressive – Arizona, Inc.	Delaware
Western Progressive – Nevada, Inc.	Delaware
Western Progressive Trustee, LLC	Delaware
Western Progressive – Washington, Inc.	Washington

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No. 333-161175 on Form S-8 of our reports dated February 26, 2019, relating to the consolidated financial statements and financial statement schedule of Altisource Portfolio Solutions S.A. and subsidiaries (the “Company”) (which report expresses an unqualified opinion on the consolidated financial statements and includes explanatory paragraphs related to the change in the method of accounting for revenue and concentration of revenue and uncertainties with Ocwen Financial Corporation), and our report dated February 26, 2019, relating to internal control over financial reporting (which report expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting) appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2018.

/s/ Mayer Hoffman McCann P.C.

February 26, 2019
Clearwater, Florida

**CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, William B. Shepro, hereby certify that:

1. I have reviewed this annual report on Form 10-K for the period ending December 31, 2018 of Altisource Portfolio Solutions S.A.;
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: February 26, 2019

By: /s/ William B. Shepro
William B. Shepro
Director and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION BY THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Michelle D. Esterman, hereby certify that:

1. I have reviewed this annual report on Form 10-K for the period ending December 31, 2018 of Altisource Portfolio Solutions S.A.;
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: February 26, 2019

By: /s/ Michelle D. Esterman
Michelle D. Esterman
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

**CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(UNITED STATES CODE, TITLE 18, CHAPTER 63, SECTION 1350)
ACCOMPANYING ANNUAL REPORT ON FORM 10-K OF
ALTISOURCE PORTFOLIO SOLUTIONS S.A. FOR THE YEAR ENDED
DECEMBER 31, 2018**

In connection with the Annual Report on Form 10-K of Altisource Portfolio Solutions S.A. (the “Company”) for the year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), William B. Shepro, as Chief Executive Officer of the Company, and Michelle D. Esterman, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ William B. Shepro
William B. Shepro
Director and Chief Executive Officer
(Principal Executive Officer)
February 26, 2019

By: /s/ Michelle D. Esterman
Michelle D. Esterman
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)
February 26, 2019