

# ALTISOURCE RESIDENTIAL CORP

## **FORM 8-K/A** (Amended Current report filing)

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

**FORM 8-K/A  
(Amendment No. 1)**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): September 30, 2016

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**ALTISOURCE RESIDENTIAL CORPORATION**  
(Exact name of Registrant as specified in its charter)

**MARYLAND**  
(State or other jurisdiction of incorporation)

**001-35657**  
(Commission File Number)

**46-0633510**  
(I.R.S. Employer Identification No.)

**c/o Altisource Asset Management Corporation  
36C Strand Street  
Christiansted, United States Virgin Islands 00820**  
(Address of principal executive offices including zip code)

**(340) 692-1055**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## Explanatory Note

On October 3, 2016, Altisource Residential Corporation (the “Company”) filed a Current Report on Form 8-K (the “Initial Form 8-K”) with the Securities and Exchange Commission (the “SEC”) to report the Company's acquisition of 4,262 single-family rental properties on September 30, 2016. This Amendment No.1 to the Initial Form 8-K (the “Form 8-K/A”) is being filed to provide the financial statements set forth in Item 9.01 in accordance with Item 9.01 of Form 8-K. This Form 8-K/A should be read in conjunction with the Initial Form 8-K.

### **Item 9.01 Financial Statements and Exhibits.**

#### **(a) Financial Statements of Businesses Acquired.**

The audited combined financial statements for the year ended December 31, 2015 and the unaudited combined financial statements for the six months ended June 30, 2016 of MSR I, LP and MSR II, LP are filed herewith as Exhibit 99.1 and are incorporated herein by reference.

#### **(b) Pro Forma Financial Information.**

The unaudited pro forma consolidated financial statements of the Company for the year ended December 31, 2015 and as of and for the six months ended June 30, 2016 are filed herewith as Exhibit 99.2 and are incorporated herein by reference.

The unaudited pro forma consolidated statement of taxable operating results and cash to be made available by operations of the Company for the year ended December 31, 2015 is filed herewith as Exhibit 99.3 and is incorporated herein by reference.

#### **(d) Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
23.1	Consent of KPMG.
99.1	Audited combined financial statements for the year ended December 31, 2015 and unaudited combined financial statements for the six months ended June 30, 2016 of MSR I, LP and MSR II, LP.
99.2	Unaudited pro forma consolidated financial statements of the Company as of and for the year ended December 31, 2015 and for the six months ended June 30, 2016.
99.3	Unaudited pro forma consolidated statement of taxable operating results and cash to be made available by operations of the Company for the year ended December 31, 2015.

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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, hereunto duly authorized.

Altisource Residential Corporation

December 14, 2016

By: /s/ Robin N. Lowe

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Robin N. Lowe

Chief Financial Officer

**Consent of Independent Auditors**

The Partners  
MSR I, LP and MSR II, LP

We consent to the incorporation by reference in the registration statement (Nos. 333-185945, 333-189001, 333-194113 and 333-212309) on Form S-8 of Altisource Residential Corporation of our report, dated December 14, 2016, with respect to the combined statement of revenues and certain operating expenses of MSR I, LP and MSR II, LP for the year ended December 31, 2015, which report appears in the Form 8-K/A of Altisource Residential Corporation, dated December 14, 2016.

/s/ KPMG LLP

Austin, Texas  
December 14, 2016

**Independent Auditors' Report**

The Partners  
MSR I, LP and MSR II, LP:

We have audited the accompanying combined statement of revenues and certain operating expenses of MSR I, LP and MSR II, LP for the year ended December 31, 2015, and the related notes thereto (the "Historical Summary").

***Management's Responsibility for the Historical Summary***

Management is responsible for the preparation and fair presentation of this Historical Summary in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Historical Summary that is free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on this Historical Summary based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Historical Summary. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Historical Summary, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Historical Summary in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Historical Summary.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the combined revenues and certain operating expenses of MSR I, LP and MSR II, LP, for the year ended December 31, 2015 in accordance with U.S. generally accepted accounting principles.

***Emphasis of Matter***

We draw attention to note 1 to the Historical Summary, which describes that the accompanying Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for inclusion in the filing of Form 8-K of Altisource Residential Corporation) and is not intended to be a complete presentation of MSR I, LP and MSR II, LP's combined revenues and expenses. Our opinion is not modified with respect to this matter.

/s/ KPMG LLP

Austin, Texas  
December 14, 2016

**MSR I, LP and MSR II, LP**  
**Combined Statements of Revenues and Certain Operating Expenses**  
**(in thousands)**

	<b>Six Months Ended June 30, 2016 (unaudited)</b>	<b>Year Ended December 31, 2015</b>
<b>Revenues:</b>		
Rental revenues	\$ 26,667	\$ 46,436
<b>Certain operating expenses:</b>		
Residential property operating expenses	9,505	18,470
<b>Revenues in excess of certain operating expenses</b>	<b>\$ 17,162</b>	<b>\$ 27,966</b>

*See accompanying notes to combined statements of revenues and certain operating expenses.*

**MSR I, LP and MSR II, LP**  
**Notes to Combined Statements of Revenues and Certain Operating Expenses**  
**For the Six Months Ended June 30, 2016 and for the Year Ended December 31, 2015**

**1. Background and Basis of Presentation**

*Background*

The accompanying combined statements of revenues and certain operating expenses (the “Historical Summary”) present the audited results of operations for the year ended December 31, 2015 and the unaudited results of operations for the six months ended June 30, 2016 of 4,262 single-family rental properties (the “Acquired Portfolio”) acquired by Altisource Residential, L.P. (“ARLP”), a wholly-owned subsidiary of Altisource Residential Corporation (the “Company”) from MSR I, LP (“MSR I”) and Firebird SFE I, LLC (“Firebird”), an indirect wholly owned subsidiary of MSR II, LP.

On September 30, 2016, ARLP acquired the Acquired Portfolio for an aggregate purchase price of \$652.3 million in two separate seller-financed transactions. In the first transaction, ARLP acquired 3,868 of the 4,262 properties through its entry into a Membership Interest Purchase and Sale Agreement (the “MIPA”) with MSR I. Pursuant to the MIPA, ARLP acquired from MSR I 100% of the membership interests of HOME SFR Equity Owner, LLC (“HOME Equity”), a newly formed special purpose entity and sole equity owner of HOME SFR Borrower, LLC (“HOME Borrower”), which owned the 3,868 single-family residential properties. Following the consummation of the transaction, HOME Equity and HOME Borrower became indirect, wholly owned subsidiaries of the Company. In the second transaction, ARLP entered into a Purchase and Sale Agreement (the “PSA”) with Firebird. Pursuant to the PSA, HOME Borrower, as assignee from ARLP, acquired the remaining 394 of the 4,262 properties.

*Basis of Presentation*

The Historical Summary has been prepared for the purpose of complying with the provisions of Rule 3-14 of Regulation S-X promulgated by the Securities and Exchange Commission (the “SEC”). Accordingly, the Historical Summary is not intended to be a complete presentation of the revenues and expenses of the Acquired Portfolio for the periods presented as certain operating expenses have been excluded, including real estate depreciation and amortization, interest expense and other costs not comparable to the proposed future operations of the Acquired Portfolio. The reported financial information in the Historical Summary will not necessarily be indicative of future operating results. The Historical Summary and the notes thereto are included in this Amended Current Report on Form 8-K/A along with the Company's unaudited pro forma consolidated financial statements as of and for the year ended December 31, 2015 and the six months ended June 30, 2016.

*Use of Estimates*

The preparation of the Historical Summary in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions of the reported amounts of revenues and certain operating expenses during the reporting period. Actual results could differ from those estimates used in the preparation of the Historical Summary.

**2. Summary of Significant Accounting Policies**

*Rental Revenues*

Minimum contractual rent payments from leases are recognized on a straight-line basis over the terms of the respective leases. Therefore, actual amounts billed in accordance with the lease during any given period may be higher or lower than the amount of rental revenue recognized for the period.

*Residential Property Operating Expenses*

Residential property operating expenses represent the direct expenses of operating the property and include maintenance, utilities, property management fees, repairs, homeowner association dues, turnover cost, property taxes and insurance costs that are expected to continue in the ongoing operations of the Acquired Portfolio. Expenditures for maintenance and repairs are charged to operations as incurred.

### 3. Future Minimum Rental Revenues

As of December 31, 2015, the future minimum rental revenues, which represent the contractual rents per the respective lease agreements, of the Acquired Portfolio were as follows (in thousands):

January 1, 2016 to December 31, 2016	\$	21,079
2017		48
2018		—
2019		—
2020		—
2021 and thereafter		—
	\$	<u>21,127</u>

### 4. Commitments and Contingencies

The Acquired Portfolio may be subject to legal claims in the ordinary course of business. The Company is not aware of any pending legal proceedings of which it is reasonably possible that the outcome will have a material effect on the Acquired Portfolio's results of operations.

### 5. Subsequent Events

The Company has evaluated subsequent events through December 14, 2016, the date that this Historical Summary has been issued, and has determined that there have not been any events that have occurred that would require adjustments to the disclosures in the Historical Summary.

**Unaudited Pro Forma Consolidated Financial Statements**

On September 30, 2016, Altisource Residential, L.P. (“ARLP”), a subsidiary of Altisource Residential Corporation (the “Company”), acquired a portfolio of 4,262 single-family rental properties (the “Acquired Portfolio”) for an aggregate purchase price of \$652.3 million in two separate seller-financed transactions. In the first transaction, ARLP acquired 3,868 of the 4,262 properties through its entry into a Membership Interest Purchase and Sale Agreement (the “MIPA”) with MSR I, LP (“MSR I”). Pursuant to the MIPA, ARLP acquired from MSR I 100% of the membership interests of HOME SFR Equity Owner, LLC (“HOME Equity”), a newly formed special purpose entity and sole equity owner of HOME SFR Borrower, LLC (“HOME Borrower”), which owned the 3,868 single-family residential properties. Following the consummation of the transaction, HOME Equity and HOME Borrower became indirect, wholly owned subsidiaries of the Company. In the second transaction, ARLP entered into a Purchase and Sale Agreement (the “PSA”) with Firebird SFE I, LLC, an indirect wholly owned subsidiary of MSR II, LP. Pursuant to the PSA, HOME Borrower, as assignee from ARLP, acquired the remaining 394 of the 4,262 properties. These acquisitions are collectively referred to as the “HOME SFR Transaction.”

In connection with the HOME SFR Transaction, HOME Borrower borrowed approximately \$489.3 million (the “MSR Loan”) from MSR I and MSR II, LP (the “Original Lenders”). The MSR Loan was made pursuant to a loan agreement (the “Original Loan Agreement”) between HOME Borrower, the Original Lenders and MSR Lender LLC as agent (“New Lender”). The MSR Loan is a floating rate loan, composed of eight floating rate components, interest on each of which is computed monthly based on one-month LIBOR plus a fixed component spread. The initial maturity date of the MSR Loan is November 9, 2018 (the “Initial Maturity Date”). HOME Borrower has the option to extend the MSR Loan beyond the Initial Maturity Date for three successive one-year terms to an ultimate maturity date of November 9, 2021, provided, among other things, that there is no event of default under the Loan Agreement on each maturity date. The Original Lenders assigned all of their respective rights, title and interests in the MSR Loan and the Original Loan Agreement to the New Lender pursuant to an amended and restated loan agreement, effective as of October 14, 2016.

The unaudited pro forma consolidated financial statements are provided for informational and illustrative purposes only and should be read in conjunction with the notes thereto and with the Company's audited consolidated financial statements contained in its Annual Report on Form 10-K for the year ended December 31, 2015, its Quarterly Report on Form 10-Q for the six months ended June 30, 2016 and its other filings with the Securities and Exchange Commission (the “SEC”). The unaudited pro forma consolidated financial statements should not be considered representative of the Company's future financial condition or results of operations.

**Altisource Residential Corporation**  
**Unaudited Pro Forma Consolidated Balance Sheet**  
**June 30, 2016**  
(in thousands, except share data)

	<b>Altisource Residential Corporation (1)</b>	<b>Acquired Portfolio (2) (3)</b>	<b>Pro Forma Altisource Residential Corporation</b>
<b>Assets:</b>			
Real estate held for use:			
Land	\$ 81,905	\$ 123,857 (A)	\$ 205,762
Rental residential properties (net of accumulated depreciation)	332,037	499,785 (A)	831,822
Real estate owned	311,642	18,895 (A)	330,537
Total real estate held for use, net	725,584	642,537	1,368,121
Real estate assets held for sale	225,682	—	225,682
Mortgage loans at fair value	707,445	—	707,445
Mortgage loans held for sale	4,058	—	4,058
Cash and cash equivalents	228,341	(163,087) (A)	65,254
Restricted cash	14,483	—	14,483
Accounts receivable, net	47,378	—	47,378
Related party receivables	—	—	—
Prepaid expenses and other assets	1,822	9,809 (A)	11,631
Total assets	\$ 1,954,793	\$ 489,259	\$ 2,444,052
<b>Liabilities:</b>			
Repurchase and loan agreements	\$ 740,485	\$ 489,259 (A)	\$ 1,229,744
Other secured borrowings	160,392	—	160,392
Accounts payable and accrued liabilities	42,322	—	42,322
Related party payables	5,489	—	5,489
Total liabilities	948,688	489,259	1,437,947
Commitments and contingencies	—	—	—
<b>Equity:</b>			
Common stock	545	—	545
Additional paid-in capital	1,190,011	—	1,190,011
Accumulated deficit	(184,451)	—	(184,451)
Total equity	1,006,105	—	1,006,105
Total liabilities and equity	\$ 1,954,793	\$ 489,259	\$ 2,444,052

(1) Represents the historical unaudited consolidated balance sheet of Altisource Residential Corporation as of June 30, 2016.

(2) Represents the assets acquired and liabilities incurred in connection with the HOME SFR Transaction.

(3) See Note 2 for information regarding pro forma adjustments.

**Altisource Residential Corporation**  
**Unaudited Pro Forma Consolidated Statement of Operations**  
**Year Ended December 31, 2015**  
(in thousands, except share and per share data)

	<b>Altisource Residential Corporation (1)</b>	<b>Acquired Portfolio (2)</b>	<b>Pro Forma Adjustments (3)</b>	<b>Pro Forma Altisource Residential Corporation</b>
<b>Revenues:</b>				
Rental revenues	\$ 13,233	\$ 46,436	\$ —	\$ 59,669
Change in unrealized gain on mortgage loans	88,829	—	—	88,829
Net realized gain on mortgage loans	58,061	—	—	58,061
Net realized gain on mortgage loans held for sale	36,432	—	—	36,432
Net realized gain on real estate	50,932	—	—	50,932
Interest income	611	—	—	611
Total revenues	248,098	46,436	—	294,534
<b>Expenses:</b>				
Residential property operating expenses	66,266	18,470	—	84,736
Real estate depreciation and amortization	7,472	—	30,438 (B)	37,910
Acquisition fees and costs	2,292	—	—	2,292
Selling costs and impairment	72,230	—	—	72,230
Mortgage loan servicing costs	62,346	—	—	62,346
Interest expense	53,694	—	18,949 (C)	72,643
General and administrative	10,289	—	—	10,289
Management fees	22,966	—	4,645 (D)	27,611
Total expenses	297,555	18,470	54,032	370,057
Other income	3,518	—	—	3,518
(Loss) income before income taxes	(45,939)	27,966	(54,032)	(72,005)
Income tax expense	66	—	—	66
Net (loss) income	\$ (46,005)	\$ 27,966	\$ (54,032)	\$ (72,071)
<b>Loss per share of common stock - basic:</b>				
Loss per basic share	\$ (0.81)			\$ (1.27)
Weighted average common stock outstanding - basic	56,843,028			56,843,028
<b>Loss per share of common stock - diluted:</b>				
Loss per diluted share	\$ (0.81)			\$ (1.27)
Weighted average common stock outstanding - diluted	56,843,028			56,843,028

(1) Represents the historical audited consolidated statement of operations of Altisource Residential Corporation for the year ended December 31, 2015.

(2) Represents the historical audited combined statement of revenues and certain operating expenses of the properties acquired in the HOME SFR Transaction for the year ended December 31, 2015.

(3) See Note 2 for information regarding pro forma adjustments.

**Altisource Residential Corporation**  
**Unaudited Pro Forma Consolidated Statement of Operations**  
**Six Months Ended June 30, 2016**  
(in thousands, except share and per share data)

	Altisource Residential Corporation (1)	Acquired Portfolio (2)	Pro Forma Adjustments (3)	Pro Forma Altisource Residential Corporation
<b>Revenues:</b>				
Rental revenues	\$ 14,652	\$ 26,667	\$ —	\$ 41,319
Change in unrealized gain on mortgage loans	(114,154)	—	—	(114,154)
Net realized gain on mortgage loans	20,912	—	—	20,912
Net realized gain on mortgage loans held for sale	50,147	—	—	50,147
Net realized gain on real estate	68,526	—	—	68,526
Interest income	216	—	—	216
Total revenues	40,299	26,667	—	66,966
<b>Expenses:</b>				
Residential property operating expenses	36,204	9,505	—	45,709
Real estate depreciation and amortization	7,641	—	10,315 (B)	17,956
Acquisition fees and costs	3,104	—	—	3,104
Selling costs and impairment	38,433	—	—	38,433
Mortgage loan servicing costs	20,168	—	—	20,168
Interest expense	26,886	—	9,475 (C)	36,361
General and administrative	6,600	—	—	6,600
Management fees	9,576	—	2,019 (D)	11,595
Total expenses	148,612	9,505	21,809	179,926
Other (expense) income	(750)	—	—	(750)
(Loss) income before income taxes	(109,063)	17,162	(21,809)	(113,710)
Income tax expense	123	—	—	123
Net (loss) income	\$ (109,186)	\$ 17,162	\$ (21,809)	\$ (113,833)
<b>Loss per share of common stock - basic:</b>				
Loss per basic share	\$ (1.99)			\$ (2.07)
Weighted average common stock outstanding - basic	54,998,171			54,998,171
<b>Loss per share of common stock - diluted:</b>				
Loss per diluted share	\$ (1.99)			\$ (2.07)
Weighted average common stock outstanding - diluted	54,998,171			54,998,171

(1) Represents the historical unaudited consolidated statement of operations of Altisource Residential Corporation for the six months ended June 30, 2016.

(2) Represents the historical unaudited combined statement of revenues and certain operating expenses of the properties acquired in the HOME SFR Transaction for the six months ended June 30, 2016.

(3) See Note 2 for information regarding pro forma adjustments.

**Altisource Residential Corporation**  
**Notes to Unaudited Pro Forma Consolidated Financial Statements**

**1. Basis of Presentation**

The accompanying unaudited pro forma consolidated financial statements are presented to reflect the HOME SFR Transaction. The unaudited pro forma consolidated balance sheet as of June 30, 2016 gives effect to the HOME SFR Transaction as if it had occurred on June 30, 2016. The unaudited pro forma consolidated statements of operations give effect to the HOME SFR Transaction as if it had occurred on January 1, 2015. The unaudited pro forma consolidated financial statements are based on (i) the audited consolidated financial statements of the Company for the year ended December 31, 2015, (ii) the unaudited consolidated financial statements of the Company as of and for the six months ended June 30, 2016, (iii) the audited combined statement of revenues and certain operating expenses of the properties acquired in the HOME SFR Transaction for the year ended December 31, 2015 and (iv) the unaudited combined statement of revenues and certain operating expenses of the properties acquired in the HOME SFR Transaction for the six months ended June 30, 2016.

The historical financial information has been adjusted in the unaudited pro forma consolidated financial statements to give effect to pro forma events that are (i) directly attributable to the transaction, (ii) factually supportable and, (iii) with respect to the unaudited pro forma consolidated statements of operations, are expected to have a continuing impact on the consolidated results of operations. Such adjustments are estimates based on certain assumptions and may not prove to be accurate. Information regarding these adjustments is subject to risks and uncertainties that could cause actual results to differ materially from our unaudited pro forma consolidated financial information.

In the opinion of management, all adjustments necessary to reflect the effects of pro forma events have been included and are based upon available information and assumptions that management believes are reasonable.

**2. Pro Forma Adjustments**

The unaudited pro forma consolidated financial statements reflect the following pro forma adjustments:

- (A) The purchase price of the Acquired Portfolio of \$652.3 million was preliminarily allocated to land, buildings and intangible assets in accordance with Statement of Accounting Standards Codification 805 - Business Combinations. This preliminary allocation is subject to change during the measurement period.
- (B) Estimated pro forma real estate depreciation and amortization expense was calculated assuming a useful life of 27.5 years for buildings, 7-15 years for chattel and site improvements and seven months for lease-in-place intangible assets.
- (C) The MSR Loan in the amount of \$489.3 million bears interest at 1-Month LIBOR plus a weighted average interest rate of 3.285%. Estimated pro forma interest expense was calculated at a rate of 3.81% per annum and includes estimated amortization of deferred financing costs. Should the interest rate vary by 1/8 percent per annum, the Company's annual net income would be impacted by \$612 thousand.
- (D) Estimated pro forma management fees reflects the incremental base management fee had the Company owned 4,500 or more rental properties during the respective periods. Refer to the asset management agreement attached as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 2, 2015 for further information regarding the Company's management fee structure.

**Altisource Residential Corporation**  
**Unaudited Pro Forma Consolidated Statement of Taxable Operating Results and**  
**Cash to be Made Available by Operations**  
**Year Ended December 31, 2015**  
(in thousands)

The following represents an estimate of the taxable operating results and cash to be made available by operations expected to be generated by the Company (including the operations of properties acquired in the HOME SFR Transaction) based upon the unaudited pro forma consolidated statement of operations for the year ended December 31, 2015. These estimated results do not purport to represent results of operations for these properties in the future and were prepared on the basis described in the accompanying notes, which should be read in conjunction herewith.

Loss before income taxes	\$	(72,005)
Book/tax differences:		
Change unrealized gain on mortgage loans		80,046
Net realized gain on mortgage loans		(76,076)
Net realized gain on mortgage loans held for sale		47,752
Net realized gain on real estate		(57,038)
Interest income, advances and recoveries		21,279
Depreciation and amortization		20,763
Valuations and impairments		38,683
Mortgage loan servicing costs		44,049
Acquisition fees and due diligence		897
Other book/tax differences, net		1,048
<b>Estimated taxable operating results</b>		<b>49,398</b>
Adjustments:		
Real estate depreciation and amortization		37,910
Net book depreciation in excess of tax depreciation		(20,763)
<b>Estimated cash to be made available by operations</b>	<b>\$</b>	<b>66,545</b>

**Altisource Residential Corporation**  
**Notes to Unaudited Pro Forma Consolidated Statement of Taxable Operating Results and**  
**Cash to be Made Available by Operations**  
**Year Ended December 31, 2015**

**1. Basis of Presentation**

Depreciation has been estimated based upon an allocation of the purchase price of the properties acquired in the HOME SFR Transaction to land (19%), buildings (73%), site improvements and chattel (6%) and lease-in-place intangible assets (2%) and has been applied on a straight-line basis over assumed useful lives (for tax purposes) ranging from 10 to 40 years.

No income taxes have been provided because the Company is organized and operates in such a manner so as to qualify as a Real Estate Investment Trust (“REIT”) under the provisions of the Internal Revenue Code (the “Code”). Accordingly, the Company generally will not pay Federal income taxes provided that distributions to its stockholders equal at least the amount of its REIT taxable income as defined under the Code.