**The J.G. Wentworth Company**
**Third Quarter 2014 Earnings Call**
**November 13, 2014**

**Operator:** Good morning. My name is Pete and I'll be your conference Operator today. At this time I would like to welcome everyone to The J.G. Wentworth Third Quarter 2014 Earnings Call. All lines will be placed on mute to prevent any background noise. After the speaker's remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you.

Jennifer Gambol, Head of Investor Relations for the J.G. Wentworth Company, you may begin your conference call.

**Jennifer Gambol:** Thank you, Operator. Good morning, everyone and thank you for joining J.G. Wentworth conference call for the third quarter of 2014. In addition to our financial results, we have included a brief presentation covering our key accomplishments and high-level strategy. You can find a link to this webcast, including the presentation in the earnings press release. At the conclusion of this call, the slides for today's presentation will be posted on the Investor section of jgw.com, along with our earnings press release.

Statements in this conference call and in our earnings press release issued this morning, other than historical facts, are forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements. Factors that might cause the actual results to differ materially are discussed in our earnings press release. The Company disclaims any intent or obligation to publicly update or revise any forward-looking statements, regardless of whether new information becomes available, future developments occur, or otherwise.

One of the items we will speak about today is adjusted net income, which is a non-GAAP measure. We use adjusted net income as a measure of our overall financial performance. We define adjusted net income as our net income under US GAAP before non-cash compensation expenses, certain other expenses, provision for or benefit from income taxes, and the amounts related to the consolidation of the securitization and permit financing trust we use to finance our business.

We use adjusted net income to measure our financial performance because we believe it represents the best measure of our operating results, as the impact of the variable interest entities and other excluded items do not influence our operations.

In addition, the add backs described above are consistent with adjustments permitted under our term loan agreement. Please refer to our earnings release for a reconciliation of our GAAP net income to adjusted net income.

Now, I will turn the call over to Stewart Stockdale, our Chief Executive Officer.

**Stewart Stockdale:** Thank you, Jennifer and good morning, everyone. We appreciate you joining our equity investor conference call. Today, I will touch on the results for the quarter, give an update on our progress towards our three key strategic pillars, and discuss our plans for growth and diversification. I will then ask John to provide a detailed overview of the financial results. We will then open up the call for questions.

The Company had a challenging quarter from a financial perspective. We had a slow start, but finished stronger with adjusted net income of 7 million and adjusted revenue of 63 million. The Company's total receivable balance or TRB of 263 million was down from last year's TRB of 299 million, demonstrating the fluctuating nature of the business.

After a strong second quarter, we experienced softness in July and, as mentioned on the call, we were expecting some additional expenses in the third quarter related to advertising and a 2014-2 securitization. In addition, we did not benefit from the 2 million of revenue from a portfolio purchase as we had in Q2.

As part of our overarching transformational process, we have taken steps to reenergize the core business. We piloted our pay for performance initiative to the launch of Oktoberfest, the largest internal purchasing promotion in the history of the Company and saw the results. Leading into the fourth quarter, key indicators are encouraging and we will measure the long-term impact on fundings over time. This Oktoberfest promotion, along with some of our other key accomplishments since I joined J.G. Wentworth on July 28th marked the beginning of the execution against our three key strategic pillars. Some of these accomplishments include the following.

We have rebranded the Company to leverage the full power of the J.G. Wentworth name. We have relaunched our website under the J.G. Wentworth name, beginning the conversion from a brochureware site into what will be a fully transactional site that we will—that will benefit us for future products and services.

We have hired our new CIO, who has already delivered on the first phase of our information evolution. We have named VML our digital agency of record and have begun to evolve our online and mobile presence. They are a leading digital agency under the WPP umbrella. We have named Horizon Media, our media agency of record, to maximize the benefit of every advertising dollar spent. They bring tremendous scale as they buy billions of dollars of media on behalf of their clients and we have kicked off our Employer of Choice program so that we can attract and retain the most talented individuals to help drive our initiatives.

I am proud of what we have achieved together in my first 100 days with the Company and we remain steadfast in our commitment of the three key strategic pillars. I have shared my hundred day operating plan with the Board and both the Management team and the Board of Directors are very excited for the future. We will: number one, grow the core; number two, become an information data and analytics company; and number three, migrate to become a more diversified consumer financial services company.

We have launched initiatives that will help us unlock the potential of this organization and grow the core. We have systematic—we are systematically reviewing our internal processes to maximize efficiency and ensure the greatest possible customer experience. We are reinvigorating our pay for performance structure to incent our teams to reach for new heights. We are working with Horizon to refresh our approach to lead generation and with VML, to create a digital roadmap for our customers, and of course, we will continue to test creative and consumer offers along the way.

We also have many strengths within the organization today that we will leverage. For perspective, our national brands, direct response capabilities, operational efficiencies, and funding platform are key competencies of ours and we are working to build data analytics and digital proficiencies. Our direct response capabilities are scalable into other platforms as we expand to meet the different needs of our customers. We don't run a typical contact center. We operate in more of a trading floor atmosphere with college educated, tenured, and competitive employees.

Our operational efficiencies that include underwriting, legal overview, and portfolio servicing provide the platform to grow into adjacent markets. We are excellent at complex underwriting transactions and operating within the legislative framework.

In addition, our diversified funding model which includes warehouse facilities, securitizations, and alternative monetization options provide us with flexibility to grow. Our asset class has a proven track record logging in an excellent performance with 39 completed securitizations since 1997.

Another strength is our strong national brand. We recently conducted a study which demonstrates that our brand has positioned us well to extend naturally into adjacent markets. The brand has 72% national brand awareness and is elastic enough for us to expand into other consumer financial services with a fun, creative, and energetic qualities of our brand. Overall, our key strengths provide us with a strong foundation.

I have talked about becoming an information company and I would like to discuss what that means. We are enhancing the way we use data and information to drive business decisions. We are building performance based interactive tools to increase efficiencies and to make more informed decisions to improve the business. This capability will enable J.G. Wentworth to become a direct-to-consumer power and help to fuel growth. To lead this initiative, we have hired Greg Schneider, our CIO, who has been with us for nine weeks. Initially we are building out three new tools to help drive our business, which will assist us as we transform and evolve into an information-based decision making company.

IntelReporter is the first, and it is now live. This tool is our digital dashboard that provides real time monitoring of the key performance indicators with drill down capabilities so we could understand and react.

The second product is InfoScout. It is a real time data warehouse of customer intelligence along with modeling to determine when, how,

and what product to market to our customers. This leverages internal knowledge as well as external data to allow us to better understand customer needs.

The third product in development is ProspectNow. This product is an automated marketing campaign management optimization tool which will have hundreds of data variables on the US population at large. This will provide us with the capability to quickly and efficiently optimize our lead management.

We will use all these core competencies in addition to the information and digital capabilities we are building with privacy consideration at the forefront to grow the core and to expand into adjacent markets. We will utilize the power of J.G. Wentworth as the umbrella brand that carries all other products and we are well poised to expand into other areas of consumer financial services.

We are making progress in initiatives related to prepaid, personal lending, and mortgage, and laying the ground work for other opportunities in the future. We are excited about adding a prepaid card offering to the J.G. Wentworth brand. This category makes a lot of sense for us. I have built large successful prepaid businesses in the past. The JGW customer base is similar to a typical prepaid reloadable customer. Our prepaid products will be a complementary product that will facilitate the continuation of our relationship with our existing customers. This financial management tool can be leveraged by our current branding campaigns and during the payment fulfillment process. Additionally, we will look to test at retail and alternative distribution channels to leverage the J.G. Wentworth brand.

We also believe lending as a category is a natural extension for the Company. Personal loans all the way through mortgages are exciting areas of opportunity. Personal loans are a by-product of our current marketing and the space is synergistic with our current operating model. The 877-Cash-Now campaign draws a large customer segment and we have begun testing through an opportunity desk and capturing consumer data. Personal loans represent a large market where we believe we can gain share.

As we move down the lending spectrum, we are also energized about potential opportunities in the mortgage and home equity space. These industries would expose us to a new customer base and represents another large market. We see similarities between the mortgage business in our business in that it would enable us to leverage our ability to handle complex transactions through a direct channel. As we explore this category, we look to manage financing alternatives to mitigate risk. We believe we can use our brand, our direct marketing capabilities, and contact center expertise to potentially gain share in this large market.

After a hundred days with The J.G. Wentworth Company, I am more excited than ever at the potential for growth within this organization and I look forward to realizing that full potential.

John will now take us through our financial results for the quarter.

**John Schwab:** Thank you, Stewart. Third quarter 2014 adjusted net income was $7.2 million, representing an increase of $6 million over the same period in the—2013, driven by lower interest rate environment and less interest expense period-over-period. After a very strong second quarter where we reported $17 million of adjusted net income, the third quarter contained $3 million of securitization related expenses, as well as 2 million of planned advertising and Peachtree creative expenses.

In addition, we did not have the benefit of the portfolio purchase that occurred in the second quarter generating 2 million of additional revenue. The remaining variance is driven by our lower origination volume or TRB. Total TRB for the quarter of 263 million was down sequentially from the second quarter TRB of 288 million and decrease in the prior year amount which was 299 million.

After a strong end to the second quarter, July came in very weak, but we did see TRB return to expected levels as the quarter came to a close. As we had mentioned previously, TRB is impacted by the volatile nature of the business with larger transactions driving month-to-month and quarter-to-quarter variances.

Our TRB spread margin in the third quarter was 19.9% as compared with 16.6% in the third quarter of 2013, which is an increase of 330 basis points year-over-year due to a favorable interest rate environment and our ability to maintain pricing. The third quarter spread margin was down slightly compared to the second quarter margin of 20.6%.

For the third quarter, revenue was $107 million which represents an increase of 3.9 million from the third quarter of last year. The increase in revenue was driven by increases in our unrealized gains, primarily due to the lower cost of funds.

Spread revenue for the third quarter increased over the prior year to 51 million, compared to 49 million in the third quarter of 2013.

Interest income in the third quarter was down slightly in 2014 due to a lower fair value discount rate used to calculate interest income, partially offset by an increase in our finance receivables balance.

Now, turning to expenses; advertising expense increased in the third quarter to 18.4 million from 17.9 million in the third quarter of 2013. This increase was primarily due to the production cost for Peachtree branding campaign that launched this quarter.

Interest expense in the third quarter decreased to 49 million from 54 million in the third quarter of 2013, primarily due to the net decrease in the principal amount of our term loan and interest rate reduction which occurred in December of 2013. Interest expense on that term loan was $10.1 million in the third quarter of 2014, as compared to 14.6 million in the third quarter of 2013.

Compensation and benefits expense increased by $2 million, driven primarily by severance expense due to the departure of our former Chief Executive Officer.

General and administrative expenses for the third quarter were up slightly, due to an increase in recruiting expense and insurance expenses related to being a public company.

Now, some notes on our financial condition. At September 30, 2014 we had $76 million of cash and equivalents on hand. The fair value of the Company's retained interest and finance receivables was 304 million at September 30, 2014 as compared to 240 million at September 30, 2013.

Now, I'll turn things back to Stewart.

**Stewart Stockdale:** Thank you, John. After being here a little over a hundred days, we are pleased with the progress we have made towards the transformation of this Company. I recognize that there is a strong foundation and we are taking steps to reenergize the core business. We have presented and received buy-in to our operating plan from the Board of Directors and are looking forward to the exciting opportunities ahead.

Operator, can we please open up the call for questions.

**Operator:** At this time, I would like to remind everyone, in order to ask a question, please lift the handset of your phone and press star, and the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from David Scharf from JMP. Your line is open.

**David Scharf:** Hi. Good morning. Thank you. Maybe first a question on the quarter in the market and then, kind of shift to some of the broader strategic plans that were outlined; you know, as far as the purchase volume we realized month-to-month, quarter-to-quarter, it's going to be variable. I'm wondering, you know you've talked about how the primary market for new structured settlements is pretty flattish given the rate environment. Are you getting a sense that inbound call volume is being affected at all by alternative sources of credit? Is there any sense that a loosening of sub-prime lending, other competitors may be impacting demand right now?

**John Schwab:** Hey, David. It's John. Thanks very much for the question. You know, we are not seeing a big change or a big shift in inbound call volume or contacts because—you know, because of some of the alternative sources of financing that are out there. I think while those things are out there, they're still developing. But, I think the opportunity with the structured settlement is that it is, you know, a compelling choice when you look at the alternatives and the cost of financing for the other alternatives that are out there.

**David Scharf:** Got it and, as it relates to those costs in the current rate environment, I mean, this TRB spread margin; I mean, should we be thinking about your ability to sustain it, you know, around the 20% level going forward?

**John Schwab:** Yes. I mean, as you know, David, we don't give out the forward guidance, but I think as you can see over the past handful of quarters, you know, we've been operating in and around that range. Again, I would tell you and as I've mentioned on our last call, we are very proud and pleased with that roughly 20%—19.9 this quarter, a little higher in the last quarter—sequentially spread margin and I mean, that is historically at a very high level; but we're pleased with how that's come in.

**David Scharf:** Got it, and I know last quarter you had commented that the court rejection rate—in some states it had picked up earlier in the year, seem to have moderated. Is that trend continued, was that much of an issue relative to expectations, and what was that figure?

**John Schwab:** Yes. It—that trend did continue we're pleased to report. We did see that migrate even further back towards its historical levers—levels. We're not quite there yet, but again, we've made some nice progress in getting it back there, so that's not something that's really impacted our business.

**David Scharf:** Okay, got it and then, maybe just one general question, you know, for Stewart. You know, it sounds like you have a pretty broad outline for potential, you know, new products, whether specific like prepaid or something as broadly defined as personal lending. Just curious, from some of the initial data gathering you've done, I mean, you're getting, I believe, around 55, 60,000 contacts a month and all but a few thousand probably even have a structured settlement. Are there—are all—are these 55, 58,000 calls by consumers that don't have a structured settlement? Are they providing you with more information about, you know, specifically what they're looking for other than just cash? Trying to get a sense for if, you know, there have been any progress on kind of data mining and getting a stronger sense for ultimately what might be the first type of product that's launched?

**Stewart Stockdale:** Yes, thanks for the question. Yes, we're spending a lot of time on information in general as I illustrated, and I'll go back a step. I mean, one of things that if you see what we're doing, we're getting the Company fit to grow into other channels and other product sectors. So, as much as the outline that I provided was fairly broad, I mean we feel very—you know, pretty good about being able to go test prepaid here in the short-term and I think that it is a similar customer base. Everything that I've seen with the data on structured settlements customers, they seem to be right up the alley of a prepaid reloadable type customer and so, some of things that we look to do as we issue checks out to customers on an ongoing basis, we'll test portion of that to go on prepaid cards and be able to see the receptivity and the stickiness of that, and really expand that relationship.

As you all know, part of our business is amendments and not that we would put a full amendment or full amount of a funding on to a card, but that relationship with customers will be, you know, I think favorably received. I think that the brand will allow us to take it to other places because we just did that research that we do have 72% national brand awareness, so we

think that J.G Wentworth will play well at retail and other places and we'll test it. I can't tell you how big it'll be or what it'll look like, but I'm optimistic and we're going to go try it.

We're also spending quite a bit of time—as we get all these calls that you mentioned, we have had and are having an opportunity desk downstairs where we're asking people if they're interested in a lending type product. There are certain regulations as to what I can probe on and certain data that I could get on the back because I'm not a lending company and I don't have the licenses for it today, but I am getting customer demographics and really understanding what people want. As we get those thousands of customers that tell us, we'll start to look at the data and more importantly, what do we do to get into that category and, as you know, there's multiple ways that we could get into it.

We could just pass on leads, we could partner with somebody, or we could do an acquisition of some sort. So, we're evaluating all of those three options and we're cautiously optimistic about the lending platform and, of course, the next question will be how would we finance that? You know, we've proven that we could finance our business through external channels and we would look at similar opportunities for lending products. So, those are the two ones off the gate that I feel excited about.

We mentioned we have other ones that we've—you know, have and we've actually pursued and talked to people about and the receptivity of other big branded companies with us is very positive so far. So, you know, we're very cautiously optimistic.

**David Scharf:** Got it. Thank you very much for the color.

**Operator:** Your next question comes from Mark DeVries from Barclays. Your line is open.

**Mark DeVries:** Yes, thanks. So, obviously I heard your comments about the TRB volumes being kind of volatile from period to period, but we really have not observed this type of weakness kind of year-over-year so far in the data. Could you provide any other kind of color around what—you know, what in particular do you think caused the softness in July that you referenced?

**John Schwab:** Yes, thanks for the question, Mark. I think when we came into July, we came off of a very strong June where results were very good and you saw that show up in our numbers and again, July just came in a bit soft. As we've talked about, you know there are numbers of transactions in larger sized transactions that can swing around TRB volume on a period-over-period basis. The TRB volume of 288 million in the second quarter was extraordinary and very good as compared to where it's been in the earlier quarters this year and, I mean, if you see it going from a 260 in Q4, 260 in Q1, the big jump in Q2, you know it's come back down certainly, but there's nothing really that we can point to that points directly at reasons for the decrease.

I mean, that said, as Stewart described, we are focused on a number of different efforts to strengthen the opportunities as we look into the fourth quarter. We talked about the TRB returning to expected

levels at the end of the third quarter and then, as Stewart talked about the Oktoberfest program, it's something that we feel very good about building inventory levels to allow us to kind of beat—feed off of that as we move into the next couple of months.

**Stewart Stockdale:** Yes, and I would just add is, if you normalized the June and the July to those two levels and then, you know the—obviously September numbers came more to normal levels and we feel good about some of the promotions that we're testing with regards to incenting folks on the purchasing floor to—on pay for performance type measures, so we feel good about some of the indicators in October. But, you know, it is a business debt. If you level it out, it's relatively flat, so—but I wouldn't take the July as a big operating issue for us. We had a really good June. July was not as good. September—August and September were back to normal levels.

**Mark DeVries:** Okay, understood and then the margin in the quarter was clearly kind of in line with what's normal for you guys. Although given the kind of strong rally we saw in the rates markets, I might have actually expected a little bit of upside in the margin there in the quarter. Can you help give us a sense for why it might not been a little bit more robust, given the move we saw on rates?

**John Schwab:** Yes, a couple of things, Mark—and good questions. I think—you know, keep in mind, when we do our securitizations, we did 2014-2 in July. With those securitizations we do have a pre-funding component and that gives us up to 90 days to fill. In this case it was 30% of the total amount of bonds that were sold and so, from that July period on through—let's just say through July and almost through August, that inventory that we were selling was really marked. It was going to be sold back into the securitization at the rate that existed at the time we did the July deal. So, that opportunity with the pre-funding sort of locks your rates a little bit, so you don't see the swings that you might otherwise see when you see interest rates move and so, that's a piece of it and then, so the real mark-to-market of the production was September production that occurred during that period.

There has been some movements in rates and it's been fairly volatile in rates after the end of the quarter and so we have seen some movement there. But again, that said, those—I think those rates have kind of come back to around where they were at the end of the quarter, maybe a little less, but not too much. So, I mean, it's all about direction and it's all about timing rather than sort of—you know, rather than just the pure period-to-period.

**Mark DeVries:** Okay, got it and just one last question. I'd be interested to get an update from you on kind of where you stand as an industry on the broader efforts to create the same type of legal infrastructure around the pre-settlement business that you already have in place around the structured settlement business.

**Stewart Stockdale:** This is Stewart. I've actually kind of done a—quite a deep dive on pre-settlements and really gotten a better—a really good understanding on where we are from the regulatory state on that business—and I'll let John comment in a second, but clearly a lot going on in that industry. I don't think anything is going to get completely solved in the next few months. It's

probably going to be a long-term period before the whole regulatory environment is pretty clear on pre-setts.

Having said that, we have a business, we're committed to that business, and we think it's a growth business over time. John, I don't know what else you want to add to that.

**John Schwab:** Yes, no. From an operational standpoint—as you know, Mark, it's a relatively small piece. We do break out our pre-settlement purchases. You can see we've had, you know, some growth on a year-over-year basis when you look at nine months to nine months, due to the transition that we made at the—in the middle of last year to bring a lot of that underwriting up here into the—into our headquarters office and it's a business we're committed to and it again, to your point, it's one that's not going to—it's going to be a nice business to be in, but it's one that's going to require some significant kind of changes in legislation to allow us to work through there.

We're continuing to work with lobbyists and others to try to get legislation passed that will put it and make it a much more replicable model across the country. It is a much more local business than we see in the structured settlement business, so that's one of the considerations we're looking at, as well as what does that mean to grow that business and what would it take to really scale that business? As John said, it's a small business for us and what I look to see is could this be a really big business for us or not and we're evaluating that as we speak.

**Mark DeVries:** Okay, got it. Thank you.

**Operator:** Your next question comes from Sanjay Sakhrani from KBW. Your line is open.

**Steven Kwok (ph):** Hi, thanks. This is actually Steven Kwok filling in for Sanjay. The first question we had was just around the CID and whether there's any updates around the data that was submitted to the CFPB?

**Stewart Stockdale:** I can tell you since I've been here we have had no further interaction with the CFPB. There was quite a bit of exchange of information that was done early in the year and certainly for the last three months there's been no further interaction amongst it; so they're doing their work and I'm sure that eventually we'll hear from them; John, anything else?

**John Schwab:** (Cross talking) really no update.

**Steven Kwok:** Got it and then, just in terms of the TRB, do we know currently what your market share is? I believe the last data points we had was around like 70%. I just wanted to see if there was any updates on that?

**John Schwab:** We get the sense that it's—we don't believe that we're losing share and the number that you quoted, it seems right. But, we don't get a sense that we're losing share. We also get a sense that the category is not growing tremendously, so we're kind of going along with the industry as our belief.

**Steven Kwok:** Then, just the last question is around advertising. It did tick up quite a bit. Is this the level we should expect going forward or was it just the increased marketing this quarter and it should level down next quarter? Thanks.

**Stewart Stockdale:** You should get the sense that our advertising levels for the year are—have been somewhat consistent and you could expect to see that same trend. What you should expect though is that we are—you know, we changed agencies and we're doing so with some pretty big players that we think are going to give us a lot of efficiencies. You're going to see some volatility month-to-month and quarter-to-quarter and when we do creative tests, when we do creative execution, but the general levels of advertising should remain somewhat constant.

**Steven Kwok:** Got it, great. Thanks for taking my questions.

**John Schwab:** Thank you.

**Operator:** Your next question comes from Moshe Orenbuch from Credit Suisse. Your line is open.

**Moshe Orenbuch:** Great, thanks. I guess I'm still a little bit stuck on this whole July weakness thing, given that it probably had to have been, you know, 20% or more below previous, you know, other months and we last kind of did one of these calls in the middle of August, right, so July was kind of done. So, I guess, you know, how can we kind of get some understanding of the way your current trends are going?

Now, you said to us that the pace of July and August had been—I mean, August and September had been kind of stable that you've got some promotions in October. Should we take from that, that October is at least as strong as that was, better? I mean, how should we think about it?

**John Schwab:** Moshe, its John. Thanks for the question. Yes, again as I mentioned, July did start out very soft. We gained momentum back in August and again into September and got to where we thought we would be. We felt like we ended—we felt like, you know, we ended the quarter with some good momentum and the August promotion I think was something that was successful, but the—that will take a couple of months or so to work itself into the numbers. But, I think we feel good about where we ended the quarter and again, that Oktoberfest promotion, the inventory that's built there, benefits some in the fourth quarter and into the following year. So, it's not an individual quarter thing, but I think that's kind of where we stand right now and where we feel about that.

**Moshe Orenbuch:** In terms of the 2014-3 securitization that you're expecting, I mean, could you talk a little bit about what that would be in terms of size and given where rates are, you know, how that would kind of impact—you know, how that would impact your ability to achieve a good spread in the fourth quarter?

**John Schwab:** Sure. The 2014-3 securitization, it is just literally launching as we speak today and so it's something that's just coming out, about the same size as our last deal—about the same size or so as our last deal.

Listen, from a rate perspective, we are still working on that right now. If you think about where rates where when we did our 2014-2 securitization, Moshe, to where they are now, rates on the 10 year—which is sort of how we base things off of while it gets interpolated, that's kind of how to think about it—they're down about 15 basis points.

That said, in the sector spreads on top of that have blown out a little bit due to some of the volatility in the bond markets and so, again, hard to say where this is going to end, but I think we're in the market right now, and we'll have to see how that goes, and we'll certainly be putting a release out when that gets completed to let everyone know how that turned out. But I think, you know with help we will be back and doing something in and around where we did our last deal. But again, interest rates and spreads are—you know, interest rates will be where they are. Spreads are something that we're literally working with as we speak right now.

**Moshe Orenbuch:** Great, and maybe Stewart, could you talk a little bit about the revenue model in this kind of prepaid that you're looking at?

**Stewart Stockdale:** Yes, we're looking—I mean, we're literally in the middle of working with partners which includes a bank partner, it includes a processing partner, obviously the association partners, Visa, MasterCard, what not. What we look to do is, as you look at a reloadable product, you put it out there, you put money onto it, customer money goes onto it, we're actually putting some of the payments that we put out to customers on to that. Then, the drivers are obviously interest in—which is very low these days, but you get interchange transactional volume from the transaction at the point of sale and what we really hope to do is to have customers keep putting money onto that card and keep using that card.

There are some fees that are associated with the product that we will look to and we're still in that process of putting—deciding what exactly that fee structure will be. But we think it's a pretty good little business. We're not going to spend a lot of money putting it out there because a lot of it is variable, so don't expect us to have to write a huge check to kind of get into the category. Then, we're going to test some alternative distribution channels. We're got retail and it's the same type of process where somebody goes to a retail location, buys a card for X amount of dollars—which is obviously a part of the fee structure, and then we'll write (ph) the same economics on the backend of the card.

So it's early days, but we look to prove (ph) it pretty far along in the process, so we feel confident that we'll start testing here in the not too distant future and, you know, if we're lucky we'll get some exciting alternative distribution channels to embrace the brand and we'll tell you more if those happen.

**Moshe Orenbuch:** Good. Just one last housekeeping question; you mentioned severance, John. Did you say how much that was? I might've missed it.

**John Schwab:** We did not disclose the exact amount of severance. I think that the variance in that category was just under $2 million.

**Moshe Orenbuch:** Should we assume that that was all kind of one-time in nature? Is that what you're saying?

**John Schwab:** Yes.

**Moshe Orenbuch:** Okay. Thank you.

**Operator:** As a reminder, in order to ask a question, please lift the handset of your telephone and press star, and the number one on your telephone keypad.

Your next question comes from Mike Del Grosso from Jefferies. Your line is open.

**Michael Del Grosso:** Hi, guys. Thanks for taking my question. Just wanted to see if you could talk at all about the competitive pressure you're seeing—I know that was cited a few quarters ago, and that's still around?

**Stewart Stockdale:** Yes. We don't see anything out of the ordinary and somebody asked the question whether we thought people are going to alternatives—just payment vehicles, whether it be lending or so forth, and it's tough for us to really measure that. But, as far as unusual activity within the competitive framework, we don't see anything out of the ordinary or anything that's completely irrational that's going on in the marketplace that we have to react to. John, add anything else of flavor to that.

**John Schwab:** No. I think—listen, it's a competitive marketplace to a number of people that are out purchasing structured settlements and the other products that we purchase. But, listen, we believe we continue to maintain our share and again, because of our low cost of funds and really good securitization platform and financing platform, we feel with a last (ph) look we can win virtually every deal that we come across. So, we continue to feel good about our position.

**Michael Del Grosso:** Okay, great and then, just one quick follow-up. I think you mentioned a product—you're exploring a product in the mortgage market. Could you maybe provide kind of some granularity on that and what advantages you see in introducing a product like that?

**Stewart Stockdale:** Well, I'll give you the range. We like lending in general because lending is synergistic with our brand and the research is proving that out; so we like it. Of course, we're exploring all of the avenues up and down. The most logical extension for us is a personal loan because most people that call us think that they're calling us for cash and, in some capacity, a personal loan would make a lot of sense and how we fulfill that is something that we're working out.

As you go down that lending spectrum, you look at things like home equity, reverse mortgages, or all the way to mortgages. What we like about mortgages is that if you look at the originations, and you look at our national brand, and you look at our core competencies on call center, and you look at our core competencies on underwriting complex transactions, the question out there is, could we, as J.G. Wentworth, originate and underwrite?

What we do with those transactions on the backend is to be determined. But, we think that we could add. There's a number of potential players out there that we could partner with to give them a brand and give them all of the horsepower that we bring to the table and if we can't help them originate more mortgages, then shame on us. So, that's the thinking behind that.

They are complex but we're used to—and underwriting a mortgage is different than a structured settlement, but they're both complex and they both take time and we believe in that direct-to-consumer model that some people in the marketplace have proven that they can do. So, the question is, can we get into that category and be successful? My inclination is that we could do a pretty good job at it, but time will tell as far as how we get into that market and in what time frame, if in fact we do.

**Michael Del Grosso:** Great. Thank you.

**Stewart Stockdale:** Thanks, Mike.

**Operator:** Your next question comes from Andrew Soter (ph) from Andrew Soter Investments. Your line is open.

**Andrew Soter:** Yes. I'd like to know if you're continuing to purchase stock and if you have bought any in the last quarter at all?

**Stewart Stockdale:** Andrew, thank you for the question. We do have an open stock buyback program that is in effect and we have not—we did not purchase any stock in the last—in the third quarter.

**Andrew Soter:** Okay. Thank you.

**Stewart Stockdale:** Thanks, Andrew.

**Operator:** Again, if you'd like to ask a question, please press star, then the number one on your telephone keypad. Your next question comes from Marcelo Lima from Heller House. Your line is now open.

**Marcelo Lima:** Hi. Good morning. A few quarters ago we were looking at—the Company was looking at six potential acquisition targets. Do you have any update on that? How did those conversations go? Are we still looking at potential acquisition targets in the core business? Could you talk a little bit about that please?

**John Schwab:** Yes. This is John. I'll start off a little bit. But, in terms of acquisitions, we did have a number of opportunities we were evaluating a year or so ago and continued into the first quarter. Some were in the core business that we operate in and some were in adjacent product lines.

As far as the core business, we did diligence out a number of those opportunities and those did not come to—those did not—we did not move on those deals. At the current time I would tell you we don't have a lot of activity going on in kind of core business acquisitions that are out there. Again, lots of it has to do with sort of our position in the market where we think we stand, and our belief and our ability to bet on ourselves to be able to get out

there and drive additional opportunity from the current marketing and activities that we do with our database and with new customers and so, that's sort of how we think about that. So, right now there is not a lot going on in that aspect of it.

**Stewart Stockdale:** Yes and this is Stewart. One of the things that I saw when I got here was certainly that if we acquire somebody within the space—our immediate space, what are we are really acquiring? Are we acquiring a new distribution channel or a list of customers that we already have in our database? So, that's kind of one of the things that was put to test and we think that we could actually do a better job with our internal brands to accomplish that, so there's not a lot of activity at looking to acquire people within our immediate category. We do have quite of bit of activity in—with discussions outside of our category with some of the product lines that I talked to you about and those range from acquisition partnership or lead generation type programs.

All I could tell you is that I like to participate more in the value chain, so that—so we get a better sense of the economics and participate and I have to cover the risk—or completely cover that risk. But we do have a number of things that are in play that we're looking at and as you know those take time and sometimes they happen and sometimes they don't. But we're very optimistic that with our brand and our capabilities that we could get into some of these new categories.

**Marcelo Lima:** Okay, great. Thanks for the answer. Another follow-up question, if I may. As a shareholder in your Company, how do you evaluate building shareholder value, right? As you appreciate the accounting of the business is challenging in the sense that consolidated financials include a number of things that are not really—should not be included if you're analyzing the Company, right? So, I appreciate that you publish Schedule H. It's very helpful for us to look at adjusted net income, that sort of thing.

I've spoken with you in the past and the feedback I got is that, you know, ideally the Company should also publish an—a deconsolidated balance sheet and the deconsolidated cash flow statement so that we know what's going on as far as the economics of the parent Company. Would you consider doing that in the future and how do you think about building shareholder value? What metrics do you look at that sort of measure your free cash flow generation and your building of book value, however it is that you look at it?

**John Schwab:** Yes, Marcelo. It's John. Thank you for the—thanks for the question. I think you touched on a number of the points that are there. First, from an ANI perspective, we have tried to lay out for people a nice walk through from our GAAP statements to adjusted net income because we think that is a key metric that people will use to evaluate and value the Company from a public perspective.

One of the other things that we talk about and we think about when we look at the value of our Company is that residual value that we have of those portfolios that are on our books. At the end of this quarter it was $304 million. As you know, we have some debt against that of about 110 million, but that value has been growing over periods of time. That's a very important item that we look at.

Also, as we sort of—as we do go forward, we continue to be mindful of sort of our leverage and, as we think about things, we look at delevering the Company over periods of time as we grow through the Company and so, there're kind of things that we look to and things that we think about when we think about value. It's really driving ANI through growth in the existing categories, as well as getting into some other areas, and maintaining and growing that residual balance over periods of time, and using those cash flows to either invest ourselves into new business lines or to pay down debt and obviously one of the other choices that goes there is that, you know, looking at what to do with some of that cash at a future date, which would be either through stock buyback or dividend. So, it's all those things going on right now. I think we're very much focused on the growth in the business as we move through it.

**Stewart Stockdale:** Yes, and I'll just add to that. Literally the transformation of this Company is to grow shareholder value. I mean, that's the road that we're on and we believe that the Company is undervalued. We also believe that as we do these new initiatives, that shareholder value will come. So, it is top of mind for us both on the day-to-day running of the business plus some of the bets that we're making into the future.

**Marcelo Lima:** Okay. Thank you.

**Stewart Stockdale:** Thanks, Marcelo.

**Operator:** If you would like to ask a question, please press star, then the number one.

**Stewart Stockdale:** Okay. It seems like there—is there any more questions Jen? Okay. With that, I want to thank everyone for joining the call today. If you have any additional questions, please feel free to call John or myself or Jennifer and we will attempt to answer your questions. Thank you very much for today. Talk to you soon. Bye.

**Operator:** This concludes today's conference call. You may now disconnect.