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

FORM 10-Q

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

For the quarterly period ended September 30, 2018

OR

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

Commission File Number: 1-34354

ALTISOURCE PORTFOLIO SOLUTIONS S.A.

(Exact name of Registrant as specified in its Charter)

Luxembourg

(State or other jurisdiction of incorporation or organization)

98-0554932

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

40, avenue Monterey

L-2163 Luxembourg

Grand Duchy of Luxembourg

(Address of principal executive offices) (Zip Code)

(352) 24 69 79 00

(Registrant's telephone number)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

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

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of October 19, 2018, there were 16,990,838 outstanding shares of the registrant's shares of beneficial interest (excluding 8,421,910 shares held as treasury stock).

Table of Contents

ALTISOURCE PORTFOLIO SOLUTIONS S.A.

FORM 10-Q

	<u>Page</u>
<u>PART I — Financial Information</u>	
<u>Item 1</u> <u>Interim Condensed Consolidated Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations and Comprehensive Income</u>	<u>4</u>
<u>Condensed Consolidated Statements of Equity</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>31</u>
<u>Item 3</u> <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>52</u>
<u>Item 4</u> <u>Controls and Procedures</u>	<u>53</u>
<u>PART II — Other Information</u>	
<u>Item 1</u> <u>Legal Proceedings</u>	<u>54</u>
<u>Item 1A</u> <u>Risk Factors</u>	<u>54</u>
<u>Item 2</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>55</u>
<u>Item 6</u> <u>Exhibits</u>	<u>56</u>
<u>SIGNATURES</u>	<u>57</u>

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)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 102,860	\$ 105,006
Investment in equity securities	44,967	49,153
Accounts receivable, net	46,929	52,740
Prepaid expenses and other current assets	81,622	64,742
Total current assets	<u>276,378</u>	<u>271,641</u>
Premises and equipment, net	52,026	73,273
Goodwill	84,027	86,283
Intangible assets, net	98,754	120,065
Deferred tax assets, net	304,383	303,707
Other assets	13,697	10,195
Total assets	<u>\$ 829,265</u>	<u>\$ 865,164</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 96,407	\$ 84,400
Current portion of long-term debt	34,440	5,945
Deferred revenue	12,955	9,802
Other current liabilities	7,912	9,414
Total current liabilities	<u>151,714</u>	<u>109,561</u>
Long-term debt, less current portion	346,544	403,336
Other non-current liabilities	7,866	12,282
Commitments, contingencies and regulatory matters (Note 21)		
Equity:		
Common stock (\$1.00 par value; 100,000 shares authorized, 25,413 issued and 17,048 outstanding as of September 30, 2018; 100,000 shares authorized, 25,413 shares issued and 17,418 outstanding as of December 31, 2017)	25,413	25,413
Additional paid-in capital	118,625	112,475
Retained earnings	603,343	626,600
Accumulated other comprehensive income	—	733
Treasury stock, at cost (8,365 shares as of September 30, 2018 and 7,995 shares as of December 31, 2017)	(425,767)	(426,609)
Altisource equity	<u>321,614</u>	<u>338,612</u>
Non-controlling interests	1,527	1,373
Total equity	<u>323,141</u>	<u>339,985</u>
Total liabilities and equity	<u>\$ 829,265</u>	<u>\$ 865,164</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenue	\$ 204,575	\$ 234,979	\$ 620,569	\$ 726,147
Cost of revenue	147,580	174,898	457,980	538,244
Gross profit	56,995	60,081	162,589	187,903
Operating expenses (income):				
Selling, general and administrative expenses	46,329	46,622	132,377	146,793
Gain on sale of business (Note 3)	(13,688)	—	(13,688)	—
Restructuring charges (Note 20)	3,436	—	3,436	—
Income from operations	20,918	13,459	40,464	41,110
Other income (expense), net:				
Interest expense	(6,725)	(5,599)	(19,615)	(16,862)
Unrealized gain (loss) on investment in equity securities (Note 4)	1,782	—	(4,186)	—
Other income (expense), net	154	2,497	(2,435)	8,015
Total other income (expense), net	(4,789)	(3,102)	(26,236)	(8,847)
Income before income taxes and non-controlling interests	16,129	10,357	14,228	32,263
Income tax provision	(6,608)	(2,591)	(6,059)	(7,615)
Net income	9,521	7,766	8,169	24,648
Net income attributable to non-controlling interests	(854)	(805)	(2,066)	(2,107)
Net income attributable to Altisource	<u>\$ 8,667</u>	<u>\$ 6,961</u>	<u>\$ 6,103</u>	<u>\$ 22,541</u>
Earnings per share:				
Basic	<u>\$ 0.51</u>	<u>\$ 0.39</u>	<u>\$ 0.36</u>	<u>\$ 1.23</u>
Diluted	<u>\$ 0.49</u>	<u>\$ 0.38</u>	<u>\$ 0.35</u>	<u>\$ 1.20</u>
Weighted average shares outstanding:				
Basic	17,033	18,023	17,184	18,337
Diluted	17,575	18,429	17,669	18,854
Comprehensive income:				
Net income	\$ 9,521	\$ 7,766	\$ 8,169	\$ 24,648
Other comprehensive income (loss), net of tax:				
Reclassification of unrealized gain on investment in equity securities, net of income tax provision of \$200, to retained earnings from the cumulative effect of an accounting change (Note 1)	—	—	(733)	—
Unrealized (loss) gain on investment in equity securities, net of income tax benefit (provision) of \$0, \$2,054, \$0, \$(78)	—	(5,530)	—	212
Comprehensive income, net of tax	9,521	2,236	7,436	24,860
Comprehensive income attributable to non-controlling interests	(854)	(805)	(2,066)	(2,107)
Comprehensive income attributable to Altisource	<u>\$ 8,667</u>	<u>\$ 1,431</u>	<u>\$ 5,370</u>	<u>\$ 22,753</u>

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, 2016	25,413	\$ 25,413	\$ 107,288	\$ 333,786	\$ (1,745)	\$ (403,953)	\$ 1,405	\$ 62,194
Comprehensive income:								
Net income	—	—	—	22,541	—	—	2,107	24,648
Other comprehensive income, net of tax	—	—	—	—	212	—	—	212
Distributions to non-controlling interest holders	—	—	—	—	—	—	(2,143)	(2,143)
Share-based compensation expense	—	—	3,237	—	—	—	—	3,237
Cumulative effect of an accounting change (Note 14)	—	—	932	(932)	—	—	—	—
Exercise of stock options and issuance of restricted shares	—	—	—	(11,787)	—	13,871	—	2,084
Treasury shares withheld for the payment of tax on restricted share issuances	—	—	—	(1,497)	—	409	—	(1,088)
Repurchase of shares	—	—	—	—	—	(24,995)	—	(24,995)
Balance, September 30, 2017	<u>25,413</u>	<u>\$ 25,413</u>	<u>\$ 111,457</u>	<u>\$ 342,111</u>	<u>\$ (1,533)</u>	<u>\$ (414,668)</u>	<u>\$ 1,369</u>	<u>\$ 64,149</u>
Balance, December 31, 2017	25,413	\$ 25,413	\$ 112,475	\$ 626,600	\$ 733	\$ (426,609)	\$ 1,373	\$ 339,985
Net income	—	—	—	6,103	—	—	2,066	8,169
Distributions to non-controlling interest holders	—	—	—	—	—	—	(1,912)	(1,912)
Share-based compensation expense	—	—	6,150	—	—	—	—	6,150
Cumulative effect of accounting changes (Note 1)	—	—	—	(9,715)	(733)	—	—	(10,448)
Exercise of stock options and issuance of restricted shares	—	—	—	(18,524)	—	22,100	—	3,576
Treasury shares withheld for the payment of tax on restricted share issuances and stock option exercises	—	—	—	(1,121)	—	513	—	(608)
Repurchase of shares	—	—	—	—	—	(21,771)	—	(21,771)
Balance, September 30, 2018	<u>25,413</u>	<u>\$ 25,413</u>	<u>\$ 118,625</u>	<u>\$ 603,343</u>	<u>\$ —</u>	<u>\$ (425,767)</u>	<u>\$ 1,527</u>	<u>\$ 323,141</u>

See accompanying notes to condensed consolidated financial statements.

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

	Nine months ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 8,169	\$ 24,648
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,743	27,411
Amortization of intangible assets	21,311	27,143
Change in the fair value of acquisition related contingent consideration	—	24
Unrealized loss on investment in equity securities	4,186	—
Share-based compensation expense	6,150	3,237
Bad debt expense	2,408	3,101
Gain on early extinguishment of debt	—	(5,419)
Amortization of debt discount	513	225
Amortization of debt issuance costs	739	625
Deferred income taxes	(676)	—
Loss on disposal of fixed assets	723	2,776
Gain on sale of business (Note 3)	(13,688)	—
Loss on debt refinancing (Note 11)	4,434	—
Changes in operating assets and liabilities:		
Accounts receivable	4,515	21,543
Prepaid expenses and other current assets	(16,880)	(17,272)
Other assets	554	760
Accounts payable and accrued expenses	10,774	165
Other current and non-current liabilities	(14,325)	(41,838)
Net cash provided by operating activities	43,650	47,129
Cash flows from investing activities:		
Additions to premises and equipment	(4,207)	(7,485)
Proceeds from the sale of business (Note 3)	15,000	—
Net cash provided by (used in) investing activities	10,793	(7,485)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	407,880	—
Repayments and repurchases of long-term debt	(436,821)	(48,600)
Debt issuance costs	(5,042)	—
Proceeds from stock option exercises	3,576	2,084
Purchase of treasury shares	(21,771)	(24,995)
Distributions to non-controlling interests	(1,912)	(2,143)
Payment of tax withholding on issuance of restricted shares and stock option exercises	(608)	(1,088)
Net cash used in financing activities	(54,698)	(74,742)
Net decrease in cash, cash equivalents and restricted cash	(255)	(35,098)
Cash, cash equivalents and restricted cash at the beginning of the period	108,843	153,421
Cash, cash equivalents and restricted cash at the end of the period	\$ 108,588	\$ 118,323
Supplemental cash flow information:		
Interest paid	\$ 17,889	\$ 16,203
Income taxes paid, net	4,162	15,445
Non-cash investing and financing activities:		
Increase in payables for purchases of premises and equipment	\$ 12	\$ 52

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.

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 September 30, 2018, Lenders One had total assets of \$2.7 million and total liabilities of \$0.9 million. As of December 31, 2017, Lenders One had total assets of \$4.6 million and total liabilities of \$3.1 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, 2017, as filed with the SEC on February 22, 2018.

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.

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

Recently Adopted Accounting Pronouncements*Revenue from Contracts with Customers*

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

The Company adopted Topic 606 effective January 1, 2018 using the cumulative effect method. As a result of this adoption, the Company recognized an \$11.2 million increase in deferred revenue, a \$1.1 million increase in unbilled accounts receivable, a \$0.3 million increase in other current liabilities and a \$10.4 million decrease in retained earnings as of January 1, 2018. Because the Company adopted Topic 606 retrospectively with a cumulative effect as of January 1, 2018, the comparative results as of December 31, 2017 and for the three and nine months ended September 30, 2017 have not been restated and continue to be reported under Accounting Standards Codification Topic 605, *Revenue Recognition* and SEC Staff Accounting Bulletin Topic 13, *Revenue Recognition*. The details of the significant changes and quantitative impact of the adoption of Topic 606 are described below. Also see Note 15 for additional information on revenue, including disaggregation of revenue and contract balances.

As a result of the adoption of Topic 606, the Company’s accounting policy for revenue recognition is as follows:

We recognize revenue from the services we provide in accordance with the 5-step process outlined in Topic 606. We recognize revenue when we satisfy a performance obligation by transferring control of a product or service to a customer in an amount that reflects the consideration that we expect to receive. This revenue can be recognized at a point in time or over time. We invoice customers based on our contractual arrangements with each customer, which may not be consistent with the period that revenues are recognized. When there is a timing difference between when we invoice customers and when revenues are recognized, we record either a contract asset (unbilled accounts receivable) or a contract liability (deferred revenue or other current liabilities), as appropriate. A description of our principal revenue generating activities by reportable segment are as follows:

Mortgage Market

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

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

Real Estate Market

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

Other Businesses, Corporate and Eliminations

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

The following table summarizes the impact of adopting Topic 606 on the Company’s condensed consolidated balance sheet as of September 30, 2018:

<i>(in thousands)</i>	Impact of the adoption of Topic 606		
	As reported	Adjustments	Balances without adoption of Topic 606
Accounts receivable, net	\$ 46,929	\$ 789	\$ 47,718
Total current assets	276,378	789	277,167
Total assets	829,265	789	830,054
Other current liabilities	7,912	(2,303)	5,609
Deferred revenue	12,955	(4,048)	8,907
Total current liabilities	151,714	(6,351)	145,363
Other non-current liabilities	7,866	686	8,552
Retained earnings	603,343	6,454	609,797
Altisource equity	321,614	6,454	328,068
Total equity	323,141	6,454	329,595
Total liabilities and equity	829,265	789	830,054

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

The following table summarizes the impact of adopting Topic 606 on the Company's condensed consolidated statement of operations and comprehensive income for the three months ended September 30, 2018:

<i>(in thousands)</i>	Impact of the adoption of Topic 606		
	As reported	Adjustments	Balances without adoption of Topic 606
Revenue	\$ 204,575	\$ (3,966)	\$ 200,609
Cost of revenue	147,580	392	147,972
Gross profit	56,995	(4,358)	52,637
Income from operations	20,918	(4,358)	16,560
Income before income taxes and non-controlling interests	16,129	(4,358)	11,771
Income tax provision	(6,608)	2,164	(4,444)
Net income	9,521	(2,194)	7,327
Net income attributable to Altisource	8,667	(2,194)	6,473

The following table summarizes the impact of adopting Topic 606 on the Company's condensed consolidated statement of operations and comprehensive income for the nine months ended September 30, 2018:

<i>(in thousands)</i>	Impact of the adoption of Topic 606		
	As reported	Adjustments	Balances without adoption of Topic 606
Revenue	\$ 620,569	\$ (4,757)	\$ 615,812
Cost of revenue	457,980	1,851	459,831
Gross profit	162,589	(6,608)	155,981
Income from operations	40,464	(6,608)	33,856
Income before income taxes and non-controlling interests	14,228	(6,608)	7,620
Income tax provision	(6,059)	2,814	(3,245)
Net income	8,169	(3,794)	4,375
Net income attributable to Altisource	6,103	(3,794)	2,309

The adoption of Topic 606 did not have any impact on net cash flows used in operating, financing or investing activities on the Company's condensed consolidated statement of cash flows for the nine months ended September 30, 2018.

Financial Instruments

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

Other Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This standard addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. This standard was effective for the Company on January 1, 2018, and the adoption of this guidance did not have any effect on the Company's condensed consolidated statement of cash flows.

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

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

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This standard requires that companies include restricted cash and restricted cash equivalents in their cash and cash equivalent balances in the statement of cash flows. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard was effective for the Company on January 1, 2018, and was adopted using the retrospective transition method, as required by the standard. The adoption of this standard resulted in the classification of the Company's restricted cash with cash and cash equivalents reported in the Company's condensed consolidated statements of cash flows. As a result, the Company included \$5.7 million, \$3.8 million, \$4.2 million and \$4.1 million of restricted cash with cash and cash equivalents in its condensed consolidated statements of cash flows as of September 30, 2018, December 31, 2017, September 30, 2017 and December 31, 2016, respectively.

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

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

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

Future Adoption of New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* and in July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* and ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements* (collectively "Topic 842"). Topic 842 introduces a new lessee model that brings substantially all leases on the balance sheet. This standard will require lessees to recognize lease assets and lease liabilities on their balance sheets and disclose key information about leasing arrangements in their financial statements. This standard will be effective for annual periods beginning after December 15, 2018, including interim periods within that reporting period. Based on the Company's preliminary analysis of arrangements where the Company is a lessee, we estimate that the new standard, if implemented as of September 30, 2018, would have resulted in the addition of approximately \$16.8 million right-of-use assets and lease liabilities onto the Company's condensed consolidated balance sheet. The Company will continue to analyze the impact of this guidance and refine the estimated impact on its results of operations, financial position and financial disclosures.

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

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

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 consolidated financial statements.

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

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

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

NOTE 2 — CUSTOMER CONCENTRATION

During the three and nine months ended September 30, 2018, Ocwen was our largest customer, accounting for 53% of our total revenue for the nine months ended September 30, 2018 (56% of our revenue for the third quarter of 2018). 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. 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 Service Agreements contain a “most favored nation” provision and also grant the parties the right to renegotiate pricing, among other things. Certain of the Ocwen Service Agreements also prohibit Ocwen from establishing fee-based businesses that would directly or indirectly compete with Altisource's services with respect to the Homeward Residential, Inc. and Residential Capital, LLC loan portfolios acquired by Ocwen in December 2012 and February 2013, respectively. Ocwen has previously purchased certain origination services from Altisource under an agreement that expires in January 2019, but which is subject to a 90 day termination right by Ocwen.

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

Revenue from Ocwen primarily consists of revenue earned from the loan portfolios serviced by Ocwen when Ocwen designates us as the service provider and revenue earned directly from Ocwen. For the nine months ended September 30, 2018 and 2017, we recognized revenue from Ocwen of \$325.8 million and \$422.1 million, respectively (\$115.0 million and \$136.4 million for the third quarter of 2018 and 2017, respectively). Revenue from Ocwen as a percentage of segment and consolidated revenue was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Mortgage Market	65%	68%	62%	68%
Real Estate Market	1%	1%	1%	1%
Other Businesses, Corporate and Eliminations	9%	7%	9%	11%
Consolidated revenue	56%	58%	53%	58%

We earn additional revenue related to the loan portfolios serviced by Ocwen when a party other than Ocwen or the MSR owner selects Altisource as the service provider. For the nine months ended September 30, 2018 and 2017, we recognized revenue of \$37.3 million and \$118.0 million, respectively (\$11.1 million and \$35.1 million for the third quarter of 2018 and 2017, respectively), related to the loan portfolios serviced by Ocwen when a party other than Ocwen or the MSR owner selected Altisource as the service provider. These amounts are not included in deriving revenue from Ocwen as a percentage of revenue in the table above.

As of September 30, 2018, accounts receivable from Ocwen totaled \$17.5 million, \$13.9 million of which was billed and \$3.6 million of which was unbilled. As of December 31, 2017, accounts receivable from Ocwen totaled \$18.9 million, \$13.6 million of which was billed and \$5.3 million of which was unbilled.

As of June 30, 2018, New Residential Investment Corp. (individually, together with one or more of its subsidiaries or one or more of its subsidiaries individually, “NRZ”) owned Ocwen-serviced MSRs and rights to MSRs (the “Subject MSRs”) with underlying unpaid principal balances (“UPB”) of \$94.7 billion. As of June 30, 2018, Ocwen serviced and subserviced MSRs with underlying UPB of \$167.1 billion. As previously disclosed, in July 2017, Ocwen and NRZ entered into agreements to convert NRZ’s economic rights to the Subject MSRs into fully-owned MSRs in exchange for payments from NRZ to Ocwen when such Subject MSRs were transferred. The transfers are subject to certain third party consents. Ocwen disclosed that under these agreements, Ocwen would subservice the transferred Subject MSRs for an initial term of five years, and the agreements provided for the conversion of the existing arrangements into a more traditional subservicing arrangement.

In January 2018, Ocwen disclosed that it and NRZ entered into new agreements to accelerate the implementation of certain parts of their July 2017 arrangement in order to achieve the intent of the July 2017 agreements sooner while Ocwen continues the process of obtaining the third party consents necessary to transfer the Subject MSRs to NRZ.

On August 28, 2017, Altisource, through its licensed subsidiaries, entered into a Cooperative Brokerage Agreement, as amended, and related letter agreement (collectively, the “Brokerage Agreement”) with NRZ which extends through August 2025. Under this agreement and related amendments, Altisource remains the exclusive provider of brokerage services for REO associated with the Subject MSRs when Ocwen transfers such MSRs to NRZ or when NRZ acquires both an additional economic interest in such Subject MSRs and the right to designate the broker for REO properties in such portfolios. The Brokerage Agreement provides that Altisource is the exclusive provider of brokerage services for REO associated with the Subject MSRs, irrespective of the sub-servicer. NRZ’s brokerage subsidiary receives a cooperative brokerage commission on the sale of certain REO properties from these portfolios subject to certain exceptions.

For the nine months ended September 30, 2018 and 2017, we recognized revenue from NRZ of \$24.1 million and \$0.8 million, respectively, under the Brokerage Agreement associated with the Subject MSRs transferred from Ocwen to NRZ (the “Transferred MSRs”) (\$5.0 million and \$0.8 million for the third quarter of 2018 and 2017, respectively). For the nine months ended September 30, 2018 and 2017, we recognized additional revenue of \$64.4 million and \$1.0 million relating to the Transferred MSRs when a party other than NRZ selects Altisource as the service provider (\$21.6 million and \$1.0 million for the third quarter of 2018 and 2017, respectively).

On August 28, 2017, Altisource and NRZ also entered into a non-binding Letter of Intent, as amended, to enter into a Services Agreement (the “Services LOI”), setting forth the terms pursuant to which Altisource would remain the exclusive service provider of fee-based services for the Subject MSRs through August 2025. The Services LOI was amended most recently to extend the term through November 15, 2018.

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

The Brokerage Agreement can be terminated by Altisource if the Services Agreement is not signed by Altisource and NRZ during the term of the Services LOI, as extended. 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.

We anticipate that revenue from NRZ will increase over time and revenue from Ocwen will decrease. Following the anticipated execution of the Services Agreement, we expect that NRZ will become our largest customer. Had all of the Subject MSRs been transferred to NRZ and the Brokerage Agreement and the Services Agreement with NRZ been in place as of January 1, 2018, we estimate that approximately 48% of our revenue for the nine months ended September 30, 2018 would have been related to NRZ. There can be no assurance that the parties will reach an agreement with respect to the terms of the Services Agreement or that a Services Agreement will be entered into on a timely basis or at all.

NOTE 3 — SALE OF BUSINESS

In August 2018, Altisource entered into an amendment to its agreements with RESI to sell Altisource's rental property management business to RESI and permit RESI to internalize certain services that had been provided by Altisource. These services were historically provided under an agreement between RESI and Altisource, in which Altisource was the sole provider of rental property management services to RESI through December 2027. The proceeds from the transaction totaled \$18.0 million, payable in two installments. The first installment of \$15.0 million was received on the closing date of August 8, 2018. The second installment of \$3.0 million will be received on the earlier of a RESI change of control or on August 8, 2023. The second installment was recorded as a long-term receivable with a discounted value of \$2.2 million as of September 30, 2018 in Other Assets in the condensed consolidated balance sheets. In connection with the sale of the rental property management business, the Company recognized a pretax gain of \$13.7 million in the third quarter of 2018 in the accompanying condensed consolidated statements of operations and comprehensive income.

NOTE 4 — INVESTMENT IN EQUITY SECURITIES

During 2016, we purchased 4.1 million shares of RESI common stock for \$48.2 million. This investment is reflected in the condensed consolidated balance sheets at a fair value of \$45.0 million as of September 30, 2018 and \$49.2 million as of December 31, 2017. During the three and nine months ended September 30, 2018, we recognized an unrealized gain (loss) of \$1.8 million and \$(4.2) million, respectively, on our investment in RESI in other income (expense), net in the condensed consolidated statements of operations and comprehensive income as a result of a change in the market value of RESI common shares. During the three and nine months ended September 30, 2017, an unrealized gain (loss) on our investment in RESI of \$(5.5) million and \$0.2 million, respectively, net of income tax provision (benefit), was reflected in other comprehensive income in the condensed consolidated statements of operations and comprehensive income (see Note 1 for additional information on the adoption of the new accounting standard on investments in equity securities). During the nine months ended September 30, 2018 and 2017, we earned dividends of \$1.9 million in each period related to this investment (\$0.6 million in both the third quarter of 2018 and 2017).

Pursuant to the agreement between Altisource and RESI to sell the rental property management business to RESI (see Note 3 for additional information), Altisource will be subject to a lock-up period with respect to the sale or transfer of the shares of common stock of RESI owned by Altisource (the "Shares"). During the period between the closing date of the sale and December 31, 2018, Altisource will be restricted from selling any of the Shares. Following the expiration of that period, in each of the four subsequent quarters, Altisource will be permitted to transfer no more than 25% of the Shares (approximately 1.0 million shares as of September 30, 2018), provided that any Shares not sold in the applicable quarter will increase the amount that may be sold in the subsequent quarters by 50% of the unsold permitted amount. Thereafter, all transfer restrictions will expire and any remaining Shares will be freely transferable. Notwithstanding these restrictions, Altisource retains the right to sell or transfer the Shares at any time: (i) where Altisource has a good faith belief that its or its affiliates' liquidity should be increased and the sale is necessary to achieve such an increase; (ii) where the proceeds of sales will be used to finance a strategic acquisition transaction; (iii) in privately negotiated block transactions with unrelated third parties or a similar transaction; or (iv) where RESI is the subject of a tender offer that is reasonably likely to result in a change of control or where RESI undergoes a change of control.

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

NOTE 5 — ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following:

<i>(in thousands)</i>	September 30, 2018	December 31, 2017
Billed	\$ 44,248	\$ 40,787
Unbilled	14,515	22,532
Subtotal	58,763	63,319
Less: Allowance for doubtful accounts	(11,834)	(10,579)
Total	<u>\$ 46,929</u>	<u>\$ 52,740</u>

Unbilled accounts receivable consist primarily of certain real estate asset management and sales 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:

<i>(in thousands)</i>	September 30, 2018	December 31, 2017
Short-term investments in real estate	\$ 51,688	\$ 29,405
Maintenance agreements, current portion	3,860	8,014
Income taxes receivable	8,354	9,227
Prepaid expenses	7,070	7,898
Other current assets	10,650	10,198
Total	<u>\$ 81,622</u>	<u>\$ 64,742</u>

NOTE 7 — PREMISES AND EQUIPMENT, NET

Premises and equipment, net consists of the following:

<i>(in thousands)</i>	September 30, 2018	December 31, 2017
Computer hardware and software	\$ 181,489	\$ 179,567
Leasehold improvements	32,413	33,417
Furniture and fixtures	13,438	14,092
Office equipment and other	8,542	9,388
	235,882	236,464
Less: Accumulated depreciation and amortization	(183,856)	(163,191)
Total	<u>\$ 52,026</u>	<u>\$ 73,273</u>

Depreciation and amortization expense totaled \$24.7 million and \$27.4 million for the nine months ended September 30, 2018 and 2017, respectively (\$7.7 million and \$8.5 million for the third quarter of 2018 and 2017, 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.

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

NOTE 8 — GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

The following is a summary of goodwill by segment:

<i>(in thousands)</i>	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Total
Balance as of December 31, 2017	\$ 73,259	\$ 10,056	\$ 2,968	\$ 86,283
Dispositions ⁽¹⁾	—	(2,256)	—	(2,256)
Balance as of September 30, 2018	<u>\$ 73,259</u>	<u>\$ 7,800</u>	<u>\$ 2,968</u>	<u>\$ 84,027</u>

⁽¹⁾ During the third quarter of 2018, goodwill of \$2.3 million attributable to the rental property management business was included in the gain on sale of the rental property management business to RESI (see Note 3).

Intangible Assets, net

Intangible assets, net consist of the following:

<i>(in thousands)</i>	Weighted average estimated useful life <i>(in years)</i>	Gross carrying amount		Accumulated amortization		Net book value	
		September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Definite lived intangible assets:							
Customer related intangible assets	10	\$ 273,172	\$ 277,828	\$ (202,501)	\$ (188,258)	\$ 70,671	\$ 89,570
Operating agreement	20	35,000	35,000	(14,896)	(13,865)	20,104	21,135
Trademarks and trade names	14	12,554	15,354	(6,611)	(8,881)	5,943	6,473
Non-compete agreements	4	1,230	1,560	(897)	(897)	333	663
Intellectual property	10	300	300	(132)	(115)	168	185
Other intangible assets	5	3,745	3,745	(2,210)	(1,706)	1,535	2,039
Total		<u>\$ 326,001</u>	<u>\$ 333,787</u>	<u>\$ (227,247)</u>	<u>\$ (213,722)</u>	<u>\$ 98,754</u>	<u>\$ 120,065</u>

Amortization expense for definite lived intangible assets was \$21.3 million and \$27.1 million for the nine months ended September 30, 2018 and 2017, respectively (\$6.6 million and \$8.6 million for the third quarter of 2018 and 2017, respectively). Anticipated annual definite lived intangible asset amortization is \$26.9 million in 2018, \$20.6 million in 2019, \$17.9 million in 2020, \$12.5 million in 2021 and \$7.3 million in 2022.

NOTE 9 — OTHER ASSETS

Other assets consist of the following:

<i>(in thousands)</i>	September 30, 2018	December 31, 2017
Security deposits	\$ 4,063	\$ 5,304
Restricted cash	5,728	3,837
Other	3,906	1,054
Total	<u>\$ 13,697</u>	<u>\$ 10,195</u>

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

NOTE 10 — ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accounts payable and accrued expenses consist of the following:

<i>(in thousands)</i>	September 30, 2018	December 31, 2017
Accounts payable	\$ 30,065	\$ 15,682
Accrued expenses - general	31,208	27,268
Accrued salaries and benefits	33,153	41,363
Income taxes payable	1,981	87
Total	<u>\$ 96,407</u>	<u>\$ 84,400</u>

Other current liabilities consist of the following:

<i>(in thousands)</i>	September 30, 2018	December 31, 2017
Unfunded cash account balances	\$ 3,643	\$ 5,900
Other	4,269	3,514
Total	<u>\$ 7,912</u>	<u>\$ 9,414</u>

NOTE 11 — LONG-TERM DEBT

Long-term debt consists of the following:

<i>(in thousands)</i>	September 30, 2018	December 31, 2017
Senior secured term loans	\$ 388,760	\$ 413,581
Less: Debt issuance costs, net	(4,080)	(3,158)
Less: Unamortized discount, net	<u>(3,696)</u>	<u>(1,142)</u>
Net long-term debt	380,984	409,281
Less: Current portion	<u>(34,440)</u>	<u>(5,945)</u>
Long-term debt, less current portion	<u>\$ 346,544</u>	<u>\$ 403,336</u>

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

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

The Term B Loans must be repaid in consecutive quarterly principal installments with remaining amounts due as of September 30, 2018 of \$1.5 million in the fourth quarter of 2018, \$41.2 million in 2019, \$25.7 million in 2020 and \$12.4 million annually thereafter, with the balance due at maturity. During the three months ended September 30, 2018, the Company used the proceeds received from the sale of the rental property management business to RESI (see Note 3) to repay \$15.0 million of the Term B Loans. This repayment is applied to contractual amortization payments in the direct order of maturity. All amounts outstanding under the Term B Loans will become due on the earlier of (i) April 3, 2024, and (ii) the date on which the loans are declared to be due and owing by the administrative agent at the request (or with the consent) of the Required Lenders (as defined in the Credit Agreement; other capitalized terms, unless defined herein, are defined in the Credit Agreement) or as otherwise provided in the Credit Agreement upon the occurrence of any event of default.

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

In addition to the scheduled principal payments, subject to certain exceptions, the Term B Loans are subject to mandatory prepayment upon issuances of debt, casualty and condemnation events and sales of assets, as well as from a percentage of Consolidated Excess Cash Flow if the leverage ratio is greater than 3.00 to 1.00, as calculated in accordance with the provisions of the Credit Agreement (the percentage increases if the leverage ratio exceeds 3.50 to 1.00). Certain mandatory prepayments reduce future contractual amortization payments by an amount equal to the mandatory prepayment. No mandatory prepayments were owed for the three months ended September 30, 2018.

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

The Term B Loans bear interest at rates based upon, at our option, the Adjusted Eurodollar Rate or the Base Rate. Adjusted Eurodollar Rate term loans bear interest at a rate per annum equal to the sum of (i) the greater of (x) the Adjusted Eurodollar Rate for a three month interest period and (y) 1.00% plus (ii) 4.00%. Base Rate term loans bear interest at a rate per annum equal to the sum of (i) the greater of (x) the Base Rate and (y) 2.00% plus (ii) 3.00%. The interest rate at September 30, 2018 was 6.39%.

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 September 30, 2018.

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.

At September 30, 2018, debt issuance costs were \$4.1 million, net of \$0.5 million of accumulated amortization. At December 31, 2017, debt issuance costs related to the prior term loans were \$3.2 million, net of \$7.1 million of accumulated amortization.

During the nine months ended September 30, 2017, we repurchased portions of our prior senior secured term loan with an aggregate par value of \$50.1 million at a weighted average discount of 12.2%, recognizing a net gain of \$5.4 million on the early extinguishment of debt (repurchased aggregate par value of \$24.1 million at a weighted average discount of 7.5%, recognizing a net gain of \$1.5 million on the early extinguishment of debt for the third quarter of 2017). There were no similar repurchases in 2018. The net gain was included in other income (expense), net in the condensed consolidated statements of operations and comprehensive income.

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

NOTE 12 — OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of the following:

<i>(in thousands)</i>	September 30, 2018	December 31, 2017
Income tax liabilities	\$ 5,227	\$ 5,955
Deferred revenue	21	2,101
Other non-current liabilities	2,618	4,226
Total	\$ 7,866	\$ 12,282

NOTE 13 — FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

The following table presents the carrying amount and estimated fair value of financial instruments and certain liabilities as of September 30, 2018 and December 31, 2017. The following fair values are estimated using market information and what the Company believes to be appropriate valuation methodologies under GAAP:

<i>(in thousands)</i>	September 30, 2018					December 31, 2017				
	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	\$ 102,860	\$ 102,860	\$ —	\$ —	\$ 105,006	\$ 105,006	\$ —	\$ —		
Restricted cash	5,728	5,728	—	—	3,837	3,837	—	—		
Investment in equity securities	44,967	44,967	—	—	49,153	49,153	—	—		
Long-term receivable (Note 3)	2,165	—	—	2,165	—	—	—	—		
Liabilities:										
Long-term debt	388,760	—	388,760	—	413,581	—	407,377	—		

Fair Value Measurements on a Recurring Basis

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

Investment in equity securities is carried at fair value and consists of 4.1 million shares of RESI common stock. The investment in equity securities is measured using Level 1 inputs as this security has a quoted price in an active market.

The fair value of our long-term debt 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 received cash proceeds of \$15.0 million on the closing date and 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.

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

NOTE 14 — SHAREHOLDERS' EQUITY AND SHARE-BASED COMPENSATION

Share Repurchase Program

On May 15, 2018, our shareholders approved the renewal of the share repurchase program previously approved by the shareholders on May 17, 2017, which replaced the previous share repurchase 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 September 30, 2018, approximately 4.2 million shares of common stock remain available for repurchase under the program. We purchased 0.8 million shares of common stock at an average price of \$27.48 per share during the nine months ended September 30, 2018 and 1.1 million shares at an average price of \$22.48 per share during the nine months ended September 30, 2017 (21 thousand shares at an average price of \$30.93 per share for the third quarter of 2018 and 0.3 million shares at an average price of \$23.48 per share for the third quarter of 2017). Luxembourg law limits share repurchases to the balance of Altisource Portfolio Solutions S.A. (unconsolidated parent company) retained earnings, less the cost of shares previously repurchased. As of September 30, 2018, we can repurchase up to approximately \$141 million of our common stock under Luxembourg law. The Credit Agreement also limits the amount we can spend on share repurchases, which was approximately \$477 million as of September 30, 2018, and may prevent repurchases in certain circumstances.

Share-Based Compensation

We issue share-based awards in the form of stock options, restricted shares and restricted share units for certain employees, officers and directors. We recognized share-based compensation expense of \$6.2 million and \$3.2 million for the nine months ended September 30, 2018 and 2017, respectively (\$2.0 million and \$1.4 million for the third quarter of 2018 and 2017, respectively). As of September 30, 2018, estimated unrecognized compensation costs related to share-based awards amounted to \$11.2 million, which we expect to recognize over a weighted average remaining requisite service period of approximately 1.89 years.

In connection with the January 1, 2017 adoption of ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, the Company made an accounting policy election to account for forfeitures in compensation expense as they occur, rather than continuing to apply the Company's previous policy of estimating forfeitures. Prior to this accounting change, share-based compensation expense for stock options and restricted shares was recognized net of estimated forfeiture rates ranging from 0% to 40%. This policy election resulted in a cumulative effect adjustment of \$0.9 million to retained earnings and additional paid-in capital as of January 1, 2017 using the modified retrospective transition method.

Stock Options

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

Service-Based Options. These options generally vest over three or four years with equal annual vesting and expire on the earlier of ten years after the date of grant or following termination of service. A total of 518 thousand service-based awards were outstanding as of September 30, 2018.

Market-Based Options. These option grants generally have two components, each of which vests only upon the achievement of certain criteria. The first component, which we refer to as "ordinary performance" grants, generally consists of two-thirds of the market-based grant and begins to vest if the stock price is at least double the exercise price, as long as the stock price realizes a compounded annual gain of at least 20% over the exercise price. The remaining third of the market-based options, which we refer to as "extraordinary performance" grants, generally begins to vest if the stock price is at least triple the exercise price, as long as the stock price realizes a compounded annual gain of at least 25% over the exercise price. Market-based awards vest in three or four year installments with the first installment vesting upon the achievement of the criteria and the remaining installments vesting thereafter in equal annual installments. Market-based options generally expire on the earlier of ten years after the date of grant or following termination of service, unless the performance criteria is met prior to termination of service or in the final three years of the option term, in which case vesting will generally continue in accordance with the provisions of the award agreement. A total of 659 thousand market-based awards were outstanding as of September 30, 2018.

Performance-Based Options. These option grants generally begin to vest upon the achievement of certain specific financial measures. Generally, the awards begin vesting if the performance criteria are achieved; one-fourth vest on each anniversary of the grant date. For certain other financial measures, awards cliff-vest upon the achievement of the specific performance during the period from 2018 through 2021. The award of performance-based options is adjusted based on the level of achievement specified in the award agreements. If the performance criteria achieved is above threshold performance levels, participants have the opportunity to vest in 50% to 200% of the option grants, depending upon performance achieved. If the

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

performance criteria achieved is below a certain threshold, the award is canceled. The options expire on the earlier of ten years after the date of grant or following termination of service. There were 282 thousand performance-based awards outstanding as of September 30, 2018.

The Company granted 272 thousand stock options (at a weighted average exercise price of \$25.06 per share) and 216 thousand stock options (at a weighted average exercise price of \$34.07 per share) during the nine months ended September 30, 2018 and 2017, respectively.

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

	Nine months ended September 30, 2018		Nine months ended September 30, 2017	
	Black-Scholes	Binomial	Black-Scholes	Binomial
Risk-free interest rate (%)	2.66 – 2.98	1.64 – 2.83	1.89 – 2.29	0.77 – 2.38
Expected stock price volatility (%)	70.31 – 71.86	71.81 – 71.86	61.49 – 71.31	66.68 – 71.31
Expected dividend yield	—	—	—	—
Expected option life (in years)	6.00 – 6.25	2.56 – 4.32	6.00 – 7.50	2.55 – 4.32
Fair value	\$16.17 – \$19.06	\$14.67 – \$18.28	\$13.57 – \$24.80	\$11.94 – \$24.30

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:

<i>(in thousands, except per share amounts)</i>	Nine months ended September 30,	
	2018	2017
Weighted average grant date fair value of stock options granted per share	\$ 16.27	\$ 20.95
Intrinsic value of options exercised	4,584	2,524
Grant date fair value of stock options that vested	1,598	2,063

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

	Number of options	Weighted average exercise price	Weighted average contractual term <i>(in years)</i>	Aggregate intrinsic value <i>(in thousands)</i>
Outstanding at December 31, 2017	1,745,906	\$ 28.20	4.96	\$ 10,202
Granted	271,876	25.06		
Exercised	(326,737)	11.24		
Forfeited	(232,247)	32.47		
Outstanding at September 30, 2018	<u>1,458,798</u>	30.73	5.40	10,053
Exercisable at September 30, 2018	<u>886,720</u>	27.18	3.67	7,364

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

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

Other Share-Based Awards

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

Service-Based Awards. These awards generally vest over one to four years with vesting in equal annual installments, vesting of all of the restricted shares at the end of the vesting period or vesting beginning after two years of service. A total of 455 thousand service-based awards were outstanding as of September 30, 2018.

Performance-Based Awards. These awards generally begin to vest upon the achievement of certain specific financial measures. Generally, the awards begin vesting if the performance criteria are achieved; one-third vest on each anniversary of the grant date. The number of performance-based restricted shares that may vest will be based on the level of achievement, as specified in the award agreements. If the performance criteria achieved is above threshold performance levels, participants have the opportunity to vest in 80% to 150% of the restricted share award, depending on performance level achieved. If the performance criteria achieved is below a certain threshold, the award is canceled. A total of four thousand performance-based awards were outstanding as of September 30, 2018.

The Company granted 318 thousand restricted shares and restricted share units (at a weighted average grant date fair value of \$25.51 per share) during the nine months ended September 30, 2018.

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

	Number of restricted shares
Outstanding at December 31, 2017	356,509
Granted	317,524
Issued	(99,500)
Forfeited/canceled	(115,301)
Outstanding at September 30, 2018	459,232

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

NOTE 15 — REVENUE

Revenue includes service revenue, 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).

The components of revenue were as follows:

<i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Service revenue	\$ 196,906	\$ 224,308	\$ 594,533	\$ 692,254
Reimbursable expenses	6,815	9,866	23,970	31,786
Non-controlling interests	854	805	2,066	2,107
Total	\$ 204,575	\$ 234,979	\$ 620,569	\$ 726,147

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

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

Disaggregation of Revenue

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

<i>(in thousands)</i>	Three months ended September 30, 2018			
	Revenue recognized when services are performed or assets are sold	Revenue related to technology platforms and professional services	Reimbursable expenses revenue	Total revenue
Mortgage Market:				
Servicer Solutions	\$ 135,395	\$ 20,565	\$ 6,530	\$ 162,490
Origination Solutions	11,223	2,160	87	13,470
Total Mortgage Market	146,618	22,725	6,617	175,960
Real Estate Market:				
Consumer Real Estate Solutions	2,693	—	—	2,693
Real Estate Investor Solutions	10,132	—	185	10,317
Total Real Estate Market	12,825	—	185	13,010
Other Businesses, Corporate and Eliminations	14,138	1,454	13	15,605
Total revenue	<u>\$ 173,581</u>	<u>\$ 24,179</u>	<u>\$ 6,815</u>	<u>\$ 204,575</u>

<i>(in thousands)</i>	Nine months ended September 30, 2018			
	Revenue recognized when services are performed or assets are sold	Revenue related to technology platforms and professional services	Reimbursable expenses revenue	Total revenue
Mortgage Market:				
Servicer Solutions	\$ 404,015	\$ 57,363	\$ 22,592	\$ 483,970
Origination Solutions	30,651	7,138	201	37,990
Total Mortgage Market	434,666	64,501	22,793	521,960
Real Estate Market:				
Consumer Real Estate Solutions	6,410	—	2	6,412
Real Estate Investor Solutions	44,882	—	1,141	46,023
Total Real Estate Market	51,292	—	1,143	52,435
Other Businesses, Corporate and Eliminations	41,785	4,355	34	46,174
Total revenue	<u>\$ 527,743</u>	<u>\$ 68,856</u>	<u>\$ 23,970</u>	<u>\$ 620,569</u>

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 condensed consolidated balance sheets and non-current deferred revenue (see Note 12). 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 \$6.1 million and \$17.4 million for the three and nine months ended September 30, 2018, respectively.

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

NOTE 16 — 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:

<i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Compensation and benefits	\$ 49,707	\$ 60,332	\$ 159,342	\$ 186,090
Outside fees and services	73,096	83,670	207,073	250,883
Cost of real estate sold	1,092	4,411	17,591	16,461
Technology and telecommunications	10,230	10,389	30,533	32,681
Reimbursable expenses	6,815	9,866	23,970	31,786
Depreciation and amortization	6,640	6,230	19,471	20,343
Total	\$ 147,580	\$ 174,898	\$ 457,980	\$ 538,244

NOTE 17 — 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 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:

<i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Compensation and benefits	\$ 11,991	\$ 15,068	\$ 37,757	\$ 43,115
Occupancy related costs	7,428	8,536	23,051	28,347
Amortization of intangible assets	6,620	8,604	21,311	27,143
Marketing costs	4,267	3,992	11,852	11,958
Professional services	4,915	3,886	12,469	11,983
Depreciation and amortization	1,054	2,286	5,272	7,068
Other	10,054	4,250	20,665	17,179
Total	\$ 46,329	\$ 46,622	\$ 132,377	\$ 146,793

NOTE 18 — OTHER INCOME (EXPENSE), NET

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

<i>(in thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Loss on debt refinancing	\$ —	\$ —	\$ (4,434)	\$ —
Gain on early extinguishment of debt	—	1,482	—	5,419
Interest income	224	27	455	169
Other, net	(70)	988	1,544	2,427
Total	\$ 154	\$ 2,497	\$ (2,435)	\$ 8,015

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

NOTE 19 — 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:

<i>(in thousands, except per share data)</i>	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income attributable to Altisource	\$ 8,667	\$ 6,961	\$ 6,103	\$ 22,541
Weighted average common shares outstanding, basic	17,033	18,023	17,184	18,337
Dilutive effect of stock options, restricted shares and restricted share units	542	406	485	517
Weighted average common shares outstanding, diluted	17,575	18,429	17,669	18,854
Earnings per share:				
Basic	\$ 0.51	\$ 0.39	\$ 0.36	\$ 1.23
Diluted	\$ 0.49	\$ 0.38	\$ 0.35	\$ 1.20

For the nine months ended September 30, 2018 and 2017, 0.3 million options and 0.5 million options, respectively (0.1 million options and 0.9 million options for the third quarter of 2018 and 2017, respectively), were excluded from the computation of diluted EPS because they were anti-dilutive since their exercise price was greater than the average market price of our common stock. Also excluded from the computation of diluted EPS for the nine months ended September 30, 2018 and 2017 were 0.5 million options, restricted shares and restricted share units and 0.3 million options and restricted shares, respectively (0.5 million options, restricted shares and restricted share units and 0.4 million options and restricted shares for the third quarter of 2018 and 2017, respectively), which begin to vest upon the achievement of certain market criteria related to our common stock price, performance criteria and an annualized rate of return to shareholders that have not yet been met.

NOTE 20 — RESTRUCTURING CHARGES

In August 2018, Altisource initiated Project Catalyst, a restructuring plan intended to optimize our operations and reduce costs to better align our cost structure with our anticipated revenues and improve our operating margins. During the three months ended September 30, 2018, we incurred \$3.4 million of severance costs and professional services fees related to the restructuring plan. We expect to incur additional severance costs, facility shut-down costs and professional services fees through 2019 in connection with this restructuring and will expense those costs as incurred. Based on our preliminary analysis, we currently anticipate the future costs relating to the restructuring plan to be in the range of approximately \$25 million to \$35 million. We currently anticipate annual run-rate operating expense reductions in the range of approximately \$65 million to \$90 million following completion of the restructuring plan; however, this range could materially change based on business and/or other factors.

NOTE 21 — 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

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

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.

As previously disclosed, the Company received a Notice and Opportunity to Respond and Advise (“NORA”) letter on November 10, 2016 from the Consumer Financial Protection Bureau (“CFPB”) indicating that the CFPB was considering a potential enforcement action against Altisource relating to an alleged violation of federal law focused on the REALServicing[®] platform and certain other technology services provided to Ocwen, including claims related to the features, functioning and support of such technology. The NORA process provides the recipient an opportunity to present its positions to the CFPB before an enforcement action is recommended or commenced. On December 5, 2016, we provided a written response to the NORA letter setting forth the legal, policy and factual reasons why we believe an enforcement action is not warranted. By letter dated April 3, 2018, the CFPB informed the Company that the investigation of the Company has been completed and the staff of the CFPB’s Office of Enforcement currently does not intend to recommend that the CFPB take enforcement action, and further that the Company is relieved of the document-retention obligations pursuant to the civil investigative process.

Sales Taxes

On June 21, 2018, the United States Supreme Court rendered a 5-4 majority decision in *South Dakota v. Wayfair, Inc.*, holding that a state may require a remote seller with no physical presence in the state to collect and remit sales tax on goods and services provided to purchasers in the state, overturning existing court precedent. The Company is analyzing its services for potential exposure to sales tax in various jurisdictions in the United States and believes that the Company has a related estimated probable loss of \$5.9 million. As a result, the Company recognized a \$5.9 million loss in the third quarter of 2018 in selling, general and administrative expenses in the condensed consolidated statements of operations and comprehensive income. The Company is in the process of developing a solution that will enable it to invoice, collect and remit sales tax in the applicable jurisdictions. The Company is also analyzing what rights, if any, it has to seek reimbursement for sales tax payments from clients. As the Company completes its evaluation of potential sales tax exposure, the Company may increase its accrual for sales tax exposure and recognize additional losses, which are not currently estimable. These additional losses could result in a material adjustment to our consolidated financial statements which would impact our financial condition and results of operations.

Ocwen Related Matters

As discussed in Note 2, during the three and nine months ended September 30, 2018, Ocwen was our largest customer, accounting for 53% of our total revenue for the nine months ended September 30, 2018 (56% of our revenue for the third quarter of 2018). Additionally, 6% of our revenue for the nine months ended September 30, 2018 (5% of our revenue for the third quarter of 2018) was earned on the loan portfolios serviced by Ocwen, when a party other than Ocwen or the MSR owner selected Altisource as the service provider.

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

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

The foregoing may have significant adverse effects on Ocwen’s business and/or our continuing relationship with Ocwen. For example, Ocwen may be required to alter the way it conducts business, including the parties it contracts with for services (including IT and software services), it may be required to seek changes to its existing pricing structure with us, it may lose its non-GSE servicing rights or subservicing arrangements or may lose one or more of its state servicing or origination licenses. Additional

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

regulatory actions or adverse financial developments may impose additional restrictions on or require changes in Ocwen's business that could require it to sell assets or change its business operations. Any or all of these effects could result in our eventual loss of Ocwen as a customer or a reduction in the number and/or volume of services they purchase from us or the loss of other customers.

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

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

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

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

Additionally, Ocwen has notified us, disclosed in its filings and stated in connection with resolving several state administrative actions discussed above, that it plans to transition from REALServicing to another mortgage servicing software platform. Furthermore, Ocwen disclosed in its filings that its acquisition of PHH Corporation is expected to accelerate its transition to a new servicing platform. Altisource has been negotiating with Ocwen the terms of a potential termination of the REALServicing services in connection with Ocwen's planned transition to a new servicing platform. We do not anticipate that a servicing technology transition would materially impact the other services we provide to Ocwen. For the nine months ended September 30, 2018 and 2017, service revenue from REALServicing was \$19.5 million and \$20.1 million, respectively (\$7.6 million and \$6.7 million for the third quarter of 2018 and 2017, respectively).

In addition to the above, as of June 30, 2018, NRZ owned the Subject MSR's with underlying UPB of \$94.7 billion. As of June 30, 2018, Ocwen serviced and subserviced MSR's with underlying UPB of \$167.1 billion. As previously disclosed, in July 2017, Ocwen and NRZ entered into agreements to convert NRZ's economic rights to the Subject MSR's into fully-owned MSR's in exchange for payments from NRZ to Ocwen when such Subject MSR's were transferred. The transfers are subject to certain third party consents. Ocwen disclosed that under these agreements, Ocwen would subservice the transferred Subject MSR's for an initial term of five years, and the agreements provided for the conversion of the existing arrangements into a more traditional subservicing arrangement. In January 2018, Ocwen disclosed that it and NRZ entered into new agreements to accelerate the implementation of certain parts of their July 2017 arrangement in order to achieve the intent of the July 2017 agreements sooner while Ocwen continues the process of obtaining the third party consents necessary to transfer the Subject MSR's to NRZ.

On August 28, 2017, Altisource, through certain of its licensed subsidiaries, entered into the Brokerage Agreement with NRZ which extends through August 2025. Under this agreement and related amendments, Altisource remains the exclusive provider of brokerage services for REO associated with the Subject MSR's when Ocwen transfers such MSR's to NRZ or when NRZ acquires both an additional economic interest in such Subject MSR's and the right to designate the broker for REO properties in such portfolios. The Brokerage Agreement provides that Altisource is the exclusive provider of brokerage services for REO associated with the Subject MSR's, irrespective of the sub-servicer. NRZ's brokerage subsidiary receives a cooperative brokerage commission on the sale of certain REO properties from these portfolios subject to certain exceptions.

On August 28, 2017, Altisource and NRZ also entered into the Services LOI, setting forth the terms pursuant to which Altisource would remain the exclusive service provider of fee-based services for the Subject MSR's through August 2025. The Services LOI was amended most recently to extend the term through November 15, 2018.

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

The Brokerage Agreement can be terminated by Altisource if the Services Agreement is not signed by Altisource and NRZ during the term of the Services LOI, as extended. 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.

We anticipate that revenue from NRZ will increase over time and revenue from Ocwen will decrease. Following the anticipated execution of the Services Agreement, we expect that NRZ will become our largest customer. Had all of the Subject MSRs been transferred to NRZ and the Brokerage Agreement and the Services Agreement with NRZ been in place as of January 1, 2018, we estimate that approximately 48% of our revenue for the nine months ended September 30, 2018 would have been related to NRZ. There can be no assurance that the parties will reach an agreement with respect to the terms of the Services Agreement or that a Services Agreement will be entered into on a timely basis or at all.

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 condensed consolidated balance sheets. Amounts held in escrow and trust accounts were \$24.2 million and \$35.1 million at September 30, 2018 and December 31, 2017, respectively.

NOTE 22 — SEGMENT REPORTING

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

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

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

Financial information for our segments is as follows:

<i>(in thousands)</i>	Three months ended September 30, 2018			
	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue	\$ 175,960	\$ 13,010	\$ 15,605	\$ 204,575
Cost of revenue	113,636	15,883	18,061	147,580
Gross profit (loss)	62,324	(2,873)	(2,456)	56,995
Operating expenses (income):				
Selling, general and administrative expenses	21,155	5,188	19,986	46,329
Gain on sale of business	—	(13,688)	—	(13,688)
Restructuring charges	901	74	2,461	3,436
Income (loss) from operations	40,268	5,553	(24,903)	20,918
Total other income (expense), net	74	22	(4,885)	(4,789)
Income (loss) before income taxes and non-controlling interests	\$ 40,342	\$ 5,575	\$ (29,788)	\$ 16,129

<i>(in thousands)</i>	Three months ended September 30, 2017			
	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue	\$ 199,262	\$ 22,121	\$ 13,596	\$ 234,979
Cost of revenue	137,466	23,497	13,935	174,898
Gross profit (loss)	61,796	(1,376)	(339)	60,081
Selling, general and administrative expenses	28,006	4,208	14,408	46,622
Income (loss) from operations	33,790	(5,584)	(14,747)	13,459
Total other income (expense), net	26	—	(3,128)	(3,102)
Income (loss) before income taxes and non-controlling interests	\$ 33,816	\$ (5,584)	\$ (17,875)	\$ 10,357

<i>(in thousands)</i>	Nine months ended September 30, 2018			
	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue	\$ 521,960	\$ 52,435	\$ 46,174	\$ 620,569
Cost of revenue	340,038	62,628	55,314	457,980
Gross profit (loss)	181,922	(10,193)	(9,140)	162,589
Operating expenses (income):				
Selling, general and administrative expenses	65,133	14,486	52,758	132,377
Gain on sale of business	—	(13,688)	—	(13,688)
Restructuring charges	901	74	2,461	3,436
Income (loss) from operations	115,888	(11,065)	(64,359)	40,464
Total other income (expense), net	86	36	(26,358)	(26,236)
Income (loss) before income taxes and non-controlling interests	\$ 115,974	\$ (11,029)	\$ (90,717)	\$ 14,228

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

Nine months ended September 30, 2017

<i>(in thousands)</i>	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue	\$ 614,180	\$ 67,314	\$ 44,653	\$ 726,147
Cost of revenue	421,942	72,484	43,818	538,244
Gross profit (loss)	192,238	(5,170)	835	187,903
Selling, general and administrative expenses	86,493	14,084	46,216	146,793
Income (loss) from operations	105,745	(19,254)	(45,381)	41,110
Total other income (expense), net	138	—	(8,985)	(8,847)
Income (loss) before income taxes and non-controlling interests	<u>\$ 105,883</u>	<u>\$ (19,254)</u>	<u>\$ (54,366)</u>	<u>\$ 32,263</u>

<i>(in thousands)</i>	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Total assets:				
September 30, 2018	\$ 258,814	\$ 118,549	\$ 451,902	\$ 829,265
December 31, 2017	304,346	64,624	496,194	865,164

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

<i>(in thousands)</i>	September 30, 2018	December 31, 2017
United States	\$ 29,824	\$ 46,268
Luxembourg	16,065	16,688
India	4,273	8,136
Philippines	1,792	2,038
Uruguay	72	143
Total	<u>\$ 52,026</u>	<u>\$ 73,273</u>

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, 2017 filed with the Securities and Exchange Commission (“SEC”) on February 22, 2018.

FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-Q regarding anticipated financial outcomes, business and market conditions, outlook and other similar statements related to Altisource’s future financial and operational performance are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by the use of terminology 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. 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 “Risk Factors” in Part II, Item 1A of the Form 10-Q for the quarterly period ended June 30, 2018 and the “Risk Factors” section of our Form 10-K for the year ended December 31, 2017 and include the following:

- 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 reach agreement with New Residential Investment Corp. (individually, together with one or more of its subsidiaries, or one or more of its subsidiaries individually, “NRZ”) on a Services Agreement or the possibility of termination of the Cooperative Brokerage Agreement, as amended, and related letter agreement (collectively, the “Brokerage Agreement”);
- 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;
- the level of loan delinquencies and charge-offs;
- the level of origination volume;
- technology failures;
- the outsourcing trends;
- our ability to raise debt;
- our ability to retain our directors, executive officers and key personnel;
- our ability to integrate acquired businesses;
- our ability to comply with, and burdens imposed by, governmental regulations and policies and any changes in such regulations and policies; 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.

Our reportable segments are as follows:

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

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

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

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

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

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

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

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

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

- Buy-renovate-lease-sell
- Property preservation and inspection services
- Real estate brokerage and auction services
- Data solutions
- Title insurance (agent and related services) and settlement services
- Appraisal management services, valuation data, broker and non-broker valuation services

Other Businesses, Corporate and Eliminations: Includes certain ancillary businesses, interest expense and unallocated costs related to corporate support functions. The businesses in this segment include post-charge-off consumer debt collection services, customer relationship management services and information technology (“IT”) infrastructure management services. Interest expense relates to the Company’s senior secured term loan and corporate support functions include executive, finance, law, compliance, human

resources, vendor management, facilities, risk management and sales and marketing costs not allocated to the business units. This segment also includes eliminations of transactions between the reportable segments.

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

Strategy and Growth Businesses

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

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

Servicer Solutions:

Through this business, we provide a suite of services and technologies to meet the evolving and growing needs of loan servicers. We are focused on growing referrals from our existing customer base, expanding the service and proprietary technology offerings to our customer base, and attracting new customers to our offerings. We have a customer base that includes Ocwen, a 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 existing customers and prospects consolidate to larger, full-service providers and outsource services that have historically been performed in-house.

Origination Solutions:

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

Consumer Real Estate Solutions:

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

Real Estate Investor Solutions:

Through this business, we provide a suite of services and technologies to support buyers and sellers of single-family investment homes, including our purchase, renovation, leasing and sale of short-term investments in real estate. We are focused on growing referrals from our existing customer base, expanding the service and proprietary technology offerings to our customer base, and attracting new customers to our offerings. We have a customer base that includes Front Yard Residential Corporation (“RESI”) and other institutional and smaller single-family rental investors. The single-family rental market is large, geographically distributed and has fragmented ownership. We believe our acquisition, renovation, property management, leasing and disposition platform provides a strong value proposition for institutional and retail investors and positions us well for growth.

There can be no assurance that growth from some or all of our strategic businesses will be successful or our operations will be profitable.

Share Repurchase Program

On May 15, 2018, our shareholders approved the renewal of the share repurchase program previously approved by the shareholders on May 17, 2017, which replaced the previous share repurchase 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 September 30, 2018, approximately 4.2 million shares of common stock remain available for repurchase under the program. We purchased 0.8 million shares of common stock at an average price of \$27.48 per share during the nine months ended September 30, 2018 and 1.1 million shares at an average price of \$22.48 per share during the nine months ended September 30, 2017 (21 thousand shares at an average price of \$30.93 per share for the third quarter of 2018 and 0.3 million shares at an average price of \$23.48 per share for the third quarter of 2017). Luxembourg law limits share repurchases to the balance of Altisource Portfolio Solutions S.A. (unconsolidated parent company) retained earnings, less the cost of shares previously repurchased. As of September 30, 2018, we can repurchase up to approximately \$141 million of our common stock under Luxembourg law. The credit agreement (“Credit Agreement”) with Morgan Stanley Senior Funding, Inc. limits the amount we can spend on share repurchases, which was approximately \$477 million as of September 30, 2018, and may prevent repurchases in certain circumstances.

Ocwen Related Matters

During the three and nine months ended September 30, 2018, Ocwen was our largest customer, accounting for 53% of our total revenue for the nine months ended September 30, 2018 (56% of our revenue for the third quarter of 2018). Additionally, 6% of our revenue for the nine months ended September 30, 2018 (5% of our revenue for the third quarter of 2018) 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 demand, requests for information and other actions and is subject to pending legal proceedings, some of which include claims against Ocwen for substantial monetary damages. For example, on May 15, 2017, Ocwen disclosed that on April 20, 2017, the Consumer Financial Protection Bureau (“CFPB”) and the State of Florida filed separate complaints in the United States District Court for the Southern District of Florida against Ocwen alleging violations of Federal consumer financial law and, in the case of Florida, Florida statutes. As another example, on May 15, 2017, Ocwen also disclosed that on April 28, 2017, the Commonwealth of Massachusetts filed a lawsuit against Ocwen in the Superior Court for the Commonwealth of Massachusetts alleging violations of state consumer financial laws relating to Ocwen’s servicing business, including lender-placed insurance and property preservation fees. Ocwen disclosed that the complaints seek to obtain permanent injunctive relief, consumer redress, refunds, restitution, disgorgement, damages, civil penalties, costs and fees and other relief. The foregoing or other matters could result in, and in some cases, have resulted in, adverse regulatory or other actions against Ocwen. Previous regulatory actions against Ocwen resulted in subjecting Ocwen to independent oversight of its operations and placing certain restrictions on its ability to acquire servicing rights.

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

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

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

- Altisource loses Ocwen as a customer or there is a significant reduction in the volume of services they purchase from us
- Ocwen loses, sells or transfers a significant portion or all of its remaining non-GSE servicing rights or subservicing arrangements and Altisource fails to be retained as a service provider

- Ocwen loses state servicing licenses in states with a significant number of loans in Ocwen's servicing portfolio
- The contractual relationship between Ocwen and Altisource changes significantly or there are significant changes to our pricing to Ocwen for services from which we generate material revenue
- Altisource otherwise fails to be retained as a service provider

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

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

Additionally, Ocwen has notified us, disclosed in its filings and stated in connection with resolving several state administrative actions discussed above, that it plans to transition from REALServicing to another mortgage servicing software platform. Furthermore, Ocwen disclosed in its filings that its acquisition of PHH Corporation is expected to accelerate its transition to a new servicing platform. Altisource has been negotiating with Ocwen the terms of a potential termination of the REALServicing services in connection with Ocwen's planned transition to a new servicing platform. We do not anticipate that a servicing technology transition would materially impact the other services we provide to Ocwen. For the nine months ended September 30, 2018 and 2017, service revenue from REALServicing was \$19.5 million and \$20.1 million, respectively (\$7.6 million and \$6.7 million for the third quarter of 2018 and 2017, respectively).

In addition to the above, as of June 30, 2018, NRZ owned Ocwen-serviced MSR's and rights to MSR's (the "Subject MSR's") with underlying unpaid principal balances ("UPB") of \$94.7 billion. As of June 30, 2018, Ocwen serviced and subserviced MSR's with underlying UPB of \$167.1 billion. As previously disclosed, in July 2017, Ocwen and NRZ entered into agreements to convert NRZ's economic rights to the Subject MSR's into fully-owned MSR's in exchange for payments from NRZ to Ocwen when such Subject MSR's were transferred. The transfers are subject to certain third party consents. Ocwen disclosed that under these agreements, Ocwen would subservice the transferred Subject MSR's for an initial term of five years, and the agreements provided for the conversion of the existing arrangements into a more traditional subservicing arrangement. In January 2018, Ocwen disclosed that it and NRZ entered into new agreements to accelerate the implementation of certain parts of their July 2017 arrangement in order to achieve the intent of the July 2017 agreements sooner while Ocwen continues the process of obtaining the third party consents necessary to transfer the Subject MSR's to NRZ.

On August 28, 2017, Altisource, through certain of its licensed subsidiaries, entered into the Brokerage Agreement with NRZ which extends through August 2025. Under this agreement and related amendments, Altisource remains the exclusive provider of brokerage services for REO associated with the Subject MSR's when Ocwen transfers such MSR's to NRZ or when NRZ acquires both an additional economic interest in such Subject MSR's and the right to designate the broker for REO properties in such portfolios. The Brokerage Agreement provides that Altisource is the exclusive provider of brokerage services for REO associated with the Subject MSR's, irrespective of the sub-servicer. NRZ's brokerage subsidiary receives a cooperative brokerage commission on the sale of certain REO properties from these portfolios subject to certain exceptions.

On August 28, 2017, Altisource and NRZ also entered into a non-binding Letter of Intent, as amended, to enter into a Services Agreement (the "Services LOI"), setting forth the terms pursuant to which Altisource would remain the exclusive service provider of fee-based services for the Subject MSR's through August 2025. The Services LOI was amended most recently to extend the term through November 15, 2018.

The Brokerage Agreement can be terminated by Altisource if the Services Agreement is not signed by Altisource and NRZ during the term of the Services LOI, as extended. 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.

We anticipate that revenue from NRZ will increase over time and revenue from Ocwen will decrease. Following the anticipated execution of the Services Agreement, we expect that NRZ will become our largest customer. Had all of the Subject MSR's been transferred to NRZ and the Brokerage Agreement and the Services Agreement with NRZ were in place as of January 1, 2018, we estimate that approximately 48% of our revenue for the nine months ended September 30, 2018 would have been related to NRZ. There can be no assurance that the parties will reach an agreement with respect to the terms of the Services Agreement or that a Services Agreement will be entered into on a timely basis or at all.

Factors Affecting Comparability

The following items may impact the comparability of our results:

- The average number of loans serviced by Ocwen on REALServicing (including those MSR's owned by NRZ and subserviced by Ocwen) was approximately 1.1 million for the nine months ended September 30, 2018 compared to 1.3 million for the nine months ended September 30, 2017, a decrease of 13% (1.1 million for the third quarter of 2018 and 1.2 million for the third quarter of 2017, a decrease of 13%). The average number of delinquent non-GSE loans serviced by Ocwen on REALServicing (including those MSR's owned by NRZ and subserviced by Ocwen) was approximately 156 thousand for the nine months ended September 30, 2018 compared to 182 thousand for the nine months ended September 30, 2017, a decrease of 14% (144 thousand for the third quarter of 2018 and 178 thousand for the third quarter of 2017, a decrease of 19%).
- In August 2018, we sold our rental property management business to RESI for total transaction proceeds of \$18.0 million, \$15.0 million of which was received on the closing date of August 8, 2018 and \$3.0 million of which will be received on the earlier of a RESI change of control or August 8, 2023. We recognized a \$13.7 million pretax gain on the sale of this business during the third quarter of 2018 in the condensed consolidated statements of operations and comprehensive income in connection with this transaction. See Note 3 to the condensed consolidated financial statements.
- In August 2018, we initiated Project Catalyst, a restructuring plan intended to optimize our operations and reduce costs to align our cost structure with our anticipated revenues and improve our operating margins. During the three months ended September 30, 2018, we incurred \$3.4 million of severance costs and professional services fees related to the restructuring plan (no comparative amounts in 2017). We expect to incur additional severance costs, facility shut-down costs and professional services fees through 2019 in connection with this restructuring and will expense those costs as incurred. Based on our preliminary analysis, we currently anticipate the future costs relating to the restructuring plan to be in the range of approximately \$25 million to \$35 million. We currently anticipate annual run-rate operating expense reductions in the range of approximately \$65 million to \$90 million following completion of the restructuring plan; however, this range could materially change based on business and/or other factors.
- On June 21, 2018, the United States Supreme Court rendered a 5-4 majority decision in *South Dakota v. Wayfair, Inc.*, holding that a state may require a remote seller with no physical presence in the state to collect and remit sales tax on goods and services provided to purchasers in the state, overturning existing court precedent. The Company is analyzing its services for potential exposure to sales tax in various jurisdictions in the United States and believes that the Company has a related estimated probable loss of \$5.9 million. As a result, the Company recognized a \$5.9 million loss in the third quarter of 2018 in selling, general and administrative expenses in the condensed consolidated statements of operations and comprehensive income. The Company is in the process of developing a solution that will enable it to invoice, collect and remit sales tax in the applicable jurisdictions. The Company is also analyzing what rights, if any, it has to seek reimbursement for sales tax payments from clients. As the Company completes its evaluation of potential sales tax exposure, the Company may increase its accrual for sales tax exposure and recognize additional losses, which are not currently estimable. These additional losses could result in a material adjustment to our consolidated financial statements which would impact our financial condition and results of operations.
- In the third quarter of 2018, we recorded an additional expense of \$0.5 million related to the fourth quarter 2016 litigation settlement loss.
- On April 3, 2018, Altisource and its wholly-owned subsidiary, Altisource S.à r.l., entered into the Credit Agreement, pursuant to which, among other things, Altisource borrowed \$412.0 million in the form of Term B Loans. Proceeds from the Term B Loans were used to repay the Company's prior senior secured term loan. The comparative interest rates under the Credit Agreement for the Term B Loans and the prior credit agreement were 5.91% and 4.58% for the nine months ended September 30, 2018 and 2017, respectively (6.33% and 4.73% for the third quarter of 2018 and 2017, respectively). In connection with the refinancing, we recognized a loss of \$4.4 million from the write-off of the unamortized debt issuance costs and debt discount for the nine months ended September 30, 2018 (no comparative amount in 2017). See Note 11 to the condensed consolidated financial statements.
- Effective January 1, 2018, the Company adopted Accounting Standards Update No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires

certain equity investments to be measured at fair value with changes in fair value recognized in net income. Previously, changes in the fair value of the Company's available for sale securities were included in comprehensive income. For the nine months ended September 30, 2018, we recognized an unrealized loss from our investment in RESI common shares of \$4.2 million (unrealized gain of \$1.8 million for the third quarter of 2018). During the nine months ended September 30, 2017, comprehensive income included an unrealized gain from our investment in RESI common shares of \$0.2 million, net of a \$0.1 million income tax provision (unrealized loss of \$5.5 million, net of a \$2.1 million income tax benefit for the third quarter of 2017). See Note 1 to the condensed consolidated financial statements for additional information on the adoption of the new accounting standard on investments in equity securities.

- During the nine months ended September 30, 2017, we repurchased portions of our senior secured term loan with an aggregate par value of \$50.1 million at a weighted average discount of 12.2%, recognizing a net gain of \$5.4 million on the early extinguishment of debt (repurchased aggregate par value of \$24.1 million at a weighted average discount of 7.5%, recognizing a net gain of \$1.5 million on the early extinguishment of debt for the third quarter of 2017). There were no similar repurchases that resulted in a gain or loss on the early extinguishment of debt in 2018.
- The effective income tax rate increased to 42.6% for the nine months ended September 30, 2018 from 23.6% for the nine months ended September 30, 2017 (increased to 41.0% for the third quarter of 2018 from 25.0% for the third quarter of 2017). The effective income tax rate increases for the nine months ended September 30, 2018 and third quarter of 2018 were primarily due to adjustments of \$1.6 million to certain foreign income tax reserves (and related interest) in the third quarter of 2018 and changes in the expected mix of taxable income across the jurisdictions in which we operate.

CONSOLIDATED RESULTS OF OPERATIONS

Summary Consolidated Results

The following is a discussion of our consolidated results of operations for the periods indicated. For a more detailed discussion of the factors that affected the results of our business segments in these periods, see “*Segment Results of Operations*” below.

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

<i>(in thousands, except per share data)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Increase (decrease)	2018	2017	% Increase (decrease)
Service revenue						
Mortgage Market	\$ 168,489	\$ 189,615	(11)	\$ 497,101	\$ 583,002	(15)
Real Estate Market	12,825	21,113	(39)	51,292	64,649	(21)
Other Businesses, Corporate and Eliminations	15,592	13,580	15	46,140	44,603	3
Total service revenue	196,906	224,308	(12)	594,533	692,254	(14)
Reimbursable expenses	6,815	9,866	(31)	23,970	31,786	(25)
Non-controlling interests	854	805	6	2,066	2,107	(2)
Total revenue	204,575	234,979	(13)	620,569	726,147	(15)
Cost of revenue	147,580	174,898	(16)	457,980	538,244	(15)
Gross profit	56,995	60,081	(5)	162,589	187,903	(13)
Operating expenses (income):						
Selling, general and administrative expenses	46,329	46,622	(1)	132,377	146,793	(10)
Gain on sale of business	(13,688)	—	N/M	(13,688)	—	N/M
Restructuring charges	3,436	—	N/M	3,436	—	N/M
Income from operations	20,918	13,459	55	40,464	41,110	(2)
Other income (expense), net:						
Interest expense	(6,725)	(5,599)	20	(19,615)	(16,862)	16
Unrealized gain (loss) on investments in equity securities	1,782	—	N/M	(4,186)	—	N/M
Other income (expense), net	154	2,497	(94)	(2,435)	8,015	(130)
Total other income (expense), net	(4,789)	(3,102)	54	(26,236)	(8,847)	197
Income before income taxes and non- controlling interests						
	16,129	10,357	56	14,228	32,263	(56)
Income tax provision	(6,608)	(2,591)	155	(6,059)	(7,615)	(20)
Net income						
	9,521	7,766	23	8,169	24,648	(67)
Net income attributable to non-controlling interests	(854)	(805)	6	(2,066)	(2,107)	(2)
Net income attributable to Altisource						
	<u>\$ 8,667</u>	<u>\$ 6,961</u>	25	<u>\$ 6,103</u>	<u>\$ 22,541</u>	(73)
Margins:						
Gross profit/service revenue	29%	27%		27%	27%	
Income from operations/service revenue	11%	6%		7%	6%	
Earnings per share:						
Basic	<u>\$ 0.51</u>	<u>\$ 0.39</u>	31	<u>\$ 0.36</u>	<u>\$ 1.23</u>	(71)
Diluted	<u>\$ 0.49</u>	<u>\$ 0.38</u>	29	<u>\$ 0.35</u>	<u>\$ 1.20</u>	(71)

N/M — not meaningful.

Revenue

We recognized service revenue of \$594.5 million for the nine months ended September 30, 2018, a 14% decrease compared to the nine months ended September 30, 2017 (\$196.9 million for the third quarter of 2018, a 12% decrease compared to the third

quarter of 2017). The decreases in service revenue in the Mortgage Market segment were primarily a result of the reduction in the size of Ocwen's portfolio and number of delinquent loans in its portfolio resulting from loan repayments, loan modifications, short sales, REO sales and other forms of resolution. The decreases in service revenue in the Real Estate Market segment were primarily driven by RESI's smaller portfolio of non-performing loans and REO, partially offset by increases in the Consumer Real Estate Solutions business and, for the nine months ended September 30, 2018, growth in the buy-renovate-lease-sell and renovation management businesses.

We recognized reimbursable expense revenue of \$24.0 million for the nine months ended September 30, 2018, a 25% decrease compared to the nine months ended September 30, 2017 (\$6.8 million for the third quarter of 2018, a 31% decrease compared to the third quarter of 2017). The decreases in reimbursable expense revenue in the Mortgage Market segment were primarily a result of the reduction in the size of Ocwen's portfolio and number of delinquent loans in its portfolio resulting from loan repayments, loan modifications, short sales, REO sales and other forms of resolution. The decrease in reimbursable expense revenue in the Real Estate Market segment was primarily from RESI's smaller portfolio of non-performing loans and REO businesses.

Certain of our revenues are impacted by seasonality. More specifically, revenues from property sales, loan originations and certain property preservation services typically tend to be at their lowest level during the fall and winter months and at their highest level during the spring and summer months. In addition, revenue in the asset recovery management business 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:

<i>(in thousands)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Increase (decrease)	2018	2017	% Increase (decrease)
Compensation and benefits	\$ 49,707	\$ 60,332	(18)	\$ 159,342	\$ 186,090	(14)
Outside fees and services	73,096	83,670	(13)	207,073	250,883	(17)
Cost of real estate sold	1,092	4,411	(75)	17,591	16,461	7
Technology and telecommunications	10,230	10,389	(2)	30,533	32,681	(7)
Reimbursable expenses	6,815	9,866	(31)	23,970	31,786	(25)
Depreciation and amortization	6,640	6,230	7	19,471	20,343	(4)
Cost of revenue	<u>\$ 147,580</u>	<u>\$ 174,898</u>	(16)	<u>\$ 457,980</u>	<u>\$ 538,244</u>	(15)

Cost of revenue for the nine months ended September 30, 2018 of \$458.0 million decreased 15% compared to the nine months ended September 30, 2017 (\$147.6 million for the third quarter of 2018, a 16% decrease compared to the third quarter of 2017). The decreases in cost of revenue were primarily driven by lower service revenue in the Mortgage Market and Real Estate Market segments and related cost reduction initiatives. The decreases in outside fees and services in the Mortgage Market segment were driven by lower property preservation and inspection orders from the reduction in the size of Ocwen's portfolio, as discussed in the revenue section above. The decline in compensation and benefits in certain of our businesses resulted from reduced headcount in anticipation of the revenue decline from the Ocwen and RESI portfolios and from the implementation of efficiency initiatives. The decrease in reimbursable expenses was consistent with the decrease in reimbursable expenses revenue discussed in the revenue section above.

Gross profit decreased to \$162.6 million, representing 27% of service revenue, for the nine months ended September 30, 2018 compared to \$187.9 million, representing 27% of service revenue, for the nine months ended September 30, 2017 (decreased to \$57.0 million, representing 29% of service revenue, for the third quarter of 2018 compared to \$60.1 million, representing 27% of service revenue, for the third quarter of 2017). Gross profit as a percentage of service revenue for the nine months ended September 30, 2018 was flat compared to the nine months ended September 30, 2017, as the revenue declines were generally offset by lower cost of revenue, as discussed above. Gross profit as a percentage of service revenue for the third quarter of 2018 increased compared to the third quarter of 2017, as decreases in outside fees and services and compensation and benefits due to reduced headcount, particularly in connection with increased efficiency initiatives implemented in the third quarter of 2018, more than offset the reduction in service revenue.

Selling, General and Administrative Expenses

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

SG&A expenses consisted of the following:

<i>(in thousands)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Increase (decrease)	2018	2017	% Increase (decrease)
Compensation and benefits	\$ 11,991	\$ 15,068	(20)	\$ 37,757	\$ 43,115	(12)
Occupancy related costs	7,428	8,536	(13)	23,051	28,347	(19)
Amortization of intangible assets	6,620	8,604	(23)	21,311	27,143	(21)
Marketing costs	4,267	3,992	7	11,852	11,958	(1)
Professional services	4,915	3,886	26	12,469	11,983	4
Depreciation and amortization	1,054	2,286	(54)	5,272	7,068	(25)
Other	10,054	4,250	137	20,665	17,179	20
Selling, general and administrative expenses	\$ 46,329	\$ 46,622	(1)	\$ 132,377	\$ 146,793	(10)

SG&A for the nine months ended September 30, 2018 of \$132.4 million decreased 10% compared to the nine months ended September 30, 2017 (\$46.3 million for the third quarter of 2018, a 1% decrease compared to the third quarter of 2017). The decreases in SG&A were driven by lower compensation and benefits, primarily in the Mortgage Market segment, as we reduced headcount from the implementation of efficiency initiatives. In addition, decreases in SG&A were due to lower amortization of intangible assets, due to lower revenue generated by the Homeward Residential, Inc. (“Homeward”) and Residential Capital, LLC (“ResCap”) portfolios (revenue-based amortization) in the Mortgage Market segment, consistent with the reduction in the size of Ocwen’s portfolio discussed in the revenue section above. Decreases in SG&A were also due to lower occupancy costs, driven by initiatives to reduce our facilities footprint in 2017 and 2018, and for the nine months ended September 30, 2018, due to a decrease in other from unfavorable loss accrual adjustments of \$2.7 million recorded in the second quarter of 2017 (no comparative amounts in 2018). The increases in other for the nine months ended September 30, 2018 and the third quarter of 2018 were driven by the accrual of a \$5.9 million contingent loss accrual for sales tax exposure in the United States recognized in the third quarter of 2018.

Gain on Sale of Business

In August 2018, we sold our rental property management business to RESI for total transaction proceeds of \$18.0 million, \$15.0 million of which was received on the closing date of August 8, 2018 and \$3.0 million of which will be received on the earlier of a RESI change of control or August 8, 2023. We recognized a \$13.7 million pretax gain on sale of this business for the nine months ended September 30, 2018 and the third quarter of 2018 in connection with this transaction (no comparative amounts in 2017).

Restructuring Charges

In August 2018, we initiated Project Catalyst, a restructuring plan intended to optimize our operations and reduce costs to align our cost structure with our anticipated revenues and improve our operating margins. During the three months ended September 30, 2018, we incurred \$3.4 million of severance costs and professional services fees related to the restructuring plan (no comparative amounts in 2017). We expect to incur additional severance costs, facility shut-down costs and professional services fees through 2019 in connection with this restructuring and will expense those costs as incurred. Based on our preliminary analysis, we currently anticipate the future costs relating to the restructuring plan to be in the range of approximately \$25 million to \$35 million. We currently anticipate annual run-rate operating expense reductions in the range of approximately \$65 million to \$90 million following completion of the restructuring plan; however, this range could materially change based on business and/or other factors.

Income from Operations

Income from operations decreased to \$40.5 million, representing 7% of service revenue, for the nine months ended September 30, 2018 compared to \$41.1 million, representing 6% of service revenue, for the nine months ended September 30, 2017 (increased to \$20.9 million, representing 11% of service revenue, for the third quarter of 2018 compared to \$13.5 million, representing 6% of service revenue, for the third quarter of 2017). Operating income as a percentage of service revenue increased, primarily due

to the gain on sale of business, partially offset by restructuring costs, as discussed above. In addition, operating income as a percentage of service revenue for the third quarter of 2018 increased compared to the third quarter of 2017 from increased gross margins, as decreases in outside fees and services and compensation and benefits in connection with the implementation of efficiency initiatives more than offset the reduction in service revenue, as discussed above.

Other Income (Expense), net

Other income (expense), net principally includes interest expense and other non-operating gains and losses. Effective January 1, 2018, other income (expense), net includes unrealized gains and (losses) on our investment in RESI (see Factors Affecting Comparability above).

Other income (expense), net for the nine months ended September 30, 2018 of \$(26.2) million compared to \$(8.8) million for the nine months ended September 30, 2017 (\$4.8) million for the third quarter of 2018 and \$(3.1) million for the third quarter of 2017). The increase in other expenses, net for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 was primarily due to the \$5.4 million net gain on the early extinguishment of debt in the nine months ended September 30, 2017, and, in 2018, a \$(4.4) million loss on debt refinancing, \$(4.2) million unrealized loss on our investment in RESI and higher interest expense from a higher interest rate on the Credit Agreement compared to the prior senior secured term loan. The increase in other expenses, net for the third quarter of 2018 was primarily due to the \$1.5 million net gain on the early extinguishment of debt in the third quarter of 2017 and higher interest expense, as discussed above, partially offset by an unrealized gain of \$1.8 million on our investment in RESI in the third quarter of 2018.

Income Tax Provision

The income tax provision for the nine months ended September 30, 2018 of \$6.1 million decreased 20% compared to the nine months ended September 30, 2017 (\$6.6 million for the third quarter of 2018, a 155% increase compared to the third quarter of 2017). The effective income tax rate increased to 42.6% for the nine months ended September 30, 2018 from 23.6% for the nine months ended September 30, 2017 (increased to 41.0% for the third quarter of 2018 from 25.0% for the third quarter of 2017). The effective income tax rate increases for the nine months ended September 30, 2018 and third quarter 2018 were primarily due to adjustments of \$1.6 million to certain foreign income tax reserves (and related interest) in the third quarter of 2018 and changes in the expected mix of taxable income across the jurisdictions in which we operate.

SEGMENT RESULTS OF OPERATIONS

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

Financial information for our segments was as follows:

	Three months ended September 30, 2018			
<i>(in thousands)</i>	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue				
Service revenue	\$ 168,489	\$ 12,825	\$ 15,592	\$ 196,906
Reimbursable expenses	6,617	185	13	6,815
Non-controlling interests	854	—	—	854
	<u>175,960</u>	<u>13,010</u>	<u>15,605</u>	<u>204,575</u>
Cost of revenue	113,636	15,883	18,061	147,580
Gross profit (loss)	62,324	(2,873)	(2,456)	56,995
Operating expenses (income):				
Selling, general and administrative expenses	21,155	5,188	19,986	46,329
Gain on sale of business	—	(13,688)	—	(13,688)
Restructuring charges	901	74	2,461	3,436
Income (loss) from operations	40,268	5,553	(24,903)	20,918
Total other income (expense), net	74	22	(4,885)	(4,789)
	<u>40,342</u>	<u>5,575</u>	<u>(29,788)</u>	<u>16,129</u>
Income (loss) before income taxes and non-controlling interests				
	<u>\$ 40,342</u>	<u>\$ 5,575</u>	<u>\$ (29,788)</u>	<u>\$ 16,129</u>
Margins:				
Gross profit (loss)/service revenue	37%	(22)%	(16)%	29%
Income (loss) from operations/service revenue	24%	43 %	(160)%	11%

	Three months ended September 30, 2017			
<i>(in thousands)</i>	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue				
Service revenue	\$ 189,615	\$ 21,113	\$ 13,580	\$ 224,308
Reimbursable expenses	8,842	1,008	16	9,866
Non-controlling interests	805	—	—	805
	<u>199,262</u>	<u>22,121</u>	<u>13,596</u>	<u>234,979</u>
Cost of revenue	137,466	23,497	13,935	174,898
Gross profit (loss)	61,796	(1,376)	(339)	60,081
Selling, general and administrative expenses	28,006	4,208	14,408	46,622
Income (loss) from operations	33,790	(5,584)	(14,747)	13,459
Total other income (expense), net	26	—	(3,128)	(3,102)
	<u>33,816</u>	<u>(5,584)</u>	<u>(17,875)</u>	<u>10,357</u>
Income (loss) before income taxes and non-controlling interests				
	<u>\$ 33,816</u>	<u>\$ (5,584)</u>	<u>\$ (17,875)</u>	<u>\$ 10,357</u>
Margins:				
Gross profit (loss)/service revenue	33%	(7)%	(2)%	27%
Income (loss) from operations/service revenue	18%	(26)%	(109)%	6%

Nine months ended September 30, 2018				
<i>(in thousands)</i>	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue				
Service revenue	\$ 497,101	\$ 51,292	\$ 46,140	\$ 594,533
Reimbursable expenses	22,793	1,143	34	23,970
Non-controlling interests	2,066	—	—	2,066
	<u>521,960</u>	<u>52,435</u>	<u>46,174</u>	<u>620,569</u>
Cost of revenue	340,038	62,628	55,314	457,980
Gross profit (loss)	181,922	(10,193)	(9,140)	162,589
Operating expenses (income):				
Selling, general and administrative expenses	65,133	14,486	52,758	132,377
Gain on sale of business	—	(13,688)	—	(13,688)
Restructuring charges	901	74	2,461	3,436
Income (loss) from operations	115,888	(11,065)	(64,359)	40,464
Total other income (expense), net	86	36	(26,358)	(26,236)
	<u>115,974</u>	<u>(11,029)</u>	<u>(90,717)</u>	<u>14,228</u>
Income (loss) before income taxes and non-controlling interests				
	<u>\$ 115,974</u>	<u>\$ (11,029)</u>	<u>\$ (90,717)</u>	<u>\$ 14,228</u>
Margins:				
Gross profit (loss)/service revenue	37%	(20)%	(20)%	27%
Income (loss) from operations/service revenue	23%	(22)%	(139)%	7%

Nine months ended September 30, 2017				
<i>(in thousands)</i>	Mortgage Market	Real Estate Market	Other Businesses, Corporate and Eliminations	Consolidated Altisource
Revenue				
Service revenue	\$ 583,002	\$ 64,649	\$ 44,603	\$ 692,254
Reimbursable expenses	29,071	2,665	50	31,786
Non-controlling interests	2,107	—	—	2,107
	<u>614,180</u>	<u>67,314</u>	<u>44,653</u>	<u>726,147</u>
Cost of revenue	421,942	72,484	43,818	538,244
Gross profit (loss)	192,238	(5,170)	835	187,903
Selling, general and administrative expenses	86,493	14,084	46,216	146,793
Income (loss) from operations	105,745	(19,254)	(45,381)	41,110
Total other income (expense), net	138	—	(8,985)	(8,847)
	<u>105,883</u>	<u>(19,254)</u>	<u>(54,366)</u>	<u>32,263</u>
Income (loss) before income taxes and non-controlling interests				
	<u>\$ 105,883</u>	<u>\$ (19,254)</u>	<u>\$ (54,366)</u>	<u>\$ 32,263</u>
Margins:				
Gross profit (loss)/service revenue	33%	(8)%	2 %	27%
Income (loss) from operations/service revenue	18%	(30)%	(102)%	6%

Mortgage Market

Revenue

Revenue by business unit was as follows:

<i>(in thousands)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Increase (decrease)	2018	2017	% Increase (decrease)
Service revenue:						
Servicer Solutions	\$ 155,960	\$ 176,258	(12)	\$ 461,378	\$ 545,447	(15)
Origination Solutions	12,529	13,357	(6)	35,723	37,555	(5)
Total service revenue	168,489	189,615	(11)	497,101	583,002	(15)
Reimbursable expenses:						
Servicer Solutions	6,530	8,803	(26)	22,592	28,854	(22)
Origination Solutions	87	39	123	201	217	(7)
Total reimbursable expenses	6,617	8,842	(25)	22,793	29,071	(22)
Non-controlling interests	854	805	6	2,066	2,107	(2)
Total revenue	\$ 175,960	\$ 199,262	(12)	\$ 521,960	\$ 614,180	(15)

We recognized service revenue of \$497.1 million for the nine months ended September 30, 2018, a 15% decrease compared to the nine months ended September 30, 2017 (\$168.5 million for the third quarter of 2018, an 11% decrease compared to the third quarter of 2017). We also recognized reimbursable expense revenue of \$22.8 million for the nine months ended September 30, 2018, a 22% decrease compared to the nine months ended September 30, 2017 (\$6.6 million for the third quarter of 2018, a 25% decrease compared to the third quarter of 2017). The decreases in service revenue and reimbursable expense revenue were primarily a result of the reduction in the size of Ocwen's portfolio and number of delinquent loans in its portfolio resulting from loan repayments, loan modifications, short sales, REO sales and other forms of resolution in the Servicer Solutions business.

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

Cost of Revenue and Gross Profit

Cost of revenue consisted of the following:

<i>(in thousands)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Increase (decrease)	2018	2017	% Increase (decrease)
Compensation and benefits	\$ 31,300	\$ 41,475	(25)	\$ 99,925	\$ 126,153	(21)
Outside fees and services	64,836	74,902	(13)	184,629	228,982	(19)
Reimbursable expenses	6,617	8,842	(25)	22,793	29,071	(22)
Technology and telecommunications	6,123	7,708	(21)	18,813	23,589	(20)
Depreciation and amortization	4,760	4,539	5	13,878	14,147	(2)
Cost of revenue	\$ 113,636	\$ 137,466	(17)	\$ 340,038	\$ 421,942	(19)

Cost of revenue for the nine months ended September 30, 2018 of \$340.0 million decreased by 19% compared to the nine months ended September 30, 2017 (\$113.6 million for the third quarter of 2018, a 17% decrease compared to the third quarter of 2017). The decreases in cost of revenue were primarily driven by lower service revenue and the implementation of efficiency initiatives. The decreases in outside fees and services were primarily due to lower property preservation and inspection orders from the reduction in the size of Ocwen's portfolio, as discussed in the revenue section above. The decreases in compensation and benefits were primarily due to reduced headcount in anticipation of the revenue decline from the Ocwen portfolio and from the implementation of efficiency initiatives. In addition, decreases in compensation and benefits and the decreases in technology and telecommunications costs were driven by the redeployment of certain technology resources to our Other Businesses, Corporate

and Eliminations for the development of enterprise-wide technology initiatives. The decreases in reimbursable expenses were consistent with the decreases in reimbursable expenses revenue discussed in the revenue section above.

Gross profit decreased to \$181.9 million, representing 37% of service revenue, for the nine months ended September 30, 2018 compared to \$192.2 million, representing 33% of service revenue, for the nine months ended September 30, 2017 (increased to \$62.3 million, representing 37% of service revenue for the third quarter of 2018, compared to \$61.8 million, representing 33% of service revenue for the third quarter of 2017). Gross profit as a percentage of service revenue increased primarily due to service revenue mix from fewer lower margin property preservation referrals related to the reduction in the size of Ocwen's portfolio, the implementation of efficiency initiatives and the redeployment of certain technology resources to Other Businesses, Corporate and Eliminations for the development of enterprise-wide technology initiatives, as discussed above. Our margins can vary substantially depending upon service revenue mix.

Selling, General and Administrative Expenses

SG&A expenses consisted of the following:

<i>(in thousands)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Increase (decrease)	2018	2017	% Increase (decrease)
Compensation and benefits	\$ 4,007	\$ 6,292	(36)	\$ 11,976	\$ 17,393	(31)
Occupancy related costs	4,122	5,648	(27)	13,300	17,687	(25)
Amortization of intangible assets	6,020	7,975	(25)	19,157	25,119	(24)
Professional services	2,227	2,319	(4)	5,498	7,018	(22)
Marketing costs	1,728	2,170	(20)	5,059	6,405	(21)
Depreciation and amortization	595	1,012	(41)	2,169	2,881	(25)
Other	2,456	2,590	(5)	7,974	9,990	(20)
Selling, general and administrative expenses	\$ 21,155	\$ 28,006	(24)	\$ 65,133	\$ 86,493	(25)

SG&A for the nine months ended September 30, 2018 of \$65.1 million decreased by 25% compared to the nine months ended September 30, 2017 (\$21.2 million for the third quarter of 2018, a 24% decrease compared to the third quarter of 2017). Decreases in SG&A were reported across all cost categories, driven by lower amortization of intangible assets from lower revenue generated by the Homeward and ResCap portfolios (revenue-based amortization) and lower compensation and benefits due to lower cost allocations primarily due to declining revenues, as discussed in the revenue section above, and the implementation of efficiency initiatives. In addition, lower occupancy costs were driven by initiatives to reduce our facilities footprint in 2017 and 2018.

Restructuring Charges

Restructuring charges of \$0.9 million for the nine months ended September 30, 2018 and the third quarter of 2018 consist of severance costs related to the restructuring plan we began implementing in the third quarter of 2018 (no comparative amounts in 2017).

Income from Operations

Income from operations increased to \$115.9 million, representing 23% of service revenue, for the nine months ended September 30, 2018 compared to \$105.7 million, representing 18% of service revenue, for the nine months ended September 30, 2017 (increased to \$40.3 million, representing 24% of service revenue for the third quarter of 2018, compared to \$33.8 million, representing 18% of service revenue for the third quarter of 2017). The increases in operating income as a percentage of service revenue were primarily the result of higher gross profit margins driven by significantly reduced compensation and benefits, outside fees and services and technology and telecommunication costs and lower SG&A in all cost categories, as discussed above.

Real Estate Market

Revenue

Revenue by business unit was as follows:

<i>(in thousands)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Increase (decrease)	2018	2017	% Increase (decrease)
Service revenue:						
Consumer Real Estate Solutions	\$ 2,693	\$ 1,441	87	\$ 6,410	\$ 3,440	86
Real Estate Investor Solutions	10,132	19,672	(48)	44,882	61,209	(27)
Total service revenue	12,825	21,113	(39)	51,292	64,649	(21)
Reimbursable expenses:						
Consumer Real Estate Solutions	—	—	—	2	—	N/M
Real Estate Investor Solutions	185	1,008	(82)	1,141	2,665	(57)
Total reimbursable expenses	185	1,008	(82)	1,143	2,665	(57)
Total revenue	<u>\$ 13,010</u>	<u>\$ 22,121</u>	(41)	<u>\$ 52,435</u>	<u>\$ 67,314</u>	(22)

N/M — not meaningful.

We recognized service revenue of \$51.3 million for the nine months ended September 30, 2018, a 21% decrease compared to the nine months ended September 30, 2017 (\$12.8 million for the third quarter of 2018, a 39% decrease compared to the third quarter of 2017). The decreases in service revenue were primarily driven by a decline in revenues in the Real Estate Investor Solutions business from RESI's smaller portfolio of non-performing loans and REO, as RESI continues to sell off this portfolio and focus on directly acquiring, renovating and managing rental homes. These decreases were partially offset by increases in the Consumer Real Estate Solutions business from higher transaction volumes and unit revenue in 2018. Additionally, for the nine months ended September 30, 2018, these decreases were also partially offset by growth in the buy-renovate-lease-sell and renovation management businesses in Real Estate Investor Solutions.

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

Cost of Revenue and Gross Loss

Cost of revenue consisted of the following:

<i>(in thousands)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Increase (decrease)	2018	2017	% Increase (decrease)
Compensation and benefits	\$ 5,962	\$ 8,777	(32)	\$ 20,494	\$ 28,167	(27)
Outside fees and services	7,367	7,865	(6)	20,027	19,249	4
Cost of real estate sold	1,092	4,411	(75)	17,591	16,461	7
Reimbursable expenses	185	1,008	(82)	1,143	2,665	(57)
Technology and telecommunications	1,072	1,203	(11)	2,782	4,659	(40)
Depreciation and amortization	205	233	(12)	591	1,283	(54)
Cost of revenue	<u>\$ 15,883</u>	<u>\$ 23,497</u>	(32)	<u>\$ 62,628</u>	<u>\$ 72,484</u>	(14)

Cost of revenue for the nine months ended September 30, 2018 of \$62.6 million decreased by 14% compared to the nine months ended September 30, 2017 (\$15.9 million for the third quarter of 2018, a 32% decrease compared to the third quarter of 2017). The decreases in cost of revenue were primarily driven by lower compensation and benefits, which declined in certain of the Real Estate Investor Solutions businesses as we reduced headcount in anticipation of the decreases in revenue volumes from RESI's portfolio discussed in the revenue section above, and decreases in technology and telecommunications expense due to the reduction in headcount and transaction volumes.

Gross loss increased to \$(10.2) million, representing (20)% of service revenue, for the nine months ended September 30, 2018, compared to \$(5.2) million, representing (8)% of service revenue, for the nine months ended September 30, 2017 (loss of \$(2.9) million, representing (22)% of service revenue for the third quarter of 2018, compared to a loss of \$(1.4) million, representing (7)% of service revenue for the third quarter of 2017). Gross loss as a percent of service revenue increased primarily as a result of service revenue mix from fewer higher margin REO sales. In addition, gross loss as a percent of service revenue for the nine months ended September 30, 2018 increased from higher revenues in the lower margin buy-renovate-lease-sell program. Our margins can vary substantially depending upon service revenue mix.

Selling, General and Administrative Expenses

SG&A expenses consisted of the following:

<i>(in thousands)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Increase (decrease)	2018	2017	% Increase (decrease)
Compensation and benefits	\$ 900	\$ 732	23	\$ 2,517	\$ 2,469	2
Occupancy related costs	382	631	(39)	1,394	2,353	(41)
Amortization of intangible assets	183	211	(13)	902	633	42
Professional services	741	339	119	1,111	974	14
Marketing costs	2,462	1,786	38	6,557	5,390	22
Depreciation and amortization	121	180	(33)	380	561	(32)
Other	399	329	21	1,625	1,704	(5)
Selling, general and administrative expenses	\$ 5,188	\$ 4,208	23	\$ 14,486	\$ 14,084	3

SG&A for the nine months ended September 30, 2018 of \$14.5 million increased by 3% compared to the nine months ended September 30, 2017 (\$5.2 million for the third quarter of 2018, a 23% increase compared to the third quarter of 2017). The increases in SG&A were primarily driven by higher marketing costs in Consumer Real Estate Solutions to support our anticipated growth of this business, partially offset by lower occupancy related costs, due to lower facility costs from initiatives to reduce our facilities footprint.

Gain on Sale of Business

In August 2018, we sold our rental property management business to RESI for total transaction proceeds of \$18.0 million, \$15.0 million of which was received on the closing date of August 8, 2018 and \$3.0 million of which will be received on the earlier of a RESI change of control or August 8, 2023. We recognized a \$13.7 million pretax gain on sale of this business for the nine months ended September 30, 2018 and the third quarter of 2018 in connection with this transaction (no comparative amounts in 2017).

Restructuring Charges

Restructuring charges of \$0.1 million for the nine months ended September 30, 2018 and the third quarter of 2018 consist of severance costs related to the restructuring plan we began implementing in the third quarter of 2018 (no comparative amounts in 2017).

Income (Loss) from Operations

Loss from operations decreased to \$(11.1) million for the nine months ended September 30, 2018 compared to a loss from operations of \$(19.3) million for the nine months ended September 30, 2017 (income from operations of \$5.6 million for the third quarter of 2018 compared to loss from operations of \$(5.6) million for the third quarter of 2017). The decreases in loss from operations were primarily the result of the gain on sale of the business, partially offset by lower gross profit margins and increases in SG&A, as discussed above.

Other Businesses, Corporate and Eliminations

Revenue

Revenue by business unit was as follows:

<i>(in thousands)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Increase (decrease)	2018	2017	% Increase (decrease)
Service revenue:						
Customer relationship management	\$ 7,389	\$ 6,822	8	\$ 21,028	\$ 21,682	(3)
Asset recovery management	6,750	5,743	18	20,758	17,940	16
IT infrastructure services	1,453	1,015	43	4,354	4,981	(13)
Total service revenue	15,592	13,580	15	46,140	44,603	3
Reimbursable expenses:						
Asset recovery management	13	16	(19)	34	50	(32)
Total reimbursable expenses	13	16	(19)	34	50	(32)
Total revenue	<u>\$ 15,605</u>	<u>\$ 13,596</u>	15	<u>\$ 46,174</u>	<u>\$ 44,653</u>	3

We recognized service revenue of \$46.1 million for the nine months ended September 30, 2018, a 3% increase compared to the nine months ended September 30, 2017 (\$15.6 million for the third quarter of 2018, a 15% increase compared to the third quarter of 2017). The increases in service revenue were primarily due to an increase in asset recovery management service revenue from growth in referral volumes.

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

Cost of Revenue and Gross Profit (Loss)

Cost of revenue consisted of the following:

<i>(in thousands)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Increase (decrease)	2018	2017	% Increase (decrease)
Compensation and benefits	\$ 12,445	\$ 10,080	23	\$ 38,923	\$ 31,770	23
Outside fees and services	893	903	(1)	2,417	2,652	(9)
Reimbursable expenses	13	16	(19)	34	50	(32)
Technology and telecommunications	3,035	1,478	105	8,938	4,433	102
Depreciation and amortization	1,675	1,458	15	5,002	4,913	2
Cost of revenue	<u>\$ 18,061</u>	<u>\$ 13,935</u>	30	<u>\$ 55,314</u>	<u>\$ 43,818</u>	26

Cost of revenue for the nine months ended September 30, 2018 of \$55.3 million increased by 26% compared to the nine months ended September 30, 2017 (\$18.1 million for the third quarter of 2018, a 30% increase compared to the third quarter of 2017). The increases in cost of revenue were primarily due to increases in compensation and benefits and technology and telecommunications costs, driven by the redeployment of certain technology resources from the Mortgage Market segment to Other Businesses, Corporate and Eliminations for the development of enterprise-wide technology initiatives.

Gross profit decreased to a gross loss of \$(9.1) million, representing (20)% of service revenue, for the nine months ended September 30, 2018, compared to a gross profit of \$0.8 million, representing 2% of service revenue, for the nine months ended September 30, 2017 (loss of \$(2.5) million, representing (16)% of service revenue for the third quarter of 2018, compared to a loss of \$(0.3) million, representing (2)% of service revenue for the third quarter of 2017). Gross profit (loss) as a percentage of service revenue decreased due to the increase in cost of revenue, principally driven by the redeployment of certain technology resources from the Mortgage Market segment for the development of enterprise-wide technology initiatives, which increased Other

Businesses, Corporate and Eliminations cost of revenue and decreased cost of revenue in the Mortgage Market segment, as described above.

Selling, General and Administrative Expenses

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

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

SG&A consisted of the following:

<i>(in thousands)</i>	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Increase (decrease)	2018	2017	% Increase (decrease)
Compensation and benefits	\$ 7,084	\$ 8,044	(12)	\$ 23,264	\$ 23,253	—
Occupancy related costs	2,924	2,257	30	8,357	8,307	1
Amortization of intangible assets	417	418	—	1,252	1,391	(10)
Professional services	1,947	1,228	59	5,860	3,991	47
Marketing costs	77	36	114	236	163	45
Depreciation and amortization	338	1,094	(69)	2,723	3,626	(25)
Other	7,199	1,331	N/M	11,066	5,485	102
Selling, general and administrative expenses	\$ 19,986	\$ 14,408	39	\$ 52,758	\$ 46,216	14

N/M — not meaningful.

SG&A for the nine months ended September 30, 2018 of \$52.8 million increased by 14% compared to the nine months ended September 30, 2017 (\$20.0 million for the third quarter of 2018, a 39% increase compared to the third quarter of 2017). The increases in other for the nine months ended September 30, 2018 and the third quarter of 2018 were driven by the accrual of a \$5.9 million contingent loss accrual for sales tax exposure in the United States recognized in the third quarter of 2018. In addition, SG&A included increases in professional services, due to increased legal and professional services costs in connection with certain legal and regulatory matters. For the nine months ended September 30, 2018, the increase was partially offset by unfavorable loss accrual adjustments of \$2.7 million recorded in the second quarter of 2017 (no comparative amounts in 2018).

Restructuring Charges

Restructuring charges of \$2.5 million for the nine months ended September 30, 2018 and the third quarter of 2018 consist of severance costs and professional services fees related to the restructuring plan we began implementing in the third quarter of 2018 (no comparative amounts in 2017).

Loss from Operations

Loss from operations increased to \$(64.4) million for the nine months ended September 30, 2018 compared to \$(45.4) million for the nine months ended September 30, 2017 (\$24.9) million for the third quarter of 2018 compared to \$(14.7) million for the third quarter of 2017). The increases in operating losses were primarily driven by the decrease in gross profit from the shifting of technology resources from the Mortgage Market segment to support corporate initiatives, increases in SG&A, primarily due to increased unfavorable accrual adjustments in 2018, and restructuring charges, as discussed above.

Other Income (Expense), Net

Other income (expense), net principally includes interest expense and other non-operating gains and losses. Effective January 1, 2018, other income (expense), net includes unrealized gains and (losses) on our investment in RESI (see Factors Affecting Comparability above).

Other income (expense), net for the nine months ended September 30, 2018 of \$(26.4) million compares to \$(9.0) million for the nine months ended September 30, 2017 (\$4.9) million for the third quarter of 2018 and \$(3.1) million for the third quarter of 2017). The increase in other expenses, net for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 was primarily due to the \$5.4 million net gain on the early extinguishment of debt in the nine months ended September 30, 2017, and, in 2018, a \$(4.4) million loss on debt refinancing, \$(4.2) million unrealized loss on our investment in

RESI and higher interest expense from a higher interest rate on the Credit Agreement compared to the prior senior secured term loan. The increase in other expense, net for the third quarter of 2018 was primarily due to the \$1.5 million net gain on the early extinguishment of debt in the third quarter of 2017 and higher interest expense, as discussed above, partially offset by an unrealized gain of \$1.8 million on our investment in RESI.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary source of liquidity is cash flow from operations. We seek to deploy cash generated in a disciplined manner. Principally, we intend to use cash to develop and grow complementary services and businesses that we believe will generate attractive margins in line with our core capabilities and strategy. We use cash for scheduled repayments of our long-term debt and seek to use cash from time to time to repurchase shares of our common stock and repurchase portions of our debt. In addition, we consider and evaluate business acquisitions that may arise from time to time that are aligned with our strategy.

During the nine months ended September 30, 2018, we used net proceeds from the Term B Loans and operating cash to repay the prior senior secured term loan and repaid \$28.9 million of borrowings (\$15.0 million in the third quarter of 2018). During the third quarter of 2018, the Company used the proceeds received from the sale of the rental property management business to RESI to repay \$15.0 million of the Term B Loans. This repayment is applied to contractual amortization in the direct order of maturity. During the nine months ended September 30, 2018, we used \$21.8 million to repurchase shares of our common stock (\$0.7 million for the third quarter of 2018).

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 September 30, 2018, \$388.8 million of the Term B Loans were outstanding. There were no borrowings outstanding under the revolving credit facility as of September 30, 2018.

The Term B Loans must be repaid in consecutive quarterly principal installments with remaining amounts due as of September 30, 2018 of \$1.5 million in the fourth quarter of 2018, \$41.2 million in 2019, \$25.7 million in 2020 and \$12.4 million annually thereafter, with the balance due at maturity. All amounts outstanding under the Term B Loans will become due on the earlier of (i) April 3, 2024, and (ii) the date on which the loans are declared to be due and owing by the administrative agent at the request (or with the consent) of the Required Lenders (as defined in the Credit Agreement; other capitalized terms, unless defined herein, are defined in the Credit Agreement) or as otherwise provided in the Credit Agreement upon the occurrence of any event of default.

In addition to the scheduled principal payments, subject to certain exceptions, the Term B Loans are subject to mandatory prepayment upon issuances of debt, casualty and condemnation events and sales of assets, as well as from a percentage of Consolidated Excess Cash Flow if the leverage ratio is greater than 3.00 to 1.00, as calculated in accordance with the provisions of the Credit Agreement (the percentage increases if the leverage ratio exceeds 3.50 to 1.00). Certain mandatory prepayments reduce future contractual amortization payments by an amount equal to the mandatory prepayment. No mandatory prepayments were owed for the three months ended September 30, 2018.

The interest rate on the Term B Loans as of September 30, 2018 was 6.39%.

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 nine months ended September 30:

<i>(in thousands)</i>	2018	2017	% Increase (decrease)
Net income adjusted for non-cash items	\$ 59,012	\$ 83,771	(30)
Changes in operating assets and liabilities	(15,362)	(36,642)	58
Cash flows provided by operating activities	43,650	47,129	(7)
Cash flows provided by (used in) investing activities	10,793	(7,485)	244
Cash flows used in financing activities	(54,698)	(74,742)	27
Net decrease in cash, cash equivalents and restricted cash	(255)	(35,098)	99
Cash, cash equivalents and restricted cash at the beginning of the period	108,843	153,421	(29)
Cash, cash equivalents and restricted cash at the end of the period	\$ 108,588	\$ 118,323	(8)

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 nine months ended September 30, 2018, cash flows provided by operating activities were \$43.7 million, or approximately \$0.07 for every dollar of service revenue, compared to cash flows provided by operating activities of \$47.1 million, or approximately \$0.07 for every dollar of service revenue, for the nine months ended September 30, 2017 (\$0.10 for every dollar of service revenue for the third quarter of 2018 and \$0.15 for every dollar of service revenue for the third quarter of 2017). The decrease in cash flows from operations for the nine months ended September 30, 2018, compared to the nine months ended September 30, 2017, was primarily due to lower net income, adjusted for non-cash items, of \$24.8 million, a decrease of 30% compared to the nine months ended September 30, 2017, partially offset by a reduction in cash used for changes in operating assets and liabilities. The decrease in net income, adjusted for non-cash items was primarily driven by lower gross profit in 2018 as a result of decreasing service revenues, which were partially offset a by corresponding reductions in expenses. The decrease in cash used for changes in operating assets and liabilities was principally driven by the \$28.0 million net payment in the prior year period of an accrued litigation settlement and the timing of payments of accounts payable for the nine months ended September 30, 2018, partially offset by a lower decrease in accounts receivable for the nine months ended September 30, 2018 due to service revenue mix and the timing of collections.

Operating cash flows can be negatively impacted because of the nature of some of our services and the mix of services provided. Certain services are performed immediately following or shortly after the referral, but the collection of the receivable does not occur until a specific event occurs (e.g., the foreclosure is complete, the REO asset is sold, etc.). In addition, annual incentive compensation bonuses are typically paid during the first quarter of each year. Consequently, our cash flows from operations may not be comparable from one interim period to another.

Cash Flows from Investing Activities

Cash flows from investing activities for the nine months ended September 30, 2018 consisted of \$15.0 million in proceeds from the sale of the rental property management business to RESI in the third quarter of 2018 and \$4.2 million of cash used for additions to premises and equipment (\$7.5 million for the nine months ended September 30, 2017), primarily related to investments in the development of certain software applications, IT infrastructure and facility improvements.

Cash Flows from Financing Activities

Cash flows from financing activities for the nine months ended September 30, 2018 and 2017 primarily consisted of cash flows associated with debt issuances, repayments, repurchases and debt issuance costs. In addition, financing activities include the purchase of treasury shares, proceeds from stock option exercises, distributions to non-controlling interests and the payment of tax withholdings on issuance of restricted shares and stock option exercises. During the nine months ended September 30, 2018, we used net cash of \$34.0 million to refinance and reduce our debt, including debt issuance costs and repayments and repurchases of long term debt compared to \$48.6 million of repurchases and repayments of long-term debt for the nine months ended September 30, 2017. In addition, during the nine months ended September 30, 2018, we used \$21.8 million to repurchase our common stock (\$25.0 million for the nine months ended September 30, 2017), received proceeds from stock option exercises of \$3.6 million (\$2.1 million for the nine months ended September 30, 2017), and distributed \$1.9 million (\$2.1 million for the nine months ended September 30, 2017) to non-controlling interests. Also during the nine months ended September 30, 2018, we made payments of \$0.6 million (\$1.1 million for the nine months ended September 30, 2017), to satisfy employee tax withholding

obligations on the issuance of restricted shares and stock option exercises. These payments were made to tax authorities, at the employees' direction, to satisfy the employees' tax obligations rather than issuing a portion of vested restricted shares to employees.

Liquidity Requirements after September 30, 2018

Our primary future liquidity obligations pertain to long-term debt repayments and interest expense under the Credit Agreement (see Liquidity section above) and distributions to Lenders One members. During the next 12 months, we expect to make mandatory repayments of \$34.4 million and pay \$24.1 million of interest expense (assuming the current interest rate) under the Credit Agreement and distribute approximately \$2.5 million to the Lenders One members representing non-controlling interests.

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

Contractual Obligations, Commitments and Contingencies

For the nine months ended September 30, 2018, there were no significant changes to our contractual obligations from those identified in our Form 10-K for the fiscal year ended December 31, 2017 and this Form 10-Q, other than those that occur in the normal course of business. See Note 21 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.

See Note 1 to the condensed consolidated financial statements for the Company's critical accounting policy for revenue recognition. Our other critical accounting policies are described in the MD&A section of our Form 10-K for the year ended December 31, 2017 filed with the SEC on February 22, 2018. With the exception of the changes to our revenue recognition policy referenced above, there have been no material changes to our critical accounting policies during the nine months ended September 30, 2018.

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 September 30, 2018, the interest rate charged on the new Term B Loan was 6.39%. The interest rate was calculated based on the Adjusted Eurodollar Rate (as defined in the Credit Agreement) with a minimum floor of 1.00% plus 4.00%.

Based on the principal amount outstanding at September 30, 2018, a one percentage point increase or decrease in the Eurodollar Rate would have increased or decreased our annual interest expense by approximately \$3.9 million, based on the September 30, 2018 Adjusted 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 third quarter of 2018, a one percentage point increase or decrease in value of the Indian rupee in relation to the United States dollar would increase or decrease our annual expenses by approximately \$0.9 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 Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2018, an evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based on this evaluation, such officers have concluded that our disclosure controls and procedures were effective as of September 30, 2018.

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 September 30, 2018, 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.

As previously disclosed, the Company received a Notice and Opportunity to Respond and Advise (“NORA”) letter on November 10, 2016 from the CFPB indicating that the CFPB was considering a potential enforcement action against Altisource relating to an alleged violation of federal law focused on REALServicing and certain other technology services provided to Ocwen, including claims related to the features, functioning and support of such technology. The NORA process provides the recipient an opportunity to present its positions to the CFPB before an enforcement action is recommended or commenced. On December 5, 2016, we provided a written response to the NORA letter setting forth the legal, policy and factual reasons why we believe an enforcement action is not warranted. By letter dated April 3, 2018, the CFPB informed the Company that the investigation of the Company has been completed and the staff of the CFPB’s Office of Enforcement currently does not intend to recommend that the CFPB take enforcement action, and further that the Company is relieved of the document-retention obligations pursuant to the civil investigative process.

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, 2017 filed with the SEC on February 22, 2018, except as discussed in our Form 10-Q for the quarterly period ended June 30, 2018 at Part II, Item 1A.

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 September 30, 2018:

Period	Total number of shares purchased ⁽¹⁾	Weighted average price paid per share	Total number of shares purchased as part of publicly announced plans or programs ⁽²⁾	Maximum number of shares that may yet be purchased under the plans or programs ⁽²⁾
Common stock:				
July 1 – 31, 2018	21,007	\$ 30.93	21,007	4,156,739
August 1 – 31, 2018	—	—	—	4,156,739
September 1 – 30, 2018	—	—	—	4,156,739
	<u>21,007</u>	<u>\$ 30.93</u>	<u>21,007</u>	<u>4,156,739</u>

⁽¹⁾ In addition to the repurchases included in the table above, 5,991 common shares were withheld from employees to satisfy tax withholding obligations that arose from the vesting of restricted shares.

⁽²⁾ On May 15, 2018, our shareholders approved the renewal of the share repurchase program originally approved by the shareholders on May 17, 2017, which replaced the previous share repurchase program and authorizes us to purchase up to 4.3 million shares of our common stock in the open market, subject to certain parameters.

Item 6. Exhibits

Exhibit Number	Exhibit Description
10.1 *†	Mutual Consent to Termination of Employment Agreement and Full Release dated as of August 31, 2018 between Altisource S.à r.l. and Indroneel Chatterjee
10.2 *†	Employment Agreement dated as of September 1, 2018 between Altisource Solutions, Inc. and Indroneel Chatterjee
10.3	Omnibus Amendment to Master Services Agreement, Waiver Agreement, Services Letter and Fee Letter, dated August 8, 2018 among Altisource S.à r.l. and Front Yard Residential Corporation (incorporated by reference to Exhibit 10.1 of the Company’s Form 8-K filed on August 9, 2018)
10.4 *	Fourth Amendment to the Cooperative Brokerage Agreement, dated as of September 11, 2018, between REALHome Services and Solutions, Inc., REALHome Services and Solutions - CT, Inc. and New Residential Sales Corp.
10.5 *†	Settlement Agreement and Full Release dated as of October 16, 2018 between Altisource S.à r.l. and Joseph A. Davila
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 September 30, 2018 is formatted in XBRL interactive data files: (i) Condensed Consolidated Balance Sheets at September 30, 2018 and December 31, 2017; (ii) Condensed Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2018 and 2017; (iii) Condensed Consolidated Statements of Equity for the nine months ended September 30, 2018 and 2017; (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017; and (v) Notes to Condensed Consolidated Financial Statements.

* 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: October 25, 2018

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)

MUTUAL CONSENT TO TERMINATION OF EMPLOYMENT AGREEMENT AND FULL
RELEASE

This Mutual Consent to Termination of Employment Agreement and Full Release (the “Agreement”), dated as of August 31, 2018 is by and between Indroneel Chatterjee, residing at L-1368 Luxembourg, 40, rue du Curé (“Executive”) and Altisource S.à r.l., with registered offices at 40, avenue Monterey, L-2163 Luxembourg and registered at the Luxembourg Trade and Companies Register under number B. 147.268 (the “Company” which, together with any successor entities, parent companies, subsidiaries and affiliates, including Altisource Portfolio Solutions S.A. (“ASPS”), are collectively referred to as “Altisource”). Executive and Company may be referred to herein collectively as the “Parties”.

Whereas:

- Executive is employed by the Company by virtue of an employment contract dated August 3, 2017 with a Commencement Date of October 5, 2017 (the “Employment Contract”);
- The parties have mutually agreed that the Executive resigns from his position as Chief Financial Officer effective August 31, 2018 as he has accepted a new position and role within Altisource in the United States, effective September 1, 2018;
- Executive and the Company wish to settle immediately and definitely any dispute between Executive and Altisource particularly in respect of Executive’s employment and document the termination by mutual consent between the parties.

In consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. The Parties agree and acknowledge that Executive’s employment with the Company will end at midnight on August 31, 2018 (the “Separation Date”). Except for any consideration set forth in paragraph 4, the Executive acknowledges having received any and all payments arising out of the Employment Contract, included but not limited to salary, bonus payments (contractual or not), premiums, over-time payments, severance payments, holidays entitlements, reimbursement of professional costs, dividend payments, variable remuneration, benefits under the supplementary pension scheme, the insurance coverage, etc.
2. Executive will exercise his functions in a competent, professional and cooperative manner through the Separation Date and ensure the identification, location and transfer of all files and materials, electronic or otherwise, prior to the completion of his duties and responsibilities.

3. Both Parties agree that there are no disagreements with regard to Altisource's financial results, business practices, internal controls or financial reporting.
4. Following execution of this Agreement by both Parties and contingent upon (a) the Company's receipt of the executed Agreement and (b) Executive's compliance with and satisfaction of all of the obligations set forth in paragraph 2 of the present Agreement, the Company shall:
- (i) Pay Executive the base contractual salary until the Separation Date;
 - (ii) Pay for the reasonable costs to transport Executive's household goods to the United States (one cargo container of up to 40 feet), but only if such transportation takes place no later than October 1, 2018 and limited to an amount not to exceed Twenty Thousand United States Dollars (US\$20,000));
 - (iii) Provide Luxembourg tax preparation and filing services, by Company's provider of choice, for the 2018 tax year.
5. Executive hereby (i) waives any and all rights to salary, incentive compensation and other benefits, whether earned or unearned, and whether due or to become due, from Altisource except for any amounts set forth in paragraph 4 and base salary owed for the period worked through the Separation Date; (ii) except as set forth in paragraph 4 above, waives any and all claims, actions, dues and means in relation to the termination, to any equity-based compensation granted, except if provided differently in that certain employment agreement governing his employment with an Altisource entity based in the United States dated as September 1, 2018, allocated, assigned or otherwise attributed to the Executive prior to the date of this Agreement (whether vested or unvested) from Altisource, including any equity-based compensation that purports to give the Executive the right to benefit from or participate in the appreciation or increase in value of, or profits or dividends from, any division, business unit or other sub-division of Altisource, including without limitation, any award granted, allocated, assigned or otherwise attributed to the Executive; and (iii) fully and forever releases and discharges from liability, and covenants not to sue Altisource or its officers, directors, managers, employees, counsel and agents and representatives of any sort, both present and former, for any and all claims, damages, actions and causes of action, arising from the beginning of time until the execution of the Agreement by Executive, whether in contract, tort, negligence or otherwise, in law or in equity, of every nature which Executive may ever have had, or now has, which are known or may subsequently be discovered by Executive arising out of, in connection with or related to Executive's recruitment, hiring, employment with Altisource and/or separation from employment with Altisource, the acts or omissions of Altisource, including but not limited to any contracts, agreements and promises, written and oral; any and all claims of discrimination on account of sex, race, age, disability, color, national origin, religion, veteran status, marital status or sexual orientation and claims or causes of action based upon any equal employment opportunity laws, ordinances, regulations or orders, including but not limited to the regulations provided for in the Luxembourg Labour Code, the Luxembourg Civil Code, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Rehabilitation Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act, the Genetic Information Nondiscrimination Act and any other applicable antidiscrimination statutes whether under United States or Luxembourg law; claims for

wrongful termination actions of any type; (such as claim for indemnity for non-pecuniary loss “*indemnité pour préjudice moral*”, indemnity for material injury “*indemnité pour préjudice matériel*”, indemnity for improper nature of the dismissal procedure “*indemnité pour licenciement irrégulier pour vice de forme*”), compensation or reinstatement in the event of nullity of the resignation, compensatory allowance for notice period “*indemnité compensatoire de préavis*”, and severance pay “*indemnité de départ*”), breach of express or implied covenant of good faith and fair dealing; intentional or negligent infliction of emotional distress; intentional or negligent failure to supervise, train, hire or dismiss; claims for fraud, misrepresentation, libel, slander or invasion of privacy and claim on salary arrears or overtime payment, compensation for legal or contractual holidays not taken by Executive, reimbursement of expenses, bonuses, commissions or premiums, entertainment expenses, options, warrants, relocation costs, contributions in a supplementary pension plan, other elements of the remuneration or salary, damages, allocation portion of profits, special advantages, etc, without exception nor reservation.

6. Executive shall not, individually or in concert with one or more persons, at any time and for a minimum duration of sixty (60) months as of the execution date of the present agreement, or by any means whatsoever, directly or indirectly, disclose, communicate, make public, declare, transmit, convey, communicate, verbalize or publicize in any manner, to any entity or person, any problems, issues, complaints, concerns, disputes, disagreements, conflicts, controversies or differences of opinion, actual or perceived, Executive has, had or may have with Protected Persons (defined below), any information of a confidential nature with regard to the Protected Persons, or the operations, policies, decisions, practices, filings, disclosures, business conduct or culture of the Protected Persons. Executive shall not, individually or in concert with one or more persons, at any time and for a minimum duration of sixty (60) months as of the execution date of the present agreement, or by any means whatsoever, directly or indirectly, make any disclosure, communication, declaration, transmission, verbalization or publication to any entity or person or take any action which is intended or could reasonably be expected to: (i) harm, disparage or impugn the character, honesty, integrity of business acumen, reputation, standing, names, marks or status of any Protected Persons, or (ii) lead to unwanted publicity for any Protected Persons. Notwithstanding the foregoing, nothing in this paragraph or elsewhere in this Agreement shall prohibit Executive from making any statement or disclosure required by law. Prior to making any required disclosure, Executive shall provide the Altisource Chief Legal and Compliance Officer with written notice of the specific anticipated statement or disclosure no less than five (5) business days prior to making such statement or disclosure, and shall cooperate with Altisource in objecting to and in making such statement or disclosure (or refraining from making such anticipated statement or disclosure if unable to satisfactorily resolve such objections in Altisource’s sole discretion). None of the foregoing restrictions shall apply to communications between Executive and his attorney and/or immediate family. Executive shall be responsible for assuring that his family and his attorney comply with the commitments of this paragraph. A breach by Executive’s family or his attorney will be considered a breach by Executive. The term “Protected Persons” shall mean Altisource, its contractors, vendors, business partners, or clients, and the employees, officers, managers, directors, consultants and shareholders, past or present, of the foregoing.

7. Executive represents and covenants that he has not and will not remove from the Company premises any item belonging to Altisource, including files (neither hard nor soft), Confidential Information (as defined below), or office equipment. On or before the Separation Date (or earlier date decided by the Company in its sole discretion), Executive shall provide a complete written accounting of, and shall return to the Company, and shall delete from all of his devices, all Altisource property in his possession or under his control, including but not limited to, all Confidential Information, intellectual property, iPhone, blackberry, laptop, documents and disks, equipment, keys (physical or electronic), key cards and passes and demonstrate the same to Company's satisfaction. Documents and disks shall include but not be limited to correspondence, files, emails, SMS messages, WhatsApp messages, electronic messages on any other platform which constitute Altisource property, memos, reports, minutes, plans, records, surveys, software, diagrams, computer print-outs, floppy disks, manuals, customer documentation or any other medium for storing information regardless of whether such items constitute or contain Confidential Information or not. Executive has not and will not disclose, use or retain any copies of any Confidential Information and/or trade secrets of Altisource and shall cooperate with Altisource in the removal of all Confidential Information from all devices owned or controlled by Executive. Executive shall keep all Confidential Information confidential and not disclose or use the Confidential Information for any purpose, or divulge or disclose that Confidential Information to any person. Any breach, even minimal, of these obligations may constitute a serious offence, which may trigger a claim that may be exercised on the basis of civil, and/or criminal law. As used in this Agreement, "Confidential Information" means information: (i) disclosed to or known by Executive as a consequence of or through his employment and / or directorship with Altisource; (ii) not generally known outside Altisource; and (iii) which relates to any aspect of Altisource or its business or prospective business. By example and without limitation, Confidential Information includes, but is not limited to, any and all information of the following or similar nature, whether transmitted verbally, electronically or in writing: strategies; models; business plans, operations, expenses, customers, competitors and forecasts; customer, pricing, and financial information; budgets; methodologies; computer code and programs; compilations of information; reports; records; compensation and benefit information; customer, vendor, and supplier identities and characteristics; copyright, service mark and trademark registrations and applications; patents and patent applications; licenses; agreements; unique and special methods; techniques; procedures; processes; routines; formulas; know-how; trade secrets; innovations; inventions; discoveries; improvements; research proposals, development, test results or papers; specifications; technical data and/or information; software; sales figures; files; marketing plans; information provided to Altisource by a third party under restrictions against disclosure or use by Altisource or others; information designated secret or confidential by Altisource; and information of which unauthorized disclosure could be detrimental to the interests of Altisource or its shareholders, directors, officers, employees, agents, representatives, successors or assigns, whether or not such information is identified as confidential information by Altisource. Executive acknowledges that during his time of employment he has been provided access to Confidential Information and Altisource's clients, employees, customers and others with whom Altisource has formed valuable business arrangements. Executive shall not, for a period of sixty (60) months commencing on the date of this Agreement, directly or indirectly: (i) take any action that would interfere with, diminish or impair

the valuable relationships that Altisource has with its clients, employees, customers, vendors, consultants and others with which Altisource has business relationships or to which services are rendered; (ii) recruit or otherwise solicit for employment or induce to terminate Altisource's employment of or consultancy with, any person (natural or otherwise) who is or becomes an employee or consultant of Altisource, or hire any such employee or consultant who has left the employ of Altisource within twenty-four (24) months after the termination or expiration of such employee's or consultant's employment with Altisource, as the case may be; (iii) solicit or attempt to solicit any business from any of Altisource's present customers, or actively sought prospective customers, with whom Executive had material contact for purposes of providing products or services that are competitive with those provided by Altisource: provided that "material contact" is agreed to exist between Executive and each customer or potential customer: (a) with whom Executive dealt; (b) whose dealings with Altisource were coordinated or supervised by Executive; or (c) about whom Executive obtained Confidential Information in the ordinary course of business as a result of his association with Altisource; or (iv) assist, cause or authorize, directly or indirectly, any other person, partnership, association, corporation or other entity that Executive is employed by, consults with, obtains an ownership interest in, or in which he is materially involved in any manner as to the ownership, management, operation, or control of to engage in any of the foregoing. For a period of sixty (60) months commencing on the date of this Agreement, Executive will not, in any manner, directly or indirectly, alone or in cooperation with any other party, including without limitation any current or future shareholder of ASPS: (i) make, effect, initiate, cause or participate in (a) any acquisition of beneficial ownership of any equity or debt securities of ASPS, the Company or any securities of any of their subsidiaries or other affiliates (other than the as permitted in that certain employment agreement governing his employment with an Altisource entity based in the United States dated as of the date hereof), (b) any acquisition of any assets of ASPS, the Company or any assets of any of their subsidiaries or other affiliates, or (c) any tender offer, exchange offer, merger, business combination, recapitalization, restructuring, liquidation, dissolution or extraordinary transaction involving the ASPS, the Company or any any of their subsidiaries or other affiliates, or involving any securities or assets of ASPS, the Company or any securities or assets of any of their subsidiaries or other affiliates; (ii) propose or seek, whether alone or in concert with others, any "solicitation" (as such term is used in the rules of the Securities and Exchange Commission) of proxies or consents to vote any securities of ASPS, nominate or propose the election of any person as a director of ASPS, or propose any other matter to be voted upon by the stockholders of ASPS; (iii) form, join or participate in a "group" (as defined in the Securities Exchange Act of 1934 and the rules promulgated thereunder) (or discuss with any third party the potential formation of a group) with respect to any equity or debt securities of ASPS, the Company or any securities of any of their subsidiaries or other affiliates; (iv) agree or offer to take, or encourage or propose (publicly or otherwise) the taking of, any action referred to in clauses "(i)", "(ii)" or "(iii)" of this sentence; (v) assist, induce or encourage any other Person to take any action referred to in clauses "(i)", "(ii)" or "(iii)" of this sentence, including by providing any Confidential Information of Altisource to any other party; (vi) enter into any discussions or arrangements with any third party with respect to the taking of any action referred to in clauses "(i)", "(ii)" or "(iii)" of this sentence; or (vii) request Altisource (or any of

its managers, officers, Management Committee members or directors), directly or indirectly, to amend or waive any provision of this paragraph.

Any breach, even minimal, of these obligations shall constitute a serious offence, which may trigger a claim that may be exercised on the basis of civil, and/or criminal law.

8. Executive shall not, either directly or indirectly, disclose, discuss or communicate to any entity or person, except his attorney and/or his immediate family, any information whatsoever regarding the negotiations leading to this Agreement, unless he is compelled to disclose such information pursuant to legal process, and only then after reasonable notice to the Company. Executive shall be responsible for assuring that his family and his attorney comply with the nondisclosure commitments of this paragraph. A breach by Executive's family or his attorney will be considered a breach by Executive.

Any Prohibited Action(s) by others who have learned the information from Executive will subject Executive to an action for breach of this Agreement. As used herein, "Prohibited Action" shall mean any action which is a violation of the obligations imposed on Executive under this Agreement.

9. It is the intention of the Parties hereto that all questions with respect to the construction of this Agreement and the rights and liabilities of the Parties hereunder shall be determined in accordance with the laws of the Grand Duchy of Luxembourg. Any dispute with respect to the construction of this Agreement and the rights and liabilities of the Parties hereunder will be brought before the courts and tribunals in the district of Luxembourg City. Notwithstanding the foregoing, Executive irrevocably and unconditionally agrees that any action commenced by Altisource for preliminary and permanent injunctive relief or other equitable relief under this Agreement, may also be brought in a United States District Court or, if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the United States.

10. Subject to the following sentence, this Agreement sets forth all the promises and agreements between them and supersedes all prior and contemporaneous agreements, understandings, inducements or conditions, express or implied, oral or written, except as contained herein. Notwithstanding any term contained herein, Executive acknowledges and reaffirms his obligations in the Employee Intellectual Property Agreement and understands that those obligations remain effective following his separation from the Company.

11. Both Parties acknowledge that they have had the opportunity to freely consult, if they so desire, with attorneys of their own choosing prior to signing this document regarding the contents and consequences of this document. The Parties understand that the payment and other matters agreed to herein are not to be construed as an admission of or evidence of liability for any violation of the law, willful or otherwise, by any person or entity.

12. Executive fully understands the terms and contents of this Agreement and voluntarily, knowingly and without coercion enters into this Agreement.

13. Each Party executes this Agreement in good faith.

14. The construction of the covenants contained herein shall be in favor of their reasonable nature, legality, and enforceability, in that any reading causing unenforceability shall yield to a construction permitting enforceability. If any single covenant or clause shall be found unenforceable, it shall be severed and the remaining covenants and clauses enforced in accordance with the tenor of this Agreement. In the event a court should determine not to enforce a covenant as written due to overbreadth, said covenant shall be enforced to the extent reasonable, whether said revisions be in time, territory or scope of prohibited activities.

15. This Agreement is made in two originals, each Party acknowledging having received one original.

[Signatures appear on the following page]

IN WITNESS WHEREOF, the Parties hereby voluntarily and knowingly enter into this Agreement.

ATTEST:

By: /s/ Gregory J. Ritts

Gregory J. Ritts

By: /s/ Indroneel Chatterjee

Indroneel Chatterjee

ALTISOURCE S.À R.L.

By: /s/ William B. Shepro

William B. Shepro
Manager

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the “Agreement”) is to be effective as of September 1, 2018 (the “Effective Date”), by and between Indroneel Chatterjee (“Executive”) and Altisource Solutions, Inc., the “Company”) (together the “Parties”).

INTRODUCTION

The Company and the Executive desire to enter into this Agreement pursuant to which the Company will employ the Executive.

AGREEMENT

NOW, THEREFORE, the parties agree as follows:

1. Terms and Conditions of Employment.

(a) Employment. During the Term, the Company will employ the Executive, and the Executive will serve as a Senior Vice President, New Business Initiatives of the Company on a full-time basis and will have only such responsibilities and perform such activities as assigned by the Chief Executive Officer, Chief Administration and Risk Officer, Chief Legal and Compliance Officer, Executive Vice President Finance (each a “Designee”). The Executive’s employment shall be based at a mutually agreed location in the Eastern Standard Time zone of the United States of America.

(b) Exclusivity. Throughout the Executive’s employment hereunder, the Executive shall devote substantially all of the Executive’s time, energy and skill during regular business hours to the performance of the duties of the Executive’s employment, shall faithfully and industriously perform such duties and shall diligently follow and implement all lawful management policies and decisions of the Company. The Executive shall give his duties to the Company first priority. Other than with regard to the Executive’s duties to the Company, the Executive shall not accept any other employment during the Term, perform any consulting services during the Term, or serve on the board of directors or governing body of any other business or entity, except with the prior written consent of the Board of Directors.

(c) The Executive shall be subject to and comply with all Company policies and procedures, including but not limited to the Code of Business Conduct and Ethics attached as Exhibit A, as it may be amended.

2. Compensation.

(a) Base Salary. The Company shall pay the Executive a monthly base salary of Thirty Nine Thousand Five Hundred Eighty Three Dollars (\$39,583.00). The monthly base salary shall be payable in equal installments, in accordance with the Company’s regular payroll practices.

(b) Expenses. The Executive shall only be entitled to be reimbursed for reasonable and necessary expenses incurred by the Executive in connection with the performance of the Executive’s duties of employment hereunder and in accordance with Company policy; provided, however, the Executive shall,

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Executive

as a condition of such reimbursement, obtain approval from and submit verification of the nature and amount of such expenses to a Designee prior to incurring such expenses.

(c) Restricted Share Awards. The Executive shall be entitled to the 19,533 restricted shares granted pursuant to the Restricted Share Award Agreement dated Oct. 5, 2017 (the “2017 Award”), subject to the terms of the applicable award agreement.

(d) Restricted Stock Awards. The Executive will be eligible to continue to participate in the Restricted Stock Award Agreement dated February 12, 2018 (the “2018 Award”), subject to the terms of the applicable award agreement.

(e) No Other Incentive Compensation. The Executive shall not be entitled to any other incentive compensation, including without limitation, bonus, equity grants and awards, AIP, LTIP participation any other incentive plan, except as set forth in Section 3(c) hereof, regardless of the terms of any such plan or program.

(f) Tax Withholding Obligations. All payments pursuant to this Agreement shall be reduced for any applicable state, local, or federal tax withholding obligations.

3. Term, Termination and Termination Payments.

(a) Term. The term of this Agreement shall begin as of the Effective Date and shall continue until the earlier of (i) August 31, 2019, or (ii) the termination of this Agreement and the employment of the Executive under section 3(b) hereof.

(b) Termination. This Agreement and the employment of the Executive by the Company hereunder shall only be terminated: (i) by the Company or the Executive due to the Disability of the Executive; (ii) by the Company for Cause; (iii) by the Executive, upon at least forty-five (45) days prior written notice to the Company (the “Executive Notice Period”); or (iv) upon the death of the Executive. Notice of termination by any party shall be given prior to termination in writing and shall specify the basis for termination and the effective date of termination.

(c) Payment upon Expiration of Agreement or upon Executive’s Termination of Employment Pursuant to Section (3)(b)(iii).

(i) Payment upon Expiration of Agreement. If Executive remains employed by the Company through the expiration of this Agreement, the Executive’s employment with the Company shall automatically cease and, provided that the Executive has fully complied with the terms of this Agreement and signs and delivers to the Company the release set forth in Section 3(d) hereof, and does not revoke such release:

(A) the Executive shall be entitled to receive retention payment pay, in an amount equal to Two Hundred Thirty-Seven Thousand Five Hundred Dollars (\$237,500) (less deduction for withholdings, including, without limitation, federal and state withholding taxes and payroll taxes), which will be paid pursuant to Section 3(d);

(B) the Executive shall be entitled to retain such restricted shares granted pursuant to the 2017 Award, at which time the continued employment conditions on the shares subject to the 2017 Award shall be deemed waived. The Executive may not transfer or otherwise pledge or assign any interest in such shares until the applicable vesting date set forth in the 2017 Award; and

(C) the Executive shall be entitled to retain such restricted shares granted pursuant to the 2018 Award, which would have vested through February 12, 2020 at which time the continued employment conditions on those shares shall be waived. Any shares which would not have otherwise vested by February 12, 2020 shall be immediately forfeited and shall thereupon terminate. Notwithstanding the waiver of the continued employment conditions through February 12, 2020, on the shares subject to the 2018 Award, the Executive may not transfer or otherwise pledge or assign any interest in such shares until the applicable vesting date set forth in the 2018 Award.

(ii) Payment upon Executive's Termination of Agreement Pursuant to Section 3(b)(iii). If Executive gives notice of his termination of employment pursuant to Section 3(b)(iii) and remains employed through the Executive Notice Period, the Executive's employment with the Company shall cease as of the end of the Executive Notice Period and, provided that the Executive has fully complied with the terms of this Agreement and signs and delivers to the Company the release set forth in Section 3(d) hereof, and does not revoke such release:

(A) the Executive shall be entitled to receive the consideration set forth in Sections 3(c)(i)(A) through and 3(c)(i)(C) above; and

(B) the Executive shall be entitled to receive an amount equal to the lesser of:
(x) six times the monthly base salary set forth in Section 2(a) above, or (y) the number of months remaining in the term prior to its date of expiration (i.e., August 31, 2019) multiplied by the monthly base salary set forth in Section 2(a) above.

(d) Release and Forfeiture. Executive agrees that Executive shall be entitled to the benefits and pay as set forth in this Section 3 only if Executive executes a separation agreement at the expiration or termination of this Agreement which agreement shall include certain restrictive covenants and release of all claims against the Company and related entities and persons in such form as the Company may prescribe that has become effective and irrevocable in accordance with its terms within thirty (30) days after such termination of employment (the "Release Condition"). Payments of the cash retention payment set forth in Subsection (c) hereof shall be made in one lump sum within thirty (30) days following satisfaction of the Release Condition, but if the thirty (30)-day period following termination of Executive's employment spans two (2) calendar years, in no event will payments or benefits that constitute "deferred compensation" within the meaning of Code Section 409A be paid prior to the first day of such second calendar year. In addition, the Executive must deliver to the Company, within two (2) business days after signing a release of all claims, either cash or a certified check payable to the Company in the amount of all tax withholding obligations (whether federal, state or local) imposed on the Company by reason of the waiver of the continued employment requirement for the 2017 Award and partial waiver of the continued employment requirement for the 2018 Award, unless the Executive makes the election set forth in Section 3(e). A failure on the part of the Employee to provide for the satisfaction of the tax withholding obligations within two (2) business days of the effective date of the release set forth in this Subsection (d) shall result in a forfeiture of the shares under the 2017 Award and 2018 Award for which the continued employment requirements would have otherwise been waived but for the failure to satisfy applicable tax withholding obligations, unless the Executive has made the Alternative Withholding Election set forth in Subsection (e) hereof.

(e) Alternative Withholding Election. In lieu of paying the withholding tax obligations in cash or by certified check as required by Section 3(d), Executive may make in the release described in Subsection (d) hereof, an irrevocable election (the "Withholding Election") to have the actual number of shares of common stock subject to the 2017 Award and 2018 Award for which the continued employment requirement is waived pursuant to Subsection (d) hereof, reduced by the smallest number of whole shares of such common stock which, when multiplied by the fair market value of the such common stock, determined as of the effective date of such release referred to in Subsection (d) hereof, is sufficient to satisfy the amount

of the tax withholding obligations imposed on the Company by reason of the waiver of the continued employment requirement under the 2017 Award and the partial waiver of the continued employment requirement under the 2018 Award.

(f) Separation from Service. References to termination of employment or similar terms hereunder shall mean a “separation from service” within the meaning of Code Section 409A.

4. Ownership and Protection of Proprietary Information; Other Obligations to Company.

(a) Confidentiality. All Confidential Information and Trade Secrets and all physical embodiments thereof received or developed by the Executive while employed by the Company are confidential to and are and will remain the sole and exclusive property of the Company. Except to the extent necessary to perform the duties assigned by the Company hereunder, the Executive shall hold such Confidential Information and Trade Secrets in trust and strictest confidence, and shall not use, reproduce, distribute, disclose or otherwise disseminate the Confidential Information and Trade Secrets or any physical embodiments thereof and may in no event take any action causing or fail to take the action necessary in order to prevent, any Confidential Information and Trade Secrets disclosed to or developed by the Executive to lose its character or cease to qualify as Confidential Information or Trade Secrets.

(b) Return of Company Property. Upon request by the Company, and in any event upon termination of this Agreement for any reason, as a prior condition to receiving any final compensation hereunder (including any payments pursuant to Section 3 hereof), the Executive shall promptly deliver to the Company all property belonging to the Company, including, without limitation, all Confidential Information and Trade Secrets (and all embodiments thereof) then in the Executive’s custody, control or possession.

(c) Survival. The covenants of confidentiality set forth herein shall apply on and after the date hereof to any Confidential Information and Trade Secrets disclosed to the Executive or developed or obtained by the Executive, or to which the Executive had access, while employed or engaged by the Company prior to or after the date hereof. The covenants restricting the use of Confidential Information and Trade Secrets shall continue to apply following termination of the Executive’s employment or termination of this Agreement for so long as permitted by the governing law.

(d) Employee Intellectual Property Agreement. The Executive shall execute the Employee Intellectual Property Agreement attached as Exhibit B hereto (the “Employee Intellectual Property Agreement”) and return it to the Company on or before the Effective Date. The Executive shall be bound by the Employee Intellectual Property Agreement as well as by the provisions of this Agreement. The provisions of the Employee Intellectual Property Agreement shall survive the Executive’s termination of employment and termination of this Agreement.

(a) Other Obligations to Company. During the term of this Agreement and for a period of sixty (60) months thereafter, the Executive shall not, in any manner, directly or indirectly, alone or in cooperation with any other party, including without limitation any current or future shareholder of Altisource Portfolio Solutions S.A. (“ASPS”): make, effect, initiate, cause or participate in (i) any acquisition of beneficial ownership of any equity or debt securities of ASPS, the Company or any securities of any of their subsidiaries or other affiliates (other than the restricted shares from the 2017 Award and the 2018 Award), (ii) any acquisition of any assets of ASPS, the Company or any assets of any of their subsidiaries or other affiliates, or (iii) any tender offer, exchange offer, merger, business combination, recapitalization, restructuring, liquidation, dissolution or extraordinary transaction involving the ASPS, the Company or any of their subsidiaries or other affiliates, or involving any securities or assets of ASPS, the Company or any securities or assets of any of their subsidiaries or other affiliates; propose or seek, whether alone or in concert with others, any “solicitation” (as such term is used in the rules of the Securities and Exchange Commission) of

proxies or consents to vote any securities of ASPS, nominate or propose the election of any person as a director of ASPS, or propose any other matter to be voted upon by the stockholders of ASPS; form, join or participate in a "group" (as defined in the Securities Exchange Act of 1934 and the rules promulgated thereunder) (or discuss with any third party the potential formation of a group) with respect to any equity or debt securities of ASPS, the Company or any securities of any of their subsidiaries or other affiliates; agree or offer to take, or encourage or propose (publicly or otherwise) the taking of, any action referred to in clauses "(i)", "(ii)" or "(iii)" of this sentence; assist, induce or encourage any other Person to take any action referred to in clauses "(i)", "(ii)" or "(iii)" of this sentence, including by providing any Confidential Information of Company or ASPS to any other party; enter into any discussions or arrangements with any third party with respect to the taking of any action referred to in clauses "(i)", "(ii)" or "(iii)" of this paragraph; or request Altisource (or any of its managers, officers, management committee members or directors), directly or indirectly, to amend or waive any provision of this paragraph.

5. Non-Solicitation Provisions.

(a) The Executive agrees that during the Applicable Period, he shall not, either directly or indirectly, on his own behalf or in the service of or on behalf of others solicit any individual or entity which is an actual or, to his knowledge, was within the then preceding six (6) months of his employment with the Company an actively sought prospective customer, preferred investor or vendor of the Company or an Affiliate, for the purpose of offering services of the general type offered by, or competitive with those offered by, the Company or an Affiliate, or otherwise competing with the Company or an Affiliate with respect to the Business of Altisource in the Area.

(b) The Executive agrees that during the Applicable Period, he shall not, either directly or indirectly, on his own behalf or in the service of or on behalf of others, solicit for employment or consulting services, or hire or engage, any person who is an employee of the Company or an Affiliate or was an employee of the Company or an Affiliate within six (6) months before the date of such solicitation, hiring or engagement (other than employees terminated by the Company or an Affiliate); provided that general advertisements for employment directed to the general population shall not be deemed to constitute solicitation for employment.

(c) The Executive agrees that during his employment and thereafter, he shall not make any statement (written or oral) that could reasonably be perceived as disparaging to the Company or any person or entity that he reasonably should know is an Affiliate of the Company.

(d) In the event that this Section 5 is determined by a court which has jurisdiction to be unenforceable in part or in whole, the court shall be deemed to have the authority to revise any provision to the minimum extent necessary to be enforceable to the maximum extent permitted by law.

(e) The provisions of this Section 5 shall survive the Executive's termination of employment and termination of this Agreement.

6. Remedies and Enforceability.

The Executive and the Company agree that the covenants, agreements and representations contained in Sections 4 and 5 hereof are reasonable and necessary to protect and preserve the legitimate business interests, goodwill and other property of the Company, among other reasons, that irreparable loss and damage will be suffered by the Company should the Executive breach any of such covenants and agreements; that each of such covenants and agreements is separate, distinct and severable not only from the other of such covenants and agreements but also from the other and remaining provisions of this Agreement; that the unenforceability of any such covenant or agreement shall not affect the validity or enforceability of any other such covenant or agreements or any other provision or provisions of this Agreement; and that, in

addition to other remedies available to it, including, without limitation, termination of the Executive's employment for Cause and claims for damages, the Company shall be entitled to seek temporary, preliminary and permanent injunctions to prevent a breach or threatened breach by the Executive of any of such covenants or agreements.

7. Notice.

All notices, consents, waivers, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given: (a) when delivered, if delivered by hand (with written confirmation of receipt), (b) when received by the addressee, if sent by an internationally recognized overnight delivery service (receipt requested), and (c) when sent by facsimile, on the day of the facsimile transmission as set forth in a facsimile delivery confirmation, in each case to the appropriate addresses set forth below (or to such other addresses as a party may designate by written notice to the other parties:

If to the Company:
Law and Compliance Department
Altisource Solutions, Inc.
1000 Abernathy Road NE
Suite 200
Atlanta, Georgia 30328

with copies to:

Chief Administration Officer
Altisource Portfolio Solutions, S.A.
40, Avenue Monterey
L-2163 Luxembourg

Chief Executive Officer
Altisource Portfolio Solutions, S.A.
40, Avenue Monterey
L-2163 Luxembourg

If to the Executive:

Indroneel Chatterjee
[Address]

[with a copy to:]

Notices delivered in person shall be effective on the date of delivery. Notices delivered by mail as aforesaid shall be effective upon the fourth calendar day subsequent to the postmark date thereof.

8. Miscellaneous.

(a) Assignment. The rights and obligations of the Company under this Agreement shall inure to the benefit of the Company's successors and assigns. In the event the Company assigns this Agreement as permitted by this Agreement, such agreement shall be by novation, Altisource shall have no further liability hereunder, and if the Executive remains employed by the assignee, the "Company" as defined herein shall

refer to the assignee and the Executive shall not be deemed to have terminated his employment hereunder until the Executive terminates his employment with the assignee. The Executive may not assign this Agreement.

(b) Waiver. The waiver of any breach of this Agreement by any party shall not be effective unless in writing, and no such waiver shall constitute the waiver of the same or another breach on a subsequent occasion.

(c) Expenses. Except as otherwise expressly provided in this Agreement, each party will bear its own expenses incurred in connection with the preparation, execution, and performance of this Agreement, including all fees and expenses of agents, representatives, counsel, and accountants.

(d) Arbitration.

(i) Executive and Company agree to arbitrate any controversy or claim arising out of this Agreement or otherwise relating to Employee's employment by Company or the cessation of such employment for any reason (including, but not limited to, disputes over compensation or bonuses; any claims of breach of contract or wrongful termination; any claims of age, sex, race, disability or other discrimination or retaliation pursuant to any federal, state or local law or regulation, including without limitation the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990), the New York State Human Rights Law, and the New York City Human Rights Law; any claims arising any federal, state or local wage payment statutes, rules or regulations; any claims arising any federal, state or local statutes, rules or regulations that prohibit retaliation by an employer in response to an employee's engaging in activities protected by such statute, rule or regulation; any claims arising any federal, state or local medical or family leave, military service, or jury service statutes, rules or regulations; or any other applicable federal, state or local law).

(ii) Any controversy or claim described in Subsection (d) shall be fully and finally resolved in confidential, binding arbitration to the fullest extent permitted by law. Such arbitration proceeding shall take place in the State of New York, City of New York, before a single arbitrator in accordance with the National Rules for the Resolution of Employment Disputes ("Employment Rules") of the American Arbitration Association ("AAA") or any rules issued by the AAA to replace or revise the Employment Rules. The arbitrator may grant specific performance in addition to monetary damages. The arbitrator shall not have the authority to modify or change any of the terms of this Agreement. Notwithstanding any provision of the Employment Rules to the contrary, Employee and Company shall each be responsible for paying, respectively, his or its own attorney's fees and costs in such arbitration to the fullest extent permitted by law. The arbitrator's award shall be final and binding upon the parties.

(iii) Notwithstanding the foregoing, Company shall have the right to, and be permitted to, seek and obtain interim injunctive relief from a court of competent jurisdiction to enforce Section 6 of this Agreement pending a final judgment confirming a final arbitration award.

(iv) If any portion of this arbitration provision is determined by a court of competent jurisdiction to be unenforceable, such determination will not affect the remainder of this arbitration provision.

(e) Choice of Law/Personal Jurisdiction.

(i) This Agreement shall be deemed to be made and performed in, and shall be governed and construed in accordance with the laws of the State of New York and of the United States of

America, as applicable, without regard to conflicts of laws provisions, provided that any dispute regarding the enforcement of Section 6 or any arbitration award shall be governed by the Federal Arbitration Act to the extent applicable.

(ii) Company and Employee agree that any judicial proceeding in connection with (I) an arbitration pursuant to Subsection (d) hereof, including any proceeding to obtain interim relief in aid of arbitration pursuant to Section 6 (c) or otherwise, and any proceeding to confirm, enforce, modify or vacate an arbitration award, or (II) any claim or controversy arising under this Agreement or the employment relationship between the parties that is alleged (expressly or implicitly) not to be subject to arbitration, shall, to the fullest extent permitted by law, exclusively be brought in a state or federal court located in New York County, New York. In furtherance of this forum selection agreement, Company and Employee each: (i) irrevocably submits to the personal jurisdiction of such courts; (ii) waives and agrees not to assert, by way of motion, as a defense or otherwise, in any such suit, action or proceeding, any claim that (A) Employee or Company is not subject personally to the jurisdiction of the above-named courts, (B) the suit, action or proceeding is brought in an inconvenient forum, (C) the venue of the suit, action or proceeding is improper, or (D) this Agreement or the subject matter hereof may not be enforced in or by such court; and (iii) waives, and agrees not to seek, any review by a court in another jurisdiction that may be called upon to enforce the judgment of any of the above-referenced courts.

(f) Entire Agreement. This Agreement embodies the entire agreement of the parties hereto relating to the subject matter hereof and supersedes all oral agreements, and to the extent inconsistent with the terms hereof, all other written agreements. Notwithstanding the foregoing, this Agreement does not supersede the Employee Intellectual Property Agreement.

(g) Amendment. This Agreement may not be modified, amended, supplemented or terminated except by a written instrument executed by the parties hereto.

(h) Severability. Each of the covenants and agreements hereinabove contained shall be deemed separate, severable and independent covenants, and in the event that any covenant shall be declared invalid by any court of competent jurisdiction, such invalidity shall not in any manner affect or impair the validity or enforceability of any other part or provision of such covenant or of any other covenant contained herein.

(i) Captions and Section Headings. Except as set forth in Section 10 hereof, captions and section headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

(j) Waiver of Jury Trial. THE PARTIES HERETO HEREBY KNOWINGLY AND VOLUNTARILY WAIVE ANY RIGHT WHICH EITHER OR BOTH OF THEM MAY HAVE TO RECEIVE A TRIAL BY JURY WITH RESPECT TO ANY CLAIMS, CONTROVERSIES OR DISPUTES WHICH MAY ARISE OUT OF THIS AGREEMENT OR THE SUBJECT MATTER HEREOF.

(k) Counterparts. This Agreement may be executed in one or more counterparts (and by facsimile or electronic pdf copy), each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

9. Definitions.

(a) “Affiliate” means any person, firm, corporation, partnership, association or entity that, directly or indirectly or through one or more intermediaries, owns or controls, is owned or controlled by or is under common ownership or control with the specified entity, determined at the then applicable date during the Applicable Period, which in the case of Section 5 shall be at the date the applicable restriction in Section 5 applies. For purposes of this Subsection, “ownership” shall mean ownership of equity securities representing more than

twenty percent (20%) of the value of the equity securities of the specified firm, corporation, partnership, association or entity, and “control” shall mean (i) the right to vote equity securities representing more than twenty percent (20%) of the ordinary voting power of the equity securities of the applicable firm, corporation, partnership, association or entity, (ii) that the specified entity has a representative on the governing board, or has caused to be elected a member of the governing board, of the applicable firm, corporation, partnership, association or entity or (iii) the specified entity, directly or indirectly, controls the management, through a management agreement or otherwise, of the applicable firm, corporation, partnership, association or entity. In addition, an Affiliate shall mean any person, firm, corporation, partnership, association or entity in which the Company or any of its Affiliates (determined under the foregoing definition) has any interest and which engages in the business of correspondent lending or a similar business.

(b) “Applicable Period” means the period commencing on the Effective Date and ending twenty-four (24) months after the termination of the Executive’s employment with the Company.

(c) “Area” means the United States of America.

(d) “Business of Altisource” means the businesses of Altisource Portfolio Solutions, S.A., the Company and the Affiliates of the Company determined at the Effective Date, which include without limitation the businesses of:

(i) real estate mortgage banking, residential mortgage origination and default management services (including without limitation, loan sale execution services, due diligence services, mortgage fulfillment services, valuation products and services, underwriting, purchasing support services, default processing services, property inspection and preservation services, homeowner outreach, real estate sales, closing and title services, title insurance, component services, financial services, insurance services, call center services and other ancillary services), real estate brokerage services, real estate auction services, property management services, asset recovery services, customer relationship management services, loan origination software, residential and commercial loan servicing software, loss mitigation software, vendor management software, voucherless payable system software and information technology solutions to manage and oversee payments to vendors;

(ii) purchasing, renovating, leasing and selling real estate;

(iii) developing and providing software and/or other technology solutions for the mortgage, real estate, asset management and vendor management industries;

(iv) managing and operating a mortgage and/or banking cooperative and providing any services to the cooperative members of a similar type provided, or planned to be provided, by Altisource Portfolio Solutions, S.A., or any Affiliates of the Company; or

(v) any other commercial activity engaged in or actively under consideration providing products or services that are similar to any of those provided, or planned to be provided, by Altisource Portfolio Solutions, S.A. or an Affiliate of the Company in the normal course of business.

In addition, the term “Business of Altisource” shall include any other commercial activity engaged in by Altisource Portfolio Solutions, S.A., the Company or an Affiliate of the Company in the normal course of business determined at the then applicable date during the Applicable Period that the applicable restriction in Section 5 applies and to which the Executive has provided services.

(e) “Cause” Executive’s (i) conviction of (including plea of guilty or no contest to or deferred judgment for) any felony or any crime involving dishonesty; (ii) material violation of applicable law in connection with Executive’s employment; (iii) fraud or material dishonesty in connection with Executive’s

employment; (iv) negligence or willful misconduct by the Executive in the performance of his duties for the Company (iv) refusal or intentional failure to comply fully and completely with any lawful, written directive of the Company's Designees (v) material breach of any fiduciary duty or duty of loyalty owed to the Company; (vi) breach of any written agreement with the Company, including this Agreement or of any assignment given to Executive pursuant to this Agreement, including applicable conditions or limitations, (vii) exceeding the scope of his duties; or (viii) material violation of any Company policy.

(f) "Confidential Information" means data and information relating to the Business of Altisource (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Executive or of which the Executive became aware as a consequence of or through his relationship to the Company or an Affiliate and which has value to the Company or an Affiliate and is not generally known to its competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Executive without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means without breach of any obligations of confidentiality owed to the Company or any of its Affiliates by the Executive.

(g) "Disability" means the inability of the Executive to perform the material duties of his position hereunder due to a physical, mental, or emotional impairment, for a ninety (90) consecutive day period or for aggregate of one hundred eighty (180) days during any three hundred sixty-five (365) day period.

(h) "Parent" means Altisource Portfolio Solutions S.A., an entity organized under the laws of Luxembourg.

(i) "Release of All Claims" means a comprehensive release, covenant not to sue and non-disparagement agreement from the Executive in favor of the Company, its executives, officers, directors, Affiliates and all related parties, in a form acceptable to and approved by the Company in its sole discretion.

(j) "Term" means the term of this Agreement as described in Section 3(a) hereof.

(k) "Trade Secrets" means data and information relating to the business of the Company or an Affiliate including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Trade Secrets shall not include any data or information that has been voluntarily disclosed to the public by the Company or an Affiliate (except where such public disclosure has been made by the Executive without authorization) or that otherwise enters the public domain through lawful means without

breach of any obligations of confidentiality owed to the Company or any of its Affiliates by the Executive.

(1) *[Remainder of this page intentionally left blank]*

IN WITNESS WHEREOF, the Company and the Executive have each executed and delivered this Agreement as of the date first shown above.

THE COMPANY:

ALTISOURCE SOLUTIONS, INC.

By: /s/ Michelle D. Esterman

Title: Chief Executive Officer

THE EXECUTIVE:

/s/ Indroneel Chatterjee
Indroneel Chatterjee

EXHIBIT A

CODE OF BUSINESS CONDUCT AND ETHICS



CODE OF BUSINESS CONDUCT AND ETHICS

Table of Contents

	Page
PUTTING THE CODE OF BUSINESS CONDUCT AND ETHICS TO WORK	4
About the Code of Business Conduct and Ethics	4
Meeting Our Shared Obligations	4
RESPONSIBILITY TO OUR ORGANIZATION	4
Conflicts of Interest	4
Improper Personal Benefits from the Company	5
Financial Interests in Other Businesses	5
Business Arrangements with the Company	5
Outside Employment or Activities with a Competitor	5
Real Estate Transactions	6
Outside Employment with a Customer/Client or Supplier	6
Vendors or Other Service Providers	6
Charitable, Government and Other Outside Activities	6
Family Members Working in the Industry	7
Related Person Transactions	7
Corporate Opportunities	7
Entertainment, Gifts and Gratuities	8
Receipt of Gifts and Entertainment	8
Offering Gifts and Entertainment	8
Protection and Proper Use of Company Assets	9
Company Books and Records	9
Cooperation with Auditors	9
Record Retention	10
Confidential Information	10
Trademarks, Copyrights and Other Intellectual Property	12
Trademark Use	12
Copyright Compliance	12
Intellectual Property Portfolio	12
Intellectual Property Rights of Others	12
Computer and Communication Resources	13
Insider Trading and Other Securities Matters	13
Insider Trading	13
Window Periods for Purchases and Sales	14
Employee Complaints of Accounting, Internal Controls, Auditing and Federal Securities Law Matters	15
Responding to Inquiries from the Press and Others	15
FAIR DEALING	15
Antitrust Laws	16
Conspiracies and Collaborations Among Competitors	16
Distribution Issues	16
Penalties	17
Gathering Information About the Company's Competitors	17
RESPONSIBILITY TO OUR PEOPLE	18

Respecting One Another	18
Employee Privacy	18
Equal Employment Opportunity and Nondiscrimination	19
Sexual and Other Forms of Harassment	19
Other Forms of Harassment	20
Reporting Responsibilities and Procedures	20
Safety in the Workplace	20
Weapons and Workplace Violence	21
Drugs and Alcohol	21
RESPONSIBILITY TO OUR CUSTOMERS AND OTHER EXTERNAL PARTIES	21
INTERACTING WITH GOVERNMENT	21
Prohibition on Gifts to Government Officials and Employees	21
Political Contributions and Activities	21
Lobbying Activities	22
Bribery of Foreign Officials – Foreign Corrupt Practices Act	22
REGULATORY INQUIRIES, INVESTIGATIONS AND LITIGATION	23
Requests for Information	23
Types of Inquiries	23
Responding to Information Requests	23
Regulatory Inquiries	23
IMPLEMENTATION OF THE CODE	23
Responsibilities	23
Seeking Guidance	24
Reporting Violations	24
Investigations of Suspected Violations	24
Discipline for Violations	24
Waivers of the Code	24
No Rights Created	25
Reminder	25

PUTTING THE CODE OF BUSINESS CONDUCT AND ETHICS TO WORK

About the Code of Business Conduct and Ethics

Altisource Portfolio Solutions S.A. and its subsidiaries (“Altisource” or the “Company”) are committed to the highest standards of business conduct in our relationships with each other and with our customers/clients, suppliers, shareholders and others. This requires that we conduct our business in accordance with the highest standards of business ethics, in addition to compliance with applicable laws, rules and regulations. Altisource’s Code of Business Conduct and Ethics (the “Code”) helps each of us in this endeavor by providing a statement of the fundamental principles and key policies and procedures that govern the conduct of our business. Our business depends on the reputation of the Company and its employees for integrity and principled business conduct. To the extent any applicable law or regulation is more restrictive than the Code, our conduct must be governed by such applicable law or regulation.

The Code is a statement of policies for individual and business conduct and does not, in any way, constitute an employment contract or an assurance of continued employment. As employees of Altisource, we are employed at will except when we are covered by an express, written employment agreement or other applicable law. Unless subject to a written employment agreement or applicable law, you may choose to resign your employment at any time, for any reason or for no reason at all. Similarly, the Company may choose to terminate your employment at any time, for any legal reason or for no reason at all.

Meeting Our Shared Obligations

Each of us is responsible for knowing and understanding the policies and guidelines contained in the following pages. If you have questions, ask them; if you have ethical concerns, raise them. The Head of Internal Audit and the General Counsel are responsible for overseeing, interpreting and monitoring compliance with this Code. They are available for you to report suspected misconduct and to answer your questions and provide guidance. Our conduct should reflect Altisource’s values, demonstrate ethical leadership and promote a work environment that upholds Altisource’s reputation for integrity, ethical conduct and trust.

RESPONSIBILITY TO OUR ORGANIZATION

Altisource employees and Directors are expected to dedicate their best efforts to Company business and to avoid any conflicts with the interests of Altisource.

Conflicts of Interest

In order to maintain the highest degree of integrity in the conduct of Altisource’s business and to maintain your independent judgment, you must avoid any activity or personal interest that creates or appears to create a conflict between your interests and the interests of the Company. A conflict of interest occurs when your private interests may interfere in any way, or even appear to interfere, with the interests of the Company as a whole. A conflict situation can arise when you take actions or have interests that may make it difficult for you to perform your Company work objectively and effectively. You should never act in a manner that could cause you to lose your independence and objectivity or that could adversely affect the confidence of our customers/clients, suppliers, Directors or fellow employees in the integrity of Altisource or its procedures. Although we cannot list every conceivable conflict, the following are some common examples that illustrate actual or apparent conflicts of interest that must be avoided.

Improper Personal Benefits from the Company

One way in which conflicts of interest arise is when an employee, officer or Director, or a member of his or her immediate family (i.e., his or her spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and anyone residing in his or her home (other than a tenant or employee)), receives improper personal benefits from the Company as a result of his or her position in the Company. You may not accept any benefits from the Company that have not been duly authorized and approved pursuant to Company policy and procedure, including any Company loans or guarantees of your personal obligations. Personal loans from the Company to executive officers (as defined in Rule 3b-7 of the Exchange Act) (“Executive Officers”) and directors of Altisource Portfolio Solutions S.A. (“Directors”) are strictly forbidden.

Financial Interests in Other Businesses

Altisource employees, Directors and members of their immediate families may not have a direct or indirect financial interest in any other enterprise if that interest compromises or appears to compromise the employee’s or Director’s loyalty to Altisource. For example, except as specified below, you (or members of your immediate family) may not own an interest, either directly or indirectly (other than as a less than two percent (2%) owner of the stock of a publicly traded company), in any supplier, contractor, customer or competitor of the Company without full disclosure to and prior written approval of the General Counsel or, in the case of Executive Officers and Directors, the approval of the Audit Committee of the Board of Directors (the “Board”).

Additionally, Directors must abstain from voting on transactions with companies in which they have a material direct or indirect ownership interest. An ownership interest will generally not be considered “material” or constitute a “personal interest” pursuant to the Company’s Articles of Incorporation if it represents less than five percent (5%) of the outstanding common stock in a competitor, customer or supplier that is listed on a national or international securities exchange and the subject transaction would not be considered to be material to the company in which the Director holds such interest.

Notwithstanding the foregoing, the ownership or other financial interest must be considered within the context of the individual financial condition of the employee, Director or immediate family member. If you feel that an ownership interest, however small, is or could be considered a conflict, you must consult with the General Counsel for guidance.

Business Arrangements with the Company

Without prior written approval from Altisource’s General Counsel, you (or members of your immediate family) may not participate in a joint venture, partnership or other business arrangement with Altisource. (Executive Officers and Directors must obtain the prior approval of the Audit Committee.)

Outside Employment or Activities with a Competitor

Full-time Altisource employees are expected to dedicate their full intentions and efforts to the job and may not simultaneously be employed by or work for a third party. In addition, full-time employees may not operate a business, consult with or otherwise provide services to a third party without the prior written approval of the General Counsel. Employment with, serving as a Director of, or otherwise providing services to a competitor of Altisource is strictly prohibited for any Altisource employee, as is any activity that is intended to or that you should reasonably expect to advance a competitor’s interests. You may not market products or services in competition with Altisource’s current or potential business activities. It is your responsibility to consult with the Head of Internal Audit and/or the General Counsel

to determine whether a planned activity will compete with any of Altisource's business activities before you pursue the activity in question.

Real Estate Transactions

Certain of Altisource's businesses, including but not limited to the Consumer Real Estate Solutions and Real Estate Investor Solutions businesses, assist investors and servicers with the disposition of real property. Neither you nor members of your immediate family, nor entities that you or they are associated with, may purchase any real property for which an Altisource entity is responsible for providing services, as such purchase may result in a potential conflict of interest. However, subject to the foregoing, you may become a customer of the Consumer Real Estate Solutions or Real Estate Investor Solutions businesses for the purchase or sale of real property. Your use of services provided by these businesses may be subject to certain conditions, which conditions would be disclosed prior to engaging such services.

In addition, Altisource does not allow you or members of your immediate family, nor entities that you or they may be associated with, to purchase or dispose of Altisource owned real or personal property unless the property is offered to the public by the Company and you obtain prior approval of the General Counsel or, for Executive Officers or Directors, the approval of the Audit Committee.

Outside Employment with a Customer/Client or Supplier

Without prior written approval from the General Counsel, you may not be a customer/client or be employed by, serve as a Director of, represent, operate a business with, consult with or otherwise provide services to a customer/client of Altisource. However, you may be a customer of an Altisource customer/client for a product or service (such as a banking or brokerage account) that is available to the general public. Similarly, without prior written approval from the General Counsel, you may not be a supplier or be employed by, serve as a Director of, represent, operate a business with, consult with or otherwise provide services to a supplier to Altisource. (Executive Officers and Directors must obtain the prior approval of the Audit Committee.) Nor may you accept money or benefits of any kind as compensation or payment for any advice or services that you provide to a client, supplier or anyone else in connection with its business with Altisource.

Vendors or Other Service Providers

Only the Vendor Management Organization ("VMO"), certain Executive Officers and the Board (or their Committees) are authorized to approve orders, contracts and/or commitments to suppliers of goods and services. Such decisions must be strictly based on objective business standards, and all payments for goods and services must be made according to VMO processes. Any real or perceived favoritism may result in a conflict of interest and could reflect poorly on the Company and other businesses.

Charitable, Government and Other Outside Activities

The Company encourages all employees to participate in projects and causes that further the welfare of our local communities. However, you must obtain the prior written approval of the General Counsel before serving as a Director or trustee of any charitable, not-for-profit, for-profit, or other entity or before running for election or seeking appointment to any government-related position. (Executive Officers and Directors must obtain the prior approval of the Audit Committee.)

Family Members Working in the Industry

You may find yourself in a situation where someone in your immediate family is a competitor, supplier or customer/client of Altisource or is employed by one.

There are several factors to consider in assessing such a situation, including: the relationship between Altisource and the other company; the nature of your responsibilities as an Altisource employee or Director and those of the other person; and the access each of you has to your respective employer's confidential information. Such a situation, however harmless it may appear to you, could arouse suspicions among your associates that might affect your working relationships. The very appearance of a conflict of interest can create problems, regardless of the propriety of your behavior. It is important that you do not disclose confidential information inadvertently and that you are not involved in decisions on behalf of Altisource that involve the other company.

You must disclose to the Head of Internal Audit or the General Counsel if any member of your immediate family or household holds a position with a firm that directly competes or does business with the Company. The disclosure of this relationship must be made by completing the Familial Relationship Disclosure form and submitting it to the Head of Internal Audit or the General Counsel for approval. The approved form is available on the Altisource Intranet under "Policies and Procedures." Such situations are not prohibited, but they call for extra sensitivity to security and confidentiality.

Please note that any appearance of a conflict of interest may be just as damaging to you and the Company as an actual conflict. Therefore, as a Company employee, officer or Director, it is important that you disclose all potential personal or business conflicts of interest to the Head of Internal Audit or the General Counsel, including any situations of which you are uncertain. For more information, see Management Directive No. 7 – Conflicts of Interest and Other Responsibilities of Employees.

Related Person Transactions

Executive Officers and Directors are required to comply with the Related Person Transactions Policy, which sets forth Altisource's framework for approval of transactions involving Altisource and our Executive Officers, Directors or other Related Persons (as such term is defined in the Related Person Transactions Policy), and certain persons and entities related to them.

Corporate Opportunities

As employees, officers and Directors of Altisource, we owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. You may not take for yourself opportunities that are discovered through the use of Company property, information or position or use Company property, information or position for personal gain. Further, you may not compete with the Company.

Entertainment, Gifts and Gratuities

Employees, officers and Directors interacting with any person who has business dealings with Altisource (including suppliers, customers/clients, competitors, contractors and consultants) must conduct such activities in the best interest of Altisource, using consistent and unbiased standards. Altisource employees, officers and Directors must not accept any gifts or gratuities that could influence or be perceived to influence outsourcing, purchasing and other decisions, or be in a position to derive any direct or indirect benefit or interest from a party having business dealings with Altisource. Please note that the general standard policies of the Company are set forth below; however, management may implement more stringent guidelines by department as it deems necessary.

Receipt of Gifts and Entertainment

You must not accept any gifts or gratuities that could influence or be perceived to influence your business decisions on behalf of the Company, or be in a position to derive any direct or indirect benefit or interest from a party having business dealings with the Company. You must never request gifts or gratuities from people doing business with the Company. Unsolicited gifts and gratuities are permissible if they are customary and commonly accepted business courtesies, not in excess of \$200, and given and accepted without an express or implied understanding that you are in any way obligated by your acceptance of the gift or gratuity. Further, gifts or gratuities that are extravagant in value or unusual in nature should not be accepted without the prior written approval of the General Counsel. Gifts of cash or cash equivalents (including gift certificates, securities, below-market loans, etc.) in any amount are prohibited and must be returned promptly to the donor.

Notwithstanding anything to the contrary, the acceptance of gifts in violation of the Real Estate Settlement Procedures Act (“RESPA”) is strictly prohibited. If you have any question about whether your receipt of a thing of value is or could be a RESPA violation, contact an Associate General Counsel or the General Counsel.

Offering Gifts and Entertainment

When you are providing a gift or gratuity in connection with Company business, you must do so in a manner that is in good taste and not in excess of \$200. You may not furnish or offer to furnish any gift or gratuity that goes beyond the common courtesies associated with accepted business practices, and you are prohibited from providing gifts or gratuities that consist of cash or cash equivalents. You should follow the above guidelines for receiving gifts or gratuities in determining when it is appropriate to give gifts or gratuities and when prior written approval from the General Counsel is required.

What is acceptable in the commercial business environment may be entirely unacceptable in dealings with the government. There are strict laws that govern providing gifts, including meals, entertainment, transportation and lodging, to government officials and government employees. You are prohibited from providing gifts or gratuities of any amount or value to government officials, government employees or members of their families in connection with Company business without prior written approval from the General Counsel. For more information, see the section of this Code regarding Interacting with Government.

Giving or receiving any payment or gift in the nature of a bribe or kickback is absolutely prohibited. If you encounter an actual or potential conflict of interest, face a situation where declining the acceptance of a gift may jeopardize an Altisource relationship, are requested to pay a bribe or provide a kickback or encounter a suspected violation of this policy, you must report the situation to the General Counsel

immediately. For more information, see the section of this Code regarding Bribery of Foreign Officials - Foreign Corrupt Practices Act and Management Directive No. 4 – Gifts and Gratuities.

Protection and Proper Use of Company Assets

We each have a duty to protect the Company's assets and ensure their efficient use. Theft, waste and even carelessness, such as not adequately reviewing an expense report or not canceling a recurring expense that no longer serves a business need, have a direct impact on the Company's profitability. We should take measures to prevent damage to and theft or misuse of Company property. When you leave Altisource, all Altisource property must be returned to the Company. Except as specifically authorized by the Company, all property created, obtained or compiled by or on behalf of the Company (including customer lists, equipment, reference materials, reports, resources, computer software, data processing systems, databases and any proprietary information) belongs to the Company and must be used for legitimate business purposes only.

Company Books and Records

You must complete all Company documents accurately, truthfully and in a timely manner, including all travel and expense reports. When applicable, documents must be properly authorized. You must record the Company's financial activities in compliance with all applicable laws and accounting practices. The making of false or misleading entries, records or documentation is strictly prohibited. You must never create a false or misleading report or make a payment or establish an account on behalf of the Company with the understanding that any part of the payment or account is to be used for a purpose other than as described by the supporting documents.

If you have any reason to believe that any of the Company's books and records are being maintained in a materially inaccurate or incomplete manner, you are required to report this immediately pursuant to the procedure set forth in the Policy and Procedures for Employee Complaints of Accounting, Internal Controls, Auditing and Federal Securities Law Matters that is distributed annually and available for reference in the Company's E-Learning system. Similarly, the Company trusts you to report all complaints, allegations and similar submissions regarding the appropriateness of accounting, internal controls, auditing or federal securities law matters, especially if you ever feel pressured to prepare, alter, conceal or destroy documents in contravention of standard accounting or practices.

Cooperation with Auditors

It is every employee's responsibility to make open and full disclosure to and cooperate fully with outside accountants in connection with audit or review of the Company's financial statements. You must not knowingly provide an auditor with inaccurate or misleading legal or financial analysis. Further, you must not act in any way which may be perceived as coercing, manipulating, misleading or fraudulently influencing any independent public or certified public accountant engaged in the performance of an audit or review of the Company's financial statements or other business functions.

Similarly, all employees must make open and full disclosure to and cooperate fully with the Company's Internal Audit Department. Interfering with or failing to cooperate fully in any Internal Audit matter is strictly prohibited.

Record Retention

In the ordinary course of its business, Altisource produces and receives a considerable amount of records, including records in electronic form. The Company may be required to retain certain records for business, legal and compliance reasons. You are required to follow the Company's instructions in all matters related to the maintenance, security and destruction of such records. For more information, see Management Directive No. 10 – Business Records Management and Retention.

If you learn of a subpoena or a pending, imminent or contemplated litigation or government investigation other than through the Law and Compliance Department, you must immediately contact an Associate General Counsel or the General Counsel. For more information, see Management Directive No. 11 – Policy and Procedures Regarding Accepting Legal Service of Process. You must retain and preserve ALL records that may be responsive to the subpoena, relevant to the litigation or that may pertain to the investigation until you are advised by the Law and Compliance Department as to how to proceed. You must also affirmatively preserve from destruction all relevant records that without intervention would automatically be destroyed or erased (such as e-mails and voicemail messages). Destruction of such records, even if inadvertent, could seriously prejudice the Company. Any questions regarding whether a particular record pertains to a pending, imminent or contemplated investigation or litigation or may be responsive to a subpoena or regarding how to preserve particular types of records should be directed to the General Counsel.

Confidential Information

As an employee or Director, you may have access to certain information that is not known to the general public or to competitors. Such information includes, but is not limited to, non-public information that might be of use to competitors, or harmful to the Company or third parties if disclosed (e.g., information relating to the Company's research, development or business affairs, business methodologies, "know how," financial and operational information, pricing information, transaction information, client data, vendor information, supplier lists, etc.). For the avoidance of doubt, confidential information may include information concerning other companies, such as our customers/clients, which Altisource may be under an obligation to maintain as confidential. For specific restrictions that apply to a specific type of confidential information – material nonpublic information – please see the section entitled "Insider Trading and Other Securities Matters" below.

For the purpose of this Code, all personal information (i.e. any information that can be used, alone or in combination with other information, to identify, contact or locate a natural person) shall be treated as confidential information.

Unless otherwise required by law, you must maintain the confidentiality of information entrusted to you by the Company and by its customers. Employees, officers and Directors who possess or have access to confidential information must:

- not use the information for their own benefit or the benefit of other persons inside or outside of Altisource;
- process confidential information in accordance with Altisource policies regarding data security (including, without limitation, the End User Computing Policy and the Personally Identifiable Information Security Policy, which are available on the Altisource Intranet under "Policies and Procedures");

- not disclose confidential information to other Altisource employee(s) unless such employee(s) need(s) the information to carry out business responsibilities;
- not disclose confidential information to anyone outside the Company except (i) pursuant to an agreement approved by the Law and Compliance Department obligating the person receiving confidential information to maintain the secrecy of such information or (ii) to the extent that the disclosure is authorized by the General Counsel or an Associate General Counsel;
- properly label any and all documentation shared with or correspondence sent to the Company’s counsel or outside counsel as “Attorney-Client Privileged;” and
- report immediately any suspected or confirmed unauthorized disclosures of confidential information.

Confidentiality or Non-Disclosure Agreements are commonly used when Altisource needs to disclose confidential information to suppliers, consultants, joint-venture participants or others. A Confidentiality or Non-Disclosure Agreement obligates the person receiving confidential information to maintain the secrecy of such information. If, in doing business with persons not employed by Altisource, you foresee that you may need to disclose confidential information, you must contact the Law and Compliance Department and discuss the utility of entering into a Confidentiality or Non-Disclosure Agreement.

Your obligation to protect proprietary and/or confidential information does not end when you leave Altisource. Upon the termination of your employment, you must return everything that belongs to Altisource or its clients or vendors, including all documents and other materials containing Company and customer/client information. You must not use or disclose any confidential and/or proprietary information after termination of your employment with Altisource, and may not disclose or authorize anyone else, including any new employer, to use or disclose such information without Altisource’s prior written consent.

For more information regarding the management and protection of proprietary and confidential information, see Management Directive No. 2 – Proprietary and Confidential Information, Management Directive No. 17 – Handling Third Party Confidential Information and, as applicable, any agreement you entered into with Altisource. For information regarding the process for responding to suspected or confirmed breaches of security leading to the accidental or unlawful destruction, loss, alteration, unauthorized disclosure of, or access to confidential information, please see the Data Incident Response Policy available on the Altisource Intranet under “Policies and Procedures.”

Trademarks, Copyrights and Other Intellectual Property

The Company’s intellectual property is a valuable asset. Intellectual property includes copyrights, patents, trademarks, trade secrets, design rights, logo rights, know-how and other tangible and intangible property. It is the responsibility of each employee to protect such intellectual property, and to ensure that it is used in a manner that complies with the Company’s instructions and applicable laws and regulations.

Trademark Use

Our logos and the mark Altisource® are examples of Company trademarks. You must always properly use our trademarks and advise the General Counsel if you are aware of infringements by others. Similarly,

the trademark rights of third parties must be respected. Before any new word, phrase or slogan is to be adopted or used in any written materials, you must obtain the clearance of the Marketing Department and the Law and Compliance Department. Further, the public use of a new trademark requires prior approval by the Board of Directors or the prior written approval of the Chief Executive Officer and subsequent ratification by the Board of Directors.

Copyright Compliance

Works of authorship such as books, articles, drawings, computer software and other such materials may be covered by copyright laws. It is a violation of those laws and of Altisource's policies to make unauthorized copies of or unauthorized derivative works based upon copyrighted materials. The absence of a copyright notice does not mean that the materials are not copyrighted.

Altisource licenses the use of much of its computer software from outside companies. In most instances, this computer software is protected by copyright. You may not make, acquire, install or use unauthorized copies of computer software.

Intellectual Property Portfolio

Intellectual property is critical to the value of the Company and its reputation; therefore, all records must be accurate and complete and must comply with all applicable laws and regulations that relate to any and all activities, applications and filings for same. Employees must maintain detailed records and all work papers related to the development of new products and methods and store them in a safe location designated by the Company. Employees must also promptly disclose any material developments to the Law and Compliance Department.

Intellectual Property Rights of Others

It is Altisource policy not to infringe upon the intellectual property rights of others. When using the name, trademarks, logos or printed materials of another company, including any such uses on Altisource's websites, you must do so only with the permission of the Law and Compliance Department and in accordance with applicable law. For more information, see Management Directive No. 18 – Trademarks, Copyrights and Patents.

Any questions concerning intellectual property rights should be directed to the Law and Compliance Department.

Computer and Communication Resources

Altisource's computer and communication resources, including computers, voicemail and email, provide substantial benefits, but they also present significant security and liability risks to you and the Company. It is extremely important that you take all necessary measures to comply with Altisource's Information Security policies and procedures, including the duty to promptly report any observed or suspected security weaknesses in systems and services to the Security Operation Center or Service Desk. Altisource firewalls routinely prevent users from connecting with certain non-business web sites. Users using Altisource computers who discover they have connected with a web site that contains sexually explicit, racist, violent or other potentially offensive material must immediately disconnect from that site. The ability to connect with a specific web site does not in itself imply that users of Altisource systems are permitted to visit that site. Unless exempted, using Altisource computers to access Internet e-mail sites such as Gmail is prohibited.

Use of Altisource information systems to access the Internet for personal purposes will not be tolerated and may be considered cause for disciplinary action up to and including termination. Limited use of

Altisource resources for personal emergencies is permitted. All users of the Internet should be aware that firewalls can create a detailed audit log reflecting transmissions, both in-bound and out-bound.

Use of computer and communication resources must be consistent with all other Company policies, including those relating to harassment, privacy, confidential information, copyright, trademark, trade secret and other intellectual property considerations.

Insider Trading and Other Securities Matters

Insider Trading

You and members of your immediate family are prohibited by Company policy and the law from buying or selling securities of the Company while in possession of “material nonpublic information.” This conduct is known as “insider trading.” Passing such information on to someone who may buy or sell securities – known as “tipping” – is also illegal.

Information is “material” if (a) there is a substantial likelihood that a reasonable investor would find the information “important” in determining whether to trade in a security; or (b) the information, if made public, likely would affect the market price of a company’s securities. Examples of types of material information include unannounced dividends, earnings, financial results, new or lost contracts or products, sales results, important personnel changes, business plans, possible mergers, acquisitions, divestitures or joint ventures, important litigation developments and important regulatory, judicial or legislative actions. Information may be material even if it relates to future, speculative or contingent events and even if it is significant only when considered in combination with publicly available information.

Material non-public information may include, without limitation:

- operating or financial results of the Company or its major business units (including estimates of any future earnings or losses);
- negotiations or entry into an agreement for an acquisition or sale of a substantial business or other significant transaction;
- development of a major new product or service by the Company;
- an increase or decrease in dividends of the Company;
- a stock split or other recapitalization of the Company;
- a redemption or purchase by the Company of its securities;
- major management changes at the Company;
- mergers, acquisitions, tender offers and restructurings;
- securities offerings and repurchases;
- significant litigation or litigation developments;
- significant investigations, proceedings or regulatory audits; and
- developments regarding customers, clients or suppliers.

Information is considered to be non-public unless it has been adequately disclosed to the public, which means that the information must be publicly disclosed and adequate time must have passed for the

securities markets to digest the information. Examples of adequate disclosure include public filings with securities regulatory authorities and the issuance of press releases and may also include meetings with members of the press and the public. A delay of one or two business days is generally considered a sufficient period for routine information to be absorbed by the market. Nevertheless, a longer period of delay might be considered appropriate in more complex disclosures.

Do not disclose material nonpublic information to anyone, including co-workers, unless the person receiving the information (1) has a legitimate need to know the information for purposes of carrying out the Company's business or (2) is bound by an express duty of confidentiality to the Company or a written Confidentiality Non-Disclosure Agreement. If you leave Altisource, you must maintain the confidentiality of such information until it has been adequately disclosed to the public by the Company. If there is any question as to whether information regarding the Company or another company with which we have dealings is material or has been adequately disclosed to the public, contact the General Counsel.

Notwithstanding the prohibition against insider trading, the law and Company policy permit Company employees, officers and Directors to trade in Company securities regardless of their awareness of inside information if the transaction is made pursuant to a pre-arranged trading plan that was established in compliance with applicable law and was entered into when the person was not in possession of material nonpublic information. If you wish to enter into, modify or terminate a trading plan, you must first obtain the approval of the General Counsel. For more information, see Management Directive No. 5 – Prevention of Insider Trading And Other Prohibitions.

Window Periods for Purchases and Sales

Directors, officers and employees may trade in Company securities only during a “window period,” and provided that (a) no new major undisclosed developments occur within the window period or are imminent, and (b) the individual is not otherwise in possession of material nonpublic information (unless such trade is conducted pursuant to a trading plan and approved by the General Counsel). Directors and Executive Officers have additional restrictions and reporting requirements imposed on them by Section 16 of the Securities Exchange Act of 1934, as amended. For more information, see Management Directive No. 5 – Prevention of Insider Trading And Other Prohibitions.

Employee Complaints of Accounting, Internal Controls, Auditing and Federal Securities Law Matters

We prohibit all violations of federal securities law. If you believe there is or has been a violation of federal securities law, you have the right to take action in accordance with the Policy and Procedures for Employee Complaints of Accounting, Internal Controls, Auditing and Federal Securities Law Matters that is distributed annually and available for reference in the Company's E-Learning system. Pursuant to applicable law, the policy and procedures protect individuals who make such complaints or allegations in good faith against any retaliation.

Responding to Inquiries from the Press and Others

Employees and Directors who are not official Company spokespersons may not speak with the press, securities analysts, other members of the financial community, shareholders or groups or organizations as a Company representative unless specifically authorized to do so by the Chief Executive Officer. Requests for financial or other information about the Company from the media, the press, the financial community, shareholders or the public must be referred to the Chief Financial Officer and/or the General Counsel. Requests for information from regulators or the government must be referred to the General Counsel.

You should be aware of situations in which you may be perceived as representing or speaking on behalf of Altisource in public (including Twitter, Facebook, LinkedIn, chat rooms, bulletin boards and any other forms of electronic communication). You may not make any public statements on behalf of Altisource or regarding Altisource's business, or its customers, unless it is part of your job or you are authorized to do so by the Chief Executive Officer or the General Counsel. All public testimonies (as an expert witness or otherwise), publications and speaking engagements related to Altisource's business are subject to pre-clearance by the General Counsel. Subpoenas, requests from law enforcements or regulatory authorities must be immediately forwarded to the General Counsel. Media inquiries, product advisory boards and requests from customers or suppliers for testimonials or endorsements must be handled in accordance with applicable procedures after consultation with the General Counsel. For more information, see Management Directive No. 13 – External Communications.

FAIR DEALING

Altisource depends on its reputation for quality, service and integrity. The way we deal with our customers/clients, suppliers and competitors molds our reputation, builds long-term trust and ultimately determines our success. You should endeavor to deal fairly with the Company's customers/clients, suppliers and competitors. We must never take advantage of others through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice. Any comparisons with the competition used in any public forum or presentation must be represented fairly and accurately and approved by the Law and Compliance Department prior to use.

Antitrust Laws

While Altisource competes vigorously in all of its business activities, its efforts in the marketplace must be conducted in accordance with the letter and spirit of applicable antitrust and competition laws. While it is impossible to describe antitrust and competition laws fully in any code of business conduct, this Code will give you an overview of the types of conduct that are particularly likely to raise antitrust concerns. If you are or become engaged in activities similar to those identified in the Code, you must consult the General Counsel for further guidance.

Conspiracies and Collaborations Among Competitors

One of the primary goals of the antitrust laws is to promote and preserve each competitor's independence when making decisions on price, output and other competitively sensitive factors. Some of the most serious antitrust offenses are agreements among competitors that limit independent judgment and restrain trade, such as agreements to fix prices, restrict output, control the quality of products or divide a market for clients/customers, territories, products or purchases. You must not agree with any competitor on any of these topics, as these types of agreements are virtually always unlawful even in the face of an argument that it is in the best interest of customers. (In other words, no excuse will absolve you and/or the Company of liability.)

Unlawful agreements need not take the form of a written contract or even express commitments or mutual assurances. Courts can – and do – infer agreements based on “loose talk,” informal discussions or the mere exchange between competitors of information from which pricing or other collusion could result. Any communication with a competitor's representative, no matter how innocuous it may seem at the time, may later be subject to legal scrutiny and form the basis for accusations of improper or illegal conduct. You should take care to avoid involving yourself in situations from which an unlawful agreement could be inferred.

By bringing competitors together, trade associations and standard-setting organizations can raise antitrust concerns, even though such groups serve many legitimate goals. You must notify the General Counsel before joining any trade associations or standard-setting organizations. Furthermore, if you are attending a meeting at which potentially competitively sensitive topics are discussed without oversight by an antitrust lawyer, you should object, leave the meeting and notify the General Counsel immediately.

Joint ventures with competitors are not illegal under applicable antitrust and competition laws. However, like trade associations, joint ventures present potential antitrust concerns. The General Counsel must therefore be consulted before negotiating or entering into such a venture.

Distribution Issues

Relationships with customers and suppliers can also be subject to a number of antitrust prohibitions if these relationships harm competition. For example, it can be illegal for a company to affect competition by agreeing with a supplier to limit that supplier's sales to any of the company's competitors. Collective refusals to deal with a competitor, supplier or customer may be unlawful as well. While a company generally is allowed to decide independently that it does not wish to buy from or sell to a particular person, when such a decision is reached jointly with others, it may be unlawful, regardless of whether it seems commercially reasonable.

Other activities that may raise antitrust concerns include, without limitation:

- restricting a customer's re-selling activity through minimum resale price maintenance (for example, by prohibiting discounts);
- discriminating in terms and services offered to customers where a company treats one customer or group of customers differently than another;
- exclusive dealing agreements where a company requires a customer to buy from or a supplier to sell to only that company;
- tying arrangements where a customer or supplier is required, as a condition of purchasing one product, to also purchase a second, distinct product;
- "bundled discounts," in which discount or rebate programs link the level of discounts available on one product to purchases of separate but related products (for example, pencils linked to other office supplies); and

"predatory pricing," where a company offers a discount that results in the sales price of a product being below the product's cost (the definition of cost varies depending on the court), with the intention of sustaining that price long enough to drive competitors out of the market.

Because these activities may be prohibited under many circumstances, you must consult the General Counsel before implementing any of them.

Penalties

The antitrust laws are extremely complex and punitive. Because antitrust investigations and lawsuits can be very costly, even when a company has not violated the antitrust laws and is ultimately cleared, it is important to consult with the General Counsel before engaging in any conduct that may appear to create the basis for an allegation of wrongdoing. It is far easier to structure your conduct to avoid erroneous impressions than to have to explain your conduct in the future when an antitrust investigation or action is in progress. For that reason, when in doubt, consult the General Counsel.

Gathering Information About the Company's Competitors

It is entirely proper for us to gather information about our marketplace, including information about our competitors and their products and services. However, there are limits to the ways that information should be acquired and used, especially information about competitors. In gathering competitive information, you should abide by the following guidelines:

- We may gather information about our competitors from sources such as published articles, advertisements, brochures, other non-proprietary materials, surveys by consultants and conversations with our customers/clients, as long as those conversations are not likely to suggest that we are attempting to (a) conspire with our competitors, using the customer/client as a messenger, or (b) gather information in breach of a client's Non-Disclosure Agreement with a competitor or through other wrongful means. You should be able to identify the source of any information about competitors.

- We must never attempt to acquire a competitor's trade secrets or other proprietary information through unlawful means, such as theft, spying, bribery or breach of a competitor's Non-Disclosure Agreement.
- If there is any indication that information that you obtain was not lawfully received by the party in possession, you should refuse to accept it. If you receive any competitive information anonymously or that is marked confidential, you should not review it and must contact the General Counsel immediately.

Your responsibility to protect confidential information also applies to work you did before joining Altisource. You must honor any confidentiality obligations that you have to your prior employer. If you fail to do so, you may be subject to disciplinary actions, up to and including termination.

The improper gathering or use of competitive information could subject you and the Company to criminal and civil liability. When in doubt as to whether a source of information is proper, you must contact the General Counsel.

RESPONSIBILITY TO OUR PEOPLE

Respecting One Another

The way we treat each other and our work environment affects the way we do our jobs. All employees want and deserve a work place where they are respected and appreciated. Everyone who works for the Company must contribute to the creation and maintenance of such an environment. Supervisors and managers have a special responsibility to foster a workplace that supports honesty, integrity, respect and trust.

Employee Privacy

We respect the privacy and dignity of all individuals. Altisource collects and maintains personal information that relates to your employment, including medical and benefit information. Special care is taken to limit access to personal information to Company personnel with a need to know such information for a legitimate purpose. Employees who are responsible for maintaining personal information and those who are provided access to such information must not disclose private information in violation of applicable law or in violation of Altisource's policies.

Employees should not search for or retrieve items from another employee's workspace without prior approval of that employee or management. Similarly, you should not use communication or information systems to obtain access to information intended for or created by others without the prior approval of management, unless such access is part of your job function and responsibilities at Altisource.

Personal items, messages or information that you consider to be private should not be placed or kept in telephone systems, computer or electronic mail systems, office systems, offices, work spaces, desks, credenzas or file cabinets. The Company reserves all rights, to the fullest extent permitted by law, to inspect such systems and areas and to retrieve information or property from them when deemed appropriate in the judgment of management.

The spreading of rumors or information not known to be true concerning the Company, its Directors, officers or employees is unethical and unprofessional. It is destructive to the Company because it causes a loss of productive time and can hurt the Company in the marketplace. Furthermore, it can cause

personal hardship, does not support honesty, integrity, respect or trust and is directly contradictory to the Company's corporate values. This type of behavior will not be tolerated and is subject to disciplinary action up to and including termination.

Equal Employment Opportunity and Nondiscrimination

The Company is an equal opportunity employer in hiring and promoting practices, benefits and wages. We will not tolerate discrimination against any person on the basis of race, religion, color, gender, age, marital status, national origin, genetic information, sexual orientation, citizenship, veteran status or disability (where the applicant or employee is qualified to perform the essential functions of the job with or without reasonable accommodation), or any other basis prohibited by applicable law in recruiting, hiring, placement, promotion or any other condition of employment.

You must treat all Company people, customers/clients, suppliers and others with respect and dignity. For more information, see Management Directive No. 16 – Equal Employment Opportunity and Nondiscrimination.

Sexual and Other Forms of Harassment

Company policy strictly prohibits any form of harassment in the workplace, including sexual harassment. The Company will take prompt and appropriate action to prevent and, where necessary, discipline behavior that violates this policy.

Sexual harassment consists of unwelcome sexual advances, requests for sexual favors and other verbal or physical conduct of a sexual nature when:

- submission to such conduct is made a term or condition of employment;
- submission to or rejection of such conduct is used as a basis for employment decisions;
- or
- such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, offensive or hostile work environment.

Forms of sexual harassment include, but are not limited to, the following:

- verbal harassment, such as unwelcome comments, jokes or slurs of a sexual nature;
- physical harassment, such as unnecessary or offensive touching, or impeding or blocking movement; and
- visual harassment, such as derogatory or offensive posters, cards, cartoons, graffiti, drawings or gestures.

For more information, see Management Directive No. 3 – No Harassment Policy.

Other Forms of Harassment

Altisource prohibits all verbal or physical conduct that degrades or shows hostility or hatred toward an individual because of his or her race, color, national origin, citizenship, religion, sexual orientation, marital status, age, mental or physical handicap or disability, veteran status or any other characteristic protected by law, which:

- has the purpose or effect of creating an intimidating, hostile or offensive work environment; or
- has the purpose or effect of unreasonably interfering with an individual's work performance or otherwise adversely affects an individual's employment.

Prohibited harassing conduct includes, but is not limited to, the following: epithets; slurs; negative stereotyping; threatening, intimidating or hostile acts; and written or graphic material that ridicules or shows hostility or aversion to an individual or group and that is posted on Company premises or circulated in the workplace.

Reporting Responsibilities and Procedures

If you believe that you have been subjected to harassment of any kind, you should promptly report the incident to the Human Resources Department and/or the General Counsel or using one of the reporting mechanisms set forth at the end of the Code.

These reporting procedures apply for all incidents wherein an employee believes he or she has been the subject of harassment or where he or she has witnessed any such behavior. Complaints of harassment, abuse or discrimination will be investigated promptly and thoroughly and will be kept confidential to the extent possible. Altisource will not in any way retaliate against any employee for making a good faith complaint or report of harassment or participating in the investigation of such a complaint or report.

Altisource encourages the prompt reporting of all incidents of harassment, regardless of who the offender may be or the offender's relationship to Altisource. This procedure should also be followed if you believe that a non - employee with whom you are required or expected to work has engaged in prohibited conduct. All supervisors and managers must report all incidents of harassment to the Human Resources Department and/or the General Counsel using one of the reporting mechanisms set forth in the end of the Code.

Any employee who is found to be responsible for harassment, or for retaliating against any individual for reporting a claim of harassment or cooperating in an investigation, will be subject to disciplinary action, up to and including termination.

Remember that, regardless of legal definitions, Altisource expects employees, officers and Directors to interact with each other in a professional and respectful manner.

Safety in the Workplace

The safety and security of employees, officers and Directors is of primary importance. You are responsible for maintaining our facilities free from recognized hazards and obeying all Company safety rules. Workspaces should be maintained in a clean and orderly state to encourage efficient operations and promote good safety practices.

Weapons and Workplace Violence

Employees, officers and Directors are prohibited from bringing firearms, explosives, incendiary devices or any other weapons into the workplace or any work - related setting, regardless of whether or not such employee or Director is licensed to carry such weapons, unless any such prohibition is precluded by applicable law. Similarly, Altisource will not tolerate any level of violence in the workplace or in any work - related setting. Violations of this policy must be referred to your supervisor and the Head of

Internal Audit and/or the General Counsel immediately. Threats or assaults that require immediate attention should be reported to the police.

Drugs and Alcohol

Altisource intends to maintain a drug-free and alcohol-free work environment. Except at approved Altisource functions, you may not use, possess or have more than 0.05% alcohol in your system while on Altisource premises. You cannot use, sell, attempt to use or sell, purchase, possess or be under the influence of (i) marijuana, except in very limited circumstances in Connecticut and Massachusetts as provided by state law, (ii) or any other illegal drug. You may not abuse prescription drugs or use prescription drugs if their use presents a safety risk, without first consulting Human Resources.

RESPONSIBILITY TO OUR CUSTOMERS AND OTHER EXTERNAL PARTIES

In the normal course of business, Altisource has frequent direct and indirect interactions with consumers, customers, vendors and other external parties. Such parties may provide feedback regarding Altisource's services, processes, employees and vendors. If you are contacted by an external party with an expression of dissatisfaction, suggestion or compliment relating to Altisource, then you are required to log the feedback in the Company's escalation management platform. At times, such feedback may express dissatisfaction or pose an inquiry that requires the appropriate escalation; you must follow your business unit's procedures regarding escalation. The failure to appropriately log and escalate feedback could expose Altisource to material reputational, legal, regulatory and financial risks. Equally important to mitigating these risks, Altisource is dedicated to providing world-class customer service. Each external interaction presents an opportunity to exceed expectations and positively impact the Altisource brand.

INTERACTING WITH GOVERNMENT

Prohibition on Gifts to Government Officials and Employees

The various branches and levels of government have different laws restricting gifts, including meals, entertainment, transportation and lodging that may be provided to government officials and government employees. You are prohibited from providing gifts, meals or anything of value to government officials or employees or members of their families in connection with Company business without prior written approval from the General Counsel.

Political Contributions and Activities

Laws of certain jurisdictions prohibit the use of Company funds, assets, services or facilities on behalf of a political party or candidate. Payments of Company funds to any political party, candidate or campaign may be made only if permitted under applicable law and approved in writing and in advance by the General Counsel. You may not on behalf of the Company give, offer or promise to give, or authorize another to give, offer or promise to give money or gifts, whether personal or obtained with Company funds, to an official or any employee of a governmental entity without prior approval of the General Counsel. All proposed payments or gifts to a government official must be reviewed and approved in advance by the General Counsel.

Your work time may be considered the equivalent of a contribution by the Company. Therefore, you will not be paid by Altisource for any time spent running for public office, serving as an elected official or campaigning for a political candidate. Nor will the Company compensate or reimburse you, in any form, for a political contribution that you intend to make or have made.

Lobbying Activities

Laws of some jurisdictions require registration and reporting by anyone who engages in a lobbying activity. Generally, lobbying includes: (1) communicating with any member or employee of a legislative branch of government for the purpose of influencing legislation; (2) communicating with certain government officials for the purpose of influencing government action or (3) engaging in research or other activities to support or prepare for such communication.

So that the Company may comply with lobbying laws, you must notify the General Counsel before engaging in any activity on behalf of Altisource that might be considered “lobbying” as described above.

Bribery of Foreign Officials - Foreign Corrupt Practices Act

Company policy, the U.S. Foreign Corrupt Practices Act (the “FCPA”) and the laws of many other countries prohibit Altisource and its officers, Directors, employees and agents from giving or offering to give money or anything of value to a foreign official, a foreign political party, a party official or a candidate for political office in order to influence official acts or decisions of that person or entity, to obtain or retain business or to secure any improper advantage. A foreign official is an officer or employee of a government or any department, agency or instrumentality thereof, political parties or of certain international agencies, such as the World Bank or the United Nations, or any person acting in an official capacity on behalf of one of those entities. Officials of foreign government-owned corporations are considered to be foreign officials.

Examples of items of value that Altisource may not provide to foreign officials include travel expenses, golf outings, automobiles and loans with favorable interest rates or repayment terms. Benefits indirectly conferred to foreign officials through agents, contractors or other third parties are prohibited. When circumstances indicate a potential violation of the FCPA, employees and Directors must report to the General Counsel, Head of Internal Audit or via one of the reporting mechanisms listed in the “Reporting Violations” section below.

Altisource prohibits making facilitating payments to foreign officials. Facilitating payments are payments of small value to effect routine government actions such as obtaining permits, licenses, visas, mail, utilities hook-ups, etc.

REGULATORY INQUIRIES, INVESTIGATIONS AND LITIGATION

Requests for Information

Governmental agencies and regulatory organizations may from time to time conduct surveys or make inquiries that request information about Altisource, its customers or others that generally would be considered confidential or proprietary. Employees receiving such inquiries must refer such matters immediately to the Law and Compliance Department.

Types of Inquiries

Regulatory inquiries may be received by mail, e-mail, telephone or personal visit. In the case of a personal visit, demands may be made for the immediate production or inspection of documents. Any calls or personal visits must be directed to the Law and Compliance Department for guidance. Letter or e-mail inquiries must be forwarded immediately to the Law and Compliance Department, who will provide an appropriate response. If served with a search warrant, Directors, officers and employees must comply with the warrant and contact the General Counsel immediately, providing a copy of the warrant.

Responding to Information Requests

Except in the case of search warrants as described above, no documents or material may be released to any third party, including clients, without prior approval of the General Counsel. Similarly, you are prohibited from any substantive discussions with any regulatory personnel without prior consultation or authorization from the General Counsel.

Regulatory Inquiries

If you are notified that you or the Company are the subject of a regulatory investigation, whether in connection with your activities at Altisource or at a previous employer, you must immediately notify the General Counsel. For more information, see Management Directive No. 12 – Information Requests.

IMPLEMENTATION OF THE CODE

Responsibilities

While each of us is individually responsible for putting the Code to work, we need not go it alone. Altisource has a number of resources, people and processes in place to answer our questions and guide us through difficult decisions.

Copies of this Code will be available on the Company's E-Learning system. From time to time Directors, officers, employees, agents and independent contractors may be required to successfully complete an examination on the Intranet regarding this Code. Copies are also available at www.altisource.com under Investor Relations/Corporate Governance.

Seeking Guidance

This Code cannot provide definitive answers to all questions. If you have questions regarding any of the policies discussed in this Code or if you are in doubt about the best course of action in a particular situation, you should seek guidance from your supervisor, the Head of Internal Audit, the General Counsel or the other resources identified in this Code.

Reporting Violations

If you know of or suspect a violation of applicable laws or regulations, the Code, or the Company's related policies, you must immediately report that information to the person designated in the Code to receive reports of the type of violation and/or use one of the following reporting mechanisms:

Web: <http://www.openboard.info/asps/>

Email: asps@openboard.info

Telephone: + 1 (866) 257-7745

No one will be subject to retaliation because of a good faith report of suspected misconduct. However, failure to report a suspected violation of the Code is itself a violation of the Code and could subject you to disciplinary action, up to and including termination.

Investigations of Suspected Violations

All reported violations will be promptly investigated and treated confidentially to the greatest extent possible. It is imperative that reporting persons not conduct their own preliminary investigations. Investigations of alleged violations may involve complex legal issues, and acting on your own may compromise the integrity of an investigation and adversely affect both you and the Company.

Discipline for Violations

Altisource intends to use every reasonable effort to prevent the occurrence of conduct not in compliance with this Code and to halt any such conduct that may occur as soon as reasonably possible after its discovery. Company personnel who violate this Code and other Company policies and procedures may be subject to disciplinary actions, up to and including termination. In addition, disciplinary actions, up to and including termination, may be taken against anyone who directs or approves infractions or has knowledge of them and does not promptly report and correct them in accordance with Company policies and procedures.

Waivers of the Code

The Company will waive application of the policies and procedures set forth in this Code only where circumstances warrant granting a waiver and then only in conjunction with any appropriate monitoring of the particular situation. Waivers of the Code for Executive Officers and Directors may be made only by the Audit Committee and must be promptly disclosed as required by law, rule or regulation, including SEC rules or NASDAQ listing standards.

No Rights Created

This Code is a statement of the fundamental principles and key policies and procedures that govern the conduct of Altisource's business. It is not intended to and does not create any rights in any employee, Director, client, supplier, competitor, shareholder or any other person or entity.

Reminder

We all play a part in helping the Company comply with the many laws, regulations and ethical standards affecting our business. You must become familiar with and conduct yourself in compliance with those laws, regulations and standards and the Company's policies and guidelines pertaining to them.

CODE OF BUSINESS CONDUCT AND ETHICS

Adopted
7 August 2009

Amended and Approved
9 March 2012

Amended and Approved
12 February 2013

Amended and Approved
11 February 2014

Amended and Approved
10 February 2015

Amended and Approved
11 February 2016

Amended and Approved
6 February 2017

Amended and Approved
12 February 2018

EXHIBIT B

EMPLOYEE INTELLECTUAL PROPERTY AGREEMENT

EMPLOYEE INTELLECTUAL PROPERTY AGREEMENT

This EMPLOYEE INTELLECTUAL PROPERTY AGREEMENT (this “Agreement”) is made by and between Altisource Solutions, Inc., a Delaware corporation, having a place of business at 2002 Summit Boulevard, 6th Floor, Atlanta, Georgia 30319 (“Altisource”), and

Indroneel Chatterjee?????

(Name of Employee)

XXX-XX-XXXX?????

(Social Security Number)

In consideration for my employment by Altisource, and the wages or salary and other employee benefits in compensation for my services, I agree that:

1. For the purpose of this Agreement, the following words shall have the following meanings:
 - a. “Affiliate” shall mean any person or entity directly or indirectly controlled by, controlling or under common control with a party. For avoidance of doubt, an Affiliate of Altisource shall include, without limitation, any direct or indirect subsidiary (whether or not wholly-owned) of Altisource Portfolio Solutions S.A.
 - b. “Confidential Information” means information which is disclosed to me, known by me, or generated by me as a consequence of or related to my employment with Altisource, which is not publicly known outside Altisource or its Affiliates, and which relates to the existing or reasonably contemplated scope of Altisource’s business (or the business of its Affiliates) at the time such information is disclosed to me, known by me, or generated by me. “Confidential Information” is intended to include, but is not limited to, trade secrets, inventions, processes, formulas, systems, computer programs, plans, programs, studies, techniques and business information.
 - c. “Developments” shall be defined as all inventions, whether or not patentable, Confidential Information, computer programs, copyright works, algorithms, processes, patents (and applications therefor), trademarks (and applications therefor) and other intellectual property (collectively, “Works”) that (1) are made, conceived, reduced to practice, or authored by me, alone or jointly with others, while employed by Altisource, whether or not during normal business hours or on Altisource’s (or its Affiliates’) premises, that are within the existing or reasonably contemplated scope of Altisource’s business (at the time such Works are made, conceived, reduced to practice or authored) or of the business of Altisource’s Affiliates (at the time such Works are made, conceived, reduced to practice, or authored), or which result from or are suggested by any work I or others may do for or on behalf of Altisource or its Affiliates; (2) arise from, are based on, or otherwise incorporate or utilize Confidential Information; or (3) are made, conceived, reduced to practice, or authored by me during my employment with Altisource during business hours or using Altisource’s (or its Affiliates’) equipment whether related or unrelated to Altisource’s business or the business of its Affiliates. Notwithstanding anything to the contrary contained in this Agreement, any Works of which I have already conceived prior to my employment with Altisource (whether or not relating to the business of Altisource or its Affiliates) shall be excluded from the

definition of Developments, if such Works are identified in a writing attached to this Agreement.

2. I will not disclose or induce Altisource or its Affiliates to use confidential information or trade secrets of others, unless authorized by the owner.
3. During my employment with Altisource and thereafter, I will treat all Confidential Information as secret and confidential and I will never use or disclose or authorize anyone else to use or disclose such Confidential Information except as is expressly permitted by Altisource or its Affiliates in performance of my designated duties to Altisource or its Affiliates. I will diligently protect all Confidential Information against loss by inadvertent or unauthorized use or disclosure. I have no right to use Confidential Information after my employment with Altisource terminates.
4. All Developments are the property of Altisource or its Affiliates (as determined by Altisource) and deemed works made for hire, to the extent applicable. To the extent any Developments and the rights therein do not become the property of Altisource or its Affiliates by operation of law, I will assign and hereby do assign to Altisource Solutions S.à r.l. (parent of Altisource Portfolio Solutions, Inc., which is the parent of Altisource) all my rights to such Developments in all countries as of the time such rights arise. I agree that I will execute all documentation necessary to document the assignment to Altisource Solutions S.à r.l. (or such other entity as specified by Altisource) of all rights, title and interest in any Developments.
5. Notwithstanding anything to the contrary in this Agreement, no provision in this Agreement shall be interpreted to require me to assign any of my rights in, and the definition of Developments shall be construed to exclude, any Work that applicable law would preclude from being assigned from an employee to an employer in an employment agreement. For the avoidance of doubt, no provision in this Agreement is intended to require assignment of any of my rights in, and the definition of Developments shall be construed to exclude, any Work that I developed entirely on my own time without using Altisource's (or its Affiliates') equipment, supplies, facilities, or trade secret information except for those Works that either:
 - a. relate at the time of conception or reduction to practice of the invention to Altisource's (or its Affiliates') business, or actual or demonstrably anticipated research or development of Altisource or its Affiliates; or
 - b. result from any work performed by me for Altisource or its Affiliates.
6. I will promptly submit to the Altisource Law Department written disclosures of all Developments, whether or not patentable, which are made or conceived by me, alone or jointly with others, while I am employed by Altisource. If I make, conceive, or develop any Work during my employment for which I do not know whether such Work falls within the existing or reasonably contemplated scope of Altisource's or its Affiliates' business (at the time such Work is made, conceived, or authored), I will promptly submit to the Altisource Law Department a written disclosure of such Work so that Altisource, in its sole reasonable judgment, can determine in good faith whether such Work is a Development.
7. Upon request by Altisource or its Affiliates, at any time during my employment with Altisource and thereafter:

- a. I will submit to the Altisource Law Department written disclosures of all Developments made, conceived, or authored by me, alone or jointly with others, while employed by Altisource;
 - b. I will provide proper assistance and review and execute all papers deemed by Altisource to be necessary to effectuate the intentions of the parties expressed in this Agreement and to develop and preserve legal protection for all Developments in the name of Altisource (or its Affiliates as determined by Altisource) without any compensation in addition to the compensation received from Altisource during my employment with Altisource except as required by law; and
 - c. I hereby appoint Altisource as my attorney-in-fact in the event I do not or cannot perform my obligations regarding the ownership and assignment of the Developments (including, without limitation, the obligations specified in subsection (b) above) and only for such limited purpose.
8. All written materials and other tangible objects, including copies, made or compiled by me or made available to me in the course of my employment, shall be the property of Altisource or its Affiliates and shall be delivered to Altisource upon termination of my employment or at any other time upon request.
 9. The law of the State of Michigan will govern the interpretation, validity and effect of this Agreement without regard to its place of execution or its place of performance. Should I violate this Agreement, inadvertently or otherwise, I acknowledge that irreparable harm will result to Altisource and its Affiliates, and that Altisource and its Affiliates shall be entitled to any remedy, legal or equitable, to correct any harm which results from such violation.
 10. This Agreement may not be superseded, amended, or modified except by either (a) a written agreement signed by me and a director of Human Resources or a senior vice president (or above) of Altisource; or (b) if permitted by law, the issuance of a new or updated official Altisource policy relating to the subject of this Agreement that is communicated to me via any reasonable medium (including without limitation via electronic mail), which I agree becomes effective by my continued employment at Altisource after receiving actual or constructive notice of such policy.
 11. If any provision of this Agreement is held to be unenforceable for any reason, such provision shall be conformed to prevailing law rather than voided, if possible, in order to achieve the intent of the parties to the extent possible. In any event, if any provision of this Agreement is voided, all other provisions of this Agreement shall be deemed valid and enforceable to the fullest extent possible.

If Altisource decides not to exercise any of its rights under this Agreement or to take no action, against any violation, such decision shall not affect the exercise of such right or taking of any action at another time.
 12. There is no agreement or restriction which prevents the performance of my duties under this Agreement, except an agreement with no exception, a copy of which is attached hereto. (If there is none, insert “no exception”.)

[CONTINUED ON IMMEDIATELY FOLLOWING PAGE]

I acknowledge that I have read and that I understand this Agreement. I understand that to the extent applicable this Agreement remains in effect following my employment with Altisource. I also understand this Agreement is legally binding upon me and upon my heirs and that this Agreement may be transferred by Altisource to any of its successors or assigns at any time and without my consent or any notice to me.

By: /s/ Indroneel Chatterjee

Date: 8/31/2018

Accepted by Altisource Solutions, Inc.:

By: /s/ Michelle D. Esterman

Date: 8/31/2018

Name: Michelle D. Esterman

Title: Chief Executive Officer

**FOURTH AMENDMENT
TO
COOPERATIVE BROKERAGE AGREEMENT**

This **FOURTH AMENDMENT TO COOPERATIVE BROKERAGE AGREEMENT** (this “Fourth Amendment”) is made as effective as of September 11, 2018, and is by and among REALHome Services and Solutions, Inc., a Florida corporation (“RHSS, Inc.”), REALHome Services and Solutions – CT, Inc., a Connecticut corporation (“RHSS CT”), and New Residential Sales Corp., a Delaware Corporation (“NRZ Brokerage”).

RECITALS

WHEREAS, on August 28, 2017, RHSS, Inc., RHSS CT, and NRZ Brokerage entered into that certain Cooperative Brokerage Agreement (as amended, the “CBA”);

WHEREAS, RHSS, Inc., RHSS CT, and NRZ Brokerage desire to amend the CBA, in the manner set forth herein; and

WHEREAS, capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the CBA.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual promises herein made, and in consideration of the representations, warranties, and the covenants herein contained, each of parties agree as follows:

1. In Section 14 of the CBA, the reference to “nrzinfo@altisource.com” shall be deleted, and inserted in lieu thereof shall be “NRZInfoRequest@Altisource.com”.
2. Exhibit 6 of the CBA shall be deleted, and inserted in lieu thereof shall be the Exhibit 6 attached hereto.
3. All remaining provisions of the CBA shall remain unchanged and effective and are incorporated herein by reference.
4. This Fourth Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which constitute one and the same instrument.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed and delivered this Fourth Amendment to Cooperative Brokerage Agreement as of the date first written above.

RHSS INC.:

REALHome Services and Solutions, Inc.

By: /s/Michelle D. Esterman

Name: Michelle D. Esterman

Title: President and Chief Executive Officer

RHSS CT.:

REALHome Services and Solutions – CT, Inc.

By: /s/Michelle D. Esterman

Name: Michelle D. Esterman

Title: President and Chief Executive Officer

NRZ BROKERAGE:

New Residential Sales Corp.

By: /s/Nicola Santoro, Jr.

Name: Nicole Santoro, Jr.

Title: Chief Financial Officer

SETTLEMENT AGREEMENT AND FULL RELEASE

This Settlement Agreement and Full Release (the “Agreement”), dated as of October 16, 2018 is by and between Joseph A. Davila (“Executive”) and Altisource S.à r.l., with registered offices at 40, avenue Monterey, L-2163 Luxembourg and registered at the Luxembourg Trade and Companies Register under number B.147.268 (the “Company” and, together with any successor entities, parent companies, subsidiaries and affiliates, including Altisource Portfolio Solutions S.A., “Altisource”) (the “Parties”).

Whereas:

- Executive is employed by the Company by virtue of an employment contract dated June 17, 2011 with a Commencement Date of July 28, 2011 (the “Employment Contract”);
- By hand-delivered letter dated October 16, 2018 (the “Notice Date”), Executive resigned, with notice;
- On October 16, 2018, a meeting between Executive and the Company was held;
- Executive and the Company wish to settle immediately and definitely any dispute between Executive and Altisource particularly in respect of Executive’s employment and resignation.

In consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. The Parties acknowledge that Executive’s employment with the Company will end at midnight on December 14, 2018 (the “Separation Date”), as mutually agreed between the parties. Except for any consideration set forth in paragraph 4, base salary owed through the Separation Date and unused annual leave for 2018 (if any), Executive acknowledges that he has been paid all compensation and benefits due to him and waives any right to additional compensation or consideration whatsoever.

2. Executive agrees that he will:

(i) exercise his functions in a competent, professional and cooperative manner for time worked through the Separation Date (or earlier date mutually agreed to with the Company);

(ii) cooperate fully with and ensure the transition of his responsibilities in a professional manner, including, without limitation, by (a) assisting, and provided information to, William Shepro, or any of his designees, in connection with the transition and (b) delivering to Mr. Shepro, or his designee, on or before November 15, 2018, a comprehensive transition memorandum setting forth a detailed description of all of his duties and responsibilities and to update the memorandum with any changes requested by Mr. Shepro (or his designee) on or before November 30, 2018; and

(iii) ensure the identification and location of all files and materials, electronic or otherwise, necessary for the completion of his duties and responsibilities.

3. Executive shall not, individually or in concert with one or more persons, at any time or by any means whatsoever, directly or indirectly, disclose, communicate, make public, declare, transmit, convey, communicate, verbalize or publicize in any manner, to any entity or person, any problems, issues, complaints, concerns, disputes, disagreements, conflicts, controversies or differences of opinion, actual or perceived, Executive has, had or may have with Protected Persons (defined below), any information of a confidential nature with regard to the Protected Persons, or the operations, policies, decisions, practices, filings, disclosures, business conduct or culture of the Protected Persons. Executive shall not, individually or in concert with one or more persons, at any time or by any means whatsoever, directly or indirectly, make any disclosure, communication, declaration, transmission, verbalization or publication to any entity or person or take any action which is intended or could reasonably be expected to: (i) harm, disparage or impugn the character, honesty, integrity of business acumen, reputation, standing, names, marks or status of any Protected Persons, or (ii) lead to unwanted publicity for any Protected Persons. Notwithstanding the foregoing, nothing in this paragraph or elsewhere in this Agreement shall prohibit Executive from making any statement or disclosure required by law. Prior to making any required disclosure, Executive shall provide the Altisource Chief Legal and Compliance Officer with written notice of the specific anticipated statement or disclosure no less than five (5) days prior to making such statement or disclosure, and shall cooperate with Altisource in objecting to and in making such statement or disclosure (or refraining from making such anticipated statement or disclosure until able to satisfactorily resolve such objections in Altisource's sole discretion). None of the foregoing restrictions shall apply to communications between Executive and his attorney and/or immediate family. Executive shall be responsible for assuring that his family and his attorney comply with the commitments of this paragraph. A breach by Executive's family or his attorney will be considered a breach by Executive.

The term "Protected Persons" shall mean Altisource, its contractors, vendors, or clients, and the employees, officers, managers, directors and shareholders, past or present, of the foregoing.

4. Following the execution of this Agreement by both Parties and contingent upon the Company's receipt of the executed Agreement, Executive's compliance with paragraphs 2 and 3 of the present Agreement and the expiration of the revocation period referred to in paragraph 18 (collectively, the "Conditions"), the Company shall (in each case subject to applicable withholdings):

(i) Pay Executive the sum of **One Hundred and Seventy-One Thousand Two Hundred Euros (€171,200.00)**, as severance, subject to applicable withholding taxes on the applicable portion pursuant to article 115 of the amended law of 4 December 1967 on income taxation. Executive shall support any risks in relation to the tax release regime, which shall be payable in Euros within fourteen (14) days of the Separation Date, provided that Executive has successfully completed his transition and all Conditions are met;

(ii) Pay Executive the sum of **One Hundred and Fourteen Thousand One Hundred and Thirty-Two Euros (€114,132.00)**, equal to four months' base salary, pursuant to Article 9(c) of Executive's Employment Contract, in consideration for Executive's non-competition obligations, which are set forth in Article 9 of the Employment Contract and incorporated herein by reference, which shall be payable in Euros within fourteen (14) days of the Separation Date, provided that Executive has successfully completed his transition and all Conditions are met;

(iii) Pay Executive the sum of **Two Hundred and Forty-Five Thousand U.S. Dollars (\$245,000)** as payment for his 2018 incentive compensation (70% of Executive's incentive target amount), payable within fourteen (14) days of the Separation Date (in United States Dollars or converted to Euros at the then-current exchange rate, in Executive's discretion), provided that Executive has successfully completed his transition and all Conditions are met;

(iv) Provided that Executive relocates no later than March 31, 2019, pay Executive or reimburse Executive for Executive's reasonable relocation costs back to the United States that are actually incurred, which shall be limited to (a) one-way business class airfare to the United States for Executive and his spouse; (b) the packing, moving and unpacking of household goods to the United States (which shall be limited to one cargo container of up to 40 feet, excluding items referenced in this paragraph 4(iv)(c)-(e) below) and storage for such household goods in the United States for up to six (6) months; (c) the transport of up to two (2) vehicles; (d) the shipment of an air pallet to the United States for valuable household goods or goods needed in the short-term in the United States; and (e) and such other miscellaneous relocation expenses pre-approved by a Manager of the Company;

(v) Provide (a) tax preparation and, if applicable, tax equalization, for tax year 2018, consistent with past practice and (b) to the extent Executive incurs tax obligations in tax year 2019, tax preparation and, if applicable, tax equalization, for tax year 2019, but in all cases only with respect to tax obligations incurred as a result of working for the Company in Luxembourg; and

(vi) Notwithstanding Executive's resignation and the terms of the applicable equity award agreements, the treatment of Executive's outstanding equity of Altisource Portfolio Solutions S.A. ("ASPS") will be as follows:

a. Following the Separation Date and for a period of 6 months thereafter, Executive will be allowed to retain and exercise (subject to any trading restrictions pursuant to Altisource policies and/or applicable securities laws), all stock options that are vested as of the Separation Date. For the avoidance of doubt, this shall include (a) options that are vested as of the date of this Agreement (currently: 6,700 vested stock options under Executive's April 15, 2015 Non-Qualified Stock Option Award Agreement, 4,688 vested time-based stock options under Executive's November 11, 2014 Non-Qualified Stock Option Award Agreement, 1,875 vested stock options under Executive's May 15, 2014 Non-Qualified Stock Option Award Agreement, 1,875 vested stock options under Executive's May 15, 2013 Non-Qualified Stock Option Award Agreement and 25,000 vested stock options under Executive's July 28, 2011 Non-Qualified Stock Option Award Agreement) and (b) stock options that may vest between the date of this Agreement and the Separation Date pursuant to the terms of the applicable award agreements, in each case except where such vested options have been earlier terminated by Executive pursuant to exercise;

b. With respect to market-based stock options granted pursuant to Executive's July 27, 2017 Non-Qualified Stock Option Award Agreement and November 11, 2014 Non-Qualified Stock Option Award Agreement that are unvested as of the Separation Date, if the respective market criteria for such options have been satisfied on or prior to the 90 day anniversary of the Separation Date, such options will vest according to the schedule set forth in the applicable award agreement and such vested options shall be exercisable through the later to occur of (i) the 6 month anniversary of the date such option vests,

or (ii) the 6 month anniversary of the Separation Date (for the avoidance of doubt, if the respective performance-based criteria are not achieved within 90 days of the Separation Date, the corresponding options shall immediately terminate);

c. With respect to the performance-based stock options granted pursuant to Executive's April 7, 2017 Non-Qualified Stock Option Award Agreement that are unvested as of the Separation Date, if the Service Revenue Target (as defined in Section 10 of the award agreement) is satisfied on or prior to the ninety (90) day anniversary of the Separation Date, such options will vest in an amount equal to one hundred and fifty percent (150%) of Executive's Target Amount (as defined in Exhibit A of Executive's award agreement) on the anniversary of the April 7, 2017 grant date that immediately follows the calendar year in which the Service Revenue Target has been achieved, and such vested options shall be exercisable through the later to occur of (i) the 6 month anniversary of the date such option vests, or (ii) the 6 month anniversary of the Separation Date (for the avoidance of doubt, if the Service Revenue Target is not achieved within 90 days of the Separation Date, all options under this award shall immediately terminate).

d. With respect to the performance-based stock options granted pursuant to Executive's February 12, 2018 Non-Qualified Stock Option Award Agreement, such unvested options shall remain outstanding until the Stock Option Vestable Portion (as defined in the award agreement) is determined by the Compensation Committee in the first quarter of 2019 and, following such determination, the Stock Option Vestable Portion of Executive's award (if any) will accelerate and become immediately vested in full, and such vested options shall be exercisable for a period of six (6) months from the date of such vesting (for the avoidance of doubt, all options other than the Stock Option Vestable Portion shall immediately terminate following the Compensation Committee's determination of the Stock Option Vestable Portion).

e. The following outstanding unvested restricted shares of ASPS common stock ("Restricted Shares") and ASPS Restricted Stock Units ("RSUs") that are scheduled to vest prior to February 14, 2020 will accelerate on the Separation Date as indicated herein (3,098 RSUs under Executive's February 12, 2018 Restricted Stock Unit Award Agreement, 3,750 Restricted Shares under Executive's November 13, 2017 Restricted Share Award Agreement, 1,666 Restricted Shares under Executive's July 27, 2017 Restricted Share Award Agreement, 502 Restricted Shares under Executive's April 7, 2017 Restricted Share Award Agreement and 1,867 Restricted Shares under Executive's April 15, 2015 Restricted Share Award Agreement).

f. The unvested Restricted Shares and RSUs that have not accelerated pursuant to paragraph 4(vi)(e) above (the "Non-Accelerated Shares") will remain outstanding following the Separation Date and if a Change of Control/Restructuring Event (as defined in the applicable award agreement) transaction closes prior to February 14, 2019 and the board of directors or compensation committee of ASPS or any successor entity determines, in connection with such Change of Control/Restructuring Event, to provide for the accelerated vesting and settlement of such RSUs or Restricted Shares and/or to cancel the outstanding unvested Restricted Shares and RSUs held by employees for consideration, such determination will apply to the Non-Accelerated Shares to the same extent as if Executive was still employed by the Company. In all other cases, including if a Change of Control/Restructuring Event

transaction does not close prior to February 14, 2019, the Non-Accelerated Shares shall terminate on February 14, 2019.

Except as set forth in this paragraph 4, and in paragraph 7 below, nothing in this Agreement shall vary the terms of the applicable equity award agreements, which provisions shall govern the treatment of the equity in all other respects.

In accordance with Altisource's Insider Trading Policy, Executive will be subject to the Company's trading windows for a period of three (3) months following the Separation Date.

The Company will provide the benefits and make the payments described in this paragraph 4 in consideration and in exchange for Executive's promises, representations, warranties, covenants, agreements, releases and other obligations set out in this Agreement and his adherence thereto.

5. Executive hereby (i) waives any and all rights to salary, incentive compensation and other benefits, whether earned or unearned, and whether due or to become due, from Altisource except for any amounts set forth in paragraph 4, base salary owed for the period worked through the Separation Date and unused annual leave for 2018 (if any); (ii) except as set forth in paragraph 4 above, waives any and all claims to any equity-based compensation granted, allocated, assigned or otherwise attributed to the employee prior to the date of this Agreement (whether vested or unvested) from Altisource, including any equity-based compensation that purports to give the employee the right to benefit from or participate in the appreciation or increase in value of, or profits or dividends from, any division, business unit or other sub-division of Altisource, including without limitation, any award granted, allocated, assigned or otherwise attributed to the employee and (iii) fully and forever releases and discharges from liability, and covenants not to sue Altisource or its officers, directors, managers, employees, counsel and agents and representatives of any sort, both present and former, for any and all claims, damages, actions and causes of action, arising from the beginning of time until the execution of the Agreement by Executive, whether in contract, tort, negligence or otherwise, in law or in equity, of every nature which Executive may ever have had, or now has, which are known or may subsequently be discovered by Executive arising out of, in connection with or related to Executive's recruitment, hiring, employment with Altisource and/or separation from employment with Altisource, the acts or omissions of Altisource, including but not limited to any contracts, agreements and promises, written and oral; any and all claims of discrimination on account of sex, race, age, disability, color, national origin, religion, veteran status, marital status or sexual orientation and claims or causes of action based upon any equal employment opportunity laws, ordinances, regulations or orders, including but not limited to Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Rehabilitation Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act, the Genetic Information Nondiscrimination Act and any other applicable antidiscrimination statutes whether under United States or Luxembourg law; claims for wrongful termination actions of any type; (such as claim for indemnity for non-pecuniary loss "*indemnité pour préjudice moral*", indemnity for material injury "*indemnité pour préjudice matériel*", indemnity for improper nature of the dismissal procedure "*indemnité pour licenciement irrégulier pour vice de forme*"),

compensation or reinstatement in the event of nullity of the resignation, compensatory allowance for notice period “*indemnité compensatoire de préavis*”, and severance pay “*indemnité de départ*”), breach of express or implied covenant of good faith and fair dealing; intentional or negligent infliction of emotional distress; intentional or negligent failure to supervise, train, hire or dismiss; claims for fraud, misrepresentation, libel, slander or invasion of privacy and claim on salary arrears or overtime payment, compensation for legal or contractual holidays not taken by Executive, reimbursement of expenses, bonuses, commissions or premiums, entertainment expenses, options, warrants, relocation costs, contributions in a supplementary pension plan, other elements of the remuneration or salary, damages, allocation portion of profits, special advantages, etc, without exception nor reservation.

6. Executive represents and covenants that he has not and will not remove from the Company premises any item belonging to Altisource, including files (neither hard nor soft), Confidential Information, or office equipment. Executive shall account for and return to the Company, on or before the Separation Date (or earlier date decided by the Company in its sole discretion) all Altisource property (including but not limited to iPhone, blackberry, laptop, documents and disks, equipment, keys and passes belonging to the Company which is or has been in the Executive’s possession or under the Executive’s control). Documents and disks shall include but not be limited to correspondence, files, emails, memos, reports, minutes, plans, records, surveys, software, diagrams, computer print-outs, floppy disks, manuals, customer documentation or any other medium for storing information. Executive represents and covenants that he has not and will not disclose or use any Confidential Information and/or trade secrets of Altisource. Executive shall keep all such Confidential Information confidential and not disclose or use the Confidential Information for any purpose, or divulge or disclose that Confidential Information to any person. Any breach, even minimal, of these obligations may constitute a serious offence, which may trigger a claim that may be exercised on the basis of civil, and/or criminal law. As used in this Agreement, “Confidential Information” means information: (i) disclosed to or known by Executive as a consequence of or through his employment with Altisource; (ii) not generally known outside Altisource; and (iii) which relates to any aspect of Altisource or its business or prospective business. By example and without limitation, Confidential Information includes, but is not limited to, any and all information of the following or similar nature, whether transmitted verbally, electronically or in writing: copyright, service mark and trademark registrations and applications; patents and patent applications; licenses; agreements; unique and special methods; techniques; procedures; processes; routines; formulas; know-how; trade secrets; innovations; inventions; discoveries; improvements; research proposals, development, test results or papers; specifications; technical data and/or information; software; models; sales figures; files; marketing plans; strategies; business plans, operations, expenses, customers, competitors and forecasts; customer, pricing, and financial information; budgets; methodologies; computer code and programs; compilations of information; reports; records; compensation and benefit information; customer, vendor, and supplier identities and characteristics; information provided to Altisource by a third party under restrictions against disclosure or use by Altisource or others; information designated secret or confidential by Altisource; and information of which unauthorized disclosure could be detrimental to the interests of Altisource, whether or not such information is identified as confidential information by Altisource.

7. Executive acknowledges that during his time of employment he has been provided access to Confidential Information and Altisource's clients, employees, customers and others with whom Altisource has formed valuable business arrangements. Executive shall not, for a period of twenty-four (24) months commencing on the Notice Date, directly or indirectly:

(i) Take any action that would interfere with, diminish or impair the relationships that Altisource has with its employees, clients and customers (whether current or prospective), and others with which Altisource has business relationships or to which services are rendered;

(ii) Recruit or otherwise solicit for employment or induce to terminate Altisource's employment of or consultancy with, any person (natural or otherwise) who is or becomes an employee or consultant of Altisource or hire any such employee or consultant who has left the employ of Altisource within twenty-four (24) months after the Notice Date.

(iii) Solicit or attempt to solicit any business from any of Altisource's present customers, or actively sought prospective customers, with whom Executive had material contact for purposes of providing products or services that are competitive with those provided by Altisource: provided that "material contact" is agreed to exist between Executive and each customer or potential customer: (a) with whom Executive dealt; (b) whose dealings with Altisource were coordinated or supervised by Executive; or (c) about whom Executive obtained Confidential Information in the ordinary course of business as a result of his association with Altisource; or

(iv) Assist, cause or authorize, directly or indirectly, any other person, partnership, association, corporation or other entity that Executive is employed by, consults with, obtains an ownership interest in, or in which he is materially involved in any manner as to the ownership, management, operation, or control of to engage in any of the foregoing.

Executive further expressly agrees and acknowledges that he is bound by his non-competition obligations under Article 9 of his Employment Contract for a period of one (1) year commencing on the Notice Date.

The restrictive covenants in this paragraph 7 shall supersede the two (2) year non-competition and non-solicitation covenants set forth in Executive's equity award agreements and such provisions shall be deemed to be replaced in their entirety by this paragraph 7.

Any breach, even minimal, of these obligations may constitute a serious offence, which may trigger a claim that may be exercised on the basis of civil, and/or criminal law.

8. Executive shall make himself reasonably available to Altisource at no cost and upon reasonable notice during business hours to respond to inquiries of Altisource and its advisors for a period of twenty-four (24) months from the Separation Date. During such period, Executive shall fully cooperate with Altisource and, upon reasonable notice, furnish any such information and assistance to Altisource, at Altisource's expense, as may be required by Altisource in connection with Altisource's defense or pursuit of any litigation, administrative action or investigation in which Altisource is or hereafter becomes a party or which Altisource undertakes. Executive's duty of cooperation includes, but is not limited to: (i) meeting with Altisource's attorneys by telephone or in person at mutually convenient times and places in order to state truthfully his recollection of events; (ii) appearing at Altisource's reasonable request as a witness at

depositions or trials, without the necessity of a subpoena, in order to state truthfully his knowledge of matters at issue; and (iii) signing at Altisource's request declarations or affidavits that truthfully state matters of which Executive has knowledge. In addition, Executive agrees to notify the Altisource Chief Legal and Compliance Officer promptly of any requests for information or testimony that he receives in connection with any litigation or investigation, pending or threatened, relating to Altisource's business.

9. Executive shall not, either directly or indirectly, disclose, discuss or communicate to any entity or person, except his attorney and/or his immediate family, any information whatsoever regarding the negotiations leading to this Agreement, unless he is compelled to disclose such information pursuant to legal process, and only then after reasonable notice to the Company. Executive shall be responsible for assuring that his family and his attorney comply with the nondisclosure commitments of this paragraph. A breach by Executive's family or his attorney will be considered a breach by Executive.

10. Violation of any provision of this Agreement by Executive will entitle the Company, in addition to and not in limitation of any and all other remedies available to the Company at law or in equity, to recover any and all consideration provided to Executive pursuant to paragraph 4 of this Agreement. In addition, all payments and benefits made to Executive pursuant to this Agreement shall be subject to claw-back by Altisource to the extent required by applicable law or pursuant to any Altisource claw-back policy. Any Prohibited Action(s) by others who have learned the information from Executive will subject Executive to an action for breach of this Agreement. As used herein, "Prohibited Action" shall mean any action which is a violation of the obligations imposed on Executive under this Agreement.

11. It is the intention of the Parties hereto that all questions with respect to the construction of this Agreement and the rights and liabilities of the Parties hereunder shall be determined in accordance with the laws of the Grand Duchy of Luxembourg. Any dispute with respect to the construction of this Agreement and the rights and liabilities of the Parties hereunder will be brought before the courts and tribunals in the district of Luxembourg City. Notwithstanding the foregoing, Executive irrevocably and unconditionally agrees that any action commenced by Altisource for preliminary and permanent injunctive relief or other equitable relief under this Agreement, may also be brought in a United States District Court or, if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in the United States.

12. Subject to the following sentence, this Agreement sets forth all the promises and agreements between them and supersedes all prior and contemporaneous agreements, understandings, inducements or conditions, express or implied, oral or written, except as contained herein. Notwithstanding any term contained herein, Executive acknowledges and reaffirms his obligations in the Employee Intellectual Property Agreement and understands that those obligations remain effective following his separation from the Company.

13. Both Parties acknowledge that they have had the opportunity to freely consult, if they so desire, with attorneys of their own choosing prior to signing this document regarding the contents and consequences of this document. The Parties understand that the payment and other matters agreed to herein are not to be construed as an admission of or evidence of liability for any violation of the law, willful or otherwise, by any person or entity.

14. Executive voluntarily, knowingly and without coercion enters into this Agreement.
15. Each Party executes this Agreement in good faith.
16. The construction of the covenants contained herein shall be in favor of their reasonable nature, legality, and enforceability, in that any reading causing unenforceability shall yield to a construction permitting enforceability. If any single covenant or clause shall be found unenforceable, it shall be severed and the remaining covenants and clauses enforced in accordance with the tenor of this Agreement. In the event a court should determine not to enforce a covenant as written due to overbreadth, said covenant shall be enforced to the extent reasonable, whether said revisions be in time, territory or scope of prohibited activities.
17. In signing this Agreement, Executive acknowledges and certifies that: (i) he has carefully read and fully understands the provisions of this Agreement; (ii) the Company has, by this Agreement, advised him to consult with an attorney of his choice before signing this Agreement, and he has had an opportunity to do so; (iii) he has been allowed a reasonable period of time after receiving this Agreement (up to 21 days) in which to consider this Agreement before signing, and that if he signs this Agreement prior to the expiration of the twenty-one (21) day review period, he is voluntarily and knowingly waiving his twenty-one (21) day review period; and (iv) he agrees to the terms of this Agreement knowingly, voluntarily and without intimidation, coercion or pressure, and he intends to be legally bound by the Agreement.
18. Executive may revoke this Agreement within seven (7) calendar days after he signs it. If he revokes it during that period, it will be null and void, and he will not be entitled to any of the benefits set forth in this Agreement. To revoke, Executive must ensure that written notice of revocation, sent by email, is received by Mr. Ritts, Chief Legal and Compliance Officer, at Gregory.Ritts@altisource.lu, by no later than 5:00 p.m. on the seventh calendar day after he signs the Agreement. If Executive does not revoke the Agreement during that seven-day revocation period, the effective date of the Agreement shall be the day after the seven-day period has expired.
19. This Agreement is made in two originals, each Party acknowledging having received one original.

[Signatures appear on the following page]

IN WITNESS WHEREOF, the Parties hereby voluntarily and knowingly enter into this Agreement.

ATTEST:

By: /s/Kevin J. Wilcox
Kevin J. Wilcox

By: /s/Joseph A. Davila
Joseph A. Davila

ALTISOURCE S.À R.L.

By: /s/William Shepro
William B. Shepro
Manager

**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 September 30, 2018 of Altisource Portfolio Solutions S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 25, 2018

By: /s/ William B. Shepro

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

**CERTIFICATION BY THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Michelle D. Esterman, hereby certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2018 of Altisource Portfolio Solutions S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 25, 2018

By: /s/ Michelle D. Esterman

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

**CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(UNITED STATES CODE, TITLE 18, CHAPTER 63, SECTION 1350)
ACCOMPANYING QUARTERLY REPORT ON FORM 10-Q OF
ALTISOURCE PORTFOLIO SOLUTIONS S.A. FOR THE QUARTER ENDED
SEPTEMBER 30, 2018**

In connection with the Quarterly Report on Form 10-Q of Altisource Portfolio Solutions S.A. (the “Company”) for the quarterly period ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), William B. Shepro, as Chief Executive Officer of the Company, and Michelle D. Esterman, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ William B. Shepro
William B. Shepro
Director and Chief Executive Officer
(Principal Executive Officer)

October 25, 2018

By: /s/ Michelle D. Esterman
Michelle D. Esterman
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

October 25, 2018