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

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2019

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	**98-0554932**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

40, avenue Monterey
L-2163 Luxembourg
Grand Duchy of Luxembourg
(Address of principal executive offices) (Zip Code)

(352) 24 69 79 00
(Registrant's telephone number)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $1.00 par value	ASPS	NASDAQ Global Select Market

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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the 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 ☐	Accelerated filer ☑
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

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

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

As of July 19, 2019, there were 15,998,899 shares of the registrant's common stock outstanding (excluding 9,413,849 shares held as treasury stock).

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ALTISOURCE PORTFOLIO SOLUTIONS S.A.

FORM 10-Q

PART I — FINANCIAL INFORMATION

Item 1. Interim Condensed Consolidated Financial Statements (Unaudited)

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 85,379	$ 58,294
Investment in equity securities (Note 4)	43,730	36,181
Accounts receivable, net	44,247	36,466
Short-term investments in real estate (Note 7)	414	39,873
Assets held for sale (Note 3)	35,656	—
Prepaid expenses and other current assets	23,633	30,720
Total current assets	233,059	201,534
Premises and equipment, net (Notes 1 and 8)	59,980	45,631
Goodwill	79,009	81,387
Intangible assets, net	68,616	91,653
Deferred tax assets, net	293,287	309,089
Other assets	9,920	12,406
Total assets	$ 743,871	$ 741,700
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 63,791	$ 87,240
Current portion of long-term debt	6,502	—
Deferred revenue	5,590	10,108
Liabilities held for sale (Note 3)	14,850	—
Other current liabilities (Notes 1 and 11)	20,410	7,030
Total current liabilities	111,143	104,378
Long-term debt, less current portion	319,854	331,476
Other non-current liabilities (Notes 1 and 13)	27,002	9,178
Commitments, contingencies and regulatory matters (Note 23)		
Equity:		
Common stock ($1.00 par value; 100,000 shares authorized, 25,413 issued and 16,079 outstanding as of June 30, 2019; 16,276 outstanding as of December 31, 2018)	25,413	25,413
Additional paid-in capital	128,120	122,667
Retained earnings	574,040	590,655
Treasury stock, at cost (9,334 shares as of June 30, 2019 and 9,137 shares as of December 31, 2018)	(443,480)	(443,304)
Altisource equity	284,093	295,431
Non-controlling interests	1,779	1,237
Total equity	285,872	296,668
Total liabilities and equity	$ 743,871	$ 741,700

See accompanying notes to condensed consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue	$ 196,535	$ 218,556	$ 366,470	$ 415,994
Cost of revenue	152,641	163,206	276,745	310,400
Gross profit	43,894	55,350	89,725	105,594
Operating expenses:				
Selling, general and administrative expenses	35,851	42,924	77,091	86,048
Restructuring charges (Note 22)	1,899	—	6,319	—
Income from operations	6,144	12,426	6,315	19,546
Other income (expense), net:				
Interest expense	(6,550)	(7,027)	(13,299)	(12,890)
Unrealized gain (loss) on investment in equity securities (Note 4)	11,787	1,533	14,025	(5,968)
Other income (expense), net	528	(3,861)	902	(2,589)
Total other income (expense), net	5,765	(9,355)	1,628	(21,447)
Income (loss) before income taxes and non-controlling interests	11,909	3,071	7,943	(1,901)
Income tax (provision) benefit	(16,513)	(816)	(15,291)	549
Net (loss) income	(4,604)	2,255	(7,348)	(1,352)
Net income attributable to non-controlling interests	(1,240)	(687)	(1,680)	(1,212)
Net (loss) income attributable to Altisource	$ (5,844)	$ 1,568	$ (9,028)	$ (2,564)
(Loss) earnings per share:				
Basic	$ (0.36)	$ 0.09	$ (0.56)	$ (0.15)
Diluted	$ (0.36)	$ 0.09	$ (0.56)	$ (0.15)
Weighted average shares outstanding:				
Basic	16,214	17,142	16,253	17,260
Diluted	16,214	17,553	16,253	17,260
Comprehensive (loss) income:				
Net (loss) income	$ (4,604)	$ 2,255	$ (7,348)	$ (1,352)
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	—	—	—	(733)
Comprehensive (loss) income, net of tax	(4,604)	2,255	(7,348)	(2,085)
Comprehensive income attributable to non-controlling interests	(1,240)	(687)	(1,680)	(1,212)
Comprehensive (loss) income attributable to Altisource	$ (5,844)	$ 1,568	$ (9,028)	$ (3,297)

See accompanying notes to condensed consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)

	Altisource Equity								
	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Non-controlling interests	Total
	Shares							
Balance, December 31, 2017	25,413	$ 25,413	$ 112,475	$ 626,600	$ 733	$ (426,609)	$ 1,373	$ 339,985
Net (loss) income	—	—	—	(4,132)	—	—	525	(3,607)
Distributions to non-controlling interest holders	—	—	—	—	—	—	(672)	(672)
Share-based compensation expense	—	—	2,201	—	—	—	—	2,201
Cumulative effect of accounting changes	—	—	—	(9,715)	(733)	—	—	(10,448)
Exercise of stock options and issuance of restricted share units and restricted shares	—	—	—	(12,500)	—	15,117	—	2,617
Repurchase of shares	—	—	—	—	—	(9,994)	—	(9,994)
Balance, March 31, 2018	25,413	25,413	114,676	600,253	—	(421,486)	1,226	320,082
Net income	—	—	—	1,568	—	—	687	2,255
Distributions to non-controlling interest holders	—	—	—	—	—	—	(509)	(509)
Share-based compensation expense	—	—	1,910	—	—	—	—	1,910
Exercise of stock options and issuance of restricted share units and restricted shares	—	—	—	(4,737)	—	4,827	—	90
Treasury shares withheld for the payment of tax on restricted share unit and restricted share issuances and stock option exercises	—	—	—	(816)	—	406	—	(410)
Repurchase of shares	—	—	—	—	—	(11,127)	—	(11,127)
Balance, June 30, 2018	25,413	$ 25,413	$ 116,586	$ 596,268	$ —	$ (427,380)	$ 1,404	$ 312,291
Balance, December 31, 2018	25,413	$ 25,413	$ 122,667	$ 590,655	$ —	$ (443,304)	$ 1,237	$ 296,668
Net (loss) income	—	—	—	(3,184)	—	—	440	(2,744)
Distributions to non-controlling interest holders	—	—	—	—	—	—	(620)	(620)
Share-based compensation expense	—	—	2,621	—	—	—	—	2,621
Exercise of stock options and issuance of restricted share units and restricted shares	—	—	—	(1,549)	—	1,577	—	28
Treasury shares withheld for the payment of tax on restricted share unit and restricted share issuances and stock option exercises	—	—	—	(1,163)	—	578	—	(585)
Balance, March 31, 2019	25,413	25,413	125,288	584,759	—	(441,149)	1,057	295,368
Net (loss) income	—	—	—	(5,844)	—	—	1,240	(4,604)
Distributions to non-controlling interest holders	—	—	—	—	—	—	(518)	(518)
Share-based compensation expense	—	—	2,832	—	—	—	—	2,832
Exercise of stock options and issuance of restricted share units and restricted shares	—	—	—	(3,473)	—	3,680	—	207
Treasury shares withheld for the payment of tax on restricted share unit and restricted share issuances and stock option exercises	—	—	—	(1,402)	—	689	—	(713)
Repurchase of shares	—	—	—	—	—	(6,700)	—	(6,700)
Balance, June 30, 2019	25,413	$ 25,413	$ 128,120	$ 574,040	$ —	$ (443,480)	$ 1,779	$ 285,872

See accompanying notes to condensed consolidated financial statements.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash flows from operating activities:		
Net loss	$ (7,348)	$ (1,352)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	17,315	17,049
Amortization of intangible assets	12,191	14,691
Unrealized (gain) loss on investment in equity securities	(14,025)	5,968
Share-based compensation expense	5,453	4,111
Bad debt expense	131	1,503
Amortization of debt discount	327	298
Amortization of debt issuance costs	363	502
Deferred income taxes	15,846	(1,349)
Loss on disposal of fixed assets	908	558
Loss on debt refinancing (Note 12)	—	4,434
Changes in operating assets and liabilities (excludes assets and liabilities held for sale, see Note 3):		
Accounts receivable	(15,789)	6,923
Short-term investments in real estate	39,459	(5,884)
Prepaid expenses and other current assets	5,239	617
Other assets	(511)	967
Accounts payable and accrued expenses	(16,587)	(17,152)
Other current and non-current liabilities	(9,816)	(8,631)
Net cash provided by operating activities	33,156	23,253
Cash flows from investing activities:		
Additions to premises and equipment	(934)	(2,756)
Proceeds received from sale of equity securities	6,476	—
Other	1,087	—
Net cash provided by (used in) investing activities	6,629	(2,756)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	407,880
Repayments and repurchases of long-term debt	(5,810)	(421,821)
Debt issuance costs	—	(5,042)
Proceeds from stock option exercises	235	2,707
Purchase of treasury shares	(6,700)	(21,121)
Distributions to non-controlling interests	(1,138)	(1,181)
Payments of tax withholding on issuance of restricted share units and restricted shares	(1,298)	(410)
Net cash used in financing activities	(14,711)	(38,988)
Net increase (decrease) in cash, cash equivalents and restricted cash	25,074	(18,491)
Cash, cash equivalents and restricted cash at the beginning of the period	64,046	108,843
Cash, cash equivalents and restricted cash at the end of the period	$ 89,120	$ 90,352
Supplemental cash flow information:		
Interest paid	$ 11,279	$ 11,540
Income taxes (received) paid, net	(27)	2,865
Non-cash investing and financing activities:		
Net (decrease) increase in payables for purchases of premises and equipment	$ (25)	$ 398
Acquisition of right-to-use assets with lease obligations	6,200	—
Reduction of lease obligations from lease terminations and amendments	(3,409)	—

See accompanying notes to condensed consolidated financial statements.

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

NOTE 1 — ORGANIZATION AND BASIS OF PRESENTATION

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.

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.

Basis of Accounting and Presentation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Securities and Exchange Commission ("SEC") Regulation S-X. Accordingly, these financial statements do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, the interim data includes all normal recurring adjustments considered necessary to fairly state the results for the interim periods presented. The preparation of interim condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our interim condensed consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Intercompany transactions and accounts have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation.

Effective January 1, 2019, the Company reorganized its internal reporting structure in connection with Project Catalyst, a project initiated in August 2018 to optimize our operations and reduce costs to better align our cost structure with our anticipated revenues and improve our operating margins (see Note 22). The internal reorganization included, among other changes, the replacement of segment presidents with a chief operating officer, who is responsible for products, services and operations for the Company's Mortgage Market and Real Estate Market businesses, reporting to our Chairman and Chief Executive Officer (our chief operating decision maker) who manages our businesses, regularly reviews operating results and profitability, allocates resources and evaluates performance on a consolidated basis. Prior to January 1, 2019, the Company reported our operations through two reportable segments: *Mortgage Market* and *Real Estate Market*. In addition, we reported *Other Businesses, Corporate and Eliminations* separately. The prior year presentation has been reclassified to conform to the current year presentation.

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 condensed consolidated financial statements on a consolidated basis and the interests of the members are reflected as non-controlling interests. As of June 30, 2019, Lenders One had total assets of $3.2 million and total liabilities of $1.6 million. As of December 31, 2018, Lenders One had total assets of $2.7 million and total liabilities of $1.3 million.

These interim condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC on February 26, 2019.

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.

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 requires lessees to recognize lease assets and lease liabilities on their balance sheets and disclose key information about leasing arrangements in their financial statements. The Company adopted Topic 842 effective January 1, 2019 using the modified retrospective transition approach. In addition, the Company elected the practical expedients permitted under the transition guidance within the new standard, including allowing the Company to carry forward its historical lease classification, using hindsight to determine the lease term for existing leases, combining fixed lease and non-lease components and excluding short-term leases. Adoption of this new standard resulted in the recognition of $42.1 million of right-to-use assets in premises and equipment, net, $45.5 million of lease obligation liabilities ($16.7 million in other current liabilities and $28.8 million in other non-current liabilities) and reduced accrued rent and lease incentives of $3.4 million in accounts payable and accrued expenses and other non-current liabilities on the accompanying condensed consolidated balance sheets.

Future Adoption of New Accounting Pronouncements

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 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 condensed consolidated financial statements; however, adoption of this standard as of June 30, 2019 would not have had any impact on the Company's condensed 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 condensed 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 condensed consolidated financial statements.

NOTE 2 — CUSTOMER CONCENTRATION

Ocwen

Ocwen Financial Corporation ("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 three and six months ended June 30, 2019, Ocwen was our largest customer, accounting for 51% of our total revenue for the six months ended June 30, 2019 (44% of our revenue for the second quarter of 2019). 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 six months ended June 30, 2019 and 2018, we recognized revenue from Ocwen of $185.2 million and $210.8 million, respectively ($87.0 million and $108.8 million for the second quarter of 2019 and 2018, respectively). Revenue from Ocwen as a percentage of consolidated revenue was 51% for both the six months ended June 30, 2019 and 2018 (44% and 50% for the second quarter of 2019 and 2018, respectively).

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 six months ended June 30, 2019 and 2018, we recognized revenue of $20.3 million and $26.2 million, respectively ($9.2 million and $11.0 million for the second quarter of 2019 and 2018, 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 and revenue from Ocwen as a percentage of revenue above.

As of June 30, 2019, accounts receivable from Ocwen totaled $28.1 million, $24.1 million of which was billed and $4.0 million of which was unbilled. 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 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. If Altisource fails certain performance standards for specified periods of time, then Ocwen may terminate Altisource as a provider for the applicable service(s), subject to certain limitations and Altisource's right to cure. We do not anticipate that the servicing technology transition will materially impact the other services we provide to Ocwen. For the six months ended June 30, 2019 and 2018, service revenue from REALServicing and related technologies was $11.3 million and $17.5 million, respectively ($3.1 million and $7.9 million for the second quarter of 2019 and 2018, 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 real estate investment trust that invests in and manages investments primarily related to residential real estate, including MSRs and excess MSRs.

Ocwen has disclosed that NRZ is its largest client. As of March 31, 2019, NRZ owned MSRs or rights to MSRs relating to approximately 50% of loans serviced and subserviced by Ocwen (measured in unpaid principal balances ("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 certain of its MSRs (the "Subject MSRs") and under which Ocwen will subservice mortgage loans underlying the 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 real estate owned ("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 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 six months ended June 30, 2019 and 2018, we recognized revenue from NRZ of $7.0 million and $19.2 million, respectively ($3.0 million and $8.9 million for the second quarter of 2019 and 2018, respectively), under the Brokerage Agreement. For the six months ended June 30, 2019 and 2018, we recognized additional revenue of $34.1 million and $42.8 million, respectively ($16.4 million and $26.7 million for the second quarter of 2019 and 2018, respectively), relating to the Subject MSRs when a party other than NRZ selects Altisource as the service provider.

NOTE 3 — SALE OF BUSINESSES AND ASSETS AND LIABILITIES HELD FOR SALE

Rental Property Management Business

In August 2018, Altisource entered into an amendment to its agreements with Front Yard Residential Corporation ("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 in other assets in the accompanying condensed consolidated balance sheets and has a discounted value of $2.3 million and $2.2 million as of June 30, 2019 and December 31, 2018, respectively.

Financial Services Business

On March 28, 2019, Altisource entered into a definitive agreement to sell its Financial Services business, consisting of its post-charge-off consumer debt and mortgage charge-off collection services and customer relationship management services (the "Financial Services Business") to Transworld Systems Inc. ("TSI") for $44.0 million consisting of an up-front payment of $40.0 million, subject to a working capital adjustment and transaction costs upon closing of the sale, and an additional $4.0 million payment on the one year anniversary of the sale closing. The sale of the Financial Services Business to TSI closed on July 1, 2019 (see Note 24). In connection with the transaction, the parties also entered into a transition services agreement to provide for the management and orderly transition of certain services and technologies to TSI for periods ranging from 2 months to 13 months. These services include support for information technology systems and infrastructure, facilities management, finance, compliance and human resources functions and will be charged to TSI on a fixed fee or hourly basis.

As a result of entering into a definitive agreement to sell the Financial Services Business, the assets and liabilities of the Financial Services Business are reported as assets held for sale and liabilities held for sale in the accompanying condensed consolidated balance sheets as of June 30, 2019, and consist of the following:

(in thousands)		June 30, 2019
Accounts receivable, net	$	7,404
Prepaid expenses and other current assets		1,581
Premises and equipment, net		12,506
Goodwill		2,378
Intangible assets, net		10,846
Other assets		941
Total assets held for sale	$	35,656
Accounts payable and accrued expenses	$	4,792
Other current liabilities		2,632
Other non-current liabilities		7,426
Total liabilities held for sale	$	14,850

NOTE 4 — INVESTMENT IN EQUITY SECURITIES

During 2016, we purchased 4.1 million shares of RESI common stock. This investment is reflected in the accompanying condensed consolidated balance sheets at fair value and changes in fair value are included in other income (expense), net in the accompanying condensed consolidated statements of operations and comprehensive income (loss). As of June 30, 2019 and December 31, 2018, we held 3.6 million and 4.1 million shares, respectively, of RESI common stock. As of June 30, 2019 and December 31, 2018, the fair value of our investment was $43.7 million and $36.2 million, respectively. During the six months ended June 30, 2019 and 2018, we recognized an unrealized gain (loss) from the change in fair value of $14.0 million and $(6.0) million, respectively ($11.8 million and $1.5 million for the second quarter of 2019 and 2018, respectively). The unrealized gains for the three and six months ended June 30, 2019 included $1.2 million and $1.5 million, respectively, of net gains recognized on RESI shares sold during the second quarter of 2019. During the six months ended June 30, 2019 and 2018, we earned dividends of $1.2 million, in each period ($0.5 million and $0.6 million for the second quarter of 2019 and 2018, respectively), related to this investment.

Pursuant to the agreement between Altisource and RESI to sell the rental property management business to RESI (see Note 3 for additional information), Altisource was 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") through December 31, 2018. In addition, during each quarter of 2019, Altisource is permitted to sell or transfer no more than 25% of the Shares, 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. In May 2019, the Company began selling its investment in RESI common stock. During the three and six months ended June 30, 2019, the Company sold 0.6 million shares for net proceeds of $6.5 million. As required by the senior secured term loan agreement, the Company is using the net proceeds to repay a portion of its senior secured term loan.

NOTE 5 — ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following:

(in thousands)	June 30, 2019	December 31, 2018
Billed	$ 39,130	$ 35,590
Unbilled	14,382	11,759
	53,512	47,349
Less: Allowance for doubtful accounts	(9,265)	(10,883)
Total	$ 44,247	$ 36,466

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.

NOTE 6 — PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

(in thousands)	June 30, 2019	December 31, 2018
Maintenance agreements, current portion	$ 2,435	$ 5,600
Income taxes receivable	8,229	7,940
Prepaid expenses	4,767	7,484
Other current assets	8,202	9,696
Total	$ 23,633	$ 30,720

NOTE 7 — 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 focused 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 of receiving the majority of the proceeds from the sale of the BRS Inventory in 2019, the Company repaid $49.9 million of its senior secured term loan in the fourth quarter of 2018.

On June 28, 2019, the Company sold the majority of the BRS Inventory to Lafayette Real Estate for $38.9 million. Following this and previous sales, only two homes with a value of $0.4 million remain to be sold. In connection with the sale of the majority of the BRS Inventory, the Company incurred a $1.8 million loss including closing costs.

NOTE 8 — PREMISES AND EQUIPMENT, NET

Premises and equipment, net consists of the following:

(in thousands)	June 30, 2019	December 31, 2018
Computer hardware and software	$ 169,684	$ 182,215
Office equipment and other	4,006	7,384
Furniture and fixtures	9,710	13,313
Leasehold improvements	24,178	29,781
	207,578	232,693
Less: Accumulated depreciation and amortization	(175,861)	(187,062)
Net	31,717	45,631
Right-to-use assets under operating leases	34,503	—
Less: Accumulated depreciation and amortization	(6,240)	—
Net right-to-use assets	28,263	—
Total premises and equipment, net	$ 59,980	$ 45,631

Depreciation and amortization expense totaled $17.3 million and $17.0 million for the six months ended June 30, 2019 and 2018, respectively ($7.9 million and $8.3 million for the second quarter of 2019 and 2018, respectively), and is included in cost of revenue for operating assets and in selling, general and administrative expenses for non-operating assets in the accompanying condensed consolidated statements of operations and comprehensive income (loss).

Premises and equipment, net consist of the following, by country:

(in thousands)	June 30, 2019	December 31, 2018
United States	$ 27,879	$ 25,693
India	16,269	3,154
Luxembourg	14,503	14,975
Philippines	1,094	1,754
Other	235	55
Total	$ 59,980	$ 45,631

NOTE 9 — GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

The change in goodwill during the six months ended June 30, 2019 is as follows:

(in thousands)	Total
Balance as of December 31, 2018	$ 81,387
Reclassification to assets held for sale (Note 3)	(2,378)
Balance as of June 30, 2019	$ 79,009

Intangible Assets, net

Intangible assets, net consist of the following:

(in thousands)	Weighted average estimated useful life *(in years)*	Gross carrying amount June 30, 2019	Gross carrying amount December 31, 2018	Accumulated amortization June 30, 2019	Accumulated amortization December 31, 2018	Net book value June 30, 2019	Net book value December 31, 2018
Definite lived intangible assets:							
Customer related intangible assets	9	$ 214,973	$ 273,172	$ (170,756)	$ (207,639)	$ 44,217	$ 65,533
Operating agreement	20	35,000	35,000	(16,501)	(15,632)	18,499	19,368
Trademarks and trade names	15	11,140	11,349	(6,342)	(6,244)	4,798	5,105
Non-compete agreements	4	1,230	1,230	(1,180)	(1,026)	50	204
Intellectual property	10	300	300	(160)	(145)	140	155
Other intangible assets	5	3,745	3,745	(2,833)	(2,457)	912	1,288
Total		$ 266,388	$ 324,796	$ (197,772)	$ (233,143)	$ 68,616	$ 91,653

Amortization expense for definite lived intangible assets was $12.2 million and $14.7 million for six months ended June 30, 2019 and 2018, respectively ($3.5 million and $7.5 million for the second quarter of 2019 and 2018, respectively). Expected annual definite lived intangible asset amortization expense for 2019 through 2023 is $19.4 million, $13.3 million, $10.8 million, $5.3 million and $5.3 million, respectively.

NOTE 10 — OTHER ASSETS

Other assets consist of the following:

(in thousands)	June 30, 2019	December 31, 2018
Security deposits	$ 3,779	$ 3,972
Restricted cash	3,741	5,752
Other	2,400	2,682
Total	$ 9,920	$ 12,406

NOTE 11 — ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accounts payable and accrued expenses consist of the following:

(in thousands)	June 30, 2019	December 31, 2018
Accounts payable	$ 24,819	$ 27,853
Accrued expenses - general	20,856	27,866
Accrued salaries and benefits	18,116	31,356
Income taxes payable	—	165
Total	$ 63,791	$ 87,240

Other current liabilities consist of the following:

(in thousands)	June 30, 2019	December 31, 2018
Unfunded cash account balances	$ 6,060	$ 4,932
Lease obligation liabilities	12,255	—
Other	2,095	2,098
Total	$ 20,410	$ 7,030

NOTE 12 — LONG-TERM DEBT

Long-term debt consists of the following:

(in thousands)	June 30, 2019	December 31, 2018
Senior secured term loans	$ 333,012	$ 338,822
Less: Debt issuance costs, net	(3,492)	(3,855)
Less: Unamortized discount, net	(3,164)	(3,491)
Net long-term debt	326,356	331,476
Less: Current portion	(6,502)	—
Long-term debt, less current portion	$ 319,854	$ 331,476

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.

There are no mandatory repayments of the Term B Loans due until March 2020, when $3.4 million is due to be repaid. Thereafter, the Term B Loans must be repaid in consecutive quarterly principal installments of $3.1 million, 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, certain 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 in direct order of maturity by an amount equal to the mandatory prepayment.

On July 1, 2019, Altisource closed the sale of the Financial Services Business to TSI and received a $40.0 million up-front payment less adjustments for working capital and transaction costs (see Note 24). On July 17, 2019, Altisource used $37.0 million to repay a portion of the senior secured term loan.

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 as of June 30, 2019 was 6.33%.

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 June 30, 2019.

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.

As of June 30, 2019, debt issuance costs were $3.5 million, net of $1.1 million of accumulated amortization. As of December 31, 2018, debt issuance costs were $3.9 million, net of $0.7 million of accumulated amortization.

NOTE 13 — OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of the following:

(in thousands)	June 30, 2019	December 31, 2018
Lease obligation liabilities	$ 19,350	$ —
Income tax liabilities	7,151	7,069
Deferred revenue	78	19
Other non-current liabilities	423	2,090
Total	$ 27,002	$ 9,178

NOTE 14 — 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 June 30, 2019 and December 31, 2018. The following fair values are estimated using market information and what the Company believes to be appropriate valuation methodologies under GAAP:

	June 30, 2019				December 31, 2018			
(in thousands)	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets:								
Cash and cash equivalents	$ 85,379	$ 85,379	$ —	$ —	$ 58,294	$ 58,294	$ —	$ —
Restricted cash	3,741	3,741	—	—	5,752	5,752	—	—
Investment in equity securities	43,730	43,730	—	—	36,181	36,181	—	—
Long-term receivable (Note 3)	2,295	—	—	2,295	2,221	—	—	2,221
Liabilities:								
Senior secured term loan	333,012	—	328,433	—	338,822	—	330,351	—

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 consists of 3.6 million and 4.1 million shares of RESI common stock as of June 30, 2019 and December 31, 2018, respectively. 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 3 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 2 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.

NOTE 15 — SHAREHOLDERS' EQUITY AND SHARE-BASED COMPENSATION

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 June 30, 2019, approximately 3.1 million shares of common stock remain available for repurchase under the program. We purchased 0.3 million shares of common stock at an average price of $21.89 per share during the six months ended June 30, 2019 and 0.8 million shares at an average price of $27.39 per share during the six months ended June 30, 2018 (0.3 million shares at an average price of $21.89 per share for the second quarter of 2019 and 0.4 million shares at an average price of $27.14 per share for the second quarter of 2018). 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 June 30, 2019, we can repurchase up to approximately $105 million of our common stock under Luxembourg law. Our Credit Agreement also limits the amount we can spend on share repurchases, which was approximately $467 million as of June 30, 2019, 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 $5.5 million and $4.1 million for the six months ended June 30, 2019 and 2018, respectively ($2.8 million and $1.9 million for the second quarter of 2019 and 2018, respectively). As of June 30, 2019, estimated unrecognized compensation costs related to share-based awards amounted to $14.6 million, which we expect to recognize over a weighted average remaining requisite service period of approximately 1.72 years.

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 460 thousand service-based options were outstanding as of June 30, 2019.

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 options 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 600 thousand market-based options were outstanding as of June 30, 2019.

Performance-Based Options. These option grants generally begin to vest upon the achievement of certain specific financial measures. Generally, the options begin vesting if the performance criteria are achieved; one-fourth vests on each anniversary of the grant date. For certain other financial measures, options cliff-vest upon the achievement of the specific performance during the period from 2019 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 options are canceled. The options expire on the earlier of ten years after the date of grant or following termination of service. There were 503 thousand performance-based options outstanding as of June 30, 2019.

There were no stock option grants during the six months ended June 30, 2019. Outstanding stock options increased by 228 thousand in February 2019 in connection with the determination of the level of achievement for certain performance-based options granted in 2018. During the six months ended June 30, 2018, 272 thousand stock options (at a weighted average exercise price of $25.06 per share) were granted.

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

The fair values of the service-based options and performance-based options are 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:

	Six months ended June 30, 2018	
	Black-Scholes	Binomial
Risk-free interest rate (%)	2.66 – 2.98	1.64 – 2.83
Expected stock price volatility (%)	70.31 – 71.86	71.81 – 71.86
Expected dividend yield	—	—
Expected option life (in years)	6.00 – 6.25	2.56 – 4.32
Fair value	$16.17 – $19.06	$14.67 – $18.28

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 periods presented:

	Six months ended June 30,	
(in thousands, except per share amounts)	2019	2018
Weighted average grant date fair value of stock options granted per share	$ —	$ 16.27
Intrinsic value of options exercised	34	4,393
Grant date fair value of stock options that vested	2,752	1,334

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 as of December 31, 2018	1,440,566	$ 30.78	5.04	$ 945
Performance criteria achieved	227,849	24.98		
Exercised	(12,500)	18.79		
Forfeited	(93,210)	46.27		
Outstanding as of June 30, 2019	1,562,705	29.11	4.93	172
Exercisable as of June 30, 2019	990,130	26.51	3.30	166

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 two to four year periods with (a) vesting in equal annual installments, or (b) vesting of all of the restricted shares and restricted share units at the end of the vesting period. In addition, certain awards begin to vest after two years of service. A total of 546 thousand service-based awards were outstanding as of June 30, 2019.

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 vests on each anniversary of the grant date or cliff-vest on the third anniversary of the grant date. The number of performance-based restricted shares and restricted share units that may vest will be based on the level of achievement, as specified in the award agreements. If the performance criteria achieved is above certain financial performance levels and Altisource’s share performance is above certain established criteria, participants have the opportunity to vest in up to 225% of the restricted share unit award for certain awards, depending on performance achieved. If the performance criteria achieved is below a certain threshold, the award is canceled. A total of 150 thousand performance-based awards were outstanding as of June 30, 2019.

The Company granted 393 thousand restricted share units (at a weighted average grant date fair value of $24.86 per share) during the six months ended June 30, 2019.

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

	Number of restricted shares and restricted share units
Outstanding as of December 31, 2018	485,806
Granted	392,579
Issued	(96,432)
Forfeited/canceled	(85,793)
Outstanding as of June 30, 2019	696,160

NOTE 16 — 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 1). Our services are primarily provided to customers located in the United States. The components of revenue were as follows:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2019	2018	2019	2018
Service revenue	$ 190,520	$ 208,861	$ 355,519	$ 397,627
Reimbursable expenses	4,775	9,008	9,271	17,155
Non-controlling interests	1,240	687	1,680	1,212
Total	$ 196,535	$ 218,556	$ 366,470	$ 415,994

Disaggregation of Revenue

Disaggregation of total revenues by major source is as follows:

(in thousands)	Revenue recognized when services are performed or assets are sold	Revenue related to technology platforms and professional services	Reimbursable expenses revenue	Total revenue
Three months ended June 30, 2019	$ 178,949	$ 12,811	$ 4,775	$ 196,535
Three months ended June 30, 2018	187,206	22,342	9,008	218,556
Six months ended June 30, 2019	326,704	30,495	9,271	366,470
Six months ended June 30, 2018	354,162	44,677	17,155	415,994

Contract Balances

Our contract assets consist of unbilled accounts receivable (see Note 5). Our contract liabilities consist of current deferred revenue as reported on the accompanying condensed consolidated balance sheets and non-current deferred revenue (see Note 13). 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 $8.6 million and $11.3 million for the six months ended June 30, 2019 and 2018, respectively ($3.7 million and $5.4 million for the second quarter of 2019 and 2018, respectively).

NOTE 17 — 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:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2019	2018	2019	2018
Compensation and benefits	$ 36,806	$ 54,769	$ 78,174	$ 109,635
Outside fees and services	58,588	68,879	121,169	133,977
Cost of real estate sold	40,276	13,320	42,370	16,499
Technology and telecommunications	8,317	10,852	16,826	20,303
Reimbursable expenses	4,775	9,008	9,271	17,155
Depreciation and amortization	3,879	6,378	8,935	12,831
Total	$ 152,641	$ 163,206	$ 276,745	$ 310,400

NOTE 18 — SELLING, GENERAL AND ADMINISTRATIVE 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 services 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:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2019	2018	2019	2018
Compensation and benefits	$ 15,238	$ 12,197	$ 26,591	$ 25,766
Amortization of intangible assets	3,544	7,544	12,191	14,691
Occupancy related costs	3,871	7,189	7,779	15,623
Marketing costs	2,989	3,978	5,921	7,585
Professional services	3,320	4,328	8,796	7,554
Depreciation and amortization	4,067	1,950	8,380	4,218
Other	2,822	5,738	7,433	10,611
Total	$ 35,851	$ 42,924	$ 77,091	$ 86,048

NOTE 19 — OTHER INCOME (EXPENSE), NET

Other income (expense), net consists of the following:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2019	2018	2019	2018
Loss on debt refinancing	$ —	$ (4,434)	$ —	$ (4,434)
Interest income	116	100	267	231
Other, net	412	473	635	1,614
Total	$ 528	$ (3,861)	$ 902	$ (2,589)

NOTE 20 — INCOME TAXES

We recognized an income tax (provision) benefit of $(15.3) million and $0.5 million for the six months ended June 30, 2019 and 2018, respectively ($(16.5) million and $(0.8) million the second quarter of 2019 and 2018, respectively). The effective income tax rate increased to 192.5% for the six months ended June 30, 2019 from 28.9% for the six months ended June 30, 2018 (increased to 138.7% for the second quarter of 2019 from 26.6% for the second quarter of 2018). The increases in the income tax provision for the six months ended June 30, 2019 and second quarter of 2019 were primarily from a $12.3 million reduction in Luxembourg deferred tax assets in connection with a decrease in the Luxembourg statutory income tax rate from 26.0% to 24.9% in the second quarter of 2019 and a $0.9 million increase in foreign income taxes in connection with an internal legal entity reorganization in advance of the sale of the Financial Services Business (see Note 3). Excluding these two items, the effective tax rate would have been 25.9% for the six months ended June 30, 2019 and 27.6% for the second quarter of 2019.

NOTE 21 — EARNINGS PER SHARE

Basic earnings per share ("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.

Basic and diluted EPS are calculated as follows:

	Three months ended June 30,		Six months ended June 30,	
(in thousands, except per share data)	2019	2018	2019	2018
Net (loss) income attributable to Altisource	$ (5,844)	$ 1,568	$ (9,028)	$ (2,564)
Weighted average common shares outstanding, basic	16,214	17,142	16,253	17,260
Dilutive effect of stock options, restricted shares and restricted share units	—	411	—	—
Weighted average common shares outstanding, diluted	16,214	17,553	16,253	17,260
(Loss) earnings per share:				
Basic	$ (0.36)	$ 0.09	$ (0.56)	$ (0.15)
Diluted	$ (0.36)	$ 0.09	$ (0.56)	$ (0.15)

For the six months ended June 30, 2019 and 2018, 1.5 million and 1.3 million, respectively (1.5 million and 0.8 million for the second quarter of 2019 and 2018, respectively), stock options, restricted shares and restricted share units were excluded from the computation of EPS, as a result of the following:

- For the six months ended June 30, 2019 and 2018, 0.4 million and 0.3 million, respectively (0.5 million and 0.3 million for the second quarter of 2019 and 2018, respectively), stock options were anti-dilutive and have been excluded from the computation of diluted EPS because their exercise price was greater than the average market price of our common stock
- For the six months ended June 30, 2019 and 2018, 0.8 million and 0.5 million, respectively (0.8 million and 0.5 million for the second quarter of 2019 and 2018, respectively), stock options, restricted shares and restricted share units, 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, and have been excluded from the computation of diluted EPS
- As a result of the net loss attributable to Altisource for the six months ended June 30, 2019 and 2018, 0.3 million and 0.5 million, respectively (0.3 million for the second quarter of 2019), stock options, restricted shares and restricted share units were excluded from the computation of diluted EPS, as their impacts were anti-dilutive

NOTE 22 — RESTRUCTURING CHARGES

In August 2018, Altisource initiated Project Catalyst, a project 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 three and six months ended June 30, 2019, we incurred $1.9 million and $6.3 million, respectively, of severance costs, professional services fees and technology costs related to the reorganization plan (no comparative amounts for the three and six months ended June 30, 2018). We expect to incur additional severance costs, professional services fees, technology costs and facility consolidation costs in connection with this internal reorganization, automation and other technology related activities and will expense those costs as incurred. Based on our analysis, we currently anticipate the future costs relating to Project Catalyst to be in the range of approximately $12 million to $15 million.

NOTE 23 — 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.

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 certain existing court precedent. During the six months ended June 30, 2019, the Company completed the analysis of its services for potential exposure to sales tax in various jurisdictions in the United States. The Company recognized a $2.1 million loss for the six months ended June 30, 2019 (no comparative amounts for the six months ended June 30, 2018 and the second quarters of 2019 and 2018) in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations and comprehensive income (loss). The Company began invoicing, collecting and remitting sales tax in applicable jurisdictions in 2019. The Company is also in the process of seeking reimbursement for sales tax payments from clients; however, there can be no assurance that the Company will be successful in collecting some or all of such reimbursements. Future changes in our estimated sales tax exposure could result in a material adjustment to our condensed consolidated financial statements, which would impact our financial condition and results of operations.

Ocwen Related Matters

As discussed in Note 2, during the three and six months ended June 30, 2019, Ocwen was our largest customer, accounting for 51% of our total revenue (44% of our revenue for the second quarter of 2019). Additionally, 6% of our revenue for the six months ended June 30, 2019 (5% of our revenue for the second quarter of 2019) 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 demands, requests for information and other actions and is subject to pending legal proceedings, some of which include claims against Ocwen for substantial monetary damages (collectively, "Ocwen Regulatory Matters"). 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. 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 March 31, 2019, NRZ owned MSRs or rights to MSRs relating to approximately 50% 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 existence or outcome of the Ocwen Regulatory Matters or the termination of the NRZ sub-servicing agreement with Ocwen 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, 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 and others 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.

We are focused on diversifying and growing our revenue and customer base and we have a sales and marketing strategy to support our 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, primarily consisting of office space and information technology equipment. Effective January 1, 2019, we adopted the provisions of Topic 842, resulting in recognition of $42.1 million of right-to-use assets in premises and equipment, net and $45.5 million of lease obligation liabilities (see Note 1). Certain of our leases include options to renew at our discretion or terminate leases early, and these options are considered in our determination of the expected lease term. Certain of our lease agreements include rental payments adjusted periodically for inflation. Our lease agreements generally do not contain any material residual value guarantees or material restrictive covenants. We sublease certain office space to third parties. Sublease income was $0.8 million and $0.9 million for the six months ended June 30, 2019 and 2018, respectively ($0.5 million and $0.4 million for the second quarter of 2019 and 2018, respectively). The depreciable lives of right-to-use assets are generally limited by the expected lease term. Our leases generally have expected lease terms at adoption of one to six years.

Information about our lease terms and our discount rate assumption is as follows:

	As of June 30, 2019
Weighted average remaining lease term (in years)	3.52
Weighted average discount rate	7.08%

Our lease activity during the period is as follows:

(in thousands)	Three months ended June 30, 2019	Six months ended June 30, 2019
Operating lease costs:		
Selling, general and administrative expense	$ 2,385	$ 5,265
Cost of revenue	670	1,528
Cash used in operating activities for amounts included in the measurement of lease liabilities	3,720	8,457
Short-term (less than one year) lease costs	1,152	2,309

Maturities of our lease liabilities as of June 30, 2019 are as follows:

(in thousands)	Operating lease liabilities
2019	$ 6,933
2020	11,589
2021	7,863
2022	4,762
2023	3,339
Thereafter	1,338
Total lease payments	35,824
Less interest	(4,219)
Present value of lease liabilities	$ 31,605

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 accompanying condensed consolidated balance sheets. Amounts held in escrow and trust accounts were $21.6 million and $23.6 million as of June 30, 2019 and December 31, 2018, respectively.

NOTE 24 — SUBSEQUENT EVENT

Sale of Financial Services Business

On July 1, 2019, the Company closed the sale of the Financial Services Business to TSI for an aggregate purchase price of $44.0 million. At closing, Altisource received a $40.0 million up-front payment less adjustments for working capital and transaction costs. Pursuant to the terms of the sale agreement, Altisource will receive an additional $4.0 million payment on the one-year anniversary of the closing. In connection with the transaction, the parties have entered into a transition services agreement to provide for the management and orderly transition of certain services and technologies to TSI for periods ranging from 2 months to 13 months. On July 17, 2019, Altisource used $37.0 million of the net up-front payment to repay a portion of its senior secured term loan.

Item 2. 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 interim condensed 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. Our MD&A should be read in conjunction with our Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission ("SEC") on February 26, 2019.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains 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 other 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. The following are examples of such items and are not intended to be all inclusive:

- assumptions related to sources of liquidity and the adequacy of financial resources;
- assumptions about our ability to grow our business, including executing on our strategic initiatives;
- assumptions about our ability to improve margins and anticipated expense reductions as a result of Project Catalyst;
- assumptions regarding the impact of seasonality;
- estimates regarding our effective tax rate; and
- estimates regarding our reserves and valuations.

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 the *Risk Factors* section of our Form 10-K for the year ended December 31, 2018 including:

- our ability to retain Ocwen Financial Corporation ("Ocwen") as a customer or our ability to receive the anticipated volume of referrals from Ocwen;
- our ability to retain New Residential Investment Corp. (individually, together with one or more of its subsidiaries, or one or more of its subsidiaries individually, "NRZ") as a customer or our ability to receive the anticipated volume of referrals from NRZ;
- our ability to comply with material agreements if a change of control is deemed to have occurred including, among other things, through the formation of a shareholder group, this may cause a termination event or event of default under certain of our agreements;
- our ability to execute on our strategic businesses;
- our ability to retain our existing customers, expand relationships and attract new customers;
- our ability to comply with governmental regulations and policies and any changes in such regulations and policies;
- the level of loan delinquencies and charge-offs;
- the level of origination volume;
- technology incidents, data breaches and cybersecurity risks; and
- significant changes in tax regulations and interpretations in the countries, states and local jurisdictions in which we operate.

We caution the reader not to place undue reliance on these forward-looking statements as they 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 any change in events, conditions or circumstances on which any such statement is based.

OVERVIEW

Our Business

When we refer to "Altisource," the "Company," "we," "us" or "our" we mean Altisource Portfolio Solutions S.A., a Luxembourg société anonyme, or public limited liability company, and its subsidiaries.

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.

Effective January 1, 2019, the Company reorganized its internal reporting structure in connection with Project Catalyst, a project initiated in August 2018 to optimize our operations and reduce costs to better align our cost structure with our anticipated revenues and improve our operating margins. The internal reorganization included, among other changes, the replacement of segment presidents with a chief operating officer, who is responsible for products, services and operations for the Company's Mortgage Market and Real Estate Market businesses, reporting to our Chairman and Chief Executive Officer (our chief operating decision maker) who manages our businesses, regularly reviews operating results and profitability, allocates resources and evaluates performance on a consolidated basis. Prior to January 1, 2019, the Company reported our operations through two reportable segments: *Mortgage Market* and *Real Estate Market*. In addition, we reported *Other Businesses, Corporate and Eliminations* separately. The prior year presentation has been reclassified to conform to the current year presentation.

We provide loan servicers and originators with marketplaces, services and technologies that span the mortgage lifecycle. We provide real estate consumers with marketplaces and services that span the real estate lifecycle. Our offerings include:

Field Services

- Property preservation and inspection services, including vendor management, marketplace transaction management, payment management technologies and a vendor management oversight software-as-a-service ("SaaS") platform

Marketplace

- Hubzu® online real estate auction platform, real estate auction, real estate brokerage and asset management
- Equator®, a SaaS based technology to manage real estate owned ("REO"), short sales, foreclosure, bankruptcy and eviction processes

Mortgage and Real Estate Solutions

- Mortgage origination loan fulfillment, certification and certification insurance services and technologies
- Title insurance (as an agent), settlement and valuation services
- Residential and commercial construction inspection and risk mitigation services
- Management of the Best Partners Mortgage Cooperative, Inc., doing business as Lenders One® ("Lenders One"), mortgage banking cooperative
- Foreclosure trustee services

Earlier Stage Businesses

- Owners.com® technology-enabled real estate brokerage and provider of related mortgage brokerage and title services
- Pointillist® customer journey analytics platform

Other

- Financial Services business, including post-charge-off consumer debt and mortgage charge-off collection services and customer relationship management services (sold on July 1, 2019)
- Buy-Renovate-Lease-Sell ("BRS") short-term investments in real estate (this business is being discontinued in 2019)
- Residential and commercial loan servicing technologies, loan origination system, document management platform and information technology infrastructure management services

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 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.

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. Through our suite of offerings described above, we facilitate transactions and provide products, solutions and services related to home sales, home purchases, home maintenance, mortgage originations and mortgage servicing. Our suite of offerings provide Altisource the potential to grow and diversify our customer and revenue base. We believe we operate in very large markets and directly leverage our core competencies and distinct competitive advantages.

Through our offerings that support residential loan servicers, we provide a suite of services and technologies intended to meet their growing and evolving needs. We are focused on growing referrals from our existing customer base and attracting new customers to our offerings. We have a customer base that includes Ocwen, a government-sponsored enterprise ("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.

We also provide services to loan originators (or other similar mortgage market participants) in originating, buying and selling residential mortgages. 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 attempting to grow referrals from our existing customer base and attract new customers to our offerings. We have a customer base that includes Lenders One cooperative mortgage bankers 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.

We are also continuing to develop our earlier stage businesses, including Owners.com and Pointillist. Through our Owners.com brokerage, 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. Pointillist, which was developed by Altisource through our consumer analytics capabilities, is a potentially disruptive SaaS-based platform that provides unique customer journey analytics at scale and enables customers to engage through our intelligent platform. We are focused on continuing to develop these businesses by capitalizing on Altisource's experience in online real estate marketing, loan origination services and analytics.

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 June 30, 2019, approximately 3.1 million shares of common stock remain available for repurchase under the program. We purchased 0.3 million shares of common stock at an average price of $21.89 per share during the six months ended June 30, 2019 and 0.8 million shares at an average price of $27.39 per share during the six months ended June 30, 2018 (0.3 million shares at an average price of $21.89 per share for the second quarter of 2019 and 0.4 million shares at an average price of $27.14 per share for the second quarter of 2018). 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 June 30, 2019, we can repurchase up to approximately $105 million of our common stock under Luxembourg law. Our Credit Agreement also limits the amount we can spend on share repurchases, which was approximately $467 million as of June 30, 2019, and may prevent repurchases in certain circumstances.

Ocwen Related Matters

During the three and six months ended June 30, 2019, Ocwen was our largest customer, accounting for 51% of our total revenue for the six months ended June 30, 2019 (44% of our revenue for the second quarter of 2019). Additionally, 6% of our revenue for the six months ended June 30, 2019 (5% of our revenue for the second quarter of 2019) was earned on the loan portfolios serviced by Ocwen, when a party other than Ocwen or the mortgage servicing rights ("MSRs") 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 demands, requests for information and other actions and is subject to pending legal proceedings, some of which include claims against Ocwen for substantial monetary damages (collectively, "Ocwen Regulatory Matters"). 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. 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 March 31, 2019, NRZ owned MSRs or rights to MSRs relating to approximately 50% of loans serviced and subserviced by Ocwen (measured in unpaid principal balances). 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 of its MSRs (the "Subject MSRs") and under which Ocwen will subservice mortgage loans underlying the 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 existence or outcome of the Ocwen Regulatory Matters or the termination of the NRZ sub-servicing agreement with Ocwen 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, 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 and others 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.

We are focused on diversifying and growing our revenue and customer base and we have a sales and marketing strategy to support our 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:

- On March 28, 2019, Altisource entered into a definitive agreement to sell its Financial Services business, consisting of post-charge-off consumer debt and mortgage charge-off collection services and customer relationship management services (the "Financial Services Business") to Transworld Systems Inc. ("TSI") for $44.0 million consisting of an up-front payment of $40.0 million, subject to a working capital adjustment and transaction costs upon closing of the sale, and an additional $4.0 million payment on the one year anniversary of the sale closing. As a result, the Company has reclassified the assets and liabilities of the Financial Services Business to assets held for sale and liabilities held for sale on the accompanying condensed consolidated balance sheet as of June 30, 2019. The sale of the Financial Services Business to TSI closed on July 1, 2019. The Company currently expects to recognize a pretax gain of approximately $18 million from the sale of the Financial Services Business in the third quarter of 2019. In connection with the transaction, the parties also entered into a transition services agreement to provide for the management and orderly transition of certain services and technologies to TSI for periods ranging from 2 months to 13 months. On July 17, 2019, Altisource used $37 million of the net up-front payment to repay a portion of its senior secured term loan.

- On June 28, 2019, the Company sold the majority of its short-term investments in real estate ("BRS Inventory") to Lafayette Real Estate for $38.9 million. Following this and previous sales, only two homes with a value of $0.4 million remain to be sold. In connection with the sale of the majority of the BRS Inventory, the Company incurred a $1.8 million loss including closing costs.
- In May 2019, the Company began selling its investment in Front Yard Residential Corporation ("RESI") common stock. During the three and six months ended June 30, 2019, the Company sold 0.6 million shares for net proceeds of approximately $6.5 million. As required by the senior secured term loan agreement, the Company is using the net proceeds to repay a portion of its senior secured term loan.
- During the six months ended June 30, 2019 and 2018, the Company recognized an unrealized gain (loss) of $14.0 million and $(6.0) million, respectively ($11.8 million and $1.5 million for the second quarter of 2019 and 2018, respectively) on its investment in RESI common shares in other income (expense), net in the accompanying condensed consolidated statements of operations and comprehensive income (loss) from a change in the market value of RESI common shares.
- Effective January 1, 2019, the Company implemented a new accounting standard on leases which required the recognition of operating leases by companies as lease obligation liabilities on their balance sheets and also required the recognition of right-of-use assets. This resulted in higher depreciation and amortization expense and interest expense and lower occupancy related costs (see Notes 1 and 23 to the condensed consolidated financial statements for additional information regarding this accounting change). Adoption of this new standard resulted in the recognition of $42.1 million of right-to-use assets in premises and equipment, net, $45.5 million of lease obligation liabilities ($16.7 million in other current liabilities and $28.8 million in other non-current liabilities) and reduced accrued rent and lease incentives of $3.4 million in accounts payable and accrued liabilities and other non-current liabilities on the accompanying condensed consolidated balance sheets. Consequently, occupancy related costs were lower by $8.2 million for the six months ended June 30, 2019 and depreciation and amortization expense and interest expense increased by $6.8 million and $1.5 million, respectively (for the second quarter of 2019, occupancy related costs were lower by $3.9 million and depreciation and amortization expense and interest expense increased by $3.1 million and $0.7 million, respectively).
- In August 2018, Altisource initiated Project Catalyst, a project intended to optimize its operations and reduce costs to better align its cost structure with its anticipated revenues and improve its operating margins. During the three and six months ended June 30, 2019, Altisource incurred $1.9 million and $6.3 million, respectively, of severance costs, professional services fees and technology costs related to the reorganization plan (no comparative amount for the three and six months ended June 30, 2018). Altisource expects to incur additional severance costs, professional services fees, technology costs and facility consolidation costs in connection with this internal reorganization, automation and other technology related activities and will expense those costs as incurred. Based on the Company's analysis, it currently anticipates the future costs relating to Project Catalyst to be in the range of approximately $12 million to $15 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 certain existing court precedent. During the three months ended March 31, 2019, the Company completed the analysis of its services for potential exposure to sales tax in various jurisdictions in the United States. The Company recognized a $2.1 million loss for the six months ended June 30, 2019 (no comparative amounts for the six months ended June 30, 2018 and the second quarters of 2019 and 2018) in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations and comprehensive income (loss). The Company began invoicing, collecting and remitting sales tax in applicable jurisdictions in 2019. The Company is also in the process of seeking reimbursement for sales tax payments from clients; however, there can be no assurance that the Company will be successful in collecting some or all of such reimbursements. Future changes in our estimated sales tax exposure could result in a material adjustment to our condensed 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 a credit agreement (the "Credit Agreement") with Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent, and certain lenders, 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 unamortized debt issuance costs and debt discount for the six months ended June 30, 2018 and second quarter of 2018 (no comparative amounts for the six months ended June 30, 2019 and the second quarter 2019).
- The effective income tax rate increased to 192.5% for the six months ended June 30, 2019 from 28.9% for the six months ended June 30, 2018 (increased to 138.7% for the second quarter of 2019 from 26.6% for the second quarter of 2018). The effective income tax rate increases for the six months ended June 30, 2019 and second quarter of 2019 were primarily

from a $12.3 million reduction in Luxembourg deferred tax assets in connection with a decrease in the Luxembourg statutory income tax rate from 26.0% to 24.9% in the second quarter of 2019 and a $0.9 million increase in foreign income taxes in connection with an internal legal entity reorganization in advance of the sale of the Financial Services Business. Excluding these two items, the effective tax rate would have been 25.9% for the six months ended June 30, 2019 and 27.6% for the second quarter of 2019.

RESULTS OF OPERATIONS

Summary Results

The following is a discussion of our results of operations for the periods indicated.

The following table sets forth information regarding our consolidated results of operations:

	Three months ended June 30,			Six months ended June 30,		
(in thousands, except per share data)	2019	2018	% Increase (decrease)	2019	2018	% Increase (decrease)
Service revenue	$ 190,520	$ 208,861	(9)	$ 355,519	$ 397,627	(11)
Reimbursable expenses	4,775	9,008	(47)	9,271	17,155	(46)
Non-controlling interests	1,240	687	80	1,680	1,212	39
Total revenue	196,535	218,556	(10)	366,470	415,994	(12)
Cost of revenue	152,641	163,206	(6)	276,745	310,400	(11)
Gross profit	43,894	55,350	(21)	89,725	105,594	(15)
Operating expenses:						
Selling, general and administrative expenses	35,851	42,924	(16)	77,091	86,048	(10)
Restructuring charges	1,899	—	N/M	6,319	—	N/M
Income from operations	6,144	12,426	(51)	6,315	19,546	(68)
Other income (expense), net						
Interest expense	(6,550)	(7,027)	(7)	(13,299)	(12,890)	3
Unrealized gain (loss) on investment in equity securities	11,787	1,533	N/M	14,025	(5,968)	335
Other income (expense), net	528	(3,861)	114	902	(2,589)	135
Total other income (expense), net	5,765	(9,355)	162	1,628	(21,447)	108
Income (loss) before income taxes and non-controlling interests	11,909	3,071	288	7,943	(1,901)	N/M
Income tax (provision) benefit	(16,513)	(816)	N/M	(15,291)	549	N/M
Net (loss) income	(4,604)	2,255	(304)	(7,348)	(1,352)	N/M
Net income attributable to non-controlling interests	(1,240)	(687)	80	(1,680)	(1,212)	39
Net (loss) income attributable to Altisource	$ (5,844)	$ 1,568	N/M	$ (9,028)	$ (2,564)	(252)
Margins:						
Gross profit/service revenue	23%	27%		25%	27%	
Income from operations/service revenue	3%	6%		2%	5%	
(Loss) earnings per share:						
Basic	$ (0.36)	$ 0.09	N/M	$ (0.56)	$ (0.15)	(273)
Diluted	$ (0.36)	$ 0.09	N/M	$ (0.56)	$ (0.15)	(273)
Weighted average shares outstanding:						
Basic	16,214	17,142	(5)	16,253	17,260	(6)
Diluted	16,214	17,553	(8)	16,253	17,260	(6)

N/M — not meaningful.

Revenue

Revenue by line of business was as follows:

	Three months ended June 30,			Six months ended June 30,		
(in thousands)	2019	2018	% Increase (decrease)	2019	2018	% Increase (decrease)
Service revenue:						
Field Services	$ 64,388	$ 73,062	(12)	$ 134,482	$ 140,308	(4)
Marketplace	32,603	52,205	(38)	69,570	102,456	(32)
Mortgage and Real Estate Solutions	26,940	32,681	(18)	53,353	64,611	(17)
Earlier Stage Businesses	2,544	2,359	8	4,411	3,837	15
Other	64,045	48,554	32	93,703	86,415	8
Total service revenue	190,520	208,861	(9)	355,519	397,627	(11)
Reimbursable expenses:						
Field Services	2,478	6,526	(62)	5,074	12,203	(58)
Marketplace	1,544	1,149	34	2,235	2,295	(3)
Mortgage and Real Estate Solutions	736	1,325	(44)	1,772	2,635	(33)
Other	17	8	113	190	22	N/M
Total reimbursable expenses	4,775	9,008	(47)	9,271	17,155	(46)
Non-controlling interests:						
Mortgage and Real Estate Solutions	1,240	687	80	1,680	1,212	39
Total revenue	$ 196,535	$ 218,556	(10)	$ 366,470	$ 415,994	(12)

N/M — not meaningful.

We recognized service revenue of $355.5 million for the six months ended June 30, 2019, an 11% decrease compared to the six months ended June 30, 2018 ($190.5 million for the second quarter of 2019, a 9% decrease compared to the second quarter of 2018). Field Services, Marketplace and Mortgage and Real Estate Solutions were negatively impacted during these periods by the reduction in the size of Ocwen's portfolio and number of delinquent loans, RESI's smaller portfolio of non-performing loans and REO, as RESI continued to sell off its portfolio and focus on directly acquiring, renovating and managing rental homes, and higher brokerage commission earned from the NRZ portfolio during the three and six months ended June 30, 2018 related to REO properties that transferred to NRZ from Ocwen that were already listed on Hubzu. This transitional service revenue for these transferred properties ended in 2018. In addition, during the second quarter of 2019, we believe foreclosure holds and other temporary effects of Ocwen's transition to another mortgage servicing software platform negatively impacted referral volume and service revenue. These decreases in service revenue were partially offset by net service revenue growth in Other and service revenue growth from Earlier Stage Businesses. The service revenue increase in Other was from the sale of the majority of the BRS Inventory to Lafayette Real Estate for $38.9 million in the second quarter of 2019, partially offset by lower rental property management and construction management service revenue from RESI as we exited these businesses in 2018. Service revenue growth in the Earlier Stage Businesses was driven by increases in transaction volumes at Owners.com and customer wins at Pointillist.

We recognized reimbursable expense revenue of $9.3 million for the six months ended June 30, 2019, a 46% decrease compared to the six months ended June 30, 2018 ($4.8 million for the second quarter of 2019, a 47% decrease compared to the second quarter of 2018). The decreases in reimbursable expense revenue were primarily for the reasons discussed in service revenue above.

Certain of our revenues are impacted by seasonality. More specifically, revenues from property sales, loan originations and certain Field 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 consisted of the following:

(in thousands)	Three months ended June 30, 2019	Three months ended June 30, 2018	% Increase (decrease)	Six months ended June 30, 2019	Six months ended June 30, 2018	% Increase (decrease)
Compensation and benefits	$ 36,806	$ 54,769	(33)	$ 78,174	$ 109,635	(29)
Outside fees and services	58,588	68,879	(15)	121,169	133,977	(10)
Cost of real estate sold	40,276	13,320	202	42,370	16,499	157
Technology and telecommunications	8,317	10,852	(23)	16,826	20,303	(17)
Reimbursable expenses	4,775	9,008	(47)	9,271	17,155	(46)
Depreciation and amortization	3,879	6,378	(39)	8,935	12,831	(30)
Cost of revenue	$ 152,641	$ 163,206	(6)	$ 276,745	$ 310,400	(11)

We recognized cost of revenue of $276.7 million for the six months ended June 30, 2019, an 11% decrease compared to the six months ended June 30, 2018 ($152.6 million for the second quarter of 2019, a 6% decrease compared to the second quarter of 2018). The decreases were primarily driven by cost reduction initiatives and benefits of Project Catalyst and lower outside fees and services 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 also resulted from lowering headcount consistent with the revenue decline from the Ocwen and RESI portfolios and the transfer of employees to selling, general and administrative functions in connection with the Project Catalyst reorganization. In addition, depreciation and amortization expense decreased, primarily as a result of the completion of the depreciation period of certain premises and equipment during the second quarter of 2019. The increase in cost of real estate sold is primarily due to the sale of the majority of the BRS Inventory in the second quarter of 2019, as discussed in the revenue section above. The decrease in reimbursable expenses was consistent with the decrease in reimbursable expense revenue discussed in the revenue section above.

Gross profit decreased to $89.7 million, representing 25% of service revenue, for the six months ended June 30, 2019 compared to $105.6 million, representing 27% of service revenue, for the six months ended June 30, 2018 (decreased to $43.9 million, representing 23% of service revenue, for the second quarter of 2019 compared to $55.4 million, representing 27% of service revenue, for the second quarter of 2018). Gross profit as a percentage of service revenue for the three and six months ended June 30, 2019 decreased compared to the three and six months ended June 30, 2018, primarily due to revenue mix with higher revenue from the sale of the majority of the BRS Inventory in the second quarter of 2019 and incurred a $1.8 million loss including closing costs and lower revenue from other higher margin businesses. These decreases were partially offset by our Project Catalyst cost reduction initiatives.

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 services fees, occupancy costs, marketing costs, depreciation and amortization of non-operating assets and other expenses.

SG&A expenses consisted of the following:

(in thousands)	Three months ended June 30, 2019	Three months ended June 30, 2018	% Increase (decrease)	Six months ended June 30, 2019	Six months ended June 30, 2018	% Increase (decrease)
Compensation and benefits	$ 15,238	$ 12,197	25	$ 26,591	$ 25,766	3
Amortization of intangible assets	3,544	7,544	(53)	12,191	14,691	(17)
Occupancy related costs	3,871	7,189	(46)	7,779	15,623	(50)
Marketing costs	2,989	3,978	(25)	5,921	7,585	(22)
Professional services	3,320	4,328	(23)	8,796	7,554	16
Depreciation and amortization	4,067	1,950	109	8,380	4,218	99
Other	2,822	5,738	(51)	7,433	10,611	(30)
Selling, general and administrative expenses	$ 35,851	$ 42,924	(16)	$ 77,091	$ 86,048	(10)

SG&A for the six months ended June 30, 2019 of $77.1 million decreased by 10% compared to the six months ended June 30, 2018 ($35.9 million for the second quarter of 2019, a 16% decrease compared to the second quarter of 2018). The decreases were primarily driven by lower occupancy related costs, amortization of intangible assets and Other expenses, partially offset by increases in depreciation and amortization expense and compensation and benefits. Occupancy related costs were lower and depreciation and amortization expense was higher primarily as a result of the January 1, 2019 implementation of a new accounting standard on operating leases. The new standard required the recognition of operating leases by companies as lease obligation liabilities on their balance sheets and also required the recognition of right-of-use assets, resulting in higher depreciation and amortization expense and interest expense and lower occupancy related costs. Consequently, depreciation and amortization expense related to the right-to-use assets increased for the three and six months ended June 30, 2019 (see Notes 1 and 23 to the condensed consolidated financial statements for additional information regarding this accounting change). The decreases in amortization of intangible assets were driven by lower revenue generated by the Homeward Residential, Inc. and Residential Capital, LLC portfolios (revenue-based amortization), consistent with the reduction in the size of Ocwen's portfolio discussed in the revenue section above. In addition, as a result of reclassifying the Financial Services Business as assets held for sale as of March 28, 2019 (see Note 3 to the condensed consolidated financial statements for additional information), we no longer amortize the Financial Services Business' intangible assets. Other expenses decreased primarily due to lower travel and entertainment costs driven by Project Catalyst cost reduction initiatives and lower bad debt expense as a result of improved collections. The increase in compensation and benefits was driven by the transfer of employees into selling, general and administrative functions from cost of revenue functions in connection with the Project Catalyst reorganization, as discussed in the cost of revenue section above, and higher share-based compensation expense.

Other Operating Expenses - Restructuring Charges

In August 2018, Altisource initiated Project Catalyst, a project 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 three and six months ended June 30, 2019, we incurred $1.9 million and $6.3 million, respectively, of severance costs, professional services fees and technology costs related to the reorganization plan. We expect to incur additional severance costs, professional services fees, technology costs and facility consolidation costs in connection with this internal reorganization, automation and other technology related activities and will expense those costs as incurred. Based on our analysis, we currently anticipate the future costs relating to Project Catalyst to be in the range of approximately $12 million to $15 million.

Income from Operations

Income from operations decreased to $6.3 million, representing 2% of service revenue, for the six months ended June 30, 2019, compared to $19.5 million, representing 5% of service revenue, for the six months ended June 30, 2018 (decreased to $6.1 million, representing 3% of service revenue, for the second quarter of 2019 compared to $12.4 million, representing 6% of service revenue, for the second quarter of 2018). Income from operations as a percentage of service revenue decreased in 2019 compared to 2018, as a result of lower gross margins, as discussed above, and from the restructuring costs incurred during 2019.

Other Income (Expense), net

Other income (expense), net principally includes interest expense, unrealized gain (loss) on our investment in RESI common shares and other non-operating gains and losses.

Other income (expense), net was $1.6 million for the six months ended June 30, 2019 compared to $(21.4) million for the six months ended June 30, 2018 ($5.8 million for the second quarter of 2019 and $(9.4) million the second quarter of 2018). The decreases in other expense were primarily driven by a $14.0 million unrealized gain on our investment in RESI common shares compared to a $(6.0) million loss in 2018. In addition, 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. 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 for the three and six months ended June 30, 2018 (no comparative amounts for the three and six months ended June 30, 2019).

Income Tax (Provision) Benefit

We recognized an income tax (provision) benefit of $(15.3) million and $0.5 million for the six months ended June 30, 2019 and 2018, respectively ($(16.5) million and $(0.8) million the second quarter of 2019 and 2018, respectively). The effective income tax rate increased to 192.5% for the six months ended June 30, 2019 from 28.9% for the six months ended June 30, 2018 (increased to 138.7% for the second quarter of 2019 from 26.6% for the second quarter of 2018). The increases in the income tax provision for the six months ended June 30, 2019 and second quarter of 2019 were primarily from a $12.3 million reduction in Luxembourg deferred tax assets in connection with a decrease in the Luxembourg statutory income tax rate from 26.0% to 24.9% in the second quarter of 2019 and a $0.9 million increase in foreign income taxes in connection with an internal legal entity reorganization in advance of the sale of the Financial Services Business. Excluding these two items, the effective tax rate would have been 25.9% for the six months ended June 30, 2019 and 27.6% for the second quarter of 2019.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary source of liquidity is cash flow from operations and cash on hand. 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. In addition, we consider and evaluate business acquisitions and dispositions from time to time that are aligned with our strategy.

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 June 30, 2019, $333.0 million of the Term B Loans were outstanding. There were no borrowings outstanding under the revolving credit facility as of June 30, 2019.

There are no mandatory repayments of the Term B Loans due until March 2020, when $3.4 million is due to be repaid. Thereafter, the Term B Loans must be repaid in consecutive quarterly principal installments of $3.1 million, 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, certain 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.

The interest rate on the Term B Loans as of June 30, 2019 was 6.3%.

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 six months ended June 30:

(in thousands)	2019	2018	% Increase (decrease)
Net loss adjusted for non-cash items	$ 31,161	$ 46,413	(33)
Changes in operating assets and liabilities	1,995	(23,160)	109
Net cash provided by operating activities	33,156	23,253	43
Net cash provided by (used in) investing activities	6,629	(2,756)	341
Net cash used in financing activities	(14,711)	(38,988)	62
Net increase (decrease) in cash, cash equivalents and restricted cash	25,074	(18,491)	236
Cash, cash equivalents and restricted cash at the beginning of the period	64,046	108,843	(41)
Cash, cash equivalents and restricted cash at the end of the period	$ 89,120	$ 90,352	(1)

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 six months ended June 30, 2019, cash flows provided by operating activities were $33.2 million, or approximately $0.09 for every dollar of service revenue ($0.21 for every dollar of service revenue for the second quarter of 2019), compared to cash flows provided by operating activities of $23.3 million, or approximately $0.06 for every dollar of service revenue, for the six months ended June 30, 2018 ($0.15 for every dollar of service revenue for the second quarter of 2018). During the six months ended June 30, 2019, the increase in cash provided by operations was driven by higher cash provided by the changes in operating assets and liabilities of $25.2 million, partially offset by a $15.3 million unfavorable change in net loss, adjusted for non-cash items. The increase in cash provided by changes in operating assets and liabilities was driven by the decrease in short-term investments in real estate of $39.5 million primarily related to the sale of the majority of the remaining BRS Inventory for $38.9 million in the second quarter of 2019. The cash flow impact of the decrease in short-term investments was partially offset by an increase of $15.8 million in accounts receivable during the six months ended June 30, 2019 driven by the timing of collections. During the second quarter of 2019, accounts receivable increased in part as a result of delays in receiving payments from Ocwen in connection with Ocwen's transition to another mortgage servicing software platform. The decrease in net loss, adjusted for non-cash items, was primarily driven by lower gross profit during the six months ended June 30, 2019 from lower service revenue and the Project Catalyst restructuring charges, partially offset by decreases in expenses as a result of the Project Catalyst cost reduction initiatives and an unrealized gain on investment in equity securities of $14.0 million for the six months ended June 30, 2019, compared to an unrealized loss on investment in equity securities of $(6.0) million for the six months ended June 30, 2018. 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 for the six months ended June 30, 2019 and 2018 consisted of additions to premises and equipment, and for the six months ended June 30, 2019, also included proceeds from the sale of a business and proceeds from the sale of equity securities. Cash flows provided by (used in) investing activities were $6.6 million and $(2.8) million for the six months ended June 30, 2019 and 2018, respectively. The change in cash provided by investing activities was primarily driven by $6.5 million in proceeds received from the sale of a portion of our investment in RESI common stock during the second quarter of 2019.

Cash Flows from Financing Activities

Cash flows from financing activities for the six months ended June 30, 2019 and 2018 included activities associated with long-term debt issuances, repayments and debt issuance costs. In addition, financing activities include proceeds from stock option exercises, the purchase of treasury shares, distributions to non-controlling interests and payments of tax withholdings on issuance of restricted share units and restricted shares. Cash flows used in financing activities were $(14.7) million and $(39.0) million for the six months ended June 30, 2019 and 2018, respectively. During the six months ended June 30, 2019, we used $(5.8) million for repayments of long-term debt and during the six months ended June 30, 2018, we used net cash of $(19.0) million to refinance and reduce our debt. In addition, we received proceeds from stock option exercises of $0.2 million for six months ended June 30, 2019 compared to $2.7 million during the six months ended June 30, 2018. Also, during the six months ended June 30, 2019, we used $(6.7) million to repurchase shares of our common stock compared to $(21.1) million for the six months ended June 30, 2018 and distributed $(1.1) million and $(1.2) million to non-controlling interests, respectively for the six months ended June 30, 2019 and 2018, respectively. During the six months ended June 30, 2019 and 2018, we made payments of $(1.3) million and $(0.4) million to satisfy employee tax withholding obligations on the issuance of restricted share units and restricted shares, respectively. 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 share units and restricted shares to employees.

Liquidity Requirements after June 30, 2019

Our significant future liquidity obligations primarily pertain to long-term debt repayments and interest expense under the Credit Agreement (see Liquidity section above), lease payments and distributions to Lenders One members. During the next 12 months, we expect to pay $21.9 million of interest expense (assuming the June 30, 2019 interest rate, and before considering repayments after June 30, 2019 from proceeds received from the sale of the Financial Services Business and RESI common shares) under the Credit Agreement and make lease payments of $13.2 million. On July 17, 2019, we used $37.0 million to repay a portion of the senior secured term loan in connection with the sale of the Financial Services Business.

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.

Contractual Obligations, Commitments and Contingencies

For the six months ended June 30, 2019, there were no significant changes to our contractual obligations from those identified in our Form 10-K for the fiscal year ended December 31, 2018 and this Form 10-Q, other than those that occur in the normal course of business and repayments of the senior secured term loan in connection with the sale of the Financial Services Business and RESI common stock. See Note 24 to the condensed consolidated financial statements.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND RECENT ACCOUNTING PRONOUNCEMENT

We prepare our interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. 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 condensed 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.

Our critical accounting policies are described in the MD&A section of our Form 10-K for the year ended December 31, 2018 filed with the SEC on February 26, 2019. There have been no material changes to our critical accounting policies during the six months ended June 30, 2019.

Recently Adopted and Future Adoption of New Accounting Pronouncements

See Note 1 to the condensed consolidated financial statements for a discussion of recently issued accounting pronouncements, including pronouncements that were adopted in the current period.

Item 3. 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 June 30, 2019, the interest rate charged on the Term B Loan was 6.3%. 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 and the Adjusted Eurodollar Rate as of June 30, 2019, a one percentage point increase in the Eurodollar rate would increase our annual interest expense by approximately $3.3 million. There would be a $3.3 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 the six months ended June 30, 2019, 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 $0.7 million.

Item 4. Controls and Procedures

a) *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 Chairman and Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of June 30, 2019, an evaluation was conducted under the supervision and with the participation of our management, including our Chairman and 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 June 30, 2019.

b) *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 June 30, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

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.

Item 1A. Risk Factors

As of the date of this filing, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Form 10-K for the year ended December 31, 2018 filed with the SEC on February 26, 2019.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information related to our repurchases of our equity securities during the three months ended June 30, 2019:

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:				
April 1 - 30, 2019	82,473	$ 24.33	82,473	3,286,125
May 1 - 31, 2019	108,184	22.63	108,184	3,177,941
June 1 - 30, 2019	115,029	19.43	115,029	3,062,912
	305,686	$ 21.89	305,686	3,062,912

(1) In addition to the repurchases included in the table above, 29,473 common shares were withheld from employees to satisfy tax withholding obligations that arose from the vesting of restricted shares and restricted share units.

(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. Exhibits

Exhibit Number	Exhibit Description
10.1 * †	Form of Restricted Stock Unit Award Agreement Pursuant to Altisource's 2009 Equity Incentive Plan and 2019 Long Term Equity Incentive Program
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 by 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 Quarterly Report on Form 10-Q for the period ended June 30, 2019 is formatted in XBRL interactive data files: (i) Condensed Consolidated Balance Sheets as of June 30, 2019 and December 31, 2018; (ii) Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and six months ended June 30, 2019 and 2018; (iii) Condensed Consolidated Statements of Equity for the six months ended June 30, 2019 and 2018; (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2019 and 2018; and (v) Notes to Condensed Consolidated Financial Statements.

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* Filed herewith.

† Denotes a management contract or compensatory arrangement.

SIGNATURES

Pursuant to the requirements 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.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.
(Registrant)

Date: July 25, 2019

By: /s/ Michelle D. Esterman

Michelle D. Esterman
Chief Financial Officer
(On behalf of the Registrant and as its Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.1

RESTRICTED STOCK UNIT AWARD AGREEMENT PURSUANT TO ALTISOURCE'S 2009 EQUITY INCENTIVE PLAN AND 2019 LONG TERM EQUITY INCENTIVE PROGRAM

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (the "Agreement") is made and entered into as of March 21, 2019 (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 [ ], an employee of the Company (the "Employee").

WHEREAS, The Company desires, by awarding the Employee restricted units for shares of its common stock, par value $1.00 per share ("Shares"), to further the objectives of the Company's 2009 Equity Incentive Plan, as amended and restated (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 STOCK UNIT AWARD

The Company hereby grants to the Employee, pursuant to and subject to the 2009 Plan, [ ] Restricted Stock Units (the "Restricted Stock Units" or "RSUs"), on the terms and conditions set forth herein (the "RSU Award"), consisting of [ ] Type I performance-based RSUs ("Type I RSUs") and [ ] Type II performance-based RSUs ("Type II RSUs") that shall vest subject to the terms and conditions described in Section 2. Each RSU represents a right for the Employee to receive one Share (or cash, if so determined pursuant to Section 5 Subsection B), as determined in the sole discretion of the Committee, subject to the terms and conditions of this Agreement and the Plan.

2. VESTING OF RSU AWARD

Type I RSUs shall vest in three equal increments on the first, second and third anniversaries of the Grant Date, subject to the Employee meeting a minimum performance level of fifty percent (50%) on his or her annual scorecard for the preceding service year.

Type II RSUs shall be earned and vest entirely on the third anniversary of the Grant Date, subject to the Company's (i) achievement of pre-established goals tied to 2019, 2020 and 2021 adjusted earnings per share ("EPS") and (ii) total shareholder return ("TSR") versus the return of the Russell 3000 Index during 2019-2021 (the "Performance Period"), as described in Exhibit A.

Except as provided in Section 4 and Section 8 below, no RSUs will vest unless the Employee is, at the time of vesting, an employee of the Company and not under a notice of resignation.

3. SHAREHOLDER RIGHTS; DIVIDEND EQUIVALENT RIGHTS

A. Shareholder Rights

RSUs are an unfunded promise to deliver Shares (or cash, if so determined pursuant to Section 5 Subsection B) in the future if the requirements of the RSU Award and the Plan are met. Prior to issuance of Shares, if any, to the Employee in settlement of the RSU Award pursuant to Section 5 below, the Employee has no ownership rights in Shares or shareholder rights.

B. Dividend Equivalents

Each RSU shall include dividend equivalent rights that entitle the Employee, simultaneously upon the settlement of the RSU pursuant to Section 5 below, to receive a cash payment equal to any dividends declared on a Share ("Dividend Equivalents") from the Grant Date through the day immediately before the issuance date of the Share in settlement of the RSU. If for any reason, the Employee does not become entitled to receive a Share in settlement of an RSU, the Employee will forfeit the dividend equivalent rights associated with such RSU. Dividend Equivalents shall not accrue interest. For the avoidance of doubt, Employee shall have no right to receive the Dividend Equivalents unless and until the associated RSUs vest.

C. Non-Transferability of the RSU Award

This RSU Award is nontransferable and neither the RSU Award nor the RSUs may be assigned, transferred, 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 RSU Award contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the RSU Award, shall be null and void and without effect.

D. RSUs Are Unfunded and Unsecured

RSUs are an unfunded and unsecured promise to deliver Shares in the future (or cash, if so determined pursuant to Section 5 Subsection B), subject to the terms of this Agreement and the Plan. The Employee's rights under this Agreement are no greater than an unsecured, general creditor of the Company.

4. TERMINATION OF RSU AWARD

If, prior to vesting of the entire RSU Award, the Employee's employment terminates, the RSU Award shall terminate in accordance with the 2009 Plan except as follows:

A. by the Company for Cause or termination of employment by the Employee (other than by reason of Retirement), then the RSU Award shall terminate and all unvested RSUs shall be forfeited by the Employee as of the date of termination of employment or, in the case of the Employee's resignation, on the date the Employee provides notice of his or her resignation.

B. by the Company without Cause (other than by reason of Retirement), then (i) any unvested Type I RSUs that are scheduled to vest within twelve (12) months of such termination of employment under Section 2 above shall vest as of the date of termination of employment, and the remainder of the unvested Type I RSUs (if any) shall be forfeited by the Employee as of the date of termination of employment; and (ii) if the respective performance criteria for Type II RSUs have been satisfied on or prior to the ninety (90) day anniversary of the date of such termination of employment, such Type II RSUs shall vest as of the date the criteria are met, provided, however, that in both cases (i) and (ii) the Employee has been employed by the Company for at least two years as of the date of such termination of employment.

C. by reason of Retirement, death or Disability of the Employee, then all unvested Type I RSUs shall vest thirty (30) days after the date of such termination of employment, and all unvested Type II RSUs shall be forfeited unless the performance criteria are achieved within 90 days of such termination, in which case the Type II RSUs shall vest in accordance with Section 2, Subsection B above.

D. The Employee's right to accelerated vesting of RSUs following termination of employment under this Section 4 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 in the case of termination without Cause, Disability or death, or three (3) years in the case of Retirement, unless otherwise determined by the Company in its sole discretion.

E. In no event shall the granting of the RSU Award or its acceptance by the Employee give or be deemed to give the Employee any right to continued employment by the Company.

5. **SETTLEMENT OF RSUs.**

A. Subject to Section 7.B, each vested RSU shall be settled in one Share (less applicable tax withholdings), as soon as practicable following and no later than the March 15th following the calendar year in which the RSU vests pursuant to Section 2 or 4 of this Agreement.

B. Notwithstanding the foregoing or any other provision of this Agreement, and subject in all cases to the terms of the 2009 Plan then in effect, the Company reserves the right to settle your RSUs by a lump sum cash payment equal to the then fair market value (as determined pursuant to Section 7) of the settled Shares (less applicable tax withholdings).

6. **CONDITIONS UPON TERMINATION OF EMPLOYMENT; CLAW-BACK POLICY**

A. For a period of two (2) years following the Employee's departure from the Company, the Employee shall not: (i) within the territory where the Employee is working or within which the Employee had responsibility at the time of termination, perform, either directly or indirectly, on behalf of a competitor the same or similar job duties that Employee performed on behalf of the Company in the two (2) years prior to departure, (ii) solicit, directly or indirectly, any employee of the Company to leave the employ of the Company for employment, hire, or engagement as an independent contractor elsewhere, (iii) solicit the sale of competitive goods or services from any customer, supplier, licensee, or business relation of the Company with which Employee had material contact (as that term is defined at O.C.G.A. § 13-8-51(10)) or solicit the aforementioned categories of entities to reduce their relationships with the Company, or (iv) share, reveal or utilize any Confidential Information of the Company except as otherwise expressly permitted in writing by Altisource.

B. For a period of two (2) years following the Employee's departure from the Company, the Employee shall be available 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 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) RSUs, 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 amount of the market value of any Shares that have been issued to the Employee in settlement of a vested RSU ("Share Value") at any time (or cash, if applicable) 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. The Employee 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 Section 6, Subsection C above, shall be entitled to injunctive relief against the Employee's breach or threatened breach of said covenants. Employee specifically agrees that the subsidiaries and affiliates of Altisource are intended beneficiaries of the restrictions contained in this Paragraph 6 and that those subsidiaries and affiliates have the right to enforce the terms of this Paragraph 6.

D. The Employee acknowledges that the Company would not have awarded the RSUs to the Employee under this Agreement absent the Employee's agreement to be bound by the covenants made in this Section 6.

E. The RSUs shall be subject to any claw-back policy implemented by the Board of Directors of the Company or any Successor Entity.

7. **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 RSUs (with such withholding obligation determined based on any applicable minimum statutory withholding rates), in connection with the vesting of RSUs. In the event the Company cannot (under applicable legal, regulatory, listing or other requirements) satisfy such tax withholding obligation in such method 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 the Employee to pay such amount by check or wire transfer; (ii) by deducting such amount out of any other compensation otherwise payable to the Employee; and/or (iii) by allowing the 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 the 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 or, if such date falls on a day on which the NASDAQ Global Select Market is not open for active trading, using the opening price of the Shares on the next active trading day.

B. Section 409A.

The intent of the parties is that payments and benefits under this Agreement comply with or otherwise be exempt from Section 409A of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder (the "Code"), and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted either to be exempt from or in compliance therewith. If any provision of this Agreement (or any award of compensation or benefits provided under this Agreement) would cause the Employee to incur any additional tax or interest under Section 409A of the Code, the Company may reform such provision to comply with 409A. Notwithstanding the foregoing, Employee is solely responsible for any tax consequences Employee may incur under Code Section 409A and none of Altisource, its subsidiaries or any of their respective directors, officers, employees, agents or shareholders shall have any obligation to indemnify or hold Employee harmless from such taxes. If and to the extent any Shares that become vested and issuable under this RSU Award on account of the Employee's Retirement constitute deferred compensation subject to Code 409A, such issuance shall occur when the Employee has incurred a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h) ("Separation from Service"). Notwithstanding the foregoing, if at the time of the Employee's Separation from Service, the Employee is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i), such Shares shall be issued to the Employee on the first business day of the seventh month following the Employee's Separation from Service.

8. **CORPORATE TRANSACTIONS; CHANGE OF CONTROL/RESTRUCTURING EVENT**

A. 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 Board of Directors in its discretion in the aggregate number and kind of Shares subject to the 2009 Plan and the number and kind of Shares subject to the RSU Award.

B. Change of Control/Restructuring Event

(1) If a Change of Control/Restructuring Event occurs, the Board of Directors shall have the right to make appropriate adjustments, including, without limiting the generality of the foregoing, by (i) allowing the RSUs to continue in full force and effect in accordance with the terms hereof, (ii) issuing an equivalent award of shares in the Successor Entity as the Board of Directors deems equitable, (iii) cancelling the award for consideration (as the Board of Directors sees as equitable) which may equal the value of the consideration to be paid in the Change of Control/Restructuring Event to holders of Shares, or (iv) providing for vesting and settlement of the RSUs immediately prior to, and conditioned on consummation, of the Change of Control/ Restructuring Event.

(2) To the extent the Successor Entity allows the RSUs to continue in full force and effect in accordance with the terms hereof, the vesting schedule set forth in Section 2 will continue to apply (subject to the accelerated vesting provisions of Section 4); provided that, in such case, the Board of Directors shall have the right in its discretion to make appropriate adjustments, including, with the consent of the Successor Entity, equitably converting the consideration to be received upon the vesting of the RSUs to common stock of the Successor Entity.

(3) Notwithstanding any provision of Section 8 Subsection B(1) and B(2) to the contrary, in the event a Change of Control/Restructuring Event occurs, if the RSUs are not assumed or replaced by the acquirer/continuing entity on terms deemed by the Compensation Committee to be appropriate, then the Compensation Committee shall have the right to (i) provide for vesting and settlement of the RSUs immediately prior to, and conditioned on consummation, of the Change of Control/Restructuring Event or (ii) to the extent the Successor Entity allows the RSUs to stay in place, to make appropriate adjustments to avoid an expansion or reduction in the value of the award.

(4) For the avoidance of doubt, in the event the Employee remains employed with the Successor Entity 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 RSU Award shall not be invoked unless and until his/her employment with such Successor Entity shall terminate.

9. PAYMENT OF EXPENSES AND COMPLIANCE WITH LAWS

The Company shall reserve and keep available such number of Shares or access to cash and cash equivalents 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. ADDITIONAL CONDITIONS

A. The Employee hereby represents and covenants that (a) any Share acquired upon the vesting of the RSU Award will be acquired for investment and 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 RSU 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 RSU Award is subject to the condition that if the listing, registration or qualification of the Shares subject to the RSU 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 RSU 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.

11. **DEFINITIONS**

A. As used herein, the term "Board of Directors" shall mean the Board of Directors or Compensation Committee of Altisource or any Successor Entity, as applicable, and the term "Compensation Committee" shall mean the Compensation Committee of the Board of Directors of Altisource.

B. As used herein, the term "Cause" shall mean, as reasonably determined by the Board of Directors (excluding the Employee, if he/she is then a member of the Board of Directors) either (i) any willful or grossly negligent conduct (including but not limited to fraud or embezzlement) committed by the Employee in connection with the Employee's employment by the Company which conduct in the reasonable determination of the Board of Directors has had or will have a material detrimental effect on the Company's business or (ii) the Employee's conviction of, or entering into a plea of *nolo contendere* to, a felony involving fraud or embezzlement, whether or not committed in the course of the Employee's employment with the Company. For avoidance of doubt, termination of employment as a result of a business reorganization or reduction in force will be deemed termination without Cause for purposes of the RSU Award.

C. As used herein, "Change of Control/Restructuring Date" shall mean either the date 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 the date 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, 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. Notwithstanding anything herein to the contrary, the definition of Change of Control Event 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 in Control for purposes of this Agreement.

E. As used herein, "Confidential Information" means all non-public, commercially valuable information relating to Company, including any of its 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, the 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, 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, the term “Successor Entity” means the person that is formed by, replaces or otherwise survives the Company as a result of a transaction, series of transaction or restructuring with the effect that the Company ceases to exist.

H. Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the 2009 Plan.

12. **AMENDMENT**

In the event that the 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.

13. **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.

Except as otherwise required by applicable law, rule or regulation, the Board of Directors shall have full discretion with respect to any actions to be taken or determinations to be made in connection with this Agreement (including, without limitation, any determination with regard to Section 3, Section 6 Subsection C and Section 8), and its determinations shall be final, binding and conclusive.

14. **ENTIRE AGREEMENT**

This Agreement, together with the 2009 Plan, 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.

15. HEADINGS

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed a part hereof.

16. 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

____

Altisource Portfolio Solutions S.A.

By: ____________________________

Name:

Title:

Attested by: ____________________

Name:

Title:

EXHIBIT A

TO

RESTRICTED STOCK UNIT AWARD AGREEMENT

Type II RSUs shall be earned and vest in a two-step process:

Step 1: Based on the degree of the Company's achievement of pre-established goals tied to 2019, 2020 and 2021 adjusted EPS during the Performance Period, Type II RSUs shall be earned between zero percent (0%) up to one hundred fifty percent (150%) of the Type II RSUs awarded (the "Initial Earned Award Size"):

Performance Metric	Initial Earned Award Size As % of Type II RSUs Awarded				
	Type II RSU Award Terminates	50% - 99% of Type II RSU Award	100% of Type II RSU Award	101% - 149% of Type II RSU Award	150% of Type II RSU Award
Average level of achievement vis-à-vis the corporate budget for adjusted EPS during the Performance Period	Achievement of less than 85%	Based on % of linear achievement of 85% up to 100%	Achievement at 100%	Based on % of linear achievement of greater than 100% to 115%	Achievement of greater than 115%

Step 2: the Initial Earned Award Size will be modified based on Altisource's TSR versus the return of the Russell 3000 Index during the Performance Period, resulting in the vesting of a final earned award equal to fifty percent (50%) up to one hundred and fifty (150%) of the Initial Earned Award Size (the "Final Earned Award Size"):

Multiplier	Final Earned Award Size As % of Initial Earned Award Size				
	50% of Initial Earned Award Size Will Vest	50% - 99% of Initial Earned Award Size Will Vest	100% of Initial Earned Award Size Will Vest	101% - 149% of Initial Earned Award Size Will Vest	150% of Initial Earned Award Size Will Vest
TSR versus the return of the Russell 3000 Index during the Performance Period	TSR less than 80%	TSR of 80% up to 100% based on % of linear achievement	TSR at 100%	TSR greater than 100% up to 120% based on % of linear achievement	TSR greater than 120%

Exhibit 31.1

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 quarterly report on Form 10-Q for the period ended June 30, 2019 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: July 25, 2019

By: /s/ William B. Shepro

William B. Shepro
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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 quarterly report on Form 10-Q for the period ended June 30, 2019 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: July 25, 2019

By: /s/ Michelle D. Esterman

Michelle D. Esterman
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit 32.1

**CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(UNITED STATES CODE, TITLE 18, CHAPTER 63, SECTION 1350)
ACCOMPANYING QUARTERLY REPORT ON FORM 10-Q OF
ALTISOURCE PORTFOLIO SOLUTIONS S.A. FOR THE QUARTER ENDED
JUNE 30, 2019**

In connection with the Quarterly Report on Form 10-Q of Altisource Portfolio Solutions S.A. (the "Company") for the quarterly period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), William B. Shepro, as Chairman 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	By: /s/ Michelle D. Esterman
William B. Shepro	Michelle D. Esterman
Chairman and Chief Executive Officer	Chief Financial Officer
(Principal Executive Officer)	(Principal Financial Officer and
	Principal Accounting Officer)
July 25, 2019	July 25, 2019