



FIRM BROCHURE
(Part 2A of Form ADV)

March 30, 2020

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) 692-0525. 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.

ITEM 2: MATERIAL CHANGES

Summary of Material Changes

This Brochure dated March 30, 2020 amends the Adviser's amended Brochure dated March 28, 2019 (the "Former Brochure"). A Summary of the Material Changes since the Former Brochure follows:

1. In Item 4, the Amount of Client Assets Managed has been updated to reflect that the Adviser managed approximately \$103,140,000 of regulatory assets under management, on a non-discretionary basis, as of December 31, 2019.
2. In Item 4, the Brochure has been amended to update the description of business the Adviser's primary client, Front Yard Residential Corporation ("Front Yard").
3. In Item 4, the Brochure has been amended to update the description of the asset management agreement between the Adviser and Front Yard, due to the entry into a new Amended and Restated Asset Management Agreement on May 7, 2019.
4. In Item 4, the description of the Adviser's principal owners has been updated to update the share ownership in the Adviser.
5. In Item 5, the Asset Management Fees, Termination and Termination Fee disclosures have been updated to provide the amended and restated Base Management Fee, Incentive Management Fee, Aggregate Fee Cap and Termination and Termination Fee provisions in the Amended and Restated Asset Management Agreement, dated as of May 7, 2019.
6. In Item 8, the description of Front Yard's Investment Analysis and Risks has been updated to further reflect Front Yard's evolving single-family rental business and portfolio.

The Adviser, within 120 days after its fiscal year end of December 31, will ensure that its clients 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.

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ITEM 4: ADVISORY BUSINESS

Description of Firm

Altisource Asset Management Corporation (the “Adviser”) is a United States Virgin Islands publicly traded corporation (NYSE American: AAMC) that provides investment advisory services to its affiliated company, Front Yard Residential Corporation (“Front Yard”), a publicly traded real estate investment trust (NYSE: RESI) that is an industry leader in providing quality, affordable rental homes to America’s families. Front Yard 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 as an insurance and reinsurance company focused on real estate related insurance products.

The Adviser was organized in May 2012 but did not commence operations until December 21, 2012. The Adviser administers the business and operations of Front Yard and facilitates certain of Front Yard’s corporate governance functions. The Adviser also provides portfolio management services to Front Yard in acquiring and managing single-family rental assets.

The Adviser is committed to assisting Front Yard in executing its strategy of being one of the top single-family rental REITs serving working class American families and their communities with a view to providing consistent and robust returns on equity and long-term growth for its investors.

Front Yard’s Business Managed by the Adviser

The Adviser is committed to Front Yard being one of the top single-family rental (“SFR”) REITs serving American families and their communities with a view to providing consistent and robust returns on equity and long-term growth for its investors. The Adviser believes that Front Yard’s business model provides it with a competitive advantage and that Front Yard’s operating capabilities under the Adviser’s management are difficult to replicate. Front Yard’s portfolio of SFR properties has grown substantially in recent years, and the Adviser continues to manage Front Yard’s rental homes efficiently, effectively and in line with its key operating metric targets.

On August 8, 2018, Front Yard acquired HavenBrook Partners, LLC (“HavenBrook” or the “internal property manager”), a full-service property management company, as well as the 3,236 homes managed by HavenBrook. The acquisition of HavenBrook has provided Front Yard with an internal property manager and an efficient, scalable property management platform that is designed to provide tenants with excellent service. As Front Yard continues to grow, this platform will allow it to benefit from economies of scale that will enhance long-term stockholder value. This transaction is referred to as the “HB Acquisition.” Prior to the HB Acquisition, Front Yard relied exclusively on two external property management vendors to provide, among other things, leasing and lease management, operations, maintenance, repair and property management services in respect of certain of Front Yard’s SFR properties. Upon completion of the HB Acquisition, we commenced Front Yard’s internalization of its property management function. By the end of March 2019, Front Yard had completed the full internalization of property management onto the internal property management platform. In connection with this internalization of property management, Front Yard entered into agreements to terminate its property management agreements with its externally property managers,

with substantially all the properties managed by one external provider being completed in November 2018 and substantially all of the remaining properties being internalized in March 2019.

The Adviser believes there is a compelling opportunity in the SFR market and that it has implemented the right strategic plan for Front Yard to capitalize on the sustained growth in SFR demand. Under the Adviser's management, Front Yard targets the moderately priced single-family home market to acquire rental properties, which in the Adviser's view offer desirable yield opportunities. In the current market, the Adviser believes that tighter credit availability for lower-income buyers and the relative scarcity of institutional buyers and operators should result in reduced price competition for reasonably priced homes. The Adviser believes that, when combined with sustained renter demand for quality, affordable homes, Front Yard's lower home acquisition costs and its careful evaluation of capital expenditure requirements prior to acquisition will offer attractive yield opportunities. The Adviser views this as a significant differentiator for Front Yard.

Front Yard expects to hold SFR property assets over the long term with a focus on developing its brand. The Adviser also believes that the forecasted growth for the SFR marketplace, particularly in affordable housing, in combination with Front Yard's ability to acquire and effectively manage assets with attractive yields in strategic markets, provides Front Yard with a significant opportunity to establish itself as a leading SFR equity REIT.

From an operational standpoint, Front Yard's internal property management platform employs an established renovation and property management infrastructure in all the major service areas covered by its single-family rental portfolio under the management and advice of the Adviser. The Adviser believes this provides Front Yard with geographic reach and a low-cost scalable property management structure that will allow Front Yard to operate in a cost-efficient manner.

Through the judicious use of cash under the Adviser's management, Front Yard's strong financing relationships and the sale of remaining mortgage loans and REO properties that will not meet Front Yard's optimal return profile, Front Yard has capitalized on opportunities to buy pools of stabilized rental homes and individual residential properties at attractive yields. The Adviser anticipates that Front Yard will execute upon similar opportunities as they become available. The Adviser also anticipates additional REO liquidations or sales of SFR units in sub-optimal regions will generate cash that may be reinvested in acquiring additional SFR properties.

The Adviser has been successful in its pursuit of this strategy on Front Yard's behalf, having increased Front Yard's SFR portfolio by 1,425% from 787 properties at December 31, 2014 to approximately 15,000 properties in the SFR at December 31, 2019 and 23% from December 31, 2017 to December 31, 2019.

On February 18, 2020, Front Yard announced that, following a strategic alternatives review that commenced in June 2019, it had entered into a merger agreement with subsidiaries of Amherst Residential, LLC ("Amherst Residential"), a privately-owned, vertically-integrated real estate firm, under which Amherst Residential is expected to acquire and Front Yard. The transaction is valued at approximately \$2.3 billion, including debt to be assumed or refinanced. Under the terms of the agreement, Front Yard shareholders will receive \$12.50 in cash per share. The transaction is expected to close in the second quarter of 2020, subject to the approval of the holders of a majority of Front Yard's outstanding shares and the satisfaction of customary closing conditions.

In light of the strategic review process and the entry of Front Yard into the merger agreement, the Adviser appointed a new Co-Chief Executive Officer on January 13, 2020 to serve as an additional resource and to be responsible for implementing new business. Our potential new businesses are in the development stage under the leadership and direction of our new Co-Chief Executive Officer and may include asset management services, investments in real estate related assets or other businesses that leverage the experience of our new Co-Chief Executive Officer and our real estate asset acquisition and portfolio management teams. Our incumbent Co-Chief Executive Officer has continued to focus on the business of Front Yard and the completion of its strategic alternatives review and merger process.

The Adviser also 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 the insurance and reinsurance business, but Marsh IAS Management Services (Bermuda) Ltd. administers NewSource's day-to-day operations. Due to the currently inactive status of NewSource and because NewSource is a wholly-owned subsidiary of the Adviser, effective October 1, 2015, the Adviser suspended further charges to NewSource for services under the management agreement.

Principal Owners of the Adviser

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

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 Front Yard), owns approximately 50.4% of the outstanding common stock of the Adviser. 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 investment vehicles, particularly with respect to single-family rental properties and related assets. It advises clients with respect to the acquisition and management of single-family rental homes throughout the United States. The properties are acquired for the Adviser's client either in bulk portfolios, mini-bulk portfolios or on a one-by-one basis with a view toward renting quality, affordable properties to America's families. Through December 2019, the portfolio that the Adviser managed includes mortgage loans that the Adviser's client had previously acquired with a view to converting as many of the loans into single-family rental properties and selling those mortgages for properties that do not meet Front Yard's rental specifications. Once loans are converted into single-family rental properties, the Adviser then advises Front Yard on the renovation of the properties and Front Yard then leases the properties to families throughout the United States. As of the end of 2019, Front Yard's operating portfolio consists entirely of SFR properties and cash and cash equivalents. The Adviser also is engaged in management of Front Yard's internal property management platform.

The Adviser selects investments for Front Yard, and places bids and offers to purchase real-estate assets on behalf of Front Yard. 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 Front Yard concurrently with its separation from Altisource on December 21, 2012. On March 31, 2015, the Adviser and Front Yard entered into a new Asset Management Agreement (the "Former AMA") to replace the original agreement. On March 7, 2019, the Adviser and Front Yard entered into a new Amended and Restated Asset Management Agreement (the "Amended AMA") to replace the Former AMA.

Pursuant to the Amended AMA, the Adviser continues to design and implement Front Yard's business strategy, administer certain of its business activities and day-to-day operations and provide corporate governance services, subject to oversight by Front Yard's Board of Directors. The Adviser is responsible for, among other duties: (1) performing and administering certain of Front Yard's day-to-day operations; (2) implementing the investment criteria in Front Yard's investment policy approved by its Board of Directors; (3) sourcing, analyzing and executing asset acquisitions, including the related financing activities; (4) overseeing Front Yard's renovation, leasing and property management of its SFR properties; (5) analyzing and executing sales of certain rental properties and REO properties; (6) performing asset management duties and (7) performing corporate governance and other management functions, including financial, accounting and tax management services.

The Adviser provides Front Yard with a management team and support personnel who have substantial experience in the acquisition and management of residential properties. The Adviser's management also has significant corporate governance experience that enables it to manage Front Yard's business and organizational structure efficiently. The Adviser has agreed not to provide the same or substantially similar services without the prior written consent of Front Yard's Board of Directors to any business or entity competing against Front Yard in (a) the acquisition or sale of SFR and/or REO properties, non-performing and re-performing mortgage loans or other similar assets; (b) the carrying on of an SFR business or (c) any other activity in which Front Yard engages. Notwithstanding the foregoing, the Adviser may engage in any other business or render similar or different services to any businesses engaged in lending or insurance activities or any other activity other than those described above. Further, at any time following Front Yard's determination and announcement that it will no longer engage in any of the above-described competitive activities, the Adviser would be entitled to provide advisory or other services to businesses or entities in such competitive activities without Front Yard's prior consent.

The fee structure under the Amended AMA is described below under "Item 5 – Fees and Compensation."

Amount of Client Assets Managed

As of December 31, 2019, the Adviser managed approximately \$103,140,000 of regulatory assets under management, on a non-discretionary basis. These assets included cash and cash equivalents

(including restricted cash and prepaid expenses). Among other things, the Adviser sources, analyzes and recommends asset acquisitions for Front Yard and advises Front Yard and facilitates its entry into financing activities to enable Front Yard to acquire and leverage its real estate related portfolio. All investments and financing resources must be approved by Front Yard's full Board of Directors, or as applicable, an Investment Committee appointed by the Front Yard Board of Directors to ensure that the investments and financing resources meet the objectives and restrictions of Front Yard's investment policy. Because Front Yard's Board of Directors or Investment Committee approves all of Front Yard's Investments, the Adviser's control over the regulatory assets of Front Yard is non-discretionary.

ITEM 5: FEES AND COMPENSATION

The following chart summarizes the fees and compensation to the Adviser by Front Yard under the Amended AMA dated May 7, 2019:

Type of Fee	Description of Fee (Payable by Front Yard – a public REIT)
Base Management Fee	<p>Front Yard will pay a quarterly base management fee (the "Base Management Fee") to the Adviser as follows:</p> <ul style="list-style-type: none"> ○ Initially, commencing on the Effective Date and until the Reset Date (as defined below), the quarterly Base Management Fee will be (i) \$3,584,000 (the "Minimum Base Fee") <i>plus</i> (ii) an additional amount (the "Additional Base Fee"), if any, of 50% of the amount by which Front Yard's per share Adjusted AFFO (as defined in the Amended AMA) for the quarter exceeds \$0.15 per share (provided that the Base Management Fee for any calendar quarter prior to the Reset Date cannot be less than the Minimum Base Fee or greater than \$5,250,000). Beginning in 2021, the Base Management Fee may be reduced, but not below the Minimum Base Fee, in the fourth quarter of each year by the amount that Front Yard's AFFO (as defined below) on a per share basis is less than an aggregate of \$0.60 for the applicable calendar year (the "AFFO Adjustment Amount"); and <p>Thereafter, commencing in the first quarter after which the quarterly Base Management Fee first reaches \$5,250,000 (the "Reset Date"), the Base Management Fee will be 25% of the sum of (i) the applicable Annual Base Fee Floor <i>plus</i> (ii) the amount calculated by multiplying the applicable Manager Base Fee Percentage by the amount, if any, that Front Yard's Gross Real Estate Assets (as defined below) exceeds the applicable Gross Real Estate Assets Floor (in each case of the foregoing clauses (i) and (ii), as set forth in the table below), <i>minus</i> (iii) solely in the case of the fourth quarter of a calendar year, the AFFO Adjustment Amount (if any); provided, that the Base Management Fee for any calendar quarter shall not be less than the Minimum Base Fee.</p>

	<table><tr><th>Gross Real Estate Assets (1)</th><th>Annual Base Fee Floor</th><th>Manager Base Fee Percentage</th><th>Gross Real Estate Assets Floor</th></tr><tr><td>Up to \$2,750,000,000</td><td>\$21,000,000</td><td>0.325%</td><td>\$2,250,000,000</td></tr><tr><td>\$2,750,000,000 – \$3,250,000,000</td><td>\$22,625,000</td><td>0.275%</td><td>\$2,750,000,000</td></tr><tr><td>\$3,250,000,000 – \$4,000,000,000</td><td>\$24,000,000</td><td>0.250%</td><td>\$3,250,000,000</td></tr><tr><td>\$4,000,000,000 – \$5,000,000,000</td><td>\$25,875,000</td><td>0.175%</td><td>\$4,000,000,000</td></tr><tr><td>\$5,000,000,000 – \$6,000,000,000</td><td>\$27,625,000</td><td>0.125%</td><td>\$5,000,000,000</td></tr><tr><td>\$6,000,000,000 – \$7,000,000,000</td><td>\$28,875,000</td><td>0.100%</td><td>\$6,000,000,000</td></tr><tr><td>Thereafter</td><td>\$29,875,000</td><td>0.050%</td><td>\$7,000,000,000</td></tr></table> <p>1. Gross Real Estate Assets is generally defined as the aggregate book value of all residential real estate assets owned by Front Yard and its subsidiaries before reserves for depreciation, impairment or other non-cash reserves as computed in accordance with GAAP.</p> <p>In determining the Base Management Fee, “AFFO” is generally calculated as GAAP net income (or loss) adjusted for (i) gains or losses from debt restructuring and sales of property; (ii) depreciation, amortization and impairment on residential real estate assets; (iii) unconsolidated partnerships and joint ventures; (iv) acquisition and related expenses, equity based compensation expenses and other non-recurring or non-cash items; (v) recurring capital expenditures on all real estate assets and (vi) the cost of leasing commissions.</p> <p>For any partial quarter during the term of the Amended AMA, the Base Management Fee is subject to proration based on the number of calendar days under the Amended AMA in such period.</p>	Gross Real Estate Assets (1)	Annual Base Fee Floor	Manager Base Fee Percentage	Gross Real Estate Assets Floor	Up to \$2,750,000,000	\$21,000,000	0.325%	\$2,250,000,000	\$2,750,000,000 – \$3,250,000,000	\$22,625,000	0.275%	\$2,750,000,000	\$3,250,000,000 – \$4,000,000,000	\$24,000,000	0.250%	\$3,250,000,000	\$4,000,000,000 – \$5,000,000,000	\$25,875,000	0.175%	\$4,000,000,000	\$5,000,000,000 – \$6,000,000,000	\$27,625,000	0.125%	\$5,000,000,000	\$6,000,000,000 – \$7,000,000,000	\$28,875,000	0.100%	\$6,000,000,000	Thereafter	\$29,875,000	0.050%	\$7,000,000,000
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Incentive Fee	<p>The Adviser may earn an annual Incentive Fee to the extent that Front Yard's AFFO exceeds certain performance thresholds. The annual Incentive Fee, if any, shall be an amount equal to 20% of the amount by which Front Yard's AFFO for the calendar year (after the deduction of Base Management Fees but prior to the deduction of Incentive Fees) exceeds 5% of Gross Shareholder Equity (as defined below).</p> <p>In each calendar year, the Incentive Fee will be limited to the extent that any portion of the Incentive Fee for such calendar year (after taking into account any AFFO Adjustment Amount and the payment of the Incentive Fee) would cause the AFFO per share for such calendar year to be less than \$0.60 (the “Incentive Fee Adjustment”). For any partial calendar year under the</p>																																

	<p>Amended AMA, the Incentive Fee amount (and Incentive Fee Adjustment, if any) for that partial calendar year is subject to proration based on the number of calendar days of the year that the Amended AMA is in effect.</p> <p>Gross Shareholder Equity for purposes of the Amended AMA is generally defined as the arithmetic average of all shareholder equity as computed in accordance with GAAP and adding back all accumulated depreciation and changes due to non-cash valuations (including those recorded as a component of accumulated other comprehensive income) and other non-cash adjustments, in each case, as of the first day of such calendar year, the first day of each of the second, third and fourth calendar quarters of such calendar year and the first day of the succeeding calendar year.</p> <p>Front Yard has the flexibility to pay up to 25% of the annual Incentive Fee to the Adviser in shares of its common stock, subject to certain conditions specified in the Amended AMA.</p>																																
Aggregate Fee Cap	<p>The aggregate amount of the Base Management Fees and Incentive Fees payable to us in any calendar year cannot exceed the “Aggregate Fee Cap,” which is generally defined as follows:</p> <ul style="list-style-type: none">For any calendar year in which average Gross Real Estate Assets is less than \$2,250,000,000, the aggregate fees payable to us shall not exceed \$21,000,000; or <p>For any calendar years in which average Gross Real Estate Assets exceeds \$2,250,000,000, the aggregate fees payable to us shall not exceed the sum of (i) the applicable Aggregate Fee Floor <i>plus</i> (ii) the amount calculated by multiplying the applicable Aggregate Fee Percentage by the amount, if any, by which average Gross Real Estate Assets exceed the applicable Gross Real Estate Assets Floor, in each case as set forth in the table below.</p> <table><tr><th>Gross Real Estate Assets</th><th>Aggregate Fee Floor</th><th>Aggregate Fee Percentage</th><th>Gross Real Estate Assets Floor</th></tr><tr><td>\$2,250,000,000 – \$2,750,000,000</td><td>\$21,000,000</td><td>0.650%</td><td>\$2,250,000,000</td></tr><tr><td>\$2,750,000,000 – \$3,250,000,000</td><td>\$24,250,000</td><td>0.600%</td><td>\$2,750,000,000</td></tr><tr><td>\$3,250,000,000 – \$4,000,000,000</td><td>\$27,250,000</td><td>0.500%</td><td>\$3,250,000,000</td></tr><tr><td>\$4,000,000,000 – \$5,000,000,000</td><td>\$31,000,000</td><td>0.450%</td><td>\$4,000,000,000</td></tr><tr><td>\$5,000,000,000 – \$6,000,000,000</td><td>\$35,500,000</td><td>0.250%</td><td>\$5,000,000,000</td></tr><tr><td>\$6,000,000,000 – \$7,000,000,000</td><td>\$38,000,000</td><td>0.125%</td><td>\$6,000,000,000</td></tr><tr><td>Thereafter</td><td>\$39,250,000</td><td>0.100%</td><td>\$7,000,000,000</td></tr></table>	Gross Real Estate Assets	Aggregate Fee Floor	Aggregate Fee Percentage	Gross Real Estate Assets Floor	\$2,250,000,000 – \$2,750,000,000	\$21,000,000	0.650%	\$2,250,000,000	\$2,750,000,000 – \$3,250,000,000	\$24,250,000	0.600%	\$2,750,000,000	\$3,250,000,000 – \$4,000,000,000	\$27,250,000	0.500%	\$3,250,000,000	\$4,000,000,000 – \$5,000,000,000	\$31,000,000	0.450%	\$4,000,000,000	\$5,000,000,000 – \$6,000,000,000	\$35,500,000	0.250%	\$5,000,000,000	\$6,000,000,000 – \$7,000,000,000	\$38,000,000	0.125%	\$6,000,000,000	Thereafter	\$39,250,000	0.100%	\$7,000,000,000
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\$6,000,000,000 – \$7,000,000,000	\$38,000,000	0.125%	\$6,000,000,000																														
Thereafter	\$39,250,000	0.100%	\$7,000,000,000																														

<p>Termination and Termination Fee</p>	<p>The Amended AMA may be terminated without cause (i) by Front Yard for any reason, or no reason, or (ii) by Front Yard or the Adviser in connection with the expiration of the initial term or any renewal term, in either case with 180 days' prior written notice. If the Amended AMA is terminated by Front Yard without cause or in connection with the expiration of the initial term or any renewal term, Front Yard shall pay a termination fee (the "Termination Fee") to us in an amount generally equal to three times the arithmetical mean of the aggregate fees actually paid or payable with respect to each of the three immediately preceding completed calendar years (including any such prior years that may have occurred prior to the Effective Date). Upon any such termination by Front Yard, Front Yard shall have the right, at its option, to license certain intellectual property and technology assets from the Adviser.</p> <p>If the Termination Fee becomes payable (except in connection with a termination by the Adviser for cause, which would require the payment of the entire Termination Fee in cash), at least 50% of the Termination Fee must be paid in cash on the termination date and the remainder of the Termination Fee may be paid, at Front Yard's option, either in cash or, subject to certain conditions specified in the Amended AMA, in Front Yard common stock in up to three equal quarterly installments (without interest) on each of the six-, nine- and twelve-month anniversaries of the termination date until the Termination Fee has been paid in full.</p> <p>Front Yard may also terminate the Amended AMA, without the payment of a Termination Fee, upon a change of control of the Adviser (as described in the Amended AMA) and "for cause" upon the occurrence of certain events including, without limitation, a final judgment that the Adviser or any of its agents, assignees or controlled affiliates has committed a felony or materially violated securities laws; the Adviser's bankruptcy; the liquidation or dissolution of the Adviser; a court determination that the Adviser has committed fraud or embezzled funds from Front Yard; a failure of Front Yard to qualify as a REIT as a result of any action or inaction of the Adviser (other than actions or inactions instructed to the Adviser by Front Yard); an uncured material breach of a material provision of the Amended AMA; or receipt of certain qualified opinions from the Adviser's or Front Yard's independent public accounting firm that (i) with respect to such opinions relating to the Adviser, are reasonably expected to materially adversely affect either the Adviser's ability to perform under the Amended AMA or Front Yard, or (ii) with respect to such opinions relating to Front Yard, such opinions are a result of the Adviser's actions or inaction; in each case, subject to the exceptions and conditions set forth in the Amended AMA. The Adviser may terminate the Amended AMA upon an uncured default by Front Yard under the Amended AMA and receive the Termination Fee. A termination "for cause" may be effected by Front Yard with 30 days' written notice or by the Adviser with 60 days' written notice. Upon any termination by Front Yard "for cause,"</p>
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	<p>Front Yard shall have the right, at its option, to license certain intellectual property and technology assets from the Adviser.</p> <p><i>Transition Following Termination</i></p> <p>Following any termination of the Amended AMA, the Adviser is required to cooperate in executing an orderly transition to a new manager or otherwise in accordance with Front Yard's direction including by providing transition services as requested by Front Yard for up to one (1) year after termination or such longer period as may be mutually agreed (including by assisting Front Yard with the recruiting, hiring and/or training of new replacement employees) at cost (but not more than the Base Management Fee at the time of termination).</p>
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The Adviser will calculate fees payable by Front Yard within 45 days after the end of each of the first, second and third quarters and 60 days after the end of the fourth quarter. Payment will be made by Front Yard after delivery of a written statement setting forth the computation of the fee for such quarter.

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

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

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

ITEM 7: TYPES OF CLIENTS

The Adviser provides investment advice to Front Yard, a publicly traded REIT. Front Yard does not have suitability or net worth qualifications. Currently, the Adviser provides services to Front Yard 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

Front Yard'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 real-estate assets with a view to building Front Yard's SFR business. The Adviser may also provide advice to Front Yard on acquiring its properties for SFR management through strategies that include clean-up call options; residential mortgage backed securities; securitization loans, term loans, interest rate caps and other similar investments. The investment analysis review process involves, among other things, facilitating entry into financing arrangements for Front Yard to better leverage its portfolio and asset-buying power, reviewing SFR collateral asset

characteristics, aggregating portfolio profiles, providing cash flow analysis and advising on the structure and execution of investment opportunities.

Material Risks

Set forth below is a summary of risks generally applicable to Front Yard's investment portfolio:

- ***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. Although decreases in property values may allow Front Yard to acquire additional homes with more attractive yields, such decreases could lead to increased unit turnover as more tenants may choose to purchase their own home or difficulties in refinancing, including Front Yard's ability to finance existing collateral at the same level of funding or at the existing rate.
- ***Interest Rate Risk:*** Front Yard will be exposed to interest rate risk from its 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 Front Yard's or the Adviser's control. Changes in interest rates may affect Front Yard's financing interest rate expense.

Front Yard has undertaken and may continue to undertake risk mitigation activities with respect to its debt financing interest rate obligations under the Adviser's management. A portion of Front Yard's debt financing is, and will likely continue to be, based on a floating rate of interest calculated on a fixed spread over the relevant index, as determined by the particular financing arrangement. A significantly rising interest rate environment could have an adverse effect on the cost of such financing. To mitigate this risk, Front Yard has used, and may continue to use, derivative financial instruments such as interest rate caps in an effort to reduce the variability of earnings caused by changes in the interest rates it pays on its debt.

These derivative transactions have been and will continue to be entered solely for risk management purposes, not for investment purposes. When undertaken, these derivative instruments likely will expose Front Yard 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. Therefore, although Front Yard expects to transact in these derivative instruments purely for risk management, they may not adequately protect Front Yard from fluctuations in its financing interest rate obligations.

Front Yard has entered multiple interest rate caps in order to manage the economic risk of increases in the floating rate portion of its variable rate debt. Front Yard will be reimbursed by the counterparties of the interest rate caps to the extent that the one-month LIBOR exceeds the applicable strike rate based on the scheduled notional amount. Front Yard is also exposed to counterparty risk should any of the counterparties fail to meet their obligations under the terms of the agreement.

Front Yards currently borrow funds on its repurchase and loan facilities at variable rates.

At December 31, 2019, Front Yard had \$142.7 million of variable rate debt outstanding that was not protected by interest rate hedge contracts and \$677.4 million that was protected by interest rate caps. The estimated aggregate fair market value of this variable rate debt was \$816.4 million. If the weighted average interest rate on this variable rate debt had been 100 basis points higher or lower, the annual interest expense would increase by \$5.1 million or decrease by \$8.2 million, respectively.

- **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 advise Front Yard to utilize borrowings, including repurchase agreements, which have mark-to-market risk for Front Yard. 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 Front Yard are set forth in Front Yard's publicly filed documents:
 - o Front Yard's most recent Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission (the "SEC") on February 28, 2020; and
 - o Front Yard'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, 2019 filed with the SEC on February 28, 2020, the risks legal and/or disciplinary events that are material to both Front Yard and the Adviser.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Financial Industry Activities

Prior to the end of 2018, Front Yard had a property management agreement with each of ASPS and MSR, its former external property managers, to provide renovation, property management and leasing services to Front Yard, under management by the Adviser. As described above in Item 4 – "Advisory

Business,” Front Yard entered into agreements in the second half of 2018 to terminate the arrangements with the external property managers and, as of March 2019, substantially all of Front Yard’s single-family rental properties are internally managed on Front Yard’s internal property management platform. Until December 2019, Front Yard also had one remaining external mortgage servicer with which it had a mortgage servicing agreement for all of the remaining residential mortgage loans and real estate owned properties held by Front Yard. Upon disposition of all its remaining mortgage loans, Front Yard no longer has any mortgage loan servicers.

Affiliations

In providing investment advisory services, the Adviser uses the expertise of its management team and staff. Front Yard’s mortgage servicer receives compensation or compensation in kind as a result of servicing the remaining residential mortgage loans held by Front Yard. Please see the Risk Factor disclosure about potential conflicts of interest in Front Yard’s and the Adviser’s publicly filed documents with the SEC as publicly traded companies.

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, Front Yard’s Board of Directors has formed an investment committee comprised of its Chairman of the Board of Directors, the Chair of Front Yard’s Audit Committee, 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 Front Yard against projections and for determining conformity of the investment recommendations with Front Yard's investment policies and objectives. The Front Yard investment committee will review and consider Front Yard's portfolio periodically. More frequent reviews of Front Yard'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 Front Yard's portfolio, which are provided to the Front Yard board of directors. In addition, because Front Yard's shares are registered with the SEC, the following are examples of reports covering Front Yard's operations, which are available to the public:

1. Annual Reports on Form 10-K on an annual basis.
2. Quarterly Reports on Form 10-Q, filed quarterly.
3. Current Reports on Form 8-K filed for material activity affecting Front Yard.
4. Proxy Statements on an annual basis for Front Yard's annual meeting of stockholders.

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 Front Yard by causing Front Yard 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, which Front Yard meets each year with its Form 10-K filing with the SEC as a publicly traded company.

ITEM 16: INVESTMENT DISCRETION

Pursuant to the Amended AMA and subject to oversight by Front Yard's board of directors and/or investment committee, the Adviser administers Front Yard's business activities and day-to-day operations and facilitates certain of Front Yard's corporate governance functions. Front Yard's board of directors has approved an investment policy that sets forth Front Yard's investment objectives, policies and restrictions. All investments must be approved by Front Yard's investment committee, which has been formed by Front Yard's Board of Directors to ensure that the investments meet the objectives and restrictions of the investment policy. For certain material transactions, the Board of Directors of Front Yard has maintained the ability to approve such material transactions.

For Front Yard's investments, the Adviser is responsible for (1) sourcing, analyzing, recommending and executing asset acquisitions approved by Front Yard'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 mortgage loans and

properties, (3) overseeing the transition of renovation, leasing and property management services of Front Yard's single-family rental properties to Front Yard's internal property management platform, (4) overseeing the servicing of Front Yard's remaining residential mortgage loan portfolios and (5) performing related asset management duties.

ITEM 17: VOTING CLIENT SECURITIES

Front Yard typically does not hold voting securities, and, consequently, the Adviser does not vote proxies on behalf of Front Yard. To the extent that Front Yard holds voting securities in the future, the Adviser may be delegated the authority to vote proxies regarding Front Yard's portfolio securities. To the extent that the Adviser does vote proxies, they will be voted in the clients' best interests and according to the Adviser's proxy voting policy in consultation with Front Yard. 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.