PRIMEDIA INC
Form 10-K
March 31, 2003

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED: DECEMBER 31, 2002

OR

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

COMMISSION FILE NUMBER: 1-11106

PRIMEDIA INC.
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	13-3647573 (I.R.S. Employer Identification No.)
745 FIFTH AVENUE, NEW YORK, NEW YORK (Address of principal executive offices)	10151 (Zip Code)

(212) 745-0100
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, PAR VALUE $.01 PER SHARE.................	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of

1934 during the preceding 12 months (or for such shorter period that registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes__X__ No____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

[ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes__X__ No____

The aggregate market value of the voting common equity of PRIMEDIA Inc. ("PRIMEDIA") which is held by non-affiliates of PRIMEDIA, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, June 28, 2002, was approximately $120 million. The registrant has no non-voting common stock.

As of February 28, 2003, 259,261,439 shares of PRIMEDIA's Common Stock were outstanding.

The following documents are incorporated into this Form 10-K by reference: None.

TABLE OF GUARANTORS

EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER	STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION	PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER	I EM IDENT N
AgriClick LLC......................................	Delaware	51112	13-41
Canoe & Kayak, Inc.................................	Delaware	51112	41-18
Channel One Communications Corp....................	Delaware	51312	13-37
Cover Concepts Marketing Services, LLC.............	Delaware	54189	04-33
CSK Publishing Company Incorporated................	Delaware	51112	13-30
Films for the Humanities & Sciences, Inc...........	Delaware	51211	13-19
Go Lo Entertainment, Inc...........................	California	56192	95-43
Haas Publishing Companies, Inc.....................	Delaware	51113	58-18
Hacienda Productions, Inc..........................	Delaware	51211	13-41
HPC Brazil, Inc....................................	Delaware	51113	13-40
IntelliChoice, Inc.................................	California	51112	77-01
Kagan Media Appraisals, Inc........................	Delaware	51112	77-01
Kagan Seminars, Inc................................	Delaware	51112	94-25
Kagan World Media, Inc.............................	Delaware	51112	77-02
Liberty Productions, Inc...........................	Pennsylvania	56192	23-20
McMullen Argus Publishing, Inc.....................	California	51112	95-26
Media Central IP Corp..............................	Delaware	551112	13-41
Paul Kagan Associates, Inc.........................	Delaware	51112	13-41
PRIMEDIA Business Magazines & Media Inc............	Delaware	51112	48-10

PRIMEDIA Companies Inc.............................	Delaware	551112	13-41
PRIMEDIA Enthusiast Publications, Inc...............	Pennsylvania	51112	23-15
PRIMEDIA Finance Shared Services Inc................	Delaware	551112	13-41
PRIMEDIA Holdings III Inc...........................	Delaware	551112	13-36
PRIMEDIA Information Inc............................	Delaware	51112	13-35
PRIMEDIA Leisure Group Inc..........................	Delaware	551112	51-03
PRIMEDIA Magazines Inc..............................	Delaware	51112	13-36
PRIMEDIA Magazine Finance Inc.......................	Delaware	51112	13-36
PRIMEDIA Special Interest Publications Inc..........	Delaware	51112	52-16
PRIMEDIA Specialty Group Inc........................	Delaware	551112	36-40
PRIMEDIA Workplace Learning LLC.....................	Texas	61143	13-41
PRIMEDIA Workplace Learning LP......................	Delaware	61143	13-41
Simba Information Inc...............................	Connecticut	51112	06-12
The Virtual Flyshop, Inc............................	Colorado	51112	84-13

The address, including zip code, and telephone number, including area code, of each additional registrant's principal executive office is 745 Fifth Avenue, New York, New York 10151 (212-745-0100).

These companies are listed as guarantors of the debt securities of the registrant. The consolidating financial statements of the Company depicting separately its guarantor and non-guarantor subsidiaries are presented as Note 26 of the notes to the consolidated financial statements. All of the equity securities of each of the guarantors set forth in the table above are owned, either directly or indirectly, by PRIMEDIA, and there has been no default during the preceding 36 calendar months with respect to any indebtedness or material long-term leases of PRIMEDIA or any of the guarantors.

PRIMEDIA INC.
ANNUAL REPORT ON FORM 10-K
DECEMBER 31, 2002

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PART I

ITEM 1. BUSINESS.

GENERAL

PRIMEDIA Inc. ("PRIMEDIA" or the "Company") is a targeted media company with leading positions in consumer and business-to-business markets. Our properties deliver content via print (magazines, books and directories), video (digital broadband, satellite and cable), live events (trade and consumer shows) and the Internet. Our products serve highly specialized niches and capitalize on the growing trend toward targeted rather than mass information distribution.

Many of the Company's products, such as those provided by PRIMEDIA's consumer magazines, About.com, CHANNEL ONE NEWS, apartment and home guides and business-to-business magazines afford advertisers an opportunity to directly reach niche market audiences. In 2002, 48% of PRIMEDIA's total revenue was from lead generation advertising, 13% was from brand awareness advertising and 39% was from non-advertising sources (subscription revenue and non-advertising sales). Unlike general brand awareness advertising, lead generation advertising is focused on triggering a potential purchase decision by the reader, user or viewer.

The Company's products compete in two principal segments, Consumer and Business-to-Business. The Consumer segment produces and distributes magazines, guides, videos and Internet products for consumers in various niche markets. This segment consists of the Consumer Magazines and Media Group, Consumer Guides, PRIMEDIA Television and About, Inc. ("About"). The Company's Business-to-Business segment produces and distributes magazines, books, directories, databases, vocational training materials and Internet products to business professionals in such fields as communications, agriculture, professional services, media, transportation and healthcare. The Business-to-Business segment includes the Company's trade magazines and trade shows (the Business Magazines and Media Group), as well as Workplace Learning, a provider of video and interactive professional training, and Federal Sources Inc., an information and consulting provider for government contractors. These segment results are regularly reviewed by the Company's chief operating decision maker and the remainder of the executive team to determine how resources will be allocated to the segment and assess its performance.

CONSUMER SEGMENT

CONSUMER MAGAZINE AND MEDIA GROUP

The Company is one of the largest specialty consumer magazine companies in the U.S., with over 125 titles including AUTOMOBILE, MOTOR TREND, NEW YORK, SEVENTEEN, HOT ROD, FLY FISHERMAN and POWER & MOTORYACHT and leadership positions in such categories as automotive, motorcycle, crafts, teens, home entertainment technology and outdoor recreation. In 2002, over half of these specialty consumer magazines were number one in their markets. The principal sources of specialty consumer magazines sales are lead generation advertising, circulation and ancillary revenues. For the year ended December 31, 2002, 50% of sales was from advertising, 34% from circulation and 16% from ancillary sources.

Readers value specialty consumer magazines for their targeted editorial content and also rely on them as catalogues of products in the relevant topic areas. This catalogue aspect makes the specialty consumer magazines important media buys for advertisers. Advertising sales for the Company's specialty consumer magazines are generated largely by in-house sales forces. The magazines compete for advertising on the basis of circulation and the niche markets they serve. Each of the Company's specialty consumer magazines faces competition in its subject area from a variety of publishers and competes for readers on the basis of the high quality of its targeted editorial, which is provided by in-house and free lance writers.

The Company publishes 44 automotive enthusiast magazines, including AUTOMOBILE and MOTOR TREND, catering to the high-end automotive market, as well as such highly specialized enthusiast titles as TRUCKIN' and LOWRIDER, the largest retail sales magazines in the automotive category, MUSCLE MUSTANG & FAST FORDS, VETTE and SPORT COMPACT CAR. The Company also publishes nine motorcycle enthusiast magazines, including MOTORCYCLIST and DIRT RIDER. Supplementing the print publications, PRIMEDIA has a strong presence on the Internet with a companion website to each publication or a presence for each publication on the

About.com network. In the high-end and new car markets, PRIMEDIA's publications compete against CAR AND DRIVER and ROAD AND TRACK, both owned by Hachette Filipacchi Magazines.

The Company is a leading publisher of magazines for outdoor enthusiasts with such titles as FLORIDA SPORTSMAN, FLY FISHERMAN, SAIL, POWER & MOTORYACHT, EQUUS and PRACTICAL HORSEMAN. The Company also publishes numerous magazines targeting action sports enthusiasts such as SURFER, SURFING, SKATEBOARDER and SNOWBOARDER. One of the Company's major competitors in the enthusiast market is the Time4Media division of AOL Time Warner. The Company also competes in individual enthusiast markets with a number of smaller, privately-owned or regionally-based magazine publishers.

The Company publishes the flagship magazine for the New York City metropolitan area. Since it was founded in April 1968, NEW YORK has been New York City's magazine of record, with New York City centric news, entertainment, culture, fashion and personalities. NEW YORK competes with other New York-themed magazines for local and national advertising. Competitors include the NEW YORK TIMES MAGAZINE, Advance Magazine Publishers Inc.'s THE NEW YORKER and TIME OUT NEW YORK.

The Company is the largest publisher of teen media in the United States. SEVENTEEN is the leading young women's fashion and beauty magazine based on both circulation and advertising pages, with fashion, boys, beauty, talent and lifestyle editorial targeted to girls ages 12 to 24. SEVENTEEN'S monthly rate base is 2.35 million and its total monthly readership is over 14.4 million. The Company acquired TEEN magazine in 2001. In February 2002, TEEN became a newsstand only special publication with such topics as back to school and teen prom. Competition for newsstand sales, advertising dollars and subscribers in the teen magazine market is especially intense. Competitors of the Company's publications include Gruner & Jahr's YM, AOL Time Warner's TEEN PEOPLE, Hearst's COSMOGIRL, Hachette Filipacchi's ELLEGIRL and Conde Nast's TEEN VOGUE. In December 2002, the Company sold TIGER BEAT and TEEN BEAT. The Company announced on February 5, 2003 that it was exploring strategic, value-creating options for SEVENTEEN and a number of related teen properties.

PRIMEDIA publishes the two leading soap opera magazines, SOAP OPERA DIGEST and SOAP OPERA WEEKLY. Both publications compete for circulation on the basis of editorial content and quality against SOAPS IN DEPTH which has substantially lower circulation.

The Company's consumer magazine circulation revenue is divided between retail sales (largely newsstand and other retail outlets) and subscriptions with revenue weighted slightly towards subscriptions. To acquire new subscribers, the Company depends on direct mail, telemarketing and in magazine promotions. The Internet has also become an efficient, cost-effective source of subscription sales for the Company. In 2002, the Company generated an estimated 470,000 paid subscriptions via the Internet.

The Company operates RetailVision, the largest specialty magazine distribution company in the U.S., which distributes over 700 titles, including those of the Company and 98 other publishers, to approximately 50,000 independent niche retailers such as auto parts retailers, craft shops, tackle shops, and record/music stores.

CONSUMER GUIDES

The Company is the largest publisher of rental apartment guides in the U.S. with 88 local versions, most of which are distributed monthly and provide informational listings about featured apartment communities. Apartment community managers, who need to fill vacant apartments, provide virtually 100% of apartment guide advertising revenues.

The Company is the dominant information provider in apartment listings and continues to gain in market share due to the cost effectiveness of its products as measured by cost per lease to the advertiser. The Company's national competitors include Trader Publishing Company (publishers of FOR RENT) and Network Communications Inc. The majority of customers purchase 12-month contracts, and in 2002, approximately 90% of standard listing customers renewed their contracts when they expired.

The average number of monthly visitors to the Company's Internet site, apartmentguide.com, grew to approximately 1,230,000 per month in 2002. Apartmentguide.com is the exclusive partner of MSN's House & Home. The site, which carries all of the listings included in the print products, listed approximately 20,000 properties as of December 31, 2002. Rental leads delivered to apartment advertisers were up approximately 99%, from approximately 2,260,000 in 2001 to approximately 4,500,000 in 2002. The site offers many premium features not provided by its print products including virtual tours and search functionality. Approximately 111,000 of these premium products were sold during 2002.

The Company is a leader in new home guides with guides in 18 major markets including Northern California, Denver, Phoenix, Dallas-Fort Worth and Philadelphia.

A major strategic advantage is the Company's DistribuTech Division which is the nation's largest distributor of free publications, including its own consumer directories and over 1,300 other titles. In 2002, it distributed publications to over 19,000 grocery, convenience, video and drug stores in over 80 metropolitan areas, as well as universities, military bases, major employers and over 30,000 other locations. The majority of these locations are operated under exclusive distribution agreements. The guides are typically displayed in free-standing, multi-pocket racks. DistribuTech generates revenues by leasing rack pockets to other third party publications. DistribuTech competes for third-party publication distribution primarily on the basis of its prime retail locations. DistribuTech's principal competitor is Trader Distribution Services, a division of Trader Publishing Company.

PRIMEDIA TELEVISION

CHANNEL ONE NETWORK'S news program, CHANNEL ONE NEWS, is the only daily, advertising supported television news program delivered to secondary school students in their classrooms. The award-winning program contains news stories and features on issues of concern to teenagers, delivered in a relevant and engaging way. CHANNEL ONE NEWS broadcasts every school day via satellite to approximately 8.1 million students, 360,000 classrooms and approximately 400,000 educators in approximately 12,000 secondary schools in the United States. On an average school day, ten times more teens watch CHANNEL ONE NEWS than the nightly newscast of ABC, NBC, CBS and the cable networks combined. Channel One's average audience is 25 times larger than MTV's average prime time audience.

CHANNEL ONE NETWORK generates the majority of its revenue by selling the two minutes of advertising shown during each 12-minute CHANNEL ONE NEWS daily newscast. Because it is shown in schools, CHANNEL ONE NEWS airs only during the school year, typically September to June. Accordingly, CHANNEL ONE NETWORK earns the largest share of its revenue in the beginning of the school year, in the Company's fourth quarter. The CHANNEL ONE NEWS program does not air during the summer months and, accordingly, CHANNEL ONE NETWORK sees a seasonal revenue drop in the Company's third quarter each year.

Schools sign up for the CHANNEL ONE NETWORK service under a three-year contract pursuant to which they agree to show CHANNEL ONE NEWS, in its entirety, on at least 90% of all school days. CHANNEL ONE NETWORK provides schools with a turnkey system of videocassette recorders and network televisions. These products and services are provided to schools at no charge. In addition, CHANNEL ONE CONNECTION provides a maximum of 120 minutes of educational programming per school day at no charge.

CHANNEL ONE NETWORK has a library of over 2,300 broadcasts including approximately 200 single subject series, 95 of which have been released as videos. The Company's channelone.com online network and its channeloneteacher.com website provide supplemental information to students and educators.

CHANNEL ONE NEWS has no direct competition in the schools but does compete for advertising dollars with other media businesses, such as MTV and the WB Network. The Company's primary competitive advantages are award winning programming and total audience reach.

Films for the Humanities and Sciences ("Films") is a distributor of approximately 2,250 owned and 9,600 licensed educational videos, DVDs, CD-ROMs and related products. These products are sold mostly by direct mail to teachers, instructors and librarians primarily serving students in grades 8 to 12 and the college markets. Films is the largest distributor of such products to colleges and high schools and competes on the basis of exclusivity, quality, breadth and depth of the subject matter.

PRIMEDIA Digital Video ("PDV"), formed in 2000, develops, produces and distributes video properties based on the Company's brands and franchises, and recently launched the Video Magazine Rack, a video-on-demand cable TV service offering a selection of video content related to the Company's print production. Additionally, PDV manages the Company's Dallas-based video production facility where video product is developed and produced for both the Company's own programming needs and for third party customers.

ABOUT

About is a leading producer of information and original content on the Internet. About generates revenue from three sources: brand advertising on the

About Network, auction-based pay-per-click classified advertising on the About Network and 3rd party sites, and web-hosting services.

The About Network consists of a network of more than 400 highly-targeted web sites covering over 10,000 discrete topics. The information and original content on the web sites are generated by human guides. Each guide is carefully screened and trained by About. All guides must successfully complete the About training program and maintain standards in user services and community leadership. The About and PRIMEDIA sites combined were the 5th most visited sites on the Internet in December 2002 with over 44 million unique visitors, as measured by MEDIA METRIX.

In the brand advertising arena, the About Network competes with other large-scale Internet properties such as America Online, Yahoo and Microsoft Network, to sell display advertising on About's web sites to national advertisers.

About's auction-based classified advertising business, Sprinks, enables an advertiser to bid for link placement on targeted content web pages, search results and email newsletters on the About Network and on Sprinks affiliate sites. An advertiser pays About a fee when a consumer clicks their link, providing the advertiser with a targeted and efficient means of marketing their services on the Web. Other companies providing pay-per-click classified advertising of this sort include Overture Services Inc. and Google.

About's web-hosting service allows a consumer to register a domain name and then pay a monthly fee for hosting and support of his or her personal web site. Competitors include Yahoo and Terra Lycos.

BUSINESS-TO-BUSINESS SEGMENT

BUSINESS MAGAZINES AND MEDIA GROUP

The Company is a leading publisher of business-to-business magazines in the U.S. with over 65 titles that provide vital information to professionals in such fields as communications (TELEPHONY), agriculture (SOYBEAN DIGEST), broadband (CABLEWORLD), transportation (FLEET OWNER), industrial (ENGINEERING AND MINING JOURNAL), professional services (REGISTERED REPRESENTATIVE) and entertainment (BROADCAST ENGINEERING). In 2002, 78% of these titles ranked number one or number two in their category based on advertising pages. In 2002, over 95% of magazine revenue was derived from advertising as most copies of these magazines are distributed on a controlled circulation basis, meaning that they are distributed free of charge to select qualified readers.

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Because each of the business-to-business magazines is distributed almost exclusively to purchasing decision-makers in a targeted industry group, product and service providers are able to focus their advertising. Advertising rates are based on the quality and size of the circulation within the target group as well as competitive factors. These magazines compete for advertising on the basis of advertising rates, circulation, reach, editorial content and readership commitment. Advertising sales are made by in-house sales forces and are supplemented by independent representatives in selected regions and overseas.

The Company sponsors conferences and trade shows, serving the advertisers and readers of the corresponding publications, including WASTE AGE, LIGHTING DIMENSIONS and TRANSMISSION & DISTRIBUTION.

On both the publishing and trade show sides of the business, there are large, domestic and internationally-based competitors that vary by the industry served. Some of those competitors are Reed Business Information (owned by Reed

Elsevier plc group), VNU Business Media (owned by VNU NV) and Advanstar Communications.

The Company also publishes periodicals that provide in-depth data on selected markets. WARD'S AUTOMOTIVE REPORTS is recognized as the authoritative source for industry-wide statistics on automotive production and sales. In addition, the Company publishes used vehicle valuation information in print and electronic formats including EQUIPMENT WATCH. Other databases include THE ELECTRONICS SOURCE BOOK and AC-U-KWIK.

The Company also operates a business-to-business Internet operation serving numerous industries and leveraging off of PRIMEDIA's already strong traditional media presence. In December 2002, these sites collectively received more than 4.5 million page views.

WORKPLACE LEARNING

PRIMEDIA Workplace Learning is a leading provider of integrated training, education and information solutions, helping public and private enterprises create and retain qualified, competent workforces. The Company largely delivers its products via satellite, videotape, CD-ROM, live events and increasingly over the Internet. It is a leader in such markets as automotive (Automotive Satellite Television Network), industrial (Industrial Training Systems), healthcare (Health and Sciences Television Network), pharmaceuticals (Interactive Medical Networks), government (Law Enforcement Training Network ("LETN")), fire and emergency services (Fire and Emergency Television Network), and banking (Bankers Training and Consulting Company). To provide online learning management services in addition to content, the Company has launched PRIMEnet, a comprehensive e-learning delivery and management platform.

In 2002, the United States Customs Service selected PRIMEDIA Workplace Learning to implement Customs Television Network, which includes LETN. The implementation of a satellite-based training and communications network is designed to provide Customs Officials in 350 locations with the latest techniques in critical emergency response, homeland security, safety and health issues.

The Company has numerous direct and indirect competitors, including BVS, General Physics and Healthstream. In addition, many potential customers continue to do their own in-house training. The Company is pursuing opportunities to capture market share in those markets migrating to e-learning solutions. It is also capitalizing on opportunities to increase product and content sales through resellers, distributors, associations, and consortia.

ADVERTISING

Over 60% of the Company's revenue is derived from advertising. In general, the Company sells two types of advertising: lead generation advertising (48% of total revenue) and brand awareness advertising (13% of total revenue). In a given media market in which the Company competes (e.g. fishing), lead generation advertising is purchased by advertisers who are "endemic" to that market (e.g. fishing rod

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manufacturers) and are seeking to trigger a direct, specific buying decision. The Company's specialty magazines, consumer guides, About.com and Business-to-Business units derive a majority of their revenue from this type of advertising.

In contrast, brand awareness advertising concentrates on introducing or reinforcing a product's brand image with the reader, user or viewer. The

Company's larger circulation magazine properties, such as SEVENTEEN, and television properties, such as CHANNEL ONE NETWORK, generate more of their revenue from brand awareness advertising, primarily from the fashion, health and beauty and entertainment sectors.

PRIMEDIA's focus on lead generation advertising from endemic buyers gives the Company a stable base of advertising revenue, less susceptible to the fluctuations of the business cycle than the brand advertising market. PRIMEDIA's 2001 acquisitions of EMAP and About and its divestiture in 2002 of large circulation magazine titles such as MODERN BRIDE and AMERICAN BABY, have accelerated the Company's trend toward more targeted, niche media and endemic advertising.

In addition, PRIMEDIA has successfully expanded beyond its base in publishing into related, high growth media such as video (Primedia Digital Video) and Internet (About, Consumer Magazine and Media Group and Consumer Guides Internet sites) serving the same base of niche-focused enthusiasts and advertisers. The Company has implemented an integrated sales effort (PRISM) to garner additional revenues from national advertisers across these media platforms and properties.

ACQUISITIONS AND DIVESTITURES

Historically, PRIMEDIA has actively sought to acquire magazines and other media properties to strengthen its competitive position in the segments and markets in which it competes. The Company has also traditionally managed its portfolio of media assets by opportunistically divesting assets no longer core to the Company's overall strategy. In 2002, PRIMEDIA focused on improving its operating results through the integration of its 2001 acquisitions of EMAP Inc. ("EMAP", formerly known as Petersen Publishing) and About, and reducing the amount of debt on its balance sheet through the divestiture of several large consumer magazine properties.

In February 2001, About, a leading producer of information and original content on the Internet, was merged into a subsidiary of PRIMEDIA and as a result became a wholly-owned subsidiary of PRIMEDIA. About's financial results are included in the Company's Consumer segment for the last ten months of 2001 and for the full year 2002. PRIMEDIA has integrated About's operations into the Company's Consumer segment, where it provides a vital platform for the delivery of Internet-based content and advertising. About also serves as a source of subscribers for the Company's magazine businesses. The integration of About has driven headcount reductions and has decreased capital spending and expenses across the Company's Internet and new media businesses.

In August 2001, the Company acquired EMAP from UK-based magazine publisher EMAP plc. EMAP had more than 60 consumer titles reaching over 75 million enthusiasts through a combination of magazines, live events, television shows and web sites. In 2002, these operations were fully integrated into PRIMEDIA's Consumer Magazine and Media Group and its financial results are reported in the Consumer segment for the full year. The results of the acquired EMAP assets are included for the last four months of 2001.

With EMAP, the Company has been able to add scale in the automotive enthusiast market, particularly as the result of the combination of sales efforts for AUTOMOBILE and MOTOR TREND magazines. The acquisition of EMAP also enhanced PRIMEDIA's market position in the action sports and home entertainment technology magazine markets. Finally, the Company expects to continue to achieve efficiencies through increased scale of operations in the areas of paper purchasing, circulation, production, technology and finance.

In July 2001, at the time of announcement of the EMAP acquisition, PRIMEDIA announced its intention to sell $250 million of assets in order to pay down debt associated with the acquisition. Since that time, the Company has sold assets for proceeds of over $345 million. Asset sales in 2002 accounted for approximately $228 million of that total.

Major 2002 divestitures included the American Baby Group, CHICAGO magazine, MODERN BRIDE and other small enthusiast titles. The American Baby Group which is comprised of the AMERICAN BABY magazine, web site and cable television show, as well as the Baby Faire consumer expo was sold to Meredith Corporation at the end of 2002 for $115 million. The Company also sold CHICAGO magazine in August 2002 for $35 million to an affiliate of The Chicago Tribune Company and sold the Modern Bride Group ("MBG"), including MODERN BRIDE magazine, in February 2002 to Advance Magazine Publishers Inc. for $50 million. Other 2002 divestitures included the sale of ExitInfo, a publisher of free local travel guides and coupon books, to Trader Publishing for $24 million, as well as a number of small magazine divestitures including the sale of HORTICULTURE to F&W Publications, DOLL READER to Ashton International Media, Inc. and IN NEW YORK to Best Read Guides LLC. Financial results for these divestitures are reported in Discontinued Operations.

Prior to 2001, the Company was an active acquirer of consumer and business-to-business magazines, rental apartment and other real estate guides, trade shows, directories, educational training content providers and other media businesses. In 2000, major acquisitions included Adams/Laux Company, Inc. and Adams/Intertec International Inc., publishers of business-to-business magazines and other publications relating to the meetings and conference industry and the electric power industry. In that year, the Company also acquired the assets of Paul Kagan Associates Inc. and the stock of Kagan World Media Inc. and certain of its affiliated companies, which is a newsletter, conference, consulting service and content business focused on the media and telecommunications industries.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 7, page 13) provides a description of segment results.

PRODUCTION AND FULFILLMENT

Virtually all of the Company's print products are printed and bound by independent printers. The Company believes that because of its buying power, outside printing services can be purchased at favorable prices. The Company provides most of the content for its electronically delivered products but outsources technology and production.

The principal raw material used in the Company's products is paper. PRIMEDIA purchases paper directly from several paper mills, including the three major paper mills. The Company has used strategic sourcing principles to gain stable supplies at favorable prices.

The Company uses the U.S. Postal Service for distribution of many of its products and marketing materials and is therefore subject to postage rate changes. Many of the Company's products are packaged and delivered to the U.S. Postal Service directly by the printer. Other products are sent from warehouses and other facilities operated by the Company.

As discussed below in Item 7 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations--Impact of Inflation and Other Costs", postal rates increased in 2002 while paper prices decreased. Going forward, the Company may be impacted by future cost increases, driven by inflation or market conditions in these categories.

EMPLOYEES

As of December 31, 2002, the Company had approximately 5,100 full-time equivalent employees. During 2002, the Company's headcount declined primarily due to divestitures and consolidation of

functions. None of these employees are union members. Management considers its relations with its employees to be good.

COMPANY ORGANIZATION

PRIMEDIA was incorporated on November 22, 1991 in the State of Delaware. The principal executive office of the Company is located at 745 Fifth Avenue, New York, New York, 10151; telephone number (212) 745-0100.

The Company holds regular meetings to inform investors about the Company. To obtain information on these meetings or to learn more about the Company please contact:

James Magrone
Senior Vice President, Investor Relations
Tel: 212-745-0634
Email: jmagrone@primedia.com

The 2003 PRIMEDIA Annual Meeting will be held on Wednesday, May 14, 2003 at 10:00 a.m., at the Four Seasons Hotel, 57 East 57th Street, New York, NY.

AVAILABLE INFORMATION

The Company's Internet address is: www.primedia.com. The Company makes available free of charge through its web site its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission.

ITEM 2. PROPERTIES.

During 2002 and 2001, in connection with the cost reduction and integration plans, the Company has closed and consolidated in excess of 44 office locations.

The Company's principal leased properties used by the Consumer segment are located in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington and Wisconsin; and the principal leased properties used by the Business-to-Business segment are located in Alabama, California, Colorado, Connecticut, Georgia, Illinois, Indiana, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New York, Pennsylvania, Tennessee, Texas, United Kingdom, Virginia, Washington and Washington D.C.

Property is owned by the Company and used in the Consumer segment in Minnesota and Mississippi and in the Business-to-Business segment in Mississippi. The Company's only production facilities are small printing operations for Films, broadcast production facilities for PDV, PRIMEDIA Workplace Learning and Channel One and video duplicating facilities for PRIMEDIA Workplace Learning and Films. The Company's distribution properties and their capacity is adequate to satisfy the Company's needs.

ITEM 3. LEGAL PROCEEDINGS.

There are no material pending legal proceedings and no material legal proceedings including any that were terminated in the fourth quarter of 2002, to which the Company is or was a party.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were no matters submitted to a vote of security holders during the fourth quarter of 2002.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

MARKET INFORMATION

PRIMEDIA Common Stock is listed on the New York Stock Exchange, under Ticker Symbol "PRM". As of February 28, 2003, there were 419 holders of record of PRIMEDIA Common Stock. The Company has not paid and has no present intention to pay dividends on its Common Stock. In addition, the Company's bank credit facility and Senior Notes impose certain limitations on the amount of dividends permitted to be paid on the Company's Common Stock. See Item 7 of Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources--Financing Arrangements." High, low and closing sales prices for 2002 and 2001 were as follows:

QUARTERS ENDED	2002 SALES PRICE HIGH	LOW	CLOSE
March 31	$4.60	$2.10	$3.17
June 30	$3.25	$1.00	$1.22
September 30	$1.59	$0.76	$1.39
December 31	$3.50	$1.11	$2.06

QUARTERS ENDED	2001 SALES PRICE HIGH	LOW	CLOSE
March 31	$12.94	$6.25	$6.30
June 30	$ 9.10	$4.87	$6.79
September 30	$ 7.80	$2.05	$2.35
December 31	$ 4.35	$1.70	$4.35

The closing stock price decreased by 52.6% from December 31, 2001 to December 31, 2002. From January 1, 2003 through March 21, 2003, the high price for the stock was $3.05, the low price was $1.87 and the closing price on March 21, 2003 was $2.08.

EQUITY COMPENSATION PLAN INFORMATION

Information required by this item with respect to equity compensation plans of the Company is included in Part III, Item 12 of this Form 10-K under the caption "Equity Compensation Plan Information."

RECENT SALES OF UNREGISTERED SECURITIES

In February 2002, May 2002 and August 2002, the Company issued to KKR 1996 Fund L.P. ("KKR 1996 Fund") unregistered warrants to purchase 1 million, 1.25 million and 1.5 million shares of the Company's Common Stock, respectively. The warrants were issued in connection with the equity financing by KKR 1996 Fund in August 2001 as more fully described under "Certain Relationships and Related Transactions" in Item 13 of this Form 10-K.

In November 2002, the Company issued 78,000 shares of its unregistered Common Stock to Paul Kagan as deferred purchase price payable in connection with the acquisition by the Company in November 2000 of the assets of Paul Kagan Associates, Inc. and the stock of certain of its affiliated companies. The aggregate purchase price paid by the Company in connection with the transaction was 1,190,000 shares of the Company's Common Stock, of which 390,000 shares are payable in five equal annual installments of 78,000 shares on each annual anniversary of the closing date of the transaction.

In February 2003, the Company issued to Michael Tokarz, a former Director of the Company, 29,284 shares of the Company's unregistered Common Stock as compensation for his services as a director from October 1998 to May 2002. Mr. Tokarz, was permitted to defer the payment of his director's fees and receive the fees in the form of Common Stock pursuant to the Directors' Deferred Compensation Plan. Mr. Tokarz deferred the payment of an aggregate of $186,367 of directors' fees that he would have otherwise received in cash at the time the services were provided.

The above issuances of securities were made by the Company in reliance on exemptions from registration contained in Section 4(2) of the Securities Act of 1933, as amended, and the rules and regulations thereunder, as offerings not involving a public offering.

ITEM 6. SELECTED FINANCIAL DATA.

The selected consolidated financial data were derived from the audited consolidated financial statements of the Company as of December 31, 2002 and 2001 and for the years ended December 31, 2002, 2001 and 2000. The data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes thereto included elsewhere herein. On January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). As a result of this adoption, prior year results have been reclassified to reflect the results of the Modern Bride Group, ExitInfo, Chicago, Horticulture, Doll Reader, the American Baby Group and IN New York as discontinued operations for the periods prior to their respective divestiture dates. On January 1, 2002, the Company also adopted Emerging Issues Task Force ("EITF") Consensus No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendors Products," ("EITF 00-25") and EITF Consensus No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)" ("EITF 01-9") which resulted in a net reclassification of product placement costs previously recorded as operating expenses to reductions of sales from such activities.

PRIMEDIA INC. AND SUBSIDIARIES

	YEARS ENDED DECEMBE		
	2002	2001	2000
	(DOLLARS IN THOUSANDS, EXCEPT P		
OPERATING DATA:			
Sales, net(1)	$ 1,587,564	$ 1,578,357	$ 1,547,
Depreciation of property and equipment(2)	73,147	81,436	52,
Amortization of intangible assets, goodwill and other(3)	219,960	706,040	119,
Other (income) charges(4)	74,826	44,868	41,
Operating income (loss)	(121,101)	(680,702)	20,
Provision for impairment of investments(5)	19,231	106,512	188,
Interest expense	140,889	145,960	143,
Loss from continuing operations before income tax expense	(279,832)	(979,683)	(319,
Income tax expense(6)	(46,356)	(135,000)	(41,
Loss from continuing operations	(326,188)	(1,114,683)	(360,
Discontinued operations	115,273	3,042	13,
Cumulative effect of a change in accounting principle(7)	(388,508)	--	
Net loss	(599,423)	(1,111,641)	(346,
Preferred stock dividends and related accretion, net(8)	(47,656)	(62,236)	(53,
Loss applicable to common shareholders	(647,079)	(1,173,877)	(399,
Basic and diluted loss applicable to common shareholders per common share(9):			
Loss from continuing operations	$ (1.47)	$ (5.44)	$ (2
Discontinued operations	.45	.02	
Cumulative effect of a change in accounting principle(7)	(1.53)	--	
Net loss	$ (2.55)	$ (5.42)	$ (2
Basic and diluted common shares outstanding(9)	253,710,417	216,531,500	161,104,

	AT DECEMBER 31		
	2002	2001	2000
	(DOLLARS IN THOUSA		
BALANCE SHEET DATA:			
Cash and cash equivalents	$ 18,553	$ 33,588	$ 23,
Working capital deficiency(10)	(248,280)	(221,047)	(346,
Other intangible assets and goodwill, gross	3,627,683	3,853,495	2,854,
Less: accumulated amortization	2,304,123	1,823,768	1,206,
Other intangible assets and goodwill, net	1,323,560	2,029,727	1,647,
Total assets	1,835,620	2,731,219	2,677,
Long-term debt(11)	1,727,677	1,945,631	1,503,
Exchangeable preferred stock	484,465	562,957	561,
Total shareholders' deficiency	(1,043,798)	(480,592)	(236,

(See notes on the following page)

NOTES TO SELECTED FINANCIAL DATA

(1) As a result of the adoption of EITF 00-25, EITF 01-9 and SFAS 144, the Company reclassified amounts from sales, net, for the years ended December 31, 2001, 2000, 1999 and 1998, as follows:

	YEARS ENDED DECEMBER 31,			
	2001	2000	1999	1998
Sales, net (as originally reported)	$1,742,293	$1,690,952	$1,716,102	$1,573,573
Less:				
Effect of SFAS 144	143,322	128,163	109,584	100,692
Effect of EITF 00-25 & 01-9	20,614	15,298	18,639	15,765
Sales, net (as reclassified)	$1,578,357	$1,547,491	$1,587,879	$1,457,116

(2) Includes an impairment of long-lived assets of $11,610 for the year ended December 31, 2002.

(3) Includes an impairment of intangible assets, goodwill and other, of $154,828, $444,699 and $275,788 for the years ended December 31, 2002, 2001 and 1999, respectively.

(4) Represents non-cash compensation and non-recurring charges of $15,665, $58,181 and $35,210 for the years ended December 31, 2002, 2001 and 2000, respectively, a provision for severance, closures and restructuring related costs of $51,914, $43,920, $20,798 and $22,000 for the years ended December 31, 2002, 2001, 2000 and 1999, respectively, and loss (gain) on the sale of businesses and other, net, of $7,247, ($57,233), ($14,438), ($235,580) and ($7,216) for the years ended December 31, 2002, 2001, 2000, 1999 and 1998, respectively.

(5) Represents impairments of the Company's investment in CMGI, Inc. of approximately $7,000 and $155,500 for the years ended December 31, 2001 and 2000, respectively, the Company's investment in Liberty Digital of approximately $700 and $21,900 for the years ended December 31, 2001 and 2000, respectively, the Company's investments in various assets-for-equity transactions of approximately $10,000 and $84,000 for the years ended December 31, 2002 and 2001, respectively, and various other PRIMEDIA investments of approximately $9,200, $14,900 and $11,200 for the years ended December 31, 2002, 2001 and 2000, respectively.

(6) Historically, the Company did not need a valuation allowance for the portion of the tax effect of net operating losses equal to the amount of deferred income tax liabilities related to tax-deductible goodwill and trademark amortization expected to occur during the carryforward period of the net operating losses based on the timing of the reversal of these taxable temporary differences. As a result of the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets", the reversal will not occur during the carryforward period of the net operating losses.

Therefore, the Company recorded a deferred income tax expense of approximately $52,000 on January 1, 2002 and $20,500 during 2002 which would not have been required prior to the adoption of SFAS 142. The charge recorded to increase the valuation allowance was reduced by the reversal of tax liabilities of $23,000 during the third quarter of 2002 as a result of the impairments of goodwill and certain indefinite lived intangible assets. The income tax expense recorded in 2002 is net of tax refunds received. During 2001 and 2000, the Company increased its valuation allowance due to continued historical operating losses and the impairment of long-lived assets, primarily goodwill and investments, resulting in a net provision for income taxes of $135,000 and $41,200, respectively. At December 31, 1999 and 1998, the Company's management determined that no adjustment to net deferred income tax assets was required. In 1999, the Company recorded income tax expense of $6,500 related to a provision for current state and local taxes incurred as a result of the gain on the sale of the Supplemental Education Group. At December 31, 2002, the Company had aggregate net operating and capital loss carryforwards of $1,722,781 which will be available to reduce future taxable income.

(7) In connection with the adoption of SFAS 142 on January 1, 2002, the Company recorded an impairment charge related to its goodwill and certain indefinite lived intangible assets as a cumulative effect of a change in accounting principle.

(8) Includes the premiums paid on the redemptions of the $11.625 Series B Exchangeable Preferred Stock in 1998, a $32,788 gain on exchange of exchangeable preferred stock in 2002 and the issuance

of warrants valued at $5,891 and $498 to KKR 1996 Fund during 2002 and 2001, respectively, in connection with the EMAP acquisition.

(9) Basic and diluted loss per common share, as well as the basic and diluted common shares outstanding, were computed as described in Note 15 of the notes to the consolidated financial statements included elsewhere in this Annual Report.

(10) Includes current maturities of long-term debt and net assets held for sale, where applicable. Consolidated working capital reflects certain industry working capital practices and accounting principles, including the expensing of certain editorial and product development costs when incurred and the recording of deferred revenue from subscriptions as a current liability. Advertising costs are expensed when the promotional activities occur except for certain direct-response advertising costs which are capitalized and amortized over the estimated period of future benefit.

(11) Excludes current maturities of long-term debt.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS).

INTRODUCTION

The following discussion and analysis summarizes the financial condition and operating performance of the Company and its two segments and should be read in conjunction with the Company's historical consolidated financial statements and notes thereto included elsewhere in this Annual Report.

FORWARD-LOOKING INFORMATION

PRIMEDIA, in its fourth quarter 2002 earnings conference call with investors and related earnings release on February 12, 2003, indicated that it expected modest revenue growth and high single-digit Segment EBITDA growth in 2003 as compared to 2002. As noted in the conference call and related earnings release, the Company's revenue and earnings guidance does not factor in the consequences of extended geopolitical conflict and may change as circumstances warrant. PRIMEDIA's 2003 guidance followed a 2002 in which the Company significantly increased its Segment EBITDA by integrating its 2001 acquisitions of About and EMAP, including their results for the full year 2002, and by materially reducing the Company's operating costs.

This report contains certain forward-looking statements concerning the Company's operations, economic performance and financial condition. These statements are based upon a number of assumptions and estimates, which are inherently subject to uncertainties and contingencies, many of which are beyond the control of the Company, and reflect future business decisions, which are subject to change. Some of the assumptions may not materialize and unanticipated events will occur which can affect the Company's results.

WHY WE USE SEGMENT EBITDA

PRIMEDIA believes that Segment EBITDA is the most accurate indicator of its segments' results, because it focuses on revenue and operating cost items driven by operating managers' performance, and excludes non-recurring items and items largely outside of operating managers' control. Internally, the Company's chief operating decision maker and the remainder of the executive team measure performance primarily based on segment EBITDA. Segment EBITDA represents earnings before interest, taxes, depreciation, amortization and other charges (income) ("Segment EBITDA"). Other charges (income) include non-cash compensation and non-recurring charges, provision for severance, closures and restructuring related costs and (gain) loss on the sale of businesses and other, net.

Segment EBITDA is not intended to represent cash flows from operating activities and should not be considered as an alternative to net income or loss (as determined in conformity with generally accepted accounting principles) as an indicator of the Company's operating performance, or to cash flows as a measure of liquidity. Segment EBITDA may not be available for the Company's discretionary use as there are requirements to redeem preferred stock and repay debt, among other payments. Segment EBITDA as presented may not be comparable to similarly titled measures reported by other companies since not all companies necessarily calculate Segment EBITDA in identical manners, and therefore, it is not necessarily an accurate measure of comparison between companies. See reconciliation of Segment EBITDA to operating income detailed below under the caption "Segment Data."

The Company's two segments are Consumer and Business-to-Business. PRIMEDIA groups its businesses into these two segments based on the nature of the products and services they provide and the type or class of customer for these products or services. The Company's Consumer segment produces and distributes content through magazines, guides, videos and over the Internet to consumers primarily in niche and enthusiast markets. The Consumer segment includes the Consumer Magazine and Media Group, Consumer Guides, PRIMEDIA Television and About.com. The Company's Business-to-Business

segment produces and distributes content via magazines, books, video, exhibits, the internet and databases to business professionals in such fields as communications, agriculture, professional services, media, transportation and

healthcare. The Business-to-Business segment includes the Business Magazines & Media Group, PRIMEDIA Workplace Learning and PRIMEDIA Information. Corporate represents items not allocated to other business segments such as general corporate administration.

INTRACOMPANY AND INTERCOMPANY TRANSACTIONS

In addition, the information presented below includes certain allocations and intracompany and intercompany transactions and is, therefore, not necessarily indicative of the results had the operations existed as stand-alone businesses. Eliminations represent intracompany and intercompany content and brand licensing, advertising and other services, which are billed at what management believes are prevailing market rates. These intracompany and intercompany transactions, which represent transactions between operating units within the same business segment or transactions between operating units in different business segments, are eliminated in consolidation. Intracompany eliminations were $104,271, $61,621 and $44,696 for the years ended December 31, 2002, 2001 and 2000, respectively. Intercompany eliminations were $6,106, $3,830 and $1,616 for the years ended December 31, 2002, 2001 and 2000, respectively.

NON-CORE BUSINESSES

Management believes a meaningful comparison of the results of operations for 2002, 2001 and 2000 is obtained by using the segment information and by presenting results from continuing businesses ("Continuing Businesses") which exclude the results of the non-core businesses ("Non-Core Businesses"). The Non-Core Businesses are those businesses that have been divested, discontinued or that management is evaluating for turnaround or shutdown. The Non-Core Businesses include: QWIZ, Inc. (divested in April 2001), Bacon's (divested in November 2001) and certain titles of the Business Magazines and Media Group and the Consumer Magazines & Media Group which are discontinued or divested. In addition, the Company has restructured or consolidated several new media properties, whose value can only be realized through the far greater efficiency of having select functions absorbed by the core operations and has included these properties in Non-Core Businesses. For the year ended December 31, 2002, the Company has reclassified certain product lines as Non-Core Businesses and in certain instances has reclassified prior periods accordingly. The Company believes that the amounts that have not been reclassified are not significant. Since June 30, 2002, the Company has not classified any additional businesses as Non-Core Businesses nor have any additional costs been allocated to the Non-Core Businesses subsequent to this date.

DISCONTINUED OPERATIONS AND RECLASSIFICATIONS OF PRODUCT PLACEMENT COSTS

Prior years' results have been restated to reflect the adoption SFAS 144, EITF 00-25 and EITF 01-9.

On January 1, 2002, the Company adopted SFAS 144. As a result of this adoption, prior year results have been reclassified to reflect the results of the Modern Bride Group, ExitInfo, Chicago, Horticulture, Doll Reader, the American Baby Group and IN New York as discontinued operations for the periods prior to their respective divestiture dates.

On January 1, 2002, the Company also adopted EITF 00-25 and EITF 01-9, which resulted in a net reclassification of product placement costs previously recorded as operating expenses to reductions of sales from such activities.

SEGMENT DATA

Segment data for the Company organized on the foregoing basis are presented below:

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
Sales, Net:			
Continuing Businesses:			
Consumer	$1,326,698	$ 1,147,069	$ 986,4
Business-to-Business	357,752	423,204	473,5
Intercompany and Intracompany Eliminations	(110,377)	(65,451)	(46,3
Subtotal	1,574,073	1,504,822	1,413,7
Non-Core Businesses	13,491	73,535	133,7
Total	$1,587,564	$ 1,578,357	$1,547,4
Segment EBITDA(1):			
Continuing Businesses:			
Consumer	$ 237,961	$ 151,930	$ 176,2
Business-to-Business(2)	44,834	68,897	114,0
Corporate	(32,710)	(32,308)	(33,9
Subtotal	250,085	188,519	256,3
Non-Core Businesses	(3,253)	(28,340)	(23,1
Total	$ 246,832	$ 160,179	$ 233,1
Depreciation, Amortization and Other Charges(3):			
Continuing Businesses:			
Consumer	$ 203,348	$ 652,199	$ 98,7
Business-to-Business	144,073	91,835	63,3
Corporate	17,429	31,178	30,2
Subtotal	364,850	775,212	192,3
Non-Core Businesses	3,083	65,669	20,4
Total	$ 367,933	$ 840,881	$ 212,7
Operating Income (Loss):			
Continuing Businesses:			
Consumer	$ 34,613	($500,269)	$ 77,4
Business-to-Business	(99,239)	(22,938)	50,7
Corporate	(50,139)	(63,486)	(64,1
Subtotal	(114,765)	(586,693)	64,0
Non-Core Businesses	(6,336)	(94,009)	(43,6
Total	(121,101)	(680,702)	20,4
Other Income (Expense):			
Provision for impairment of investments	(19,231)	(106,512)	(188,5
Interest expense	(140,889)	(145,960)	(143,9
Amortization of deferred financing costs	(4,285)	(10,947)	(3,8
Other, net	5,674	(35,562)	(3,1
Loss from Continuing Operations Before Income Tax Expense	(279,832)	(979,683)	(319,0
Income Tax Expense	(46,356)	(135,000)	(41,2

Loss from Continuing Operations............................	(326,188)	(1,114,683)	(360,2
Discontinued Operations....................................	115,273	3,042	13,4
Cumulative Effect of a Change in Accounting Principle (from the adoption of Statement of Financial Accounting Standards No. 142)..	(388,508)	--	
Net Loss...	($ 599,423)	($1,111,641)	($ 346,8

----

(1) Segment EBITDA represents earnings before interest, taxes, depreciation, amortization and other charges (income) including non-cash compensation and non-recurring charges of $15,665, $58,181, and $35,210 for the years ended December 31, 2002, 2001 and 2000, respectively, provision for severance, closures and restructuring related costs of $51,914, $43,920 and $20,798 for the years ended December 31, 2002, 2001 and 2000, respectively, and loss (gain) on sale of businesses and other, net of $7,247, ($57,233) and ($14,438) for the years ended December 31, 2002, 2001 and 2000, respectively. Segment EBITDA excludes $8,537 of additional restructuring related costs included in general and administrative expenses for the year ended December 31, 2001. Segment EBITDA is not intended to represent cash flows from operating activities and should not be considered as an alternative to net income or loss (as determined in conformity with generally accepted accounting principles) as an indicator of the Company's operating performance or to cash flows as a measure of liquidity. It is presented herein as the Company evaluates and measures each business unit's performance based on their Segment EBITDA results. Segment EBITDA may not be available for the Company's discretionary use as there are requirements to redeem preferred stock and repay debt, among other payments. Segment EBITDA as presented may not be comparable to similarly titled measures reported by other companies, since not all companies necessarily calculate Segment EBITDA in identical manners, and therefore, is not necessarily an accurate measure of comparison between companies.

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The following represents a reconciliation of Segment EBITDA to operating income (loss) by segment for the years ended December 31, 2002, 2001 and 2000.

	YEAR ENDED DECEMBER 31, 2002				
	CONSUMER	BUSINESS-TO-BUSINESS	CORPORATE	NON-CORE	T
Segment EBITDA..............................	$237,961	$ 44,834	$(32,710)	$ (3,253)	$ 2
Depreciation of property and equipment.......	(49,206)	(20,962)	(2,679)	(300)	(
Amortization of intangible assets, goodwill and other................................	(104,125)	(114,897)	(889)	(49)	(2
Non-cash compensation and non-recurring charges..................................	(3,366)	(675)	(11,624)	--	(
Provision for severance, closures and restructuring related costs................	(41,102)	(7,242)	(3,570)	--	(
(Loss) gain on sale of businesses and other, net......................................	(5,549)	(297)	1,333	(2,734)	
Operating income (loss).....................	$ 34,613	$ (99,239)	$(50,139)	$ (6,336)	$(1

	YEAR ENDED DECEMBER 31, 2001				
	CONSUMER	BUSINESS-TO-BUSINESS	CORPORATE	NON-CORE	T
Segment EBITDA..............................	$151,930	$ 68,897	$(32,308)	$(28,340)	$ 1
Depreciation of property and equipment.......	(46,666)	(26,255)	(2,109)	(6,406)	(
Amortization of intangible assets, goodwill and other................................	(549,961)	(52,517)	(509)	(103,053)	(7
Non-cash compensation and non-recurring charges..................................	(26,480)	(1,502)	(30,199)	--	(
Provision for severance, closures and restructuring related costs................	(26,199)	(10,458)	(3,405)	(3,858)	(
Other restructuring related costs included in general and administrative expenses........	(2,608)	(2,036)	(3,893)	--	
(Loss) gain on sale of businesses and other, net......................................	(285)	933	8,937	47,648	
Operating loss..............................	$(500,269)	$ (22,938)	$(63,486)	$(94,009)	$(6

	YEAR ENDED DECEMBER 31, 2000				
	CONSUMER	BUSINESS-TO-BUSINESS	CORPORATE	NON-CORE	T
Segment EBITDA..............................	$176,256	$ 114,076	$(33,974)	$(23,171)	$ 2
Depreciation of property and equipment.......	(25,504)	(18,856)	(1,947)	(5,823)	(
Amortization of intangible assets, goodwill and other................................	(66,819)	(38,772)	(334)	(13,161)	(1
Non-cash compensation and non-recurring charges..................................	--	(7,400)	(27,810)	--	(
Provision for severance, closures and restructuring related costs................	(6,696)	1,638	(14,371)	(1,369)	(
(Loss) gain on sale of businesses and other, net......................................	229	64	14,257	(112)	
Operating income (loss).....................	$ 77,466	$ 50,750	$(64,179)	$(43,636)	$

Consolidated EBITDA represents operating income (loss) before depreciation of property and equipment and amortization of intangible assets, goodwill and other. Operating income (loss) excludes interest and taxes. Consolidated EBITDA is presented in order to reconcile Segment EBITDA to operating income (loss). Consolidated EBITDA is not intended to represent cash flows from operating activities and should not be considered as an alternative to net income or loss (as determined in conformity with generally accepted accounting principles) as an indicator of the Company's operating performance, or to cash flows as a measure of liquidity. Consolidated EBITDA may not be available for the Company's discretionary use as there are requirements to redeem preferred stock and repay debt,

among other payments. Consolidated EBITDA as presented may not be comparable to similarly titled measures reported by other companies, since not all companies necessarily calculate Consolidated EBITDA in identical manners, and, therefore, is not necessarily an accurate measure of comparison between

companies. See reconciliation of Segment EBITDA to Consolidated EBITDA and then to operating income (loss) for the three years ended December 31, 2002 detailed below.

	YEARS ENDED DECEMBER 31,		
	2002	2001	2
Segment EBITDA	$ 246,832	$ 160,179	$ 2
Non-cash compensation and non-recurring charges	(15,665)	(58,181)	(
Provision for severance, closures and restructuring related costs	(51,914)	(43,920)	(
Other restructuring related costs included in general and administrative expense	--	(8,537)	
(Loss) gain on sale of businesses and other, net	(7,247)	57,233	
Consolidated EBITDA	172,006	106,774	1
Depreciation of property and equipment	(73,147)	(81,436)	(
Amortization of intangible assets, goodwill and other	(219,960)	(706,040)	(1
Operating income (loss)	$(121,101)	$(680,702)	$

(2) Includes reversals of sales tax accruals that were no longer required of $1,321 and $4,000 in 2002 and 2001, respectively. Also includes a one time insurance refund of $521 in 2002 related to the prior year.

(3) Depreciation includes an impairment of long lived assets of $11,610 for the year ended December 31, 2002. Amortization includes an impairment of intangible assets, goodwill and other of $154,828 and $444,699 for the years ended December 31, 2002 and 2001, respectively. Other charges (income) include non-cash compensation and non-recurring charges, a provision for severance, closures and restructuring related costs, loss (gain) on the sale of businesses and other, net and other restructuring related costs included in general and administrative expenses referred to in Note (1) above.

RESULTS OF OPERATIONS

2002 COMPARED TO 2001

CONSOLIDATED RESULTS:

SALES, NET

Consolidated sales from Continuing Businesses increased 4.6% to $1,574,073 in 2002 from $1,504,822 in 2001. 2002 sales growth is attributable mostly to the inclusion of the full year results of EMAP, acquired in the latter part of 2001, in the Consumer segment. The increase in the Consumer segment of $179,629 was partially offset by a decline in the Business-to-Business segment of $65,452 before intercompany and intracompany eliminations. Further details about segment

performance is included in the segment specific sections below.

Total sales, including Continuing and Non-Core Businesses, increased 0.6% to $1,587,564 in 2002 from $1,578,357 in 2001. The adoption of EITF 00-25 and 01-9, on January 1, 2002, resulted in a net reclassification of product placement costs previously classified as distribution, circulation and fulfillment expense on the statements of consolidated operations to reductions of sales from such activities. The change in classification had no impact on the Company's results of operations, cash flows or financial position. The reclassification resulted in a net decrease in sales and a corresponding decrease in operating expenses of $20,614 for the year ended December 31, 2001.

The Company had entered various assets-for-equity investments in start-ups and early stage companies in 2001 and did so to a much lesser extent in 2002. Some of these transactions included cash consideration paid by the Company. The non-cash consideration was comprised of advertising, content licensing and other services to be rendered by the Company in exchange for equity in these entities. The Company recognizes revenue when these services are delivered in accordance with the Company's revenue recognition policies. Revenue recognized in connection with these assets-for-equity transactions was approximately $7,600 and $46,900 during the years ended December 31, 2002 and 2001, respectively. The revenue from these transactions declined substantially throughout 2002 and will continue to decline in future periods. In addition, for the years ended December 31, 2002 and 2001, revenue from barter transactions was approximately $18,200 and $36,600, respectively, with equal related expense amounts in each year.

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SEGMENT EBITDA

Segment EBITDA from Continuing Businesses increased 32.7% to $250,085 in 2002 from $188,519 in 2001 due to an increase of $86,031 in the Consumer segment partially offset by a decline in the Business-to-Business segment of $24,063, further detailed below. Total Segment EBITDA, including Continuing and Non-Core Businesses, increased 54.1% to $246,832 in 2002 from $160,179 in 2001.

OPERATING INCOME (LOSS)

Operating loss from Continuing Businesses was $114,765 in 2002 compared to $586,693 in 2001. The decrease was primarily due to a decrease in amortization expense ($383,076), primarily due to higher impairments of goodwill and other intangible assets in 2001 ($192,679) as well as the elimination of goodwill and trademark amortization upon the adoption of SFAS 142 on January 1, 2002 ($181,141). In addition, Segment EBITDA from Continuing Businesses increased by $61,566 in 2002 over 2001.

NET LOSS

Interest expense decreased by $5,071 or 3.5% in 2002 compared to 2001 primarily due to lower average levels of indebtedness as a result of the Company's use of divestiture proceeds to pay down borrowings under the Company's credit facilities, as well as a reduction in interest rates.

In connection with the adoption of SFAS 142 effective January 1, 2002, the Company recorded an impairment charge related to its goodwill and certain indefinite lived intangible assets of $388,508, as a cumulative effect of a change in accounting principle.

The total impairment charge recorded in depreciation and amortization under SFAS 142 and SFAS 144 for the year end December 31, 2002 was $146,934 related to goodwill, intangibles and other assets and $11,610 related to property and

equipment. In addition, the Company recorded $49,500 of related non-cash deferred income tax expense. See Recent Accounting Pronouncements for further discussion of SFAS 142 and SFAS 144.

During 2002, the Company completed the sales of the Modern Bride Group ("MBG"), ExitInfo, Chicago, Horticulture, Doll Reader, IN New York and the American Baby Group and, as a result of adopting SFAS 144, reclassified the financial results of these divested units into discontinued operations on the statements of consolidated operations for the years ended December 31, 2002 and 2001. SFAS 144 requires sales or disposals of long-lived assets that meet certain criteria to be classified on the statement of operations as discontinued operations and to reclassify prior periods accordingly. These divestitures resulted in a gain of $111,449 and were part of the Company's planned program which targeted the divestiture of $250,000 of assets.

CONSUMER SEGMENT (INCLUDING CONSUMER MAGAZINE AND MEDIA GROUP, CONSUMER GUIDES, PRIMEDIA TELEVISION AND ABOUT):

SALES, NET

Sales from Continuing Businesses increased 15.7% to $1,326,698 in 2002 from $1,147,069 in 2001 before eliminations primarily due to the inclusion of the full year results of EMAP (191.8%) acquired in the latter part of 2001, and growth at Consumer Guides (5.8%). Consumer Guides revenue growth was attributable to strong performance at the unit's Apartment Guides division, continuing the sales trend of recent years. The Consumer Magazines and Media Group, excluding EMAP, saw a decline in brand advertising revenues primarily in the Company's larger circulation titles. The revenue decline can also be attributed to a reduction of non-cash revenue items such as barter and assets-for-equity revenue transactions primarily at the PRIMEDIA Television and About units.

These sales include new media sales from Continuing Business which increased 6.4% to $88,136 in 2002 from $82,868 in 2001, primarily due to the inclusion of EMAP for the period subsequent to the acquisition date and the organic growth at apartmentguide.com, partially offset by the decreases at About. In general, new media sales reflect the results of About, the Consumer Guides Internet properties including apartmentguide.com, and Internet operations associated with the Company's consumer magazine brands. These new media sales include the allocation of bundled revenues (print and online billed

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together) and various intracompany and intercompany transactions, which are eliminated in consolidation. As a result, the new media sales from Continuing Businesses are not necessarily indicative of the results had the new media businesses been operated as stand-alone operations. Eliminations of $86,817 in 2002 and $50,762 in 2001 represent intersegment sales ($4,197 and $3,466 for the years ended December 31, 2002 and 2001, respectively) and intrasegment sales ($82,620 and $47,296 for the years ended December 31, 2002 and 2001, respectively) which are eliminated in consolidation. Total Consumer Segment sales, including Continuing and Non-Core Businesses, for the year ended December 31, 2001 reflect reclassifications related to the adoption of EITF 00-25 and 01-9. The adoption of these pronouncements resulted in a reduction of sales, net of $20,614, and a corresponding reduction of distribution, circulation and fulfillment expense on the statements of consolidated operations for the year ended December 31, 2001. Revenue recognized in connection with assets-for-equity transactions was approximately $3,500 and $36,800 for the years ended December 31, 2002 and 2001, respectively. For the years ended December 31, 2002 and 2001, revenue from barter transactions was approximately $11,000 and $27,600, respectively, with equal related expense amounts in each year.

SEGMENT EBITDA

Segment EBITDA from Continuing Businesses increased 56.6% to $237,961 in 2002 from $151,930 in 2001 primarily due to the acquisition of EMAP (183.2%) whose results were included for periods subsequent to its acquisition date, and cost-cutting measures taken across the segment in 2002 and 2001. Cost cutting actions included significant headcount reductions, the shut-down of unprofitable magazine titles and the rationalization of costs at the Company's Internet operations. The Segment EBITDA margin increased to 17.9% in 2002 compared to 13.2% in 2001.

OPERATING INCOME (LOSS)

Operating income (loss) from Continuing Businesses was $34,613 in 2002 compared to ($500,269) in 2001. The increase in operating income was attributable to lower amortization expense ($445,836) as a result of higher impairment charges in 2001 ($271,940) as well as the elimination of goodwill and trademark amortization upon the adoption of SFAS 142 ($171,703). In addition, an increase in Segment EBITDA ($86,031) and a decrease in non-cash compensation expense contributed to the higher operating income.

BUSINESS-TO-BUSINESS SEGMENT (INCLUDING BUSINESS MAGAZINES AND MEDIA GROUP, WORKPLACE LEARNING AND PRIMEDIA INFORMATION):

SALES, NET

Sales from Continuing Businesses decreased 15.5% to $357,752 in 2002 from $423,204 in 2001 before eliminations. The decline in revenue was attributable to industry-wide softness in business-to-business advertising. The majority of the drop occurred in the Company's Business Magazines and Media Group, with the steepest declines in advertising revenue at the telecommunications, entertainment technology, agribusiness and trucking divisions. PRIMEDIA Workplace Learning also saw a revenue decline, in part because of a cyclical pull-back in business demand for corporate training.

These sales include new media sales from Continuing Businesses which increased 12.2% to $14,025 in 2002 from $12,502 in 2001. The new media sales include various intracompany and intercompany transactions, which are eliminated in consolidation. As a result, the new media sales from Continuing Businesses are not necessarily indicative of the results had the new media businesses been operated as stand-alone operations. Eliminations of $23,560 in 2002 and $14,689 in 2001 represent intersegment sales ($1,909 and $364 for the years ended December 31, 2002 and 2001, respectively) and intrasegment sales ($21,651 and $14,325 for the years ended December 31, 2002 and 2001, respectively) which are eliminated in consolidation. Revenue recognized in connection with assets-for-equity transactions was approximately $4,100 and $10,100 for the years ended December 31, 2002 and 2001, respectively. For the years ended December 31, 2002 and 2001, revenue from barter transactions was approximately $7,200 and $9,000, respectively, with equal related expense amounts in each year.

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SEGMENT EBITDA

Segment EBITDA from Continuing Businesses decreased 34.9% to $44,834 in 2002 from $68,897 in 2001 primarily due to weakness at the Business Magazines and Media Group ($22,311). The Segment EBITDA margin decreased to 12.5% in 2002 compared to 16.3% in 2001 primarily due to softness in business-to-business advertising partially offset by cost cutting measures, including significant staff reductions in the Business Magazines and Media Group. The segment also

recorded one-time credits of $1,842 in 2002 and $4,000 in 2001 related to reversals of sales tax accruals in both years and an insurance refund of $521 in 2002.

OPERATING INCOME (LOSS)

Operating loss from Continuing Businesses was $99,239 in 2002 compared to $22,938 in 2001. The increase was attributable to lower EBITDA ($24,063) and an increase in amortization expense ($62,380) primarily due to higher impairment charges during 2002 ($79,261), partially offset by the elimination of goodwill and trademark amortization upon the adoption of SFAS 142 ($9,680) and a decrease in amortization expense in 2002 for definite lived intangible assets.

CORPORATE:

Corporate EBITDA losses reflect corporate overhead and other expenses not allocated to one of the Company's segments. EBITDA losses increased by 1.2% to $32,710 in 2002 from $32,308 in 2001. This increase was due to higher professional fees and certain incremental technology and consulting costs partially offset by headcount reductions. The Company is committed to continuing its investment in better systems and technology.

Operating loss decreased to $50,139 in 2002 from $63,486 in 2001. Operating loss includes $11,624 and $30,199 of non-cash compensation and non-recurring charges during the years ended December 31, 2002 and 2001, respectively, representing executive compensation in the form of stock and option grants and the extension of certain stock option expiration periods. In addition, the operating loss includes a provision for severance, closures and restructuring related costs of $3,570 and $7,298 during the years ended December 31, 2002 and 2001, respectively. This provision is comprised of employee related termination costs and real estate lease commitments for space that the Company no longer occupies.

NON-CORE BUSINESSES:

During 2001, the Company shut down or divested approximately 40 properties. Segment EBITDA losses from these properties approximated $36,800 for the year ended December 31, 2001. These Segment EBITDA losses were partially offset by positive Segment EBITDA at Bacon's, which was divested during 2001, resulting in a net Segment EBITDA loss for the Non-Core Businesses of $28,340.

Corporate administrative costs of approximately $1,900 and $9,900 were allocated to the Non-Core Businesses during the years ended December 31, 2002 and 2001, respectively. The Company believes that these costs, many of which are transaction driven, such as the processing of payables and payroll, will be permanently reduced or eliminated due to the shutdown or divestiture of the Non-Core Businesses.

Effective June 30, 2002, the Company has not classified any additional businesses as Non-Core Businesses nor will any additional costs be allocated to the Non-Core Businesses subsequent to this date.

DISCONTINUED OPERATIONS:

In 2002, the Company completed the sale of the MBG, which included Modern Bride plus 16 regional bridal magazines, ExitInfo, Chicago, Horticulture, Doll Reader, IN New York and the American Baby Group. In accordance with SFAS 144, the operating results of these divested entities have been reclassified to discontinued operations on the statements of consolidated operations for the years ended December 31, 2002 and 2001. Sales from Continuing Businesses excludes sales from discontinued operations of $82,476 and $143,322 for the years ended December 31, 2002 and 2001, respectively. Segment EBITDA from

Continuing Businesses excludes Segment EBITDA from discontinued operations of $8,502 and $11,587 for the years ended December 31, 2002 and 2001, respectively. The discontinued operations include expenses related to certain

centralized functions that are shared by multiple titles, such as production, circulation, advertising, human resource and information technology costs but exclude general overhead costs. These costs were allocated to the discontinued entities based upon relative revenues for the related periods. The allocation methodology is consistent with that used across the Company. Management has allocated direct incremental costs of $3,357 and $5,112 to the discontinued operations for the years ended December 31, 2002 and 2001, respectively.

RESULTS OF OPERATIONS

2001 COMPARED TO 2000

CONSOLIDATED RESULTS:

SALES, NET

Consolidated sales from Continuing Businesses increased 6.4% to $1,504,822 in 2001 from $1,413,758 in 2000. The growth in the consumer segment of $160,588 was partially offset by a decline in the business-to-business segment of $50,385 before intercompany and intracompany eliminations, further detailed below. Total sales, including Continuing and Non-Core Businesses, increased 2.0% to $1,578,357 in 2001 from $1,547,491 in 2000. On January 1, 2002, the Company adopted EITF No. 00-25 and 01-9 which resulted in a net reclassification of product placement costs previously classified as distribution, circulation and fulfillment expense on the statements of consolidated operations to reductions of sales from such activities. The reclassification resulted in a net decrease in sales and a corresponding decrease in operating expenses of $20,614 and $15,298 for the years ended December 31, 2001 and 2000, respectively.

During 2001 and 2000, the Company entered various assets-for-equity transactions, some of which also included cash consideration. The non-cash consideration was comprised of advertising, content licensing and other services to be rendered by the Company in exchange for equity in these entities. The Company recognizes these amounts as revenue in accordance with the Company's revenue recognition policies. Revenue recognized in connection with these assets-for-equity transactions was approximately $46,900 and $43,400 during the years ended December 31, 2001 and 2000, respectively. In addition, for the years ended December 31, 2001 and 2000, revenue from barter transactions was approximately $36,600 and $7,900, respectively, with equal related expense amounts in each year.

SEGMENT EBITDA

Segment EBITDA from Continuing Businesses decreased 26.5% to $188,519 in 2001 from $256,358 in 2000 due to decreases of $24,326 and $45,179 related to the Consumer and Business-to-Business segments, respectively, further detailed below. Total Segment EBITDA, including Continuing and Non-Core Businesses, decreased 31.3% to $160,179 in 2001 from $233,187 in 2000 due to declines in both segments.

OPERATING INCOME (LOSS)

Operating income (loss) from Continuing Businesses was ($586,693) in 2001 compared to $64,037 in 2000. This decrease was primarily due to an increase in amortization expense of $497,062 of which approximately $154,400 related to acquisitions and approximately $345,000 related to the impairment of long-lived

assets of our Continuing Businesses, primarily goodwill. These impairments, further detailed below, were the result of certain product discontinuances as well as the Company's determination that the estimated future undiscounted cash flows were not sufficient to cover the carrying value of these assets. Total operating income (loss), including Continuing and Non-Core Businesses, was ($680,702) in 2001 compared to $20,401 in 2000.

NET LOSS

Interest expense increased by $1,972 or 1.4% in 2001 compared to 2000 due to increased borrowings under the Company's bank credit facilities to finance the 2001 EMAP acquisition.

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During 2001 and 2000, the net deferred income tax asset was reduced by $135,000 and $41,200, respectively, as the Company increased its valuation allowance and recorded a related provision for income taxes due to continued historical operating losses and the impairment of long-lived assets, primarily goodwill and investments.

CONSUMER SEGMENT (INCLUDING CONSUMER MAGAZINE AND MEDIA GROUP, CONSUMER GUIDES, PRIMEDIA TELEVISION AND ABOUT):

SALES, NET

Sales from Continuing Businesses increased 16.3% to $1,147,069 in 2001 from $986,481 in 2000 before eliminations primarily due to growth at the Company's Consumer Guides ($26,582) and the acquisitions of About and EMAP whose combined results (approximately $139,100) are included in the Consumer segment for the periods subsequent to their respective acquisition dates.

Sales includes new media sales from Continuing Businesses which increased 230.6% to $82,868 in 2001 from $25,068 in 2000, primarily due to acquisitions and organic growth at apartmentguide.com (approximately $52,800) of which approximately $10,200 represents organic growth. These new media sales include the allocation of bundled revenues (print and online billed together) and various intracompany and intercompany transactions, which are eliminated in consolidation. As a result, the new media sales from Continuing Businesses are not necessarily indicative of the results had the new media businesses been operated as stand-alone operations. Eliminations of $50,762 in 2001 and $33,114 in 2000 represent intersegment sales ($3,466 and $1,616 for the years ended December 31, 2001 and 2000, respectively) and intrasegment sales ($47,296 and $31,498 for the years ended December 31, 2001 and 2000, respectively) which are eliminated in consolidation. Total Consumer segment sales, including Continuing and Non-Core Businesses, reflect reclassifications related to the adoption of EITF 00-25 and 01-9. The adoption of these pronouncements resulted in a reduction of sales, net of $20,614 and $15,298 and a corresponding reduction of distribution, circulation and fulfillment expense on the statements of consolidated operations for the years ended December 31, 2001 and 2000, respectively. Revenue recognized in connection with assets-for-equity transactions, which was generally in the traditional businesses, was approximately $36,800 and $30,000 for the years ended December 31, 2001 and 2000, respectively. For the years ended December 31, 2001 and 2000, revenue from barter transactions was approximately $27,600 and $1,900, respectively, with equal related expense amounts in each year.

SEGMENT EBITDA

Segment EBITDA from Continuing Businesses decreased 13.8% to $151,930 in 2001 from $176,256 in 2000 primarily due to Segment EBITDA declines at certain consumer magazines ($35,707 in the aggregate) resulting from advertising

softness, partially offset by growth at Consumer Guides ($19,050) and a Segment EBITDA increase from the acquisitions of EMAP and About (approximately $2,800 net) whose results are included for periods subsequent to their respective acquisition dates. The Segment EBITDA margin decreased to 13.2% in 2001 compared to 17.9% in 2000 primarily due to increased industry-wide advertising softness as well as increased Internet spending as a result of the About acquisition.

OPERATING INCOME (LOSS)

Operating income (loss) from Continuing Businesses was ($500,269) in 2001 compared to $77,466 in 2000. The decrease in operating income was attributable to an increase in goodwill and intangibles amortization expense as a result of the About and EMAP acquisitions (approximately $154,400) and the write-off of goodwill approximating $326,300 relating to About. This write-off was the result of the Company's determination that the estimated future undiscounted cash flows were not sufficient to cover the carrying value of the goodwill. This determination did not reflect other benefits realized or expected to be realized, across PRIMEDIA, as a result of the integration of About. In addition, the decrease in Segment EBITDA and increase in provision for severance, closures and restructuring related costs also contributed to the increased operating loss in 2001.

BUSINESS-TO-BUSINESS SEGMENT (INCLUDING BUSINESS MAGAZINES AND MEDIA GROUP, WORKPLACE LEARNING AND PRIMEDIA INFORMATION):

SALES, NET

Sales from Continuing Businesses decreased 10.6% to $423,204 in 2001 from $473,589 in 2000 before eliminations primarily due to industry advertising softness at certain business-to-business magazines and trade shows (approximately $49,500).

Sales includes new media sales from Continuing Businesses which decreased 2.8% to $12,502 in 2001 from $12,860 in 2000. The new media sales include various intracompany and intercompany transactions which are eliminated in consolidation. As a result, the new media sales from Continuing Businesses are not necessarily indicative of the results had the new media businesses been operated as stand-alone operations. Eliminations of $14,689 in 2001 and $13,198 in 2000 represent intersegment sales ($364 and $0 for the years ended December 31, 2001 and 2000, respectively) and intrasegment sales ($14,325 and $13,198 for the years ended December 31, 2001 and 2000, respectively) which are eliminated in consolidation. Revenue recognized in connection with assets-for-equity transactions was approximately $10,100 and $13,400 for the years ended December 31, 2001 and 2000, respectively. For the years ended December 31, 2001 and 2000, revenue from barter transactions was approximately $9,000 and $6,000, respectively, with equal related expense amounts in each year.

SEGMENT EBITDA

Segment EBITDA from Continuing Businesses decreased 39.6% to $68,897 in 2001 from $114,076 in 2000 primarily due to weakness at the Business Magazines and Media Group (approximately $42,800). The Segment EBITDA margin decreased to 16.3% in 2001 compared to 24.1% in 2000 primarily due to softness in business-to-business advertising.

OPERATING INCOME (LOSS)

Operating income (loss) from Continuing Businesses, was ($22,938) in 2001 compared to $50,750 in 2000. The decrease in operating income was attributable

to lower EBITDA levels and an increase in amortization expense related to the write-off of goodwill and intangible assets at certain Business-to-Business segment products (approximately $17,700). This write-off was the result of the Company's determination that the estimated future undiscounted cash flows were not sufficient to cover the carrying value of certain long-lived assets, primarily goodwill.

CORPORATE:

Segment EBITDA losses decreased to $32,308 in 2001 from $33,974 in 2000.

Operating loss decreased to $63,486 in 2001 from $64,179 in 2000. Operating loss includes $30,199 and $27,810 of non-cash compensation and non-recurring charges during the years ended December 31, 2001 and 2000, respectively, representing executive compensation in the form of stock and option grants and the extension of certain stock option expiration periods. In addition, the operating loss includes a provision for severance, closures and restructuring related costs of $7,298 and $14,371 during the years ended December 31, 2001 and 2000, respectively.

NON-CORE BUSINESSES:

Sales from Non-Core Businesses decreased to $73,535 in 2001 from $133,733 in 2000 due to the completion of certain divestitures.

Segment EBITDA from the Non-Core Businesses was $(28,340) in 2001 compared to $(23,171) in 2000. Corporate administrative costs of approximately $9,900 and $9,600 were allocated to the Non-Core Businesses during the years ended December 31, 2001 and 2000, respectively. The Company believes that

these costs, many of which are transaction driven, such as the processing of payables and payroll, will be permanently reduced or eliminated due to the shutdown or divestiture of the Non-Core Businesses.

During 2001, the Company shut down or divested approximately 40 properties. Segment EBITDA losses from these properties approximated $36,800 for the year ended December 31, 2001 and were partially offset by positive Segment EBITDA at Bacon's, which was divested during 2001, resulting in a net Segment EBITDA loss for the Non-Core businesses of $28,340.

Operating loss from Non-Core Businesses increased to $94,009 in 2001 from $43,636 in 2000 due to the decline in Segment EBITDA. Operating loss includes an increase in depreciation and amortization primarily due to impairments of long-lived assets, primarily goodwill (approximately $111,000), resulting from the Company's decision to shutdown certain operations which was offset by the gain on the sale of Bacon's of approximately $54,600. In November 2001, the Company completed the sale of Bacon's to Observer AB for $90,000, $15,000 of which represented a note receivable as of December 31, 2001 which was collected in 2002. The proceeds from the sale were used primarily to pay down borrowings under the Company's credit facilities.

DISCONTINUED OPERATIONS

In 2002, the Company completed the sale of the MBG, which includes Modern Bride plus 16 regional bridal magazines, ExitInfo, Chicago, Horticulture, Doll Reader, IN New York and the American Baby Group. Upon adoption of SFAS 144 on January 1, 2002, the operating results of these divested entities have been reclassified to discontinued operations on the statements of consolidated operations for the years ended December 31, 2001 and 2000, respectively. Sales from Continuing Businesses excludes sales from discontinued operations of

$143,322 and $128,163 for the years ended December 31, 2001 and 2000, respectively. Segment EBITDA from Continuing Businesses excludes Segment EBITDA from discontinued operations of $11,587 and $23,492 for the years ended December 31, 2001 and 2000, respectively. The discontinued operations include expenses related to certain centralized functions that are shared by multiple titles, such as production, circulation, advertising, human resource and information technology costs but exclude general overhead costs. These costs were allocated to the discontinued entities based upon relative revenues for the related periods. The allocation methodology is consistent with that used across the Company. Management has allocated direct incremental costs of $5,112 and $4,020 to the discontinued operations for the years ended December 31, 2001 and 2000, respectively.

RISK FACTORS

Set forth below are risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this Annual Report.

GENERAL ECONOMIC TRENDS MAY REDUCE OUR ADVERTISING REVENUES.

Our advertising revenues are subject to the risks arising from adverse changes in domestic and global economic conditions. A decline in the level of business activity of our advertisers has had an adverse effect on our revenues and profit margins. Because of the recent economic slowdown in the United States, many advertisers, particularly business-to-business advertisers, are reducing advertising expenditures. The further impact of this slowdown on us is difficult to predict, but it may result in further reductions in advertising revenue. If the current economic slowdown continues or worsens, or if the current geopolitical risk materializes, our results of operations may be adversely affected.

WE HAVE SUBSTANTIAL INDEBTEDNESS AND OTHER MONETARY OBLIGATIONS, WHICH CONSUME A SUBSTANTIAL PORTION OF THE CASH FLOW THAT WE GENERATE.

A substantial portion of our cash flow is dedicated to the payment of interest on indebtedness and to the payment of dividends on our preferred stock, which reduces funds available for capital expenditures

and business opportunities and may limit our ability to respond to adverse developments in our business or in the economy.

OUR DEBT INSTRUMENTS LIMIT OUR BUSINESS FLEXIBILITY BY IMPOSING OPERATING AND FINANCIAL RESTRICTIONS ON OUR OPERATIONS.

The agreements and indentures governing our indebtedness impose specific operating and financial restrictions on us. These restrictions impose limitations on our ability to, among other things:

- change the nature of our business;
- incur additional indebtedness;
- create liens on our assets;
- sell assets;
- issue stock;
- engage in mergers, consolidations or transactions with our affiliates;

- make investments in or loans to specific subsidiaries;
- make guarantees or specific restricted payments; and
- declare or make dividend payments on our common or preferred stock.

INCREASES IN PAPER AND POSTAGE COSTS MAY HAVE AN ADVERSE IMPACT ON OUR FUTURE FINANCIAL RESULTS.

The price of paper is a significant expense relating to our print products and direct mail solicitations. Paper price increases may have an adverse effect on our future results. Postage for product distribution and direct mail solicitations is also a significant expense. We use the U.S. Postal Service for distribution of many of our products and marketing materials. Postage costs increased in July 2002 and can be expected to increase in the future. We may not be able to pass these cost increases through to our customers.

INCOMPATIBLE FINANCIAL SYSTEMS LIMIT THE COMPANY'S ABILITY TO OPERATE EFFICIENTLY.

PRIMEDIA is the result of numerous acquisitions since its inception in 1989. Many of the companies acquired had financial systems which are incompatible. Incompatible financial systems across PRIMEDIA have negatively impacted the Company's ability to efficiently analyze data and respond to business opportunities on a timely basis. Significant capital expenditures are necessary to upgrade and standardize financial systems across the Company. Despite the economic slowdown, the Company is engaged in upgrading its key financial systems, which are designed to make the financial reporting and analysis functions more efficient. To address management's concerns regarding the current lack of compatible financial systems across the Company and the demands surrounding increased financial disclosure, the Company has begun to install an integrated enterprise-wide financial system across all companies. Several smaller units have already been converted to an integrated enterprise-wide financial system this year with the remaining units to be converted over the next 12 months. Despite the difficult economic environment, the Company plans to spend approximately $20 million on the systems upgrade, of which approximately $5 million has been spent during 2002. However, it will take approximately 18 months to complete the systems upgrade and fully realize the planned benefits of an integrated enterprise-wide financial system. The Company recognizes that there are inherent risks in a system implementation and has taken reasonable steps to mitigate these risks.

WE DEPEND ON SOME IMPORTANT EMPLOYEES, AND THE LOSS OF ANY OF THOSE EMPLOYEES MAY HARM OUR BUSINESS.

Our performance is substantially dependent on the performance of our executive officers and other key employees. In addition, our success is dependent on our ability to attract, train, retain and motivate high quality personnel, especially for our management team. The loss of the services of any of our executive officers or key employees may harm our business.

The decline in advertising revenues has necessitated cost cuts including the reduction of certain personnel at the Company. Such workforce reductions may impact the ability of remaining personnel to perform their assigned responsibilities in an efficient manner, due to the increased volume of work being generated in the financial area, among other things, by the process of converting our systems. The Company believes that it has in place the necessary financial workforce to analyze data and has put in place additional financial personnel during the period prior to the completion of the financial systems

upgrade, in order to improve the efficiency of financial analysis and mitigate the risk of employee turnover.

The Company's management is concerned about the intense competition in this economy for the hiring and retention of qualified financial personnel, the current lack of compatible financial systems across the Company and the demands surrounding increased financial disclosure. To mitigate management's concerns regarding the hiring and retention of qualified financial personnel and to ensure future stability in the financial workforce, the Company has upgraded the skill level of its back office personnel, consolidated certain back office functions and cross trained and continues to cross train individuals in the performance of multiple job functions, and is continuing to aggressively recruit qualified professionals to strengthen and increase its financial personnel. The Company is currently close to being fully staffed in the finance area.

LIQUIDITY, CAPITAL AND OTHER RESOURCES

The Company believes its liquidity, capital resources and cash flow are sufficient to fund planned capital expenditures, working capital requirements, interest and principal payments on its debt, the payment of preferred stock dividends and other anticipated expenditures in 2003. The Company has implemented and continues to implement various cost-cutting programs and cash conservation plans, which involve the limitation of capital expenditures and the control of working capital. These plans should help mitigate any future possible cash flow shortfalls.

WORKING CAPITAL

Consolidated working capital deficiency, which includes current maturities of long-term debt, was $248,280 at December 31, 2002 compared to $221,047 at December 31, 2001. The change in working capital is primarily attributable to a decrease in accounts receivable attributable to lower sales which was only partially offset by a decrease in accounts payable and accrued expenses related to company-wide cost reductions. Consolidated working capital reflects certain industry working capital practices and accounting principles, including the recording of deferred revenue from subscriptions as a current liability as well as the expensing of certain advertising, editorial and product development costs as incurred.

As of December 31, 2002, the Company had cash and unused credit facilities of $302,165 as further discussed below.

CASH FLOW - 2002 COMPARED TO 2001

Net cash provided by (used in) operating activities, as reported, during 2002 after interest payments of $141,696, increased to $50,281 as compared to ($101,348) during 2001, primarily due to the increase in Segment EBITDA. Net capital expenditures decreased 35.5% to $39,163 during 2002 compared to $60,740 during 2001 due primarily to the Company's efforts to control capital spending. As in 2001, the Company also continued to reduce capital investment in its new media operations. The Company expects the level of capital spending to increase in 2003 as it continues to invest in enterprise-wide financial systems. Net cash

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provided by (used in) investing activities during 2002 was $194,783 primarily due to proceeds from the divestiture program compared to ($407,057) during 2001 primarily due to the acquisition of EMAP. Net cash provided by (used in) financing activities during 2002 was ($260,099) primarily due to the use of divestiture proceeds to pay down debt compared to $518,303 during 2001, which represented proceeds from equity and debt issuances primarily used to finance the acquisition activity.

CASH FLOW - 2001 COMPARED TO 2000

Net cash provided by (used in) operating activities, as reported, during 2001 after interest payments of $128,639, decreased to ($101,348) as compared to $52,546 during 2000, primarily due to the decrease in Segment EBITDA of $73,008, as well as payments related to accounts payable and other accrued expenses of approximately $59,974. Net capital expenditures decreased 21.7% to $60,740 during 2001 compared to $77,579 during 2000 due primarily to higher levels of spending during 2000 on new office space and capitalized software expenditures associated with the Company's new media operations. Net cash used in investing activities during 2001 was $407,057 compared to $54,644 during 2000. This increase was primarily due to the EMAP acquisition of $515,000 partially offset by the cash acquired from the About acquisition of $109,490. Net cash provided by (used in) financing activities during 2001 was $518,303 compared to ($2,873) during 2000. The change was primarily attributable to proceeds from the debt drawdowns of approximately $265,000 and equity issuances associated with the EMAP financing of approximately $250,000.

FINANCING ARRANGEMENTS

On June 20, 2001, the Company completed a refinancing of its existing bank credit facilities pursuant to new bank credit facilities with The Chase Manhattan Bank, Bank of America, N.A., The Bank of New York, and The Bank of Nova Scotia, as agents. The debt under the credit agreement and as otherwise permitted under the credit agreement and the indebtedness relating to the Senior Notes of the Company is secured by a pledge of the stock of PRIMEDIA Companies Inc., an intermediate holding company owned directly by the Company which owns directly or indirectly all shares of PRIMEDIA subsidiaries that guarantee such debt (as well as certain of the Company's other equally and ratably secured indebtedness). Borrowings under the bank credit facilities are guaranteed by each of our wholly owned domestic restricted subsidiaries as determined by the Company's management in accordance with the provisions and limitations of the Company's credit agreement. Certain of our subsidiaries are not guarantors of the bank credit facilities.

Substantially all proceeds from sales of businesses and other investments were used to pay down borrowings under the credit agreement. Amounts under the bank credit facilities may be reborrowed and used for general corporate and working capital purposes as well as to finance certain future acquisitions. The bank credit facilities consist of the following:

	REVOLVER	TERM A	TERM B	TOTAL
Credit Facility....................................	$451,000	$ 95,000	$ 397,731	$ 943,731
Borrowings Outstanding............................	(148,000)	(95,000)	(397,731)	(640,731)
Letters of Credit Outstanding.....................	(19,388)	--	--	(19,388)
Unused Bank Commitments..........................	$283,612	$ --	$ --	$ 283,612

With the exception of the Term Loan B, the amounts borrowed bear interest, at the Company's option, at either the base rate plus an applicable margin ranging from .125% to 1.5% or the Eurodollar Rate plus an applicable margin ranging from 1.125% to 2.5%. The term loan B bears interest at the base rate plus 1.75% or the Eurodollar Rate plus 2.75%. At December 31, 2002, the weighted average variable interest rate on all outstanding borrowings under the bank credit facilities was approximately 4.4%.

Under the bank credit facilities, the Company has agreed to pay commitment fees at a per annum rate of either .375% or .5%, depending on its debt to EBITDA ratio, as defined in the credit agreement, on the daily average aggregate unutilized commitment under the revolving loan commitment. During 2002, the Company's commitment fees totaling $953 were paid at a weighted average rate of ..5%. The Company also has agreed to pay certain fees with respect to the issuance of letters of credit and an annual administration fee.

The commitments under the independent advisors, Director compensation, Director orientation a

Our Nomination/Governance Committee reviews our Corporate Governance Guidelines at least once a year and, if necessary, recommends changes to our Board of Directors. Our Corporate Governance Guidelines were last reviewed and approved by the Board of Directors in March 2016 and is expected to be amended/approved in the meeting of the Audit Committee scheduled in May 2017. Our Corporate Governance Guidelines are available on our website at www.altisourceamc.com and are available to any stockholder who requests them by writing to our Corporate Secretary at Altisource Asset Management Corporation, 36C Strand Street, Christiansted, United States Virgin Islands 00820.

Executive Sessions of Non-Management Directors

Non-management Directors meet in executive session without management representatives periodically.

Communications with Directors

If you desire to contact our Board of Directors or any individual Director regarding AAMC, you may do so by mail addressed to our Corporate Secretary at Altisource Asset Management Corporation, 36C Strand Street, Christiansted, United States Virgin Islands 00820. All stockholder communications received in writing will be distributed to our full Board of Directors if addressed to the full Board or to individual Directors if addressed to any of them individually.

Code of Ethics

We adopted a Code of Business Conduct and Ethics that applies to our Directors, executive officers and employees (including our principal executive officer). We also adopted a Code of Ethics for Senior Financial Officers that applies to our principal financial officer and principal accounting officer. Any waivers from the Code of Business Conduct and Ethics or the Code of Ethics for Senior Financial Officers must be approved by our Board of Directors or the Audit Committee and will be subsequently disclosed when required by SEC or applicable exchange rules. Our Nomination/Governance Committee reviews our Code of Business Conduct and Ethics and the Code of Ethics for

Senior Financial Officers at least once a year and, if necessary, recommends changes to our Board of Directors. Our Code of Business Conduct and Ethics and the Code of Ethics for Senior Financial Officers were last reviewed and approved by the Board of Directors in March 2016 and is expected to be amended/approved in the meeting of the Audit Committee scheduled in May 2017. The Code of Business Conduct and Ethics and the Code of Ethics for Senior Financial Officers are available on our website at www.altisourceamc.com and are available to any stockholder who requests a copy by writing to our Corporate Secretary at Altisource Asset Management Corporation, 36C Strand Street, Christiansted, United States Virgin Islands 00820. Any amendments to the Code of Business Conduct and Ethics or the Code of Ethics for Senior Financial Officers, as well as any waivers that are required to be disclosed under SEC or exchange rules, will either be posted on our website at www.altisourceamc.com or otherwise disclosed in accordance with such rules.

Risk Management and Oversight Process

Our Board of Directors and each of its committees are involved with the oversight of the Company’s risk management.

The Board of Directors and the Audit Committee monitor AAMC’s credit risk, liquidity risk, regulatory risk, operational risk and enterprise risk by regular reviews with management and internal and external auditors. In its periodic meetings with internal and external auditors, the Audit Committee discusses the scope and plan for the internal audit and includes management in its review of accounting and financial controls, assessment of business risks and legal and ethical compliance programs.

In its periodic meetings with the external auditors, the Audit Committee discusses the external audit scope, the external auditors’ responsibility under the Standards of the Public Company Accounting Oversight Board (“PCAOB”), accounting policies and practices and other required communications. In addition, through regular reviews with management and, at times, certain employees of AAMC, the Nomination/Governance Committee assists the Board of Directors in monitoring the Company’s governance and succession risks, and the Compensation Committee assists the Board of Directors in monitoring our compensation policies and related risks.

The Board of Directors’ role in risk oversight is consistent with the Company’s leadership structure, with the Chief Executive Officer and other members of senior management having responsibility for assessing and managing the Company’s risk exposure, and our Chairman, the Board of Directors and its committees providing oversight in connection with these efforts. Our Investment Committee, which is comprised of our Chairman and our Chief Executive Officer, has responsibility for assessing and managing the Company’s risk exposure with respect to transactional and counterparty risk.

BOARD OF DIRECTORS COMPENSATION

The following table discloses compensation received by each non-management member of our Board of Directors who served as a Director during fiscal year 2016. Management members of our Board of Directors do not receive compensation for their service as a Director.

Name	Fees Earned or Paid in Cash	Stock Awards (1)	Total
Paul T. Bossidy	$110,000	$ 6,900	$116,900
Ricardo C. Byrd	70,000	6,900	76,900
Dale Kurland	85,000	6,900	91,900
Nathaniel Redleaf (2)	—	—	—
John P. de Jongh Jr. (3)	4,946	—	4,946

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(1) Each of Mr. Bossidy, Ms. Kurland and Mr. Byrd received 374 shares of common stock of AAMC on June 20, 2016 for service on the Board from June 4, 2015, the day after the 2015 Annual Meeting of Stockholders to May 26, 2016, the date of the 2016 Annual Meeting of Stockholders. The number of shares granted was based on a share price of $160.47, which is the average of the high and low sales prices of our common stock on June 4, 2015, and such shares had a grant date fair value calculated under FASB ASC 718 of $162.66. The value of the shares set forth in the table above is based on the average of the high and low sale prices of our common stock on the date of issuance, June 20, 2016, of $18.45 per share.

(2) Pursuant to Luxor’s policies and procedures, Mr. Redleaf is not entitled to receive any compensation for his membership on our Board of Directors or committees thereof.

(3) Gov. de Jongh joined the Board on December 6, 2016 and received $4,946 in cash compensation for the period commencing as of such date to December 31, 2016. Gov. de Jongh received an award of 919 shares of restricted stock with a grant date fair value of $30.58, which was the average of the high and low sales prices of our common stock on December 6, 2016, for his service to the Board for the period commencing December 6, 2016 to the date of the Annual Meeting.

Cash Compensation

As set forth above, we provide the following cash compensation to our non-management Directors in quarterly installments, paid in arrears for their services for the prior quarter:

- an annual retainer of $70,000;
- an additional $20,000 to the lead independent Director of the Board of Directors, only if the Chairman of the Board is a management Director (if the Chairman of the Board is a non-management director, the Chairman shall receive $50,000);
- an additional $20,000 to the Audit Committee chairperson;
- an additional $10,000 to all committee chairpersons (other than the Audit Committee chairperson); and
- an additional $5,000 to all Audit Committee members.

Equity Compensation

As part of Director compensation, commencing with the 2016-2017 service year our non-management Directors also received annually shares of common stock of AAMC with a fair market value of $60,000 pursuant to the 2012 Equity Incentive Plan. “Fair Market Value” is defined as the average of the high and low prices of our common stock as reported on the applicable securities exchange on which AAMC is listed or quoted on the first day of the service year.

Equity compensation is paid for the prior year of service after each annual organizational meeting of the Board of Directors, which typically follows the Annual Meeting of Stockholders. Shares of our common stock will be awarded if the Director attends an aggregate of at least 75% of all meetings of the Board of Directors and committees thereof of which the Director is a member during the service year.

For Directors serving less than a full year, such Directors receive a pro rata portion of $60,000 of shares of our common stock based on the high and low sales prices on the first day of his or her service year, multiplied by a fraction, the numerator of which is the number of days served and the denominator of which is 365 days.

As noted in the Director Compensation Table above, on June 4, 2015 we granted 374 restricted shares to each of Mr. Bossidy, Mr. Byrd and Ms. Kurland, based on the average of the high and low prices of AAMC Common Stock on

June 4, 2015 of $160.47 per share, which vested, subject to each Directors attending at least 75% of the Board and Committee meetings during the 2016-2017 service year. The 374 shares vested and were issued to Mr. Bossidy, Mr. Byrd and Ms. Kurland on June 20, 2016.

Other Compensation

Directors are reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the Board of Directors and its committees.

Any Director compensation may be prorated for a Director serving less than a full one (1) year term as in the case of a Director joining the Board of Directors after an Annual Meeting of Stockholders but during the service year.

EXECUTIVE OFFICERS

The following table sets forth certain information with respect to each person who serves as one of our executive officers, and includes George G. Ellison, our Chief Executive Officer who also serves as Chairman of the Board. Our executive officers are appointed annually by our Board of Directors and generally serve at the discretion of our Board of Directors. There are no arrangements or understandings between us and any person for election as our executive officer. None of our Directors and/or executive officers is related to any other Director and/or executive officer of AAMC or any of its subsidiaries by blood, marriage or adoption.

Name (1)	Age	Position
George G. Ellison	58	Chief Executive Officer and Chairman
Robin N. Lowe	52	Chief Financial Officer
Stephen H. Gray	46	General Counsel and Secretary

(1) All information set forth herein is as of April 12, 2017.

The principal occupation for at least the last five (5) years, as well as certain other biographical information, for each of our executive officers is set forth below. Mr. Ellison's background is provided in the section of this proxy statement entitled "Election of Directors" above.

Robin N. Lowe. Mr. Lowe has served as our Chief Financial Officer since October 2014 and has also served as the Chief Financial Officer of RESI since October 2014. He oversees all of our financial affairs including financial reporting, treasury, tax and shareholder relations. Prior to his appointment, Mr. Lowe served as Chief Financial Officer of CitiMortgage Inc. from October 2012 to July 2014. From May 2010 to September 2012, Mr. Lowe served as Chief Financial Officer of Citibank Korea, and from October 2008 to April 2010, he served as Chief Financial Officer of Citibank's South East Asia Pacific region. From May 1995 to September 2008, Mr. Lowe served in lead finance roles with Citibank in various countries and regions. Mr. Lowe is a Fellow of the Institute of Chartered Accountants in England and Wales of which he has been a member since 1992. He holds a Masters Degree in Classics and a Bachelor of Arts, with honors, from Oxford University.

Stephen H. Gray. Mr. Gray has served as our General Counsel and Secretary since November 2012 and has also served as the Chief Administrative Officer of RESI since January 2016. Mr. Gray also served as the General Counsel and Secretary of RESI from December 2012 to January 2016. Prior to joining AAMC, Mr. Gray was General Counsel and Secretary of LaBranche & Co Inc., a publicly traded financial services company in New York, New York, from May 2004 to December 2011, and was a consulting attorney for The Nielsen Company, a global information and measurement company, during 2012. From June 1998 to May 2004, Mr. Gray was a corporate and securities attorney at the law firm of Fulbright & Jaworski L.L.P. in New York, New York, specializing in, among other things, securities offerings, mergers and acquisitions and general corporate reporting for public and private companies. From January 1996 to June 1998, he was a corporate and securities attorney at the law firm of Brock, Silverstein & McAuliffe, LLC, in New York, New York. He holds a Bachelor of Arts in History from Hobart College and a Juris Doctorate from Widener University School of Law.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
AND RELATED STOCKHOLDER MATTERS

Beneficial Ownership of Common Stock

The following table sets forth certain information regarding the beneficial ownership of our common stock as of the record date by:

- each Director and named executive officer of AAMC;
- all Directors and executive officers of AAMC as a group; and
- all persons known by AAMC to own beneficially 5% or more of the outstanding common stock.

The table is based upon information supplied to us by Directors, executive officers and principal stockholders and filings under the Exchange Act and is based on an aggregate of 1,547,002 shares issued and outstanding as of April 12, 2017, which does not include 1,193,546 shares held by us in treasury. Unless otherwise indicated, the address of all persons below is: Altisource Asset Management Corporation, 36C Strand Street, Christiansted, United States Virgin Islands 00820.

Shares Beneficially Owned as of April 12, 2017		
Name of Beneficial Owner:	Amount	Percent
William C. Erbey (1)	733,523	47.1%
Putnam Investments, LLC (2)	336,732	21.8%
Morgan Stanley & Co, LLC (3)	131,149	8.4%
Luxor Capital Group, LP (4)	120,000	7.8%
Directors and Named Executive Officers:	Amount	Percent
George G. Ellison (5)	—	—
Robin N. Lowe (6)	—	—
Stephen H. Gray (7)	5,919	*
Paul T. Bossidy (8)	5,488	*
Ricardo C. Byrd (8)	3,774	*
John P. de Jongh, Jr. (9)	919	*
Dale Kurland (8)	4,110	*
Nathaniel Redleaf (10)	—	—
All Directors and Executive Officers as a Group (8 persons) (11)	20,210	*

*Less than 1%

(1) Based on information contained in a Schedule 13D/A filed by Mr. Erbey on November 23, 2016 and a Form 4 filed by Mr. Erbey on March 8, 2017, Mr. Erbey beneficially owns: (a) 9,859 unvested shares of restricted stock of which all 9,859 shares will vest within 60 days of March 31, 2017; (b) 16,434 shares of common stock held directly; (c) 83,427 shares held by his spouse, E. Elaine Erbey ("Mrs. Erbey"); and (d) 623,803 shares of common stock held by Salt Pond Holdings, LLC, a U.S. Virgin Islands limited liability company ("Salt Pond") of which Christiansted Trust, a U.S. Virgin Islands trust (the "C-Trust"), the Frederiksted Trust, a U.S. Virgin Islands trust (the "F-Trust"), and Erbey Holding Corporation, Inc., a Delaware corporation ("Erbey Holding" and, together with Mr. Erbey, Salt Pond, the C-Trust and the F-Trust, the "Erbey Group") are members. Erbey Holding is wholly owned by Mr. Erbey. Mr. Erbey, Mrs. Erbey, John Erbey (Mr. Erbey's brother), and Salt Pond are co-trustees of the C-Trust. Mr. Erbey, John Erbey and Salt Pond are co-trustees of the F-Trust. Salt Pond' business address is P.O. Box 25437, Christiansted, United States Virgin Islands 00824.

(2) Based on information contained in a Schedule 13G/A jointly filed with the SEC on February 14, 2017 by Putnam Investments, LLC, Putnam Investment Management, LLC, the Putnam Advisory Company, LLC and Putnam Equity Spectrum Fund (collectively, "Putnam"). Includes zero shares as to which sole voting power is claimed and 336,732 shares as to which sole dispositive power is claimed. Putnam's address is One Post Office Square, Boston, Massachusetts 02109.

(3) Based on information contained in a Schedule 13G/A jointly filed with the SEC on February 13, 2017 by Morgan Stanley and Morgan Stanley Capital Services LLC ("Morgan Stanley"). Includes 130,341 shares as to which sole voting power is claimed, 808 shares as to which shared voting power is claimed and 131,149 shares as to which shared dispositive power is claimed. Morgan Stanley's address is 1585 Broadway, New York, NY 10036.

(4) Based on information contained in a Schedule 13D/A jointly filed with the SEC on March 27, 2017 by Luxor Capital Partners, LP, Luxor Wavefront, LP, LCG Holdings, LLC, Luxor Capital Partners Offshore Master Fund, LP, Luxor Capital Partners Offshore, Ltd., Thebes Offshore Master Fund, LP, Thebes Partners Offshore, Ltd., Luxor Capital Partners Liquidating SPV, LLC, Luxor Capital Partners Offshore Liquidating SPV, Ltd., LGC Holdings, LLC, Luxor Capital Group, LP, Luxor Management, LLC, Christian Leone (collectively "Luxor"). Includes 120,000 shares as to which both shared voting power and shared dispositive power is claimed. Such 120,000 shares consist of 120,000 shares of common stock into which Series A Preferred Shares owned by these entities are convertible. Luxor's address is 1114 Avenue of the Americas, 29th Floor, New York, New York 10036.

(5) Does not include an aggregate of 60,296 restricted shares of our common stock granted under the 2012 Equity Incentive Plan which do not vest within 60 days after March 31, 2017.

(6) Does not include an aggregate of 21,898 restricted shares of our common stock granted under the 2012 Equity Incentive Plan which do not vest within 60 days after March 31, 2017.

(7) Includes (a) 4,277 shares held directly by Mr. Gray and (b) an aggregate of 1,642 restricted shares of our common stock granted under the 2012 Equity Incentive Plan which vest within 60 days of March 31, 2017.

(8) Includes 3,400 shares issuable to each of Mr. Bossidy, Mr. Byrd and Ms. Kurland on May 24, 2017 for their service on our Board of Directors for the 2016 to 2017 service year.

(9) Includes 919 shares issuable to Mr. de Jongh on May 24, 2017 for his service on our Board of Directors for his pro rata portion of the 2016 to 2017 service year commencing from his date of appointment, December 6, 2016.

(10) Mr. Redleaf is a Partner at Luxor. As per Luxor's policies, Mr. Redleaf is not entitled to any compensation, whether cash or stock, for his service on the boards of directors on any portfolio company of Luxor. Mr. Redleaf disclaims beneficial ownership of all shares held by Luxor and its affiliates.

(11) Includes Messrs. Ellison, Lowe, Gray, Bossidy, Byrd, de Jongh, Redleaf and Ms. Kurland. Does not include 60,296 restricted shares of common stock granted to Mr. Ellison under the 2012 Equity Incentive Plan and 21,898 restricted shares of common stock granted to Mr. Lowe under the 2012 Equity Incentive Plan, because such restricted shares do not vest within 60 days after March 31, 2017.

Equity Compensation Plan Information

The following table sets forth information as December 31, 2016 with respect to compensation plans under which our equity securities are authorized for issuance.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options and RSUs	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity Compensation Plans Approved by Security Holders:			
2012 Equity Incentive Plan	256,583	$ 1.01	104,068
2012 Special Equity Incentive Plan	9,663	0.79	—
Equity Compensation Plans Not Approved by Security Holders:			
None	—	—	—
Total	266,246	$ 1.01	104,068

The 2012 Equity Plan allows for grants to be made in a number of different forms, including but not limited to options, restricted stock, restricted stock units and stock appreciation rights. We granted options to purchase our common stock to the option holders of Altisource Portfolio Solutions S.A. ("ASPS") under the 2012 Equity Plan and the 2012 Special Equity Incentive Plan in connection with the separation from ASPS. Other than the grant of these options, we have granted restricted shares of common stock under the 2012 Equity Incentive Plan and 2012 Special Equity Incentive Plan subject to the vesting requirements described below in "Compensation Discussion and Analysis - Equity Incentive Plan." We do not expect to grant any additional options or restricted shares under the 2012 Special Equity Incentive Plan which was limited to the grants on or prior to our separation from ASPS; all future grants will be made out of our 2012 Equity Incentive Plan. We have also issued shares of common stock to our non-management Directors in connection with their service on our Board of Directors as described above in "Director Compensation."

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, Directors and persons who beneficially own more than 10% of our common stock to file reports of ownership and changes in ownership with the SEC. Executive officers, Directors and greater than 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based upon the Company's review of Section 16(a) reports and related written representations, the Company believes that all of the Company's reporting persons complied with their Section 16(a) filing requirements in 2016.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction, Philosophy and Objectives

We believe an effective executive compensation program aligns executives' interests with stockholders by rewarding performance that achieves or exceeds specific financial targets and strategic goals designed to increase stockholder value. We seek to promote individual service longevity and to provide our executives with long-term incentive opportunities that promote consistent, high-level financial performance. The Compensation Committee evaluates both performance and compensation annually to ensure that we maintain our ability to attract and retain superior employees in key positions and that compensation provided to key employees remains competitive relative to the compensation paid to similarly situated executives of peer companies. To achieve these objectives, we generally believe executive compensation packages should include both cash and equity-based compensation that rewards performance as measured against established goals.

This compensation discussion and analysis provides information regarding the following:

- compensation programs for our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and General Counsel and Secretary;
- overall objectives of our compensation program and what it is designed to reward;
- each element of compensation that we provide and
- the reasons for the compensation decisions we have made regarding these individuals.

Our named executive officers for 2016 were:

Name	Position
George G. Ellison	Chief Executive Officer
Robin N. Lowe	Chief Financial Officer
Stephen H. Gray	General Counsel and Secretary
Kenneth D. Najour (1)	Former Chief Accounting Officer

(1) Mr. Najour, who was our Chief Accounting Officer from October 2014 through April 2016, stepped down as Chief Accounting Officer in May 2016 and terminated his employment with the Company on August 5, 2016.

Role of Executive Officers in Compensation Decisions

The Chief Executive Officer is involved in the design and implementation of our executive compensation and is typically present at Compensation Committee meetings, except that the Chief Executive Officer is not present during any voting or deliberations on his compensation. The Chief Executive Officer annually will review the performance of each executive officer (other than himself, whose performance is reviewed by the Compensation Committee) and present his conclusions and recommendations regarding incentive award amounts to the Compensation Committee for its consideration and approval. The Committee can exercise its discretion in accepting, rejecting and/or modifying any such executive compensation recommendations; however, executive compensation matters are generally delegated to the Chief Executive Officer (other than with respect to himself) for development and execution. In connection with our 2016 year-end bonuses, Mr. Ellison was involved with, and recommended compensation for, our named executive officers other than him.

Compensation Consultant

To further the objectives of our compensation program, our Compensation Committee may conduct an analysis of the compensation levels of certain of our named executive officers in conjunction with an independent compensation

consultant. For year-end 2016 incentive compensation, our Compensation Committee retained and obtained advice from F.W. Cook & Co. ("F.W. Cook") as an independent compensation consultant to consider and recommend year-end cash bonus compensation for our named executive officers. Using benchmarking against peer companies of RESI and analysis of the peer compensation of internally-managed and externally managed with whom RESI competes and from whom AAMC would retain and/or potentially lose talent, the Compensation Committee were advised by F.W. Cook and considered information about such peer companies to determine the year-end cash bonus

compensation of our named executive officers. The peer/industry companies considered by F.W. Cook in providing its advice to the Compensation Committee included American Assets Trust, American Homes 4 Rent, American Residential Properties, Colony Starwood Homes, Dynex Capital, EdR, Hannon Armstrong, Investors Real Estate Trust, Invitation Homes, iStar, Ladder Capital, Monogram Residential, Post Properties, RAIT Financial Trust, Redwood Trust, Silver Bay Realty Trust, STORE Capital, Sun Communities and Washington REIT.

At the request of the Compensation Committee, F.W. Cook also reviewed and compared our current senior executive relocation packages and related benefits to the benefits provided to senior executives of other off-shore companies. The goal of such advice was to provide assurances that the relocation benefits we offer to ensure are aligned with industry practices, particularly given the challenges the Company can have in recruiting talent in the U.S. Virgin Islands and the Cayman Islands. See “Employee Relocation Program” below for more information.

If the Compensation Committee hires a compensation consultant, including F.W. Cook, for future periods, the consultant would be expected to provide research and present information to the Compensation Committee related to compensation trends and “best practices” in executive compensation among peer group companies in a similar line of business and of similar size to AAMC, or its primary client RESI, or any of AAMC’s other potential advisory clients. Executive compensation data and other resources provided by the compensation consultant would be expected to set the foundation for the Compensation Committee’s review and analysis of executive compensation levels.

Employment Agreements

We currently do not have employment agreements with any of our named executive officers. However, our employment arrangements provided for a base salary and target incentive compensation based on the satisfaction of relevant performance criteria. In addition, the executives may receive benefits such as participation in our health care plan and opportunity to participate in a contributory retirement plan. AAMC reimburses each executive for reasonable costs properly incurred by such executive in the course of his or her employment with us including, without limitation, reimbursement of relocation expenses, if relocation is required, and the provision of certain allowances as described in the Executive Compensation section below.

In addition, in the event that the executive’s employment is terminated by us without “cause” the executive may receive severance benefits of up to six months’ base salary. “Cause” generally is defined as either (i) any willful or grossly negligent conduct (including but not limited to fraud or embezzlement) committed by the executive in connection with his/her employment which conduct in the reasonable determination of the Board of Directors has had or will have a material detrimental effect on our business or (ii) the executive’s conviction of, or entering into a plea of nolo contendere to, a felony involving fraud or embezzlement or such other crime which may bring disrepute upon us, whether or not committed in the course of his or her employment. In these instances, we would also pay standard relocation costs to relocate the executive to their previous domicile prior to being relocated to the U.S. Virgin Islands or the Cayman Islands, as applicable.

Each of our executives has executed an Employee Intellectual Property and Confidentiality Agreement that contains covenants to maintain our confidential information and that all developments by such executive shall be our property.

Elements of Compensation

The current compensation package for our named executive officers consists of base salary and annual incentive compensation. This compensation structure was developed in order to provide each named executive officer with a competitive salary while emphasizing an incentive compensation element that is tied to the achievement of corporate goals and strategic initiatives as well as individual performance. We believe that the following elements of compensation are appropriate in light of our strategic initiatives, industry, current challenges and environment.

Base Salary. Base salaries for our named executive officers are established based on individual qualifications and job responsibilities while taking into account compensation levels at similarly situated companies for similar positions.

Base salaries of the named executive officers are expected to be reviewed annually during the performance appraisal process with adjustments made based on market information, internal review of the executive officer's compensation in relation to other officers, the individual performance of the executive officer and our corporate performance. Salary levels are also considered upon a promotion or other change in job responsibility. Salary adjustment recommendations will be based on our overall performance and an analysis of compensation levels necessary to maintain and attract quality personnel. The Compensation Committee will set the base salary for the Chief Executive Officer and approve the base salaries for all other named executive officers.

Annual Incentive Compensation. Pursuant to our annual incentive philosophy, our executives can earn cash awards as determined by the Compensation Committee. Our philosophy provides the Compensation Committee and our management with the authority to establish incentive award guidelines which are further discussed below.

Each named executive officer has a targeted annual cash incentive award that is expressed as a percentage of his or her annual cash total target compensation. In 2016, 42-62% of total annual cash target compensation was payable only upon achievement of certain minimum Company and individual performance levels. The appropriate targeted percentage varies based upon the nature and scope of each named executive officer's responsibilities. The table below reflects the percentage of each named executive officer's target total annual cash compensation that was allocated to each of base salary and incentive compensation in 2016 and each named executive officer's actual total annual cash compensation that was allocated to each of base salary and incentive compensation in 2016:

Name	Base Salary % of Target Total Annual Cash Compensation in 2016	Incentive Compensation % of Target Total Annual Cash Compensation in 2016	Base Salary % of Actual Total Annual Cash Compensation in 2016	Incentive Compensation % of Actual Total Annual Cash Compensation in 2016
George G. Ellison	50%	50%	50%	50%
Robin N. Lowe	50%	50%	53%	47%
Stephen H. Gray	58%	42%	62%	38%
Kenneth D. Najour (1)	38%	62%	100%	0%

(1) Mr. Najour departed AAMC prior to the end of 2016. Therefore, Mr. Najour did not receive any cash year-end bonus compensation.

Our annual incentive-based cash compensation is structured to motivate executives to achieve pre-established key performance indicators by rewarding the executives for such achievement. This is accomplished by utilizing a balanced scorecard methodology which incorporates multiple financial and non-financial performance indicators developed through our annual strategic planning process to enhance Company performance, the performance of the Company's primary client, RESI, and AAMC and RESI long-term stockholder value. This corporate scorecard is approved annually by the Compensation Committee and/or the full Board of Directors and is utilized by the Compensation Committee as a factor to determine the appropriate amount of incentive compensation to be paid to the Chief Executive Officer and other executive officers. During development of the corporate scorecard each year, the Compensation Committee considers the level of difficulty associated with attainment of each goal in the scorecard. The intent of the Compensation Committee is to establish the target goal at a level that is challenging to achieve. For 2016, our corporate scorecard was approved by our Board of Directors in its March 2016 meeting and subsequently amended throughout the year in additional Board of Directors meetings.

Our corporate scorecard for 2016, as amended, and corresponding achievement levels are detailed below:

Element	Levels of Achievement			Level Achieved
	Threshold	Target	Outstanding	
1. Diversification of AAMC Business and increase revenue stream for AAMC	As determined by the Board of Directors	As determined by the Board of Directors	As determined by the Board of Directors	AAMC’s potential revenue stream from RESI increased as a result of the increase in RESI's portfolio to more than 8,600 rental properties, improving. AMA fee structure to highest tier; AAMC also continued investigation into alternative business lines and progress was made on potential development of SFR properties for RESI or other buyers - Threshold
2. Hire and develop key talent	As determined by the Board of Directors	As determined by the Board of Directors	As determined by the Board of Directors	Target
3. Regulatory Compliance of AAMC and Litigation Management	As determined by the Board of Directors	As determined by the Board of Directors	As determined by the Board of Directors	Target
4. Increase RESI’s rental portfolio	Increase rental portfolio by 25% to second tier of Management Fees	Increase rental portfolio by 50% to third tier of Management Fees	Increase rental portfolio by 100% to third tier of Management Fees	Increased Portfolio by more than 215% to approximately 8,600, well over third tier - Outstanding
5. Increase AAMC’s share price in 2016	As determined by the Board of Directors	As determined by the Board of Directors	As determined by the Board of Directors	AAMC Stock price increased by 212% in 2016 - Outstanding

Element	Levels of Achievement			
	Threshold	Target	Outstanding	Level Achieved
6. Maintain financing arrangements/ ensure adequate liquidity to support RESI business objectives	As determined by the Board of Directors	As determined by the Board of Directors	As determined by the Board of Directors	All Repurchase Facilities Extended and Upsized in 2016, Amherst seller financing added $489M of term debt, Wells termed and moved to CS with better advance rates and better terms. - Target
7. Transfer all remaining servicing away from Ocwen	Not applicable	All remaining servicing removed from Ocwen	Not applicable	All Servicing was moved away from Ocwen effective with the third quarter of 2016 - Target
8. Increase RESI's rental homes under management at appropriate yields	As determined by the Board of Directors	As determined by the Board of Directors	As determined by the Board of Directors	Increased the size of RESI's rental portfolio from 2,732 as of December 31, 2015 to 8,603 as of December 31, 2016, representing a 215% year over year increase - Outstanding
9. Capital Markets Flow - Achieve sales of non-rental assets to recycle liquidity and improve RESI's purchasing power	Achieve at least one NPL sale to enable the purchase of single-family rental ("SFR") portfolios	Achieve at least one NPL sale; acquire at least one SFR portfolio	Achieve two NPL portfolio sales, acquire at least one SFR portfolio	Sold 1,975 NPLs and RPLs in 2016, arranged for sale of an additional 2,940 NPLs/RPLs (closed in 1st quarter 2017), and sold 2,668 REOs in 2016 compared to 1,321 REOs sold in 2015 - Outstanding

The incentive award for our Chief Executive Officer and each of our other named executive officers is structured so that compensation opportunities are related to (i) our performance versus the objectives established in the corporate scorecard as described above, (ii) target base and incentive compensation of the peer and industry companies as advised to us by F.W. Cook and (iii) an individual performance appraisal.

The components in each scorecard are weighted based on relevance to our ultimate performance and the achievement of our corporate strategy as well as the strategic development of our primary client, RESI. Within each component of the scorecard, there are generally three (3) established levels of achievement: threshold, target and outstanding.

The goals and initiatives are further cascaded down through the organization to all of our incentive eligible employees tied to performance against goals that are directly linked to the achievement of our corporate strategic initiatives and the corporate strategic initiatives of RESI. The scorecards are communicated to all incentive eligible employees by the employee's immediate supervisor, which in the case of our named executive officers other than our Chief Executive Officer is Mr. Ellison. The evaluation of Mr. Ellison's performance is evaluated and communicated to him by the Compensation Committee. This incentive compensation structure is intended to align the goals of our incentive eligible employees with the overall success of AAMC and its client, RESI, while establishing clear performance standards within their respective business or support units.

The 2016 personal scorecards for Mr. Ellison and each of Messrs. Lowe, Gray and Najour were based on the corporate scorecard goals set forth in the table above as well as an evaluation of their individual performance and leadership as a whole. Each of the goals were weighed and applied by the Compensation Committee for each named executive officer in determining his performance against the goals on an overall basis, taking into consideration their individual performance and the industry compensation levels of the Company’s peers.

As our Chief Executive Officer, Mr. Ellison utilizes the assessments of each executive officer’s performance, as well as his own observations, to prepare a written performance appraisal for each of these named executive officers. These performance appraisals rate performance based on objective criteria related to two key factors: (i) the executive’s ability to improve and develop their organization throughout the year and (ii) the executive’s strategic contributions to the direction of the Company, as well as the Company's primary client, RESI. The Chief Executive Officer’s scorecard performance and personal performance appraisal are determined by the Compensation Committee, taking into consideration whether our performance and corresponding incentive results present a fair representation of the Chief Executive Officer's performance.

For our executives other than Mr. Ellison, Mr. Ellison presents performance appraisal scores to the Compensation Committee and makes recommendations as to the incentive compensation for each such executive officer. The Compensation Committee evaluates the recommendations in light of overall performance and the executive’s business unit or support unit’s performance and makes the final compensation award determinations for each named executive officer. Annual incentive compensation is paid to our executives and other incentive eligible employees following this determination. For 2016, the non-equity incentive compensation was awarded in March 2017. Please see the Summary Compensation Table under “Executive Compensation” for the actual amounts awarded for 2016 performance.

Following these procedures and the ratings of achievement against their 2016 scorecards, the Compensation Committee determined to award the following cash incentive compensation awards to our named executive officers: Mr. Ellison received 100% of his aggregate target cash bonus opportunity, Mr. Lowe received 89% of his aggregate target cash bonus opportunity and Mr. Gray received 84% of his aggregate bonus opportunity. Mr. Najour did not receive any cash incentive compensation due to his departure from AAMC in August 2016.

In determining the bonuses for our named executive officers, the Compensation Committee considered the valuable and substantial contributions they had made to our Company in 2016, the importance to us of retaining and incentivizing them, and the analysis prepared by F.W. Cook comparing our compensation structure to those of companies in the industry in which we and RESI compete. The Compensation Committee also considered that, although the substantial accomplishments made by such officers were not reflected in AAMC’s GAAP financial performance, such accomplishments were key in setting up AAMC for future success under the Asset Management Agreement with RESI and were very much reflected in the significant increase in AAMC’s stock price by 212% throughout the year. All of these incentive bonus amounts were paid to our named executive officers in March 2017.

2017 Annual Incentive Compensation. Generally, in the March meetings of the Board of Directors and Board Committees of each fiscal year, the Compensation Committee approves the corporate scorecard and annual incentive components for the Chief Executive Officer and other named executive officers for the upcoming year. The Compensation Committee determined that the following strategic initiatives were important and would be considered in determining the 2017 cash incentive compensation for our named executive officers:

- AAMC’s financial performance;
- AAMC’s diversification of business and increased revenue stream;
- RESI’s financial performance;
- achieving targeted growth of RESI’s rental portfolio;

- capital markets and purchase transactions for RESI;
- maintaining or increasing financing capability and liquidity for RESI; and
- maintaining REIT compliance for RESI, and corporate governance and regulatory compliance for AAMC.

Equity Incentive Plan

In December 2012, our prior Board of Directors and AAMC's sole stockholder approved and implemented the 2012 Equity Incentive Plan. The purpose of the 2012 Equity Incentive Plan is to provide additional incentives to key employees, Directors and other key individuals to make extraordinary contributions to the Company, to assist with the retention of key employees, Directors and other key individuals and to align their interests with the interests of our stockholders. The 2012 Equity Incentive Plan is administered by the Compensation Committee, who authorizes the award of restricted stock, options, stock appreciation rights, stock purchase rights or other equity-based awards to our employees. Options awarded under the 2012 Equity Incentive Plan, if any, may be either "incentive stock options" as defined in Section 422 of the United States Internal Revenue Code of 1986, as amended (the "Code"), or nonqualified stock options, as determined by the Compensation Committee. Currently, other than restricted stock awards with vesting terms, the Compensation Committee does not expect to grant any options, stock appreciation rights, stock purchase rights or other equity based awards under the 2012 Equity Incentive Plan.

Each restricted stock award granted under the 2012 Equity Incentive Plan is, and will be, evidenced by a written award agreement between the participant and us, which describes the award and states the terms and conditions to which the award is subject. If any shares subject to award are forfeited or if any award terminates, expires or lapses without being exercised, shares of common stock subject to such award will again be available for future award.

Our restricted shares of common stock vest subject to the achievement of stock performance hurdles AAMC, generally related to the performance of AAMC stock price since the date of grant.

If an award recipient's service with AAMC or any of its affiliates is terminated prior to full vesting of the restricted stock, then the award recipient will forfeit all unvested restricted stock to AAMC, except that if (i) an award recipient's service is terminated either by us (or an affiliate) without cause or due to death or disability and (ii) a performance hurdle has already been achieved or is achieved within ninety days of termination, unvested stock for the corresponding tranche will continue to vest; provided that the recipient was employed by AAMC or its affiliates for at least two years prior to termination.

On March 7, 2017, the Compensation Committee awarded Mr. Ellison an aggregate of 16,164 shares of AAMC restricted stock, which shall vest in three equal annual installments on each of March 7, 2018, 2019 and 2020 with a grant date value of $1,270,167, based on the average of the high and low sales prices on March 7, 2017 of $78.58 per share. The award of these shares is not included in the "Summary Compensation Table" because the grants were made following the end of the 2016 fiscal year. None of our other named executive officers received any additional awards of restricted stock.

Any future awards of restricted stock by us may be subject to vesting requirements determined from time to time by the Compensation Committee, which may be different from or similar to the vesting requirements set forth above.

Relocation Program and USVI Preferred Stock Plan

Our principal offices are based in St. Croix, in the U.S. Virgin Islands, and we also have an office in the Cayman Islands. Generally, the employees, including executives, we seek to hire have previously not been based in St. Croix or the Cayman Islands. Rather, the talent we have recruited has generally been located in major metropolitan centers in the United States. In addition, St. Croix is generally more economically depressed and both the Cayman Islands and St. Croix have a higher cost of living compared to most of the major metropolitan areas of the United States where we believe important talent is located and a number of our peer companies are based.

Employee Relocation Program. In order to enable us to recruit top talent and incentivize key personnel to relocate, we offer a relocation package to individuals who are relocating to the U.S. Virgin Islands or the Cayman Islands to work (the "Employee Relocation Program"). The Employee Relocation Program includes relocation benefits such as moving expenses, home sale support, a housing allowance, payment of applicable children's school tuition fees and payment of "home leave" travel for return trips to the continental United States, in each case subject to certain limits and exceptions. Upon a participant's departure after at least one year of service or termination without cause, such participant is eligible to receive reimbursement for relocation costs back to the continental United States. We believe that our Employee Relocation Program is necessary to attract and retain talent that is critical to our success. For 2016, each of Messrs. Ellison, Lowe and Gray received benefits under the Employee

Relocation Program as set forth in the "Summary Compensation Table" below and accompanying footnotes. In reviewing our relocation program against other off-shore companies, F.W. Cook advised that our packages, although given to more executives than the comparable off shore entities, were generally lower in amount than the comparable off-shore companies and, therefore were within approximately 5% of the median benefits provided at such comparable off-shore companies.

Preferred Stock Plan. Following stockholder approval at the 2016 Annual Meeting of Stockholders, we implemented AAMC's 2016 Employee Preferred Stock Plan (the "Preferred Stock Plan"). The Preferred Stock Plan authorizes the grant of restricted non-voting Preferred Stock to AAMC's U.S. Virgin Islands employees. The Preferred Stock Plan was created to induce certain employees to relocate and work in the U.S. Virgin Islands, remain in the employ of AAMC and provide additional incentive to promote the success of AAMC. On January 5, 2017, our Board of Directors authorized the acquisition of 100 shares of Series B Preferred Stock by Mr. Ellison and 100 shares of Series C Preferred Stock by Mr. Gray. In March 2017, AAMC declared and paid dividends on the Preferred Stock held by Messrs. Ellison and Gray, as well as other U.S. Virgin Islands employees of AAMC, based upon the performance of AAMC. Details regarding the dividends paid to Mr. Ellison and Mr. Gray are set forth in the footnotes to their "Other Compensation" column of the "Summary Compensation Table" below. Because Mr. Lowe was not located in the U.S. Virgin Islands, he did not participate in the Preferred Stock Plan.

Stock Ownership Policies

Although we do not have stock ownership requirements, our philosophy is that equity ownership by our Directors and executives is important to attract, motivate, retain and to align their interests with the interests of our stockholders. The Compensation Committee believes that our various equity incentive plans are adequate to achieve this philosophy. We also maintain an insider trading policy detailing our trading window period for Directors, executive officers and other employees.

Other Compensation

The Compensation Committee's policy with respect to other employee benefit plans is to provide benefits to our employees, including executive officers, which are comparable to benefits offered by companies of a similar size to ours. A competitive comprehensive benefit program is essential to achieving the goal of attracting and retaining highly qualified employees.

Potential Payments upon Termination or Change in Control

Below is a description of the amounts payable to each currently employed named executive officer, assuming the executive's employment had terminated under various scenarios as of December 31, 2016 (the last business day of fiscal year 2016). Due to the number of factors that affect the nature and amount of any benefits under the various scenarios, actual amounts paid or distributed may be different.

Under our employment arrangements with each of Messrs. Ellison, Lowe and Gray, in the event that his employment is terminated by us without "cause," he may receive severance benefits of up to six months' base salary. In these instances, we would also pay standard relocation costs to relocate the executive to his previous domicile prior to being relocated to the U.S. Virgin Islands or the Cayman Islands, as applicable. If any of our executives' employment is terminated for cause, his employment may be terminated without notice and with no liability to make any further payment to him, other than amounts accrued and unpaid as of the date of his termination.

In order to obtain the benefits provided under each executive's termination provisions, the executive would first be required to execute a release of claims with us that will include a waiver and release of any and all claims he may have

against us. As of December 31, 2016, the separation payment each executive would have received upon termination, other than for cause, based on a six-month separation payment, would have been $225,000 for Mr. Ellison, $225,000 for Mr. Lowe and $175,000 for Mr. Gray, as well as six months of medical insurance benefits for continued medical insurance benefits with a value of approximately $11,008 for Mr. Ellison, $8,652 for Mr. Lowe and $12,771 for Mr. Gray.

The Compensation Committee may in its discretion revise, amend or add to the benefits of each executive officer.

None of our executive officers currently has an arrangement in which they would be entitled to a payment on a change of control, other than payments for termination described above to the extent the surviving party in a change of control transaction assumes the employment arrangements described above.

Report of the Compensation Committee

The Compensation Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with management. Based on the review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

	Compensation Committee:
April 21, 2017	Dale Kurland, Chair
	Ricardo C. Byrd, Director
	Nathaniel Redleaf, Director

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table discloses compensation received by our named executive officers for the fiscal years 2014, 2015 and 2016.

Name and Principal Position	Year	Salary (1)		Stock Awards (2)	Non-Equity Incentive Compensation (3)	All Other Compensation (4)		Total
George G. Ellison Chief Executive Officer	2014	$—		$—	$ —	$—		$—
	2015	398,077	(5)	8,011,048	675,000	89,844	(6)	9,173,969
	2016	450,000		—	450,000	111,985	(6)	1,011,985
Robin N. Lowe Chief Financial Officer	2014	$95,192	(7)	$14,399,269	$ 283,562	$58,692	(8)	$14,836,715
	2015	450,000		32,682	550,000	117,555	(8)	1,150,237
	2016	450,000		—	400,000	120,990	(8)	970,990
Stephen H. Gray General Counsel and Secretary	2014	$248,000		$—	$ 164,920	$130,464	(10)	$543,384
	2015	328,863	(9)	—	250,000	270,887	(10)	849,750
	2016	350,000		—	210,000	116,795	(10)	676,795
Kenneth D. Najour Former Chief Accounting Officer	2014	$206,150		$—	$ 131,421	$95,873	(12)	$433,444
	2015	206,150		—	131,421	253,940	(12)	591,511
	2016	126,862	(11)	—	—	206,611	(12)	333,473

(1) Represents amounts paid by AAMC in the corresponding year.

(2) Represents the grant date fair value of restricted shares of our common stock, which grants are subject to the vesting conditions described in “Compensation Discussion and Analysis - Equity Incentive Plan.” The grant dates for the restricted shares were as follows: Mr. Ellison - February 17, 2015 and Mr. Lowe - October 8, 2014. We determined the grant date fair value of these stock awards using a Monte Carlo simulation valuation methodology. The fair value amount in 2015 for Mr. Ellison’s stock awards includes $22,066 related to the December 31, 2015 amendment of his restricted stock agreement to adjust the stock performance hurdles for vesting of his restricted stock described above under “Equity Incentive Plan.” The $32,682 fair value amount in 2015 for Mr. Lowe consists of the December 31, 2015 amendment of his restricted stock agreement to adjust the stock performance hurdles for vesting of his restricted stock described above under “Equity Incentive Plan.”

(3) Consists of the cash annual incentive compensation related to performance measures satisfied in each year and awarded in the first quarter of the following year - for example, non-equity incentive compensation earned in 2016 was paid in March 2017.

(4) Consists of contributions from AAMC to each executive officer for relocation expenses, as applicable; supplemental living expenses; car allowances, as applicable; education allowances, as applicable; travel allowances and medical benefits, as detailed below more fully in the respective footnotes below.

(5) The amount provided in 2016 represents Mr. Ellison’s base salary of $450,000 prorated for the period from February 17, 2015 to December 31, 2015.

(6) The amount in 2015 includes $71,629 for expenses relating to Mr. Ellison’s employment in the U.S. Virgin Islands from February 17, 2015 to December 31, 2015, consisting of $61,729 for moving and supplemental living expenses

under his relocation package and $9,900 for rental car reimbursement, plus $18,215 in medical insurance benefits. The amount in 2016 includes $79,250 for expenses relating to Mr. Ellison's employment in the U.S. Virgin Islands, consisting of $67,370 for supplemental living expenses under his relocation package and $11,880 for rental car reimbursement, plus $32,735 in medical insurance benefits. Although not contained in the table above due to the fact that it was declared and paid by our Board of Directors in March 2017, Mr. Ellison received an aggregate dividend of $400,000 on his 100 shares of Series B Preferred Stock on March 22, 2017. This amount will be included in Mr. Ellison's 2017 "All Other Compensation" column in the Company's proxy statement for its 2018 Annual Meeting of Stockholders.

(7) The amount provided in 2014 represents Mr. Lowe's base salary of $450,000 prorated for the period of October 8, 2014, his first day of employment with AAMC, through December 31, 2014.

(8) The amount provided in 2014 includes $58,692 for expenses relating to Mr. Lowe's employment in the Cayman Islands, consisting of $33,324 for moving expenses, $6,768 for rental car reimbursement, $18,600 for supplemental living expenses under his relocation package, plus $3,354 in medical insurance benefits. The amount provided in 2015 includes $105,271 for expenses relating to Mr. Lowe's employment in the Cayman Islands, consisting of $74,400 for supplemental living and storage expenses under his relocation package and $27,072 for rental car reimbursement, plus $3,799 for Cayman Islands government-required pension benefits and $12,284 in medical insurance benefits. The amount provided in 2016 includes $94,704 for expenses relating to Mr. Lowe's employment in the Cayman Islands, consisting of $74,400 for supplemental living expenses under his relocation package and $20,304 for rental car reimbursement, plus $3,659 for Cayman Islands government-required pension benefits and $22,627 in medical insurance benefits.

(9) The amount provided in 2015 represents Mr. Gray's increase in base salary to $350,000 for the period of March 15, 2015 to December 31, 2015.

(10) The amount provided in 2014 includes $109,907 for expenses relating to Mr. Gray's employment in the U.S. Virgin Islands, consisting of $71,307 for supplemental living and storage expenses under his relocation package and $38,600 of education expense for his minor children, plus $20,557 in medical insurance benefits. The amount provided in 2015 includes $93,457 for expenses relating to Mr. Gray's employment in the U.S. Virgin Islands, consisting of $54,857 for supplemental living and storage expenses under his relocation package and $38,600 of education expense for his minor children, plus $13,887 in medical insurance benefits. The amount provided in 2015 also includes a one-time bonus of $163,543 in October 2015 to Mr. Gray due to an under-withholding of taxes in connection with the vesting of restricted stock of Mr. Gray in 2014 in exchange for Mr. Gray's returning an aggregate of 118 shares of common stock to the Company, which would have been withheld by the Company at the time of vesting. The amount provided in 2016 includes $90,527 for expenses relating to Mr. Gray's employment in the U.S. Virgin Islands, consisting of $50,527 for supplemental living and storage expenses under his relocation package and $40,000 of education expense for his minor children, plus $2,735 in 401(k) employer matching contributions and $23,533 in medical insurance benefits. Although not contained in the table above due to the fact that it was declared and paid by our Board of Directors in March 2017, Mr. Gray received an aggregate dividend of $100,000 on his 100 shares of Series C Preferred Stock on March 22, 2017. This amount will be included in Mr. Gray's 2017 "All Other Compensation" column in the Company's proxy statement for its 2018 Annual Meeting of Stockholders.

(11) The amount provided in 2016 represents Mr. Najour's base salary of $206,150 prorated for the period of January 1, 2016 through August 5, 2016, the date of his departure from the Company.

(12) The amount provided in 2014 includes $75,306 for expenses relating to Mr. Najour's employment in the U.S. Virgin Islands, consisting of $66,929 for housing expense and $8,377 for rental car reimbursement, plus $20,557 in medical insurance benefits. The amount provided in 2015 includes $83,291 for expenses relating to Mr. Najour's employment in the U.S. Virgin Islands, consisting of $75,791 for housing expense and $7,500 for rental car reimbursement, plus $18,838 in medical insurance benefits. The amount provided in 2015 also includes a one-time bonus of $151,811 in October 2015 to Mr. Najour due to an under-withholding of taxes in connection with the vesting of restricted stock of Mr. Najour in 2014 in exchange for Mr. Najour's returning an aggregate of 149 shares of common stock to the Company, which would have been withheld by the Company at the time of vesting. The amount provided in 2016 includes $49,196 for expenses relating to Mr. Najour's employment in the U.S. Virgin Islands, consisting of $44,821 for housing expense and $4,375 for rental car reimbursement, plus $29,340 in medical insurance benefits and $128,075 in severance payments and related benefits in connection with his departure from the Company.

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Outstanding Equity Awards at Fiscal Year-End

The following table sets forth the number of options granted to each of the persons named in the Summary Compensation Table in connection with AAMC's separation from ASPS on December 21, 2012 and the restricted stock awarded to each of them in 2012, 2013, 2014 and 2015, as applicable. There were no options granted to any of our named executive officers. The number and value of shares of restricted stock held by our named executive officers that had not vested at December 31, 2016 are provided in columns (g) and (h) below.

	OPTION AWARDS			RESTRICTED STOCK AWARDS	
(a)	(b)	(e)	(f)	(g)	(h)
Name	Number of Securities Underlying Unexercised Options Exercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (1)	Market Value of Shares or Units of Stock That Have Not Vested (2)
George G. Ellison	—	$ —	—	44,132 (3)	$ 2,361,062
Robin N. Lowe	—	—	—	21,898 (4)	1,171,543
Stephen H. Gray	—	—	—	2,189 (5)	117,112
Kenneth D. Najour	—	—	—	2,189 (6)	117,112

(1) The number of shares in column (g) represent the awards of restricted stock under AAMC's 2012 Equity Incentive Plan that remain unvested as follows: (a) Mr. Ellison received 44,132 restricted shares of common stock on February 17, 2015 with a grant date fair value of $7,989,524, all of which remain unvested; (b) Mr. Lowe received 21,898 restricted shares of common stock on October 8, 2014 with a grant date value of $14,399,269, all of which remain unvested; (c) Mr. Gray received 8,765 restricted shares of common stock with a grant date fair value of $51,670, of which 2,192 shares vested during 2016 and (d) Mr. Najour received 8,765 restricted shares of common stock on March 5, 2013 with a grant date fair value of $556,665, of which 2,192 shares vested during 2016.

(2) Market value was calculated by multiplying the number of shares in column (g) by $53.50 which was the closing price of AAMC's common stock as quoted on NYSE MKT on December 31, 2016.

(3) As Mr. Ellison's restricted stock agreement was amended on December 31, 2015, Mr. Ellison's shares will begin to vest in the following three tranches, subject to the achievement of the following performance hurdles: (A) One third (33.33%) of the shares will begin to vest in four equal annual installments on October 12, 2017, 2018, 2019 and 2020; (B) one-half (50%) of the shares will begin to vest in four equal annual installments on October 13, 2017, 2018, 2019 and 2020 and (C) one-sixth (16.66%) of the shares will begin to vest in four equal annual installments on January 13, 2018, 2019, 2020 and 2021.

(4) As Mr. Lowe's restricted stock agreement was amended on December 31, 2015, Mr. Lowe's 21,898 shares will begin to vest in the following three tranches: (A) One quarter (25%) of the shares will vest as follows: 25% of such amount will vest on October 12, 2017 and 75% of such amount will vest on October 12, 2018; (B) one-half (50%) of the shares will vest as follows: 25% of such amount will vest on October 13, 2017 and 75% of such amount will vest on October 13, 2018 and (C) one-quarter (25%) of the shares will vest as follows: 25% of such amount will vest on January 13, 2018 and 75% of such amount will vest on January 13, 2019.

(5) Mr. Gray’s shares have been vesting in accordance with the following schedule: 25% of the shares vest in four equal annual installments commencing on January 11, 2014; 50% of the shares vest in four equal annual installments commencing on April 26, 2014 and 25% of the shares vest in four equal annual installments commencing on May 21, 2014. As of December 31, 2016, one-quarter of Mr. Gray’s shares of restricted stock remained subject to vesting in 2017.

(6) Mr. Najour’s shares have been vesting in accordance with the following schedule: 25% of the shares vest in four equal annual installments commencing on May 9, 2014; 50% of the shares vest in four equal annual installments commencing on September 24, 2014 and 25% of the shares vest in four equal annual installments commencing on September 26, 2014. As of December 31, 2016, one-quarter of Mr. Najour’s shares of restricted stock remained subject to vesting in 2017.

Grants of Plan-Based Awards

None of our named executive officers received any grants of plan based stock awards in 2016.

Option Exercises

None of our named executive officers had any options to purchase our common stock. Therefore, none of our named executive officers exercised any options during the year ended December 31, 2016.

ADVISORY VOTE ON EXECUTIVE COMPENSATION
"SAY-ON-PAY"
(Proposal Two)

As required by Section 14A of the Exchange Act and in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), we are providing our stockholders with the opportunity to vote to approve, on an advisory and non-binding basis, the compensation of our named executive officers as disclosed in accordance with SEC rules in this Proxy Statement. This proposal is commonly known as a "say-on-pay" proposal. The compensation of our named executive officers as disclosed in this Proxy Statement includes the disclosure under "Compensation Discussion and Analysis," and other narrative and tabular executive compensation disclosure in this Proxy Statement, as required by SEC rules.

Please read the "Compensation Discussion and Analysis" for additional details about our executive compensation programs, including information about the fiscal year 2016 compensation of our named executive officers.

Accordingly, the following advisory and non-binding resolution will be presented to our stockholders at the 2017 Annual Meeting:

"RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2017Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosures, and any related material disclosed in this Proxy Statement."

Although this approval is advisory and non-binding, our Board of Directors and the Compensation Committee value the opinions of our stockholders and will consider the voting results when making future decisions regarding compensation of our named executive officers.

Our current policy is to provide stockholders with an opportunity to approve, on an advisory basis, the compensation of the named executive officers every three years at the annual meeting of stockholders. It is expected that the next such vote will occur at the 2020 annual meeting of stockholders. We also expect to have a stockholder vote on the frequency of "say on pay" voting at the 2020 annual meeting of stockholders.

OUR BOARD OF DIRECTORS UNANIMOSLY RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have not included a proposal for our stockholders to ratify our appointment of the independent registered public accounting firm for the year ending December 31, 2017. Deloitte & Touche LLP is currently serving as our independent registered public accounting firm. Our Audit Committee routinely reviews our independent auditors. We have initiated an RFP process with several independent registered public accounting firms, including Deloitte & Touche LLP, to be our independent auditors for the year ending December 31, 2017. It is possible that, following this RFP process, which is expected to be completed during the second quarter of 2017, we may retain Deloitte & Touche LLP as our independent registered public accounting firm, or we may retain a new independent registered public accounting firm for the year ending December 31, 2017. In either event, we expect to again include a proposal in the proxy statement for our 2018 Annual Meeting of Stockholders and in future periods.

Despite our not including a proposal for the ratification of our appointment of our registered independent public accounting firm, we are providing the following information with respect to (a) Deloitte & Touche LLP, (b) our public financial statement disclosures and (c) the process of our Audit Committee throughout 2016 with our auditors.

Report of the Audit Committee

The Audit Committee (the “Audit Committee”) of the Board of Directors (the “Board of Directors”) has:

- Reviewed and discussed with management AAMC’s audited financial statements as of and for the year ended December 31, 2016;
- Discussed with Deloitte & Touche LLP, AAMC’s independent registered public accounting firm, the matters required to be discussed under Public Company Accounting Oversight Board (“PCAOB”) standards; and
- Received and reviewed the written disclosures and the letter required by the applicable requirements of the PCAOB regarding the independent registered public accounting firm’s communications with the Audit Committee concerning independence, and discussed with Deloitte & Touche LLP their independence.

In reliance on the review and discussion referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in AAMC’s Annual Report on Form 10-K for the year ended December 31, 2016.

	Audit Committee:
April 21, 2017	Paul T. Bossidy, Chairman
	Dale Kurland, Director
	Nathaniel Redleaf, Director
	John P. de Jongh, Jr., Director

Deloitte & Touche LLP Fees

The following table shows the aggregate fees billed to AAMC for professional services by Deloitte & Touche LLP with respect to our fiscal year ended December 31, 2016 and 2015:

Category	2016	2015
Audit Fees	$382,500	$369,436
Audit-Related Fees	—	25,100
Tax Fees	5,616	23,700
All Other Fees	—	—
Total	$388,116	$418,236

Audit Fees. This category includes the aggregate fees and expenses billed for professional services rendered for the audits of AAMC’s consolidated financial statements for the fiscal year ended December 31, 2016 and 2015, for reviews of the financial statements included in AAMC’s quarterly reports on Form 10-Q during fiscal year 2016 and 2015 and for services that are normally provided by the independent registered public accounting firm and affiliates in connection with statutory and regulatory filings or engagements for the relevant fiscal year.

Audit-Related Fees. This category includes the aggregate fees billed for audit-related services by the independent registered public accounting firm that are reasonably related to the performance of the audits or reviews of the financial statements and are not reported above under “Audit Fees.” The Audit-Related Fees in 2015 consist of fees for additional services related to the Company's Exchange Act filings.

Tax Fees. This category would include the aggregate fees billed for professional services rendered by the independent registered public accounting firm for tax compliance and tax planning.

All Other Fees. This category would include the aggregate fees billed for products and services provided by the independent registered public accounting firm that are not reported above under “Audit Fees,” “Audit-Related Fees” or “Tax Fees.” We did not incur any such other fees for the years ended December 31, 2016 or December 31, 2015.

The Audit Committee considered the fees paid to Deloitte & Touche LLP for the fiscal year ended December 31, 2016 and determined that the services and fees are compatible with the independence of Deloitte & Touche LLP.

Audit Committee Pre-Approval Policy

The Audit Committee is required to pre-approve the audit and (unless the de minimus exception of applicable law permits) non-audit services performed by the independent registered public accounting firm in order to assure that the provision of such services does not impair the independent registered public accounting firm’s independence. Unless a type of service to be provided by the independent registered certified public accounting firm has received general pre-approval, it will require specific pre-approval by the Audit Committee. For the fiscal year ended December 31, 2016, all fees associated with the independent registered public accounting firm’s services were pre-approved by the Audit Committee.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the independent registered public accounting firm to management.

BUSINESS RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Related Party Transaction Policy

The Board of Directors has adopted policies and procedures for the review, approval and monitoring of transactions involving AAMC and related persons (Directors, nominees for election as Director and named executive officers or their immediate family members or stockholders owning 5% or greater of the Company's outstanding stock or their immediate family members) within our written Code of Business Conduct and Ethics, which is available at www.altisourceamc.com. The policies and procedures are not limited to related person transactions that meet the threshold for disclosure under the relevant SEC rules as the policies and procedures broadly cover any situation in which a conflict of interest may arise.

Any situation that potentially involves a conflict of interest is to be immediately disclosed to the Company's General Counsel who, in consultation with management and the Audit Committee chair and with outside counsel, as appropriate, must assess the nature and extent of any concern and then recommend any follow up action, as needed. The General Counsel will notify the Chair of the Audit Committee if any such situation requires notice to or approval of the Audit Committee of the Board of Directors.

Related persons are required to obtain the approval of the Audit Committee of the Board of Directors for any transaction or situation that may pose a conflict of interest. In considering a transaction, the Audit Committee will consider all relevant factors including, but not limited to, (i) whether the transaction is in the best interests of AAMC; (ii) alternatives to the related person transaction; (iii) whether the transaction is on terms comparable to those available to third parties; (iv) the potential for the transaction to lead to an actual or apparent conflict of interest and any safeguards imposed to prevent such actual or apparent conflicts; and (v) the overall fairness of the transaction to AAMC.

Relationship with RESI

Asset Management Agreement with RESI

On March 31, 2015, we entered into an asset management agreement (the "AMA") with RESI and its subsidiary, Altisource Residential, L.P. The AMA, which became effective on April 1, 2015, provides for a management fee structure as follows:

- Base Management Fee. We are entitled to a quarterly Base Management Fee equal to 1.5% of the product of (i) RESI's average invested capital (as defined in the Current AMA) for the quarter multiplied by (ii) 0.25, while RESI has fewer than 2,500 SFR properties actually rented ("Rental Properties"). The Base Management Fee percentage increases to 1.75% of invested capital while RESI has between 2,500 and 4,499 Rental Properties and increases to 2.0% of invested capital while RESI has 4,500 or more Rental Properties;

- Incentive Management Fee. We are entitled to a quarterly Incentive Management Fee equal to 20% of the amount by which RESI's return on invested capital (based on AFFO defined as RESI's net income attributable to holders of common stock calculated in accordance with GAAP plus real estate depreciation expense minus recurring capital expenditures on all of RESI's real estate assets owned) exceeds an annual hurdle return rate of between 7.0% and 8.25% (depending on the 10-year treasury rate). The Incentive Management Fee increases to 22.5% while RESI has between 2,500 and 4,499 Rental Properties and increases to 25% while RESI has 4,500 or more Rental Properties; and

- Conversion Fee. We are entitled to a quarterly conversion fee equal to 1.5% of the market value of assets converted into leased single-family homes by RESI for the first time during the quarter.

To the extent RESI has an aggregate shortfall in its return rate over the previous seven quarters, that aggregate return rate shortfall gets added to the normal quarterly 1.75% return hurdle for the next quarter before we are entitled to an Incentive Management Fee.

RESI has the flexibility to pay up to 25% of the Incentive Management Fee to us in shares of its common stock. Under the AMA, RESI will not be required to reimburse us for the allocable compensation and routine overhead expenses of our employees and staff, all of which will now be covered by the Base Management Fee described above. Only the compensation and benefits of the general counsel dedicated to RESI and certain other out-of-pocket expenses incurred on RESI's behalf are reimbursed by RESI.

RESI has the flexibility to pay up to 25% of the incentive management fee to AAMC in shares of its common stock.

Under the AMA, we continue to be the exclusive asset manager for RESI for an initial term of 15 years from April 1, 2015, with two potential five-year extensions, subject to RESI achieving an average annual return on invested capital of at least 7% under our management.

Neither party is entitled to terminate the AMA prior to the end of the initial term, or each renewal term, other than termination by (a) RESI and/or AAMC “for cause” for certain events such as a material breach of the AMA and failure to cure such breach, (b) RESI for certain “good reason events” such as its failure to achieve a return on invested capital of at least 7% for two consecutive fiscal years after the third anniversary of the AMA, and (c) RESI in connection with certain change of control events.

No Incentive Management Fee under the Current AMA was payable to us during 2016 because our return on invested capital (as defined in the Current AMA) for the seven quarters covered by the Current AMA was below the required hurdle rate.

Expense reimbursement

Under the AMA, RESI is required to reimburse us on a monthly basis for (i) direct and indirect expenses we incur or payments we make on RESI's behalf, excluding, the compensation and routine overhead expenses of all our employees and staff (other than RESI’s dedicated general counsel, 100% of whose base salary, bonus and benefits RESI reimbursed to AAMC).

Aggregate Management Fees and Expense Reimbursements Paid to AAMC by RESI in 2016

In 2016, the aggregate fees paid to AAMC under the AAMC by RESI were $19,174,892 in Management Fees and $816,207 in Expense Reimbursements.

Equity Plans

Options Granted in Separation from ASPS

In connection with our separation from ASPS in December 2012, we adopted the 2012 Equity Plan and the 2012 Special Equity Incentive Plan. In the separation transaction, we issued options to purchase 242,771 shares of our common stock with a weighted average exercise price of $1.52 per share at December 31, 2012 under the 2012 Equity Plan to ASPS employees holding ASPS stock options immediately prior to the separation, representing the same exchange ratio as the separation transaction of one share for every ten shares represented by the ASPS options. We also issued options to purchase 63,053 shares of our common stock with a weighted average exercise price of $0.75 per share at December 31, 2012 under the Special Option Plan to non-employee holders of ASPS stock options using the same exchange ratio. These options expire on the same dates as they expired under the ASPS plans. Because the options were granted as part of the separation to holders of ASPS stock options, no share-based compensation related to these options is included in our consolidated financial statements appearing in our Annual Report on Form 10-K. None of these options have ever been held by, or were exercised by, any of our named executive officers. No

additional shares of common stock are issuable under the 2012 Equity Plan other than shares of restricted stock issuable to our Directors and employees. No additional shares of common stock are issuable under the 2012 Special Equity Incentive Plan.

STOCKHOLDER PROPOSALS

Any proposal which a stockholder desires to have included in our proxy materials, pursuant to SEC Rule 14a-8, relating to our Annual Meeting of Stockholders for next year, which is expected to be held on or about May 24, 2018, must be received not later than December 31, 2017. A proposal must comply with Rule 14a-8 and the SEC's proxy rules. In accordance with Rule 14a-8, this deadline could change if next year's Annual Meeting of Stockholders date is held sooner or later.

Stockholder proposals and director nominations for the 2018 Annual Meeting of Stockholders should be directed to our Corporate Secretary at 36C Strand Street, Christiansted, United States Virgin Islands 00820.

We did not receive notice of any stockholder proposals relating to the 2017 Annual Meeting of Stockholders. If any other matters properly come before the 2017 Annual Meeting of Stockholders, the persons designated as proxies intend to vote in accordance with their discretion on such matters.

ANNUAL REPORTS

A copy of our Annual Report on Form 10-K for the year ended December 31, 2016 was made available to stockholders on March 1, 2017. The annual report can be found on our website www.altisourceamc.com under "Shareholders - Financial Information."

We will furnish without charge to each person whose proxy is solicited and to any beneficial owner entitled to vote as of the record date for the meeting, on written request, a copy of our Annual Report on Form 10-K for the year ended December 31, 2016, required to be filed by us with the SEC under the Exchange Act. Such requests should be directed to Investor Relations at Altisource Asset Management Corporation, 36C Strand Street, Christiansted, United States Virgin Islands 00820.

OTHER MATTERS

Proxies may be solicited on behalf of the Board of Directors by mail or electronic means. Additionally, we may hire a proxy solicitor to help reach the quorum requirement. If we do so, we will pay a reasonable fee in relation to these services.

Copies of the annual report for 2016 and this Proxy Statement will be made available to brokers, dealers, banks and voting trustees, or their nominees, for the purpose of soliciting proxies from beneficial owners. In addition to solicitations by mail or electronic means, our Directors, officers and employees may solicit proxies personally or by telephone without additional compensation.

The shares represented by all valid proxies received by phone, by Internet or by mail will be voted in the manner specified. Where specific choices are not indicated, the shares represented by all valid proxies received will be voted: (1) "FOR" each of the nominees for Director and (2) "FOR" the proposal on "Say-on-Pay." Should any matter not described above be properly presented at the meeting, each proxy received will be voted in accordance with the discretion of the persons appointed as proxies.

If you are the beneficial owner, but not the record holder of shares of our common stock and have requested a copy of this proxy statement, your broker, bank or other nominee may only deliver one (1) copy of this proxy statement and our 2016 annual report to multiple stockholders who share an address unless that nominee has received contrary instructions from one (1) or more of the stockholders. Stockholders at an address to which a single copy of this proxy statement and our 2016 annual report was sent may request a separate copy by contacting Investor Relations at

Altisource Asset Management Corporation, 36C Strand Street, Christiansted, United States Virgin Islands 00820, or by calling our Secretary at (770) 644-7450. Beneficial owners sharing an address who are receiving multiple copies and who wish to receive a single copy of the materials in the future will need to contact their broker, bank or other nominee to request that only a single copy of each document be mailed to all stockholders at the shared address.