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corporate support functions including executive, finance, legal, human resources, vendor management, risk and six sigma. It also includes eliminations of transactions between the business segments.

Corporate costs increased in the second quarter and six months ended June 30, 2013, compared to the similar periods of the prior year, primarily due to higher compensation and employee-related costs, depreciation and amortization and lease costs. We incurred higher compensation and employee-related costs as we are expanding certain corporate functions in 2013 to support our continued growth. The higher depreciation and amortization and lease costs relate to the build out of new facilities to support our continued expansion. We reflect initial lease costs in our corporate segment until the facilities are 40% occupied by the business units, at which time the cost is reflected in the respective segment s financial statements. In 2014, we expect our overhead expenditures to reach a stable level.

Corporate expenses also include interest expense, interest income and equity loss in affiliate. Interest expense for the six months ended June 30, 2013 increased by $8.1 million ($4.9 million for the second quarter of 2013) from the $200 million senior secured term loan borrowed in the fourth quarter of 2012 and increased to $400 million on May 7, 2013 (no comparative amounts in

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2012). We recognized interest income of $0.8 million for the six months ended June 30, 2013 (no comparative amounts in 2012) from a fourth quarter 2012 $75.0 million loan to Ocwen. Ocwen repaid the loan in February 2013.

The amount of intercompany revenue eliminated in consolidation was consistent in the second quarter and six months ended June 30, 2013 compared to the similar periods of the prior year. These intercompany transactions primarily consisted of IT infrastructure services as well as charges for the use of certain REALSuite applications from our Technology Service segment to our other two business segments. While the expenses are recognized in the Mortgage Services and Financial Services segments above, the elimination of these expenses are reflected in Corporate items and eliminations.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary source of liquidity is cash flow from operations. We seek to deploy excess cash generated in a disciplined manner. Principally, we intend to use excess cash to develop complementary services and businesses that we believe will generate attractive margins in line with our core capabilities. Further, we are evaluating potential acquisitions that align with our vision and accelerate the achievement of our strategic objectives. We also intend to use excess cash to repurchase shares of our stock and repay amounts outstanding under our senior secured term loan (as described below).

Senior Secured Term Loan

On November 27, 2012, we entered into a seven-year senior secured term loan agreement with Bank of America, N.A. as administrative agent, pursuant to which we borrowed $200 million. On May 7, 2013, we amended the senior secured term loan agreement to increase the principal amount of the senior secured term loan by $200 million (to $400 million) and provide additional share repurchase capacity. Under the terms of the senior secured term loan, as amended, we have the ability to borrow an additional $200 million under an accordion provision.

The senior secured term loan must be repaid in equal consecutive quarterly principal installments of 0.25% of the initial principal amounts outstanding on the borrowing dates, with the balance due on November 27, 2019. However, if leverage ratios, as defined in the senior secured term loan agreement, exceed a defined threshold, a percentage of cash flow must be used to repay principal. Interest payments are due monthly. The interest rate as of June 30, 2013 was 5.75%.

The debt covenants in the senior secured term loan agreement limit, among other things, our ability to incur additional debt and repurchase stock. In the event we require additional liquidity, our ability to obtain it may be limited by the senior secured term loan.

Cash Flows

The following table presents our cash flows for the six months ended June 30:

(dollars in thousands)	2013	2012	% Increase (decrease)
Net income adjusted for non-cash items	$ 83,760	$ 66,994	25
Working capital	(16,292)	(12,945)	(26)
Cash flow from operating activities	67,468	54,049	25
Cash flow from investing activities	(141,499)	(21,128)	N/M
Cash flow from financing activities	146,334	(19,887)	N/M
Net change in cash	72,303	13,034	N/M
Cash and cash equivalents at beginning of period	105,502	32,125	228
Cash and cash equivalents at end of period	$ 177,805	$ 45,159	N/M

N/M not meaningful.

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. In the six months ended June 30, 2013, we generated $67.5 million of positive cash flows from operations, or approximately $0.23 per every dollar of service revenue compared to $54.0 million of positive cash flows from operations or approximately $0.24 per every dollar of service revenue in the six months ended June 30, 2012. The increase in cash from operations on an absolute basis is principally driven by the increase in net income, after adding back depreciation and

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amortization, including amortization of intangible assets. The decrease in operating cash per dollar of service revenue is from the timing of converting working capital to cash.

In periods of growth, operating cash flows per service revenue dollar can be negatively impacted because of the nature of some of our services. 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 (i.e., the foreclosure is complete, the REO asset is sold, etc.). As we continue to grow, our receivables will also grow and our cash flows from operations may be negatively impacted when comparing one interim period to another.

Cash Flows from Investing Activities

On March 29, 2013, we acquired the Homeward fee-based business from Ocwen for $87.0 million. On April 12, 2013, we entered into an agreement with Ocwen to establish additional terms related to the existing servicing arrangements between Altisource and Ocwen in connection with Ocwen s acquisition of certain mortgage servicing platform assets of ResCap. The cash consideration paid by Altisource to Ocwen under the ResCap agreement totaled $128.8 million. On February 15, 2013, Ocwen repaid the $75.0 million loan that was borrowed from us in December 2012. Capital expenditures of $13.4 million and $21.1 million for the six months ended June 30, 2013 and 2012, respectively, primarily related to facility build-outs and investments in infrastructure and the next generation of our REALSuite of software applications. The prior year period also included investments in a disaster recovery center. On March 31, 2013, we sold our 49% interest in Correspondent One to Ocwen for $12.6 million.

Cash Flows from Financing Activities

Cash flows from financing activities for the six months ended June 30, 2013 and 2012 primarily include activity associated with debt proceeds, share repurchases, stock option exercises and payments to non-controlling interests. On May 7, 2013, we received $201.0 million in connection with amending our senior secured term loan agreement, including a $1.0 million original issue premium. We also incurred debt issuance costs of $2.4 million in connection with this amendment. We spent $51.6 million and $16.8 million to repurchase our common stock for the six months ended June 30, 2013 and 2012, respectively. Stock option exercises provided proceeds of $2.9 million and $2.0 million for the six months ended June 30, 2013 and 2012, respectively. During the six months ended June 30, 2013, we repaid $1.5 million of the borrowings under the senior secured term loan. Contributions to non-controlling interests were $1.9 million and $4.8 million for the six months ended June 30, 2013 and 2012, respectively.

Liquidity Requirements after June 30, 2013

During the third quarter of 2013, we expect to distribute $1.1 million to the Lenders One members representing non-controlling interests and repay $1.0 million of the senior secured term loan.

We believe that we will generate sufficient cash flow to fund operations, capital expenditures and required debt and interest payments as well as repurchase shares of our common stock. If we require additional capital, we believe that we have adequate access to both debt and equity capital markets.

Contractual Obligation, Commitments and Contingencies

For the six months ended June 30, 2013, there were no significant changes to our contractual obligations from those identified in our Form 10-K for the fiscal year ended December 31, 2012, other than the additional $200 million borrowed under our senior secured term loan and those that occur in the normal course of business (primarily the addition of operating leases due to our growth). See also Note 17 to the interim condensed consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States. In applying many of these accounting principles, we need to make assumptions, estimates and/or judgments that affect the reported amounts of assets, liabilities, revenue and expenses in our interim 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/or judgments, however, are often subjective. Actual results may be affected negatively based on changing circumstances. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known.

Our critical accounting policies are described in the MD&A section of our Form 10-K for the year ended December 31, 2012 filed with the SEC on February 13, 2013. Those policies have not changed during the six months ended June 30, 2013.

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OTHER MATTERS

Related Parties

Ocwen

For the six months ended June 30, 2013, we generated segment revenue from Ocwen of $181.1 million for Mortgage Services ($101.2 million for the second quarter of 2013), $6.7 million for Financial Services ($6.7 million for second quarter of 2013) and $23.5 million for Technology Services ($13.3 million for the second quarter of 2013). Services provided to Ocwen during these periods included residential property valuation, real estate asset management and sales, trustee management services, property inspection and preservation, closing and insurance services, charge-off mortgage collections, core technology back office support and multiple business technologies including our REALSuite of products. We provided all services at rates we believe to be comparable to market rates.

For the six months ended June 30, 2013 and 2012, we billed Ocwen $1.2 million and $1.4 million, respectively ($0.6 million for the second quarter of 2013 and 2012), and Ocwen billed us $1.4 million and $1.2 million, respectively ($0.7 million and $0.6 million for the second quarter of 2013 and 2012, respectively) for services provided under the agreements described in Note 2 to the interim condensed consolidated financial statements. These amounts are reflected as a component of selling, general and administrative expenses in the condensed consolidated statements of operations.

On December 27, 2012, we entered into a senior unsecured term loan agreement with Ocwen pursuant to which we loaned $75.0 million to Ocwen. Interest income related to this loan was $0.8 million for the six months ended June 30, 2013 (no comparative amounts in 2012). On February 15, 2013, Ocwen repaid the entire outstanding principal amount of this loan plus all accrued and unpaid interest and the term loan was terminated.

Correspondent One and HLSS

For the six months ended June 30, 2013 and 2012, we billed Correspondent One less than $0.1 million in each period. For the six months ended June 30, 2013 and 2012, we billed HLSS $0.3 million and $0.2 million, respectively ($0.1 million for the second quarter of 2013 and 2012). These amounts are reflected as a component of selling, general and administrative expenses in the condensed consolidated statements of operations.

We also provided certain origination-related services to Correspondent One. We earned revenue of less than $0.1 million for the six months ended June 30, 2013 from the provision of these services (no comparative amount in 2012). On March 31, 2013, we sold our 49% interest in Correspondent One to Ocwen for $12.6 million.

Residential and AAMC

For the six months ended June 30, 2013, we billed Residential $0.2 million, and we billed AAMC $0.2 million ($0.2 million for Residential and less than $0.1 million for AAMC for the second quarter of 2013 and no comparative amounts in 2012), under services agreements. These amounts are reflected as a component of selling, general and administrative expenses in the condensed consolidated statements of operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Market Risk

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

Interest Rate Risk

As of June 30, 2013, the interest rate charged on the senior secured term loan was 5.75%. The interest rate is calculated based on the Adjusted Eurodollar Rate (as defined in the senior secured term loan agreement) (with a minimum floor of 1.25%) plus 4.5%.

Based on the principal amount outstanding at June 30, 2013, a 1% increase in the Eurodollar rate would not impact our annual interest expense as the Adjusted Eurodollar Rate would remain below the minimum floor rate.

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Foreign Currency Exchange Risk

We are exposed to currency risk from the potential changes in currency values of our foreign currency denominated assets, liabilities and cash flows. Our most significant foreign currency exposures relate to the Euro and Indian Rupee; however, the balances in Euros and Indian Rupees are immaterial.

Item 4. Controls and Procedures.

a) *Evaluation of Disclosure Controls and Procedures*

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this quarterly report. Based on such evaluation, such officers have concluded that our disclosure controls and procedures as of the end of the period covered by this quarterly report were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and to ensure that such information 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.

b) *Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2013, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are involved in legal and administrative proceedings arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel and considering insurance coverage where applicable, the outcome of current legal proceedings both individually and in the aggregate will not have a material impact on the Company s financial condition, results of operations or cash flows.

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, 2012 filed with the SEC on February 13, 2013.

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

Equity securities purchased by us:

The following table presents information related to our repurchases of our equity securities during the three months ended June 30, 2013:

[redacted]

Common stock:				
[redacted]				
May 1 31, 2013	140,688	93.70	140,688	3,090,015
[redacted]				
[redacted]				

(1) Includes shares withheld from employees to satisfy tax withholding obligations that arose from the exercise of stock options.

(2) In May 2012, our shareholders authorized us to purchase up to 3.5 million shares of our common stock in the open market.

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Item 6. Exhibits.

2.1	Purchase and Sale Agreement, dated as of March 29, 2013, by and among Altisource Portfolio Solutions, Inc., Altisource Solutions S.à r.l., Ocwen Financial Corporation, Homeward Residential, Inc. and Power Valuation Services, Inc. (incorporated by reference to Exhibit 2.1 to the Company s Form 8-K filed on April 4, 2013)
10.1	Amendment No. 1 to Credit Agreement, dated as of May 7, 2013, among Altisource Solutions S.à r.l., as borrower, Altisource Portfolio Solutions S.A., Bank of America, N.A., as administrative agent and incremental term lender and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company s Form 8-K filed on May 13, 2013)
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101	Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company s Quarterly Report on Form 10-Q for the period ended June 30, 2013, is formatted in XBRL interactive data files: (i) Condensed Consolidated Balance Sheets as of June 30, 2013 and December 31, 2012; (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2013 and 2012; (iii) Condensed Consolidated Statements of Equity for the six months ended June 30, 2013 and 2012; (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2013 and 2012; and (v) Notes to Condensed Consolidated Financial Statements

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALTISOURCE PORTFOLIO SOLUTIONS S.A.

(Registrant)

Date: July 25, 2013	By:	/s/ Michelle D. Esterman Michelle D. Esterman Chief Financial Officer (On behalf of the Registrant and as its Principal Financial Officer)