



**FIRM BROCHURE**  
(Part 2A of Form ADV)

**March 30, 2016**

**Altisource Asset Management Corporation**

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**This Brochure provides information about the qualifications and business practices of Altisource Asset Management Corporation. If you have any questions about the contents of this Brochure, please contact us at (340) 692-1055. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Altisource Asset Management Corporation is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## ITEM 2: MATERIAL CHANGES

### Summary of Material Changes

This Brochure dated March 31, 2016 amends the Adviser's amended Brochure dated March 31, 2016. A Summary of the Material Changes since the initial Brochure follows:

1. In Item 4, the Amount of Client Assets Managed has been updated to reflect that the Adviser managed approximately \$2,464,948,000 of non-discretionary assets as of December 31, 2015.
2. In Item 4, the Brochure has been amended to update the description of business the Adviser's primary client, Altisource Residential Corporation to update RESI's evolving business strategy.
3. In Item 4, the description of the Adviser's principal owners has been updated to update the share ownership in the Adviser.
4. In Item 5, the description of the Adviser's fees and compensation has been updated to more clearly reflect the Adviser's fee structure with RESI under the Asset Management Agreement executed on March 31, 2015.

The Adviser, within 120 days after its fiscal year end of December 31, will ensure that its client receives either a Brochure along with a Summary of Material Changes, or a Summary of Material Changes accompanied by an offer to provide a full copy of this Brochure. To the extent that the Adviser experiences material changes in the future, clients will receive the Summary of Material Changes with a copy of this Brochure, or the Summary of Material Changes accompanied by an offer to provide a full copy of this Brochure.

## ITEM 3: TABLE OF CONTENTS

<b><u>Item Number</u></b>	<b><u>Page</u></b>
<b>ITEM 1: COVER PAGE .....</b>	<b>1</b>
<b>ITEM 2: MATERIAL CHANGES .....</b>	<b>2</b>
<b>ITEM 3: TABLE OF CONTENTS .....</b>	<b>2</b>
<b>ITEM 4: ADVISORY BUSINESS .....</b>	<b>4</b>
<b>ITEM 5: FEES AND COMPENSATION .....</b>	<b>6</b>
<b>ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....</b>	<b>7</b>
<b>ITEM 7: TYPES OF CLIENTS .....</b>	<b>7</b>
<b>ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....</b>	<b>8</b>
<b>ITEM 9: DISCIPLINARY INFORMATION .....</b>	<b>9</b>
<b>ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....</b>	<b>9</b>
<b>ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>	<b>10</b>

<b>ITEM 12: BROKERAGE PRACTICES .....</b>	<b>10</b>
<b>ITEM 13: REVIEW OF ACCOUNTS .....</b>	<b>10</b>
<b>ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION .....</b>	<b>11</b>
<b>ITEM 15: CUSTODY .....</b>	<b>11</b>
<b>ITEM 16: INVESTMENT DISCRETION.....</b>	<b>11</b>
<b>ITEM 17: VOTING CLIENT SECURITIES .....</b>	<b>11</b>
<b>ITEM 18: FINANCIAL INFORMATION.....</b>	<b>11</b>

## ITEM 4: ADVISORY BUSINESS

### *Description of Firm*

Altisource Asset Management Corporation (the “Adviser”) is a United States Virgin Islands publicly traded corporation (NYSE MKT:AAMC) that provides investment advisory services to its affiliated company, Altisource Residential Corporation (“RESI”), a publicly traded real estate investment trust (NYSE:RESI) focused on providing quality, affordable single family rental homes to families throughout the United States. RESI is currently the Adviser’s primary client. The Adviser also provides asset management services for its wholly-owned subsidiary, NewSource Reinsurance Company Ltd. (“NewSource”), a corporation organized in Bermuda that is an insurance and reinsurance company focused on real estate related insurance products in Bermuda. The Adviser was organized in May 2012 but did not commence operations until December 21, 2012.

The Adviser administers the business and operations of RESI and facilitates certain of RESI’s corporate governance functions. The Adviser also provides portfolio management services to RESI in acquiring and managing single family rental assets.

Commencing in the second quarter of 2015, under the Adviser’s management, RESI expanded its acquisition strategy to opportunistically acquire portfolios of single-family rental properties in order to more quickly achieve scale in its rental portfolio. RESI expects to opportunistically source, bid on and acquire additional portfolios of single-family rental properties over the course of 2016. In the second quarter of 2015, RESI also commenced a program to begin purchasing single-family residential properties on a one-by-one basis, sourcing listed properties from the Multiple Listing Service and alternative listing sources. RESI’s first purchases of properties under this program occurred in the third quarter of 2015.

Prior to the second quarter of 2015, RESI’s preferred acquisition strategy involved acquiring portfolios of sub-performing and non-performing mortgage loans sold by financial institutions including banks, servicers, trusts, non-bank mortgage lenders and government agencies such as the Department of Housing and Urban Development (“HUD”). However, as market conditions evolved and the acquisition of sub-performing and non-performing mortgage loan pools became more competitive and higher-priced, the Adviser introduced for RESI the alternative single-family rental acquisition strategies described above. While the Adviser intends to continue to review and assess the acquisition of portfolios of sub-performing and non-performing mortgage loans for RESI, it believes that the strategy of acquiring portfolios of single-family rental properties will allow RESI to achieve scale in its rental portfolio more quickly and with more control over the value, location and projected returns on the targeted assets.

Under the Adviser’s management, RESI’s preferred resolution methodology for distressed mortgage loans is to modify its distressed mortgage loans. Once successfully modified, RESI expects that borrowers will typically refinance these loans with other lenders, or RESI will sell the modified loans after establishing a payment history at or near the estimated value of the underlying property, potentially generating attractive returns for RESI. Because the substantial majority of the mortgage loans RESI purchases are more than 90-days past due, the Adviser also advises RESI on how to manage these residential mortgage assets to eventually turn them into single-family rental properties.

The Adviser manages the assets of NewSource, a Bermuda-organized corporation of which the Adviser owns 100% of the outstanding common stock. NewSource is an insurance and reinsurance company focused on real estate related insurance products in Bermuda. The Adviser provides asset management services to NewSource under an asset management agreement in connection with NewSource's insurance and reinsurance business, but March IAS Management Services (Bermuda) Ltd. administers NewSource's day-to-day business operations.

### ***Principal Owners***

The Adviser originally was formed as a subsidiary of Altisource Portfolio Solutions S.A. ("Altisource"). On December 21, 2012, the Adviser and RESI separated from Altisource to become stand-alone publicly traded companies. Altisource contributed to the Adviser \$5 million of equity capital and distributed shares of the common stock of the Adviser to the stockholders of Altisource.

William C. Erbey, the Adviser's Chairman of the Board of Directors from inception to January 16, 2015 (when Mr. Erbey stepped down as the Chairman of the Board of the Adviser and RESI), owns approximately 30.6% of the outstanding common stock of the Adviser (excluding options to acquire 83,429 shares of common stock of the Adviser and 23,106 shares of restricted stock of the Adviser that have not yet vested). Other than Mr. Erbey, no stockholder owns more than 25% of the outstanding common stock of the Adviser. No one in the Adviser's senior management owns more than 25% of the Adviser.

### ***Types of Advisory Services Offered***

The Adviser specializes in managing real-estate related assets, particularly single family rental properties and related assets, including its distressed mortgage loans. For loans it converts into single family rental properties, it then advises RESI on the renovation of the properties and RESI then leases the properties to families throughout the United States. The Adviser finds, retains and manages third party servicing of the mortgage loans acquired and retained by RESI in connection with RESI's business. In addition, under the advice and management of the Adviser, RESI engages Altisource to provide renovation, property management and leasing services for the properties acquired by RESI.

The Adviser selects investments for RESI and places bids and offers to purchase real-estate assets on behalf of RESI. Please refer to Item 8 for further information on the Adviser's methods of analysis and investment strategies, including details on the specific risks associated with these strategies.

### ***Advisory Agreements***

The Adviser entered into an asset management agreement with RESI concurrently with its separation from Altisource on December 21, 2012. On March 31, 2015, The Adviser and RESI entered into a new Asset Management Agreement to replace the original agreement, with the new fee structure described below under "Item 5 – Fees and Compensation."

***Amount of Client Assets Managed***

As of December 31, 2015, the Adviser managed approximately \$2,464,948,000 of non-discretionary assets. Among other things, the Adviser sources, analyzes and recommends asset acquisitions for RESI and advises and facilitates financing activities of RESI to enable RESI to acquire and leverage its real estate related portfolio. All investments and financing resources must be approved by RESI's investment committee which has been formed by RESI's board of directors to ensure that the investments and financing resources meet the objectives and restrictions of RESI's investment policy.

**ITEM 5: FEES AND COMPENSATION**

*The following chart summarizes the fees and compensation to the Adviser by RESI under the new Asset Management Agreement dated March 31, 2015:*

<b>Type of Fee</b>	<b>Description of Fee (Payable by RESI – a public REIT)</b>
Base Management Fee	An annual base management fee equal to 1.5% of RESI's invested equity capital, payable quarterly in arrears. Upon RESI's reaching 2,500 rented homes, the base management fee increases to 1.75% of equity invested capital, and upon RESI's reaching 4,500 rented homes, the base management fee increases to 2.0% of equity invested capital. The base management fee is meant to cover the Adviser's employee salary, bonus, benefits, payroll tax and other overhead expenses of the Adviser.
Incentive Fee	A quarterly incentive management fee equal to 20% of the amount by which RESI's return on invested capital exceeds a hurdle return rate of between 7% and 8.25% (based on the 10-year treasury rate). Upon RESI's reaching 2,500 rented homes, the incentive management fee increases to 22.5%, and upon RESI's reaching 4,500 rented homes, the incentive management fee increases to 25% of equity invested capital.
Conversion Fee for Single-Family Rentals	A quarterly conversion fee equal to 1.5% of the market value of the single-family homes leased by RESI for the first time during the quarter.
Termination Fee	<p>The new Asset Management Agreement provides for an initial term of 15 years to March 31, 2030, with two automatic five-year extensions, subject to RESI achieving an average annual return on invested capital of at least 7% in each term.</p> <p>RESI may terminate earlier upon certain "good reason" events, including failure to achieve a 7% return on invested capital for two consecutive years, failure to pay a dividend after declared and a material breach of a debt of RESI that causes acceleration not caused by the Adviser, in which case RESI shall pay the Adviser a termination fee of one times the average annual fees payable over</p>

	<p>the last 24-month period prior to termination.</p> <p>RESI may terminate earlier upon certain “for cause” termination events with no termination fee.</p>
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Fees paid by RESI will be calculated by the Adviser within 30 days after the end of each quarter. Payment will be made by RESI after delivery of a written statement setting forth the computation of the fee for such quarter.

RESI maintains agreements with third parties for administration, custody, transfer agency and fund accounting services, and RESI may pay for these certain services in addition to the incentive fees and reimbursement of expenses set forth above. RESI also maintains agreements with three separate loan servicers, to provide loan servicing the loans owned by RESI, which costs are in addition to the incentive fee and expense reimbursement described in the above table. RESI maintains agreements with Altisource to provide renovation, property management, leasing and valuation services to RESI, which costs are also in addition to the incentive fee and expense reimbursements described in the above table.

#### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Performance-based fees are in the form of incentive fees described in Item 5.

RESI is currently the Adviser’s primary client that is not a wholly-owned subsidiary of the Adviser. The Adviser provides corporate governance services to RESI in addition to asset management services; therefore, Adviser’s executive officers are also the executive officers of RESI.

#### **ITEM 7: TYPES OF CLIENTS**

The Adviser provides investment advice to RESI, a publicly traded REIT. RESI does not have suitability or net worth qualifications. Currently, the Adviser provides services to RESI and NewSource, and does not generally offer services to the public.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### *Methods of Analysis and Investment Strategies*

RESI's investment objective is to generate attractive risk adjusted return over the long term. The Adviser utilizes proprietary analytical and portfolio management expertise and technology to review potential investments in residential whole loans. The Adviser may also provide advice to RESI on acquiring its properties for single-family rental management through strategies that include residential mortgage services clean-up call options; residential mortgage backed securities; securitization loans and other similar investments. The investment analysis review process involves, among other things, reviewing loan collateral characteristics, aggregate loan portfolio profiles, cash flow analysis, and the structure of investment acquisition.

### *Material Risks*

Set forth below is a summary of risks generally applicable to investments in mortgage loans and mortgage-related:

- **Real Estate Risk:** Residential property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing); construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. Decreases in property values could cause the Adviser's clients to suffer losses.
- **Interest Rate Risk:** Real estate investments are subject to interest rate risk in connection with (a) acquisition and ownership of residential mortgage loans and (b) debt financing activities. Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond the Adviser's or its clients' control. Changes in interest rates may affect the fair value of the residential mortgage loans and real estate underlying its clients' portfolios as well as their financing interest rate expense. In the future, the Adviser also may undertake risk mitigation activities with respect to debt financing interest rate obligations; a significantly rising interest rate environment could have an adverse effect on the cost of such financing. To mitigate this risk, the Adviser may use derivative financial instruments such as interest rate swaps and interest rate options in an effort to reduce the variability of earnings caused by changes in the interest rates. If and when undertaken, these derivative instruments may expose clients to certain risks such as price and interest rate fluctuations, timing risk, volatility risk, credit risk, counterparty risk and changes in the liquidity of markets.
- **Market Risk:** Market risk represents the potential loss in value of financial instruments caused by movements in market factors, including, but not limited to, market liquidity, investor sentiment, interest and foreign exchange rates. The investments in which the Adviser invests may trade in limited markets or have restrictions on resale or transfer and may not be able to be liquidated on demand if needed. The value assigned to these investments may differ significantly from the values that would have been used had a ready market existed and such differences could be material to the financial statements. Adverse changes in economic conditions are more likely to

lead to a weakened capacity of borrowers to make principal payments and interest payments. An economic downturn could severely affect the ability of highly leveraged borrowers to service their debt obligations or to repay their obligations.

- *Leverage Risk:* As part of its investment strategy, the Adviser may utilize borrowings, including repurchase agreements, which have mark-to-market risk. Financing may not always be available on acceptable terms, in the necessary amounts, or for the period needed.
- Additional risks and risk factors applicable to the Adviser's services to RESI are set forth in RESI's publicly filed documents:
  - o RESI's most recent Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission (the "SEC") on February 29, 2016; and
  - o RESI's most recent quarterly report on Form 10-Q.

## ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of an adviser or the integrity of its management. The Adviser has disclosed, in the Adviser's Annual Report on Form 10-K for the year ended December 31, 2015 the risks inherent to both RESI and AAMC.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### *Financial Industry Activities*

RESI has entered into mortgage servicing agreements three separate servicers to service all of the residential mortgage loans and real estate owned properties are held by RESI. RESI also entered into a master services agreement with Altisource and its subsidiaries under which Altisource provides renovation, property management and leasing services to RESI under management by the Adviser.

### *Affiliations*

In providing investment advisory services, the Adviser uses the expertise of its management team and staff, as well as its servicers and property manager. Each of RESI's Servicers receives compensation or compensation in kind as a result of servicing the residential mortgage loans acquired or held by RESI, and Altisource and its subsidiaries receive compensation or compensation in kind as a result of providing renovation, property management, leasing and valuation services for RESI's real estate portfolio. Please see the Risk Factor disclosure about potential conflicts of interest in RESI's publicly filed documents.

The Adviser believes that its agreements with its service providers provide efficiency and predictability in certain major components of its cost structure and that its efforts will benefit from the efficiency and predictability provided by these agreements. The Adviser believes that its relationship with Altisource provides the Adviser a distinct advantage as it allows the Adviser to bid on large attractive portfolios or properties on a one-by-one basis for RESI regardless of geography at an attractive cost structure.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

As an investment adviser, the Adviser owes a fiduciary duty to its clients. Accordingly, the Adviser and its employees will not act or behave in any manner or engage in any activity that (i) creates even the suspicion or appearance of the misuse of material non-public information, (ii) gives rise to, or appears to give rise to, any breach of a duty owed to any client or (iii) creates any undisclosed and/or unaddressed conflict of interest, between any client, on the one hand, and the Adviser or any employee, on the other hand, or between clients. The Adviser seeks to foster and maintain a reputation for honesty, integrity and professionalism.

The Adviser has adopted a Code of Business Conduct and Ethics that sets forth standards of ethical and business conduct expected of the Adviser's personnel and addresses conflicts that may arise from personal trading by such personnel. The Code of Business Conduct and Ethics, among other things, requires compliance with the federal securities laws, reflects the Adviser's fiduciary responsibilities and those of their advisory personnel, prohibits certain personal securities transactions, require the Adviser's personnel to periodically report their personal securities transactions and to pre-clear certain securities transactions and addresses prevention of the misuse of material non-public information. The Code of Business Conduct and Ethics is publicly available on the Adviser's web site, and will be provided to any Client upon request

## **ITEM 12: BROKERAGE PRACTICES**

Not Applicable.

## **ITEM 13: REVIEW OF ACCOUNTS**

At the Adviser's recommendation, RESI has formed an investment committee comprised of its Chairman of the Board of Directors, its Chief Executive Officer and its Chief Financial Officer. Among other things, the investment committee primarily is responsible for reviewing the performance of investments recommended for RESI against projections and for determining conformity of the investment recommendations with RESI's investment policies and objectives. The RESI investment committee will review and consider RESI's portfolio periodically. More frequent reviews of RESI's portfolio may be undertaken by the Adviser's other investment professionals as deemed appropriate, taking into account revisions in investment objectives, material movement in the market and other like and unlike factors.

The Adviser prepares periodic detailed reports covering RESI's portfolio, which are provided to the RESI's board of directors. In addition, because RESI's shares are registered with the SEC, the following are examples of reports covering RESI's operations which are available to the public:

1. 10-Ks on an annual basis.
2. 10-Qs quarterly.
3. 8-Ks filed for material activity affecting RESI.
4. Proxy Statements on an annual basis.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

The Adviser does not currently have any relationship with any third-party firm or individual whose purpose is marketing and/or gathering assets for us.

#### **ITEM 15: CUSTODY**

It is the Adviser's general policy to not have physical custody of any client assets. To the extent that the Adviser might otherwise be deemed to have custody, the Adviser will operate in reliance upon the reporting requirement exemption in the Custody Rule with respect to RESI by causing RESI to distribute audited financial statements annually, prepared in accordance with GAAP, to shareholders no later than 120 days after the end of each fiscal year.

#### **ITEM 16: INVESTMENT DISCRETION**

Pursuant to the asset management agreement and subject to oversight by RESI's board of directors, the Adviser administers RESI's business activities and day-to-day operations and facilitates certain of RESI's corporate governance functions. RESI's board of directors has approved an investment policy that sets forth RESI's investment objectives, policies and restrictions. All investments must be approved by RESI's investment committee which has been formed by RESI's board of directors to ensure that the investments meet the objectives and restrictions of the investment policy.

For RESI's investments, the Adviser is responsible for (1) sourcing, analyzing, recommending and executing asset acquisitions approved by RESI's investment committee, including its acquisitions of single-family rental portfolios, its purchase of single-family homes on a one by one basis or its acquisition of sub-performing and non-performing residential mortgage loan portfolios and related financing activities, (2) analyzing and recommending sales of properties, (3) overseeing Altisource's renovation, leasing and property management of RESI's single-family rental properties, (4) overseeing the servicing of RESI's residential mortgage loan portfolios and (5) performing related asset management duties.

#### **ITEM 17: VOTING CLIENT SECURITIES**

RESI typically does not hold voting securities, and, consequently, the Adviser does not vote proxies on behalf of RESI. To the extent RESI holds voting securities in the future, the Adviser has been delegated the authority to vote proxies regarding RESI portfolio securities. To the extent that the Adviser does vote proxies, they will be voted in the Adviser's clients' best interests and according to the Adviser's proxy voting policy. A copy of the proxy voting policy and/or record of how proxies, if any, have been voted are available to clients upon request.

**ITEM 18: FINANCIAL INFORMATION**

The Adviser does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. The Adviser does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients and has not been the subject of a bankruptcy proceeding.