

The J.G. Wentworth Company
Fourth Quarter and Fiscal Year 2014 Earnings Call
March 12, 2015

Operator: Ladies and gentlemen, thank you for standing by. Welcome to The J.G. Wentworth Company's Fourth Quarter and Fiscal Year 2014 Earnings Call. During the call, all participants will be in a listen-only mode. After the presentation, we will conduct a question and answer session. At that time, those with questions should lift their phone receiver and press star, followed by the number one on their telephone keypad. To cancel a question, please press the number sign. If at any time during the conference you need to reach an operator, please press star, followed by zero.

Please note that this call is being recorded today, March 12th, 2015 at 10 am Eastern Time. I would like to now turn the meeting over to your host for today's call, John Schwab, Chief Financial Officer of The J.G. Wentworth Company. Please go ahead.

John Schwab: Thank you, Operator. Good morning, everyone, and thank you for joining the J.G. Wentworth Company's conference call for the fourth quarter and full year of 2014. In addition to our financial results, we have included a brief presentation covering our key accomplishments and an update on our progress to become a diversified financial services company. 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 Generally Accepted Accounting Principles before amounts related to the consolidation of securitization and permanent financing trust that we use to finance our business, non-cash compensation expenses, provision for or benefit from income taxes, and certain other expenses. 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 ongoing operations.

In addition, the add-backs described above are consistent with adjustments permitted under our term loan agreements. Please refer to our earnings release for a reconciliation of 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, John, and good morning, everyone. We appreciate you joining our equity investor conference call to review the fourth quarter and full-year 2014 results. We're going to set up today's call in four parts. I will start with a brief recap of the fourth quarter results and updates on our business performance in the quarter. I will then ask John to provide a detailed overview of the core business financial results. I will then update you on our diversification strategy and our progress on becoming an information-based company. Lastly, we will open up the call for questions. So with that, let's jump right into the results.

The Company performed well in the fourth quarter with total receivable balance, or TRB, finishing at 266.2 million, up slightly from the fourth quarter 2013 TRB of 260.5 million. We had adjusted revenue of 63.8 million and delivered an adjusted net income of 9.1 million. For the quarter, we delivered an earnings per share of \$0.31. The results reflect the hard work of the team of professionals who are passionate about their jobs and want to see the core business grow. As I've stated before, the core business is our number one strategic priority and we are focused on a range of initiatives to fuel that growth.

The Oktoberfest promotion launched in the fourth quarter led to December being the highest month of unit fundings since July of 2013. The team is making progress on several initiatives and will continue to leverage our marketing and emerging information management capabilities. As evident in our last year's results, our core business vary somewhat quarter-to-quarter, related to the size and timing of the pipeline of potential deals and the impact of changing interest rates. The digital and information-based initiatives are starting to be felt and I am very pleased with the speed by which information is being embraced by the core business. These capabilities will also serve us well with new product offerings.

Recently, we made announcements that we were entering new product lines. However, the work started months ago as we started getting the Company fit to grow. We rebranded the Company to The J.G. Wentworth Company. We migrated to what is becoming a transactional website

and we are moving to a business unit structure to accommodate various business lines.

In February, we announced the departure of Randi Sellari and the elimination of the Enterprise COO role by aligning the organization into business units reporting directly to me. I want to thank Randi for her service and contributions to build a leading structured settlement payments purchasing business. She will always be a friend of the Company and we wish her well in future endeavors.

The newly created business unit, Annuity and Structured Settlement Payments, is already being led by Randy Parker. Randy has been with the Company for more than 12 years and has been involved in all aspects of our structured settlement purchasing operations.

The initiatives included on Slide 3 are a representation of just of a few of the opportunities Randy and his team are focused on for continued growth. These include clear operating performance metrics that we launched earlier this year throughout the purchasing floor, and are based on the Oktoberfest promotion learnings. Additionally, we extended hours of operation to include weekends and are currently testing results.

We are further segmenting the structured settlement database and modeling data in our effort to improve response and conversion rates. I am encouraged by the innovation and dynamic approach owned by the team and look forward to updating you all on their ongoing progress. Also of importance is the segmentation that is occurring between our TV, web, and direct-mail response and conversion rates. We will continue to drive for maximum effectiveness by each marketing channel.

Now, let me turn the call over to John Schwab, our Chief Financial Officer, who will go into greater detail on the financial results for the fourth quarter and full-year 2014. John?

John Schwab: Thank you, Stewart. Let me begin by first saying that we are pleased with how the Company finished the fourth quarter. We ended on a positive note with TRB for the quarter of 266.2 million, slightly increased from the third quarter TRB of 263.2 million and increased from the prior year period by 2.2%. Our TRB spread margin in the fourth quarter was 20.2% compared to the same period last year of 17.6%. Spread revenue was also up by \$7.9 million over the fourth quarter of 2013 at 52.5 million compared to 44.6 million in the fourth quarter of '13. Both the increase in spread margin and spread revenue were driven by lower cost of funds.

Total revenue ended at \$127.3 million, which represents an increase of 20.7 million from the fourth quarter of last year. This

was primarily due to the impact of the decrease in cost of funds on unrealized gains on VIE and other receivables. Interest income was also up by 1.7 million, mainly due to an increase in our finance receivables balance.

Moving on to expenses, we have seen a decrease in the overall fourth quarter 2014 expenses as compared to the same period in 2013. Advertising spend ended at 16.2 million, down from last year by 2.4 million. This was primarily due to a lower volume of media placement at the end of the year.

Interest expense in the fourth quarter decreased to 50 million from 53 million in the fourth quarter of 2013, primarily due to the net decrease in the principal amount of our term loan, an interest rate reduction that occurred in December 2013. Interest expense on our term loan was 10.2 million for the fourth quarter of 2014, of which \$2.1 million was non-cash. The 10.2 million compares to 13.5 million in the fourth quarter of 2013.

Adjusted net income decreased from 11.2 million in the fourth quarter of 2013 to 9.1 million in the fourth quarter of 2014. This was driven primarily by the \$14.2 million gain on extinguishment of debt in the fourth quarter of 2013, offset by increased spread revenue from the lower cost of funds and lower interest expense in the fourth quarter of 2014.

Now I'd like to briefly touch base on the full-year results for 2014. TRB purchases were down slightly from last year, ending at \$1.08 billion as compared to 1.13 billion in 2013. The variance was mostly driven by the decrease of new life contingent originations for 2014. TRB spread margin was 20.3% in 2014 versus 19.1% in 2013. The increase of 120 basis points and the spread revenue increase of \$3 million to 213.6 million was driven primarily by the lower cost of funds.

Total revenues were up to 494.4 million from 459.6 million in 2013. This \$34.8 million increase is made up of a \$47 million increase in unrealized gains on VIE and other finance receivables, long-term debt, and derivatives, and a \$14.5 million increase in interest income. This amount is offset partially by \$14.4 million decrease in realized and unrealized gains on marketable securities and a \$13.9 million decrease in the gain on extinguishment of debt.

Focusing on full-year of expenses, advertising spend ended at 68.5 million from 70.3 million in 2013. This was primarily due to media placements at the end of the year and timing of Internet and TV advertising initiatives. Interest expense for the full-year was 200.8 million, an increase of 7.8 million which was due to an increase in interest expense associated with the securitization that incurred in 2014. Compensation and benefits expense

decreased to \$41.1 million from \$42.6 million for the year, primarily as a result of the cost savings associated with the downsizing of our Boynton Beach office.

Net income increased to 96.6 million as compared to 61.8 million in 2013, primarily due to the increase in unrealized gains on VIE and other finance receivables, long-term debt and derivatives that resulted from a more favorable movement in the fair value interest rate used to value our finance receivables. This increase was offset by an increase in our interest expense.

Adjusted net income decreased to 43.6 million as compared to 46.6 in 2013, driven again primarily by the \$14.2 million gain on extinguishment of debt that occurred in 2013, offset by increased spread revenue and lower interest expense.

Some other important financial notes, as of December 31st, 2014 we had \$41.6 million of cash and equivalents on hand. Subsequent to the year-end, we closed the pre-funding component of our 2014 three securitization, and at the current time of over \$96 million of cash and receivables to be financed. The fair value of the Company's retained interest and finance receivables was 331.4 million at December 31st, 2014, as compared to 239.6 million at December 31st, 2013. The increase was driven by favorable movement in fair value interest rates applied to our retained interest and the three securitizations that were completed in 2014.

For the year ended December 31st, 2014, the Company repurchased 458,705 shares of Class A common stock for \$4.5 million at an average price of \$9.74 per share pursuant to our Stock Repurchase program. For the fourth quarter, the weighted average number of outstanding shares of Class A common stock, if all common interest in The J.G. Wentworth Company, LLC were exchanged, was 29,019,913 shares. Through February, the Company has continued to repurchase shares and has purchased an additional 176,968 shares for \$1.7 million at an average price of \$9.73 per share.

As we close out 2014 on a solid foundation, I'm excited about the strides we've made under Stewart's leadership over the last several months at The J.G. Wentworth Company. I will now turn it back to Stewart for some important updates.

Stewart Stockdale: Thank you, John. As I shared with you in our last earnings call, we are migrating to become a more diversified consumer financial services company and we look to leverage our core competencies that include our national brand that has 72% total brand awareness, our direct response expertise, our operational efficiencies and our funding platform. As mentioned, we are making significant progress on a digital and information capabilities.

As we look to diversify the Company, we took a build, partner or acquire approach to enter new lines of business. I am pleased to share with you progress on all three fronts in just one quarter's time. We made investments in our information and digital capabilities and look to capitalize on these in 2015.

Our new J.G. Wentworth consumer website will serve as a digital window to the Company. As new products emerge, consumers will be able to access us through our well-known call centers and now transact with us digitally.

On the information front, in just a short time we have transformed many of our internal processes and reporting to be information based, and are piloting several data initiatives to grow the core business. As our diversification accelerates, our information and data management approach will be a competitive differentiator and a source for unlocking new growth opportunities across the portfolio. Our customers, employees, partners, shareholders will all benefit.

It has been an exciting few months. Our first major diversification was set on building a new product set. The teams are preparing us to enter the large prepaid market. Our partnership with Visa brings together a team that has a proven track record for innovation in the prepaid space. Both of our respective teams have built highly successful programs in the past, including the largest gift card offering at the time. We remain excited about the opportunity to engage a broader population of customers with The J.G. Wentworth brand.

The team expects to be announcing agreements with a leading card processor and an issuing bank to complete the build-out to be ready to launch midway through the year. We look to selectively offer our thousands of core customers and prospects a reloadable prepaid product. Additionally, we have a few innovative ideas that may enable us to scale that category outside the walls of J.G. Wentworth; more to come over the next few weeks and months on this exciting market entrance.

The second path to diversification is centered on partnership. Recently we announced a partnership with AvantCredit to address the personal lending needs of our current and new customers. Personal lending complements our core business and provides a solution for our customers who already are contacting us through the 877-Cash-Now campaign. We will leverage our extensive marketing engine on the front-end to generate customer acquisition opportunities.

AvantCredit's platform make the credit process easier, faster, and more customer-friendly with real-time approval, and we will leverage the strength of The J.G. Wentworth brand to refer our current and new customers

for their potential personal lending needs. We look forward to working with AvantCredit in what will be what we believe to be a highly synergistic market.

To recap, we are building products to enter the prepaid category. We have partnered with AvantCredit to enter personal lending and we round-up our diversification strategy with a buy into the mortgage space.

The acquisition of WestStar announced on Tuesday, March 10th demonstrates our commitment and desire to enter a large market where we can quickly gain share. Already successful in their own right, WestStar represents the opportunity to access a new base of customers. WestStar specializes in conventional, VA, and FHA loans, and in 2014 closed 1.5 billion in new loan originations. The company sold or securitized half of the loans to government-backed organizations and half to third-party institutional investors.

Of course, if you take WestStar success on their own, including their talented management team, and you add to them our J.G. Wentworth national brand, our competitive call center expertise, our underwriting and back office capabilities, our ability to operate in a highly regulated environment, and our access to capital markets, we feel very confident that we can take WestStar to the next level and create a leading direct-to-consumer mortgage vertical that can be a viable competitor in the marketplace. With collective capabilities, it is not unreasonable that we will rise on the charts of national mortgage originators and gain share in this huge, huge market.

Subject to customary closing conditions and regulatory approvals, we look forward to adding the WestStar team to The J.G. Wentworth family and together driving strong growth and leverage of our combined assets. After closing, WestStar will operate as a newly rebranded division under the name J.G. Wentworth Home Lending. From the outset, we expect this acquisition to be accretive to our adjusted net income in the 15 to 20% range on an ongoing basis and anticipate closing in the third quarter of 2015. The 15 to 20% assumes WestStar's current earnings potential and we expect to create additional value over time as we bring to market our collective offerings.

For those of you that have followed the Company for some time, you are familiar with how we approach our balance sheet risk, primarily through the securitization process of the traditional structured settlement payment side of the house. While it is still early days and subject to evolve over time, we hope that the illustration on Slide 10 provides you with a high-level view of how we see a balanced and allocated share of balance sheet risk as we enter into new and diversified segments.

In closing, it is an exciting time at the J.G. Wentworth Company. We remain focused on: one, growing the core; two, becoming an

information-based company; and three, diversification. We have shared with you is the vision for the Company's growth. We have started to put the various pieces in place and now we turn the page to execution, execution, execution.

Operator, we are now ready to take questions.

Operator: Thank you. As a reminder, if you would like to ask a question, please press star, then the number one on your telephone keypad. Your first question comes from Moshe Orenbuch with Credit Suisse. Your line is open.

Moshe Orenbuch: Great. Thanks. I mean, I think there's—it's actually interesting you've got a lot of stuff on your plate, you know, in the last, just in the last few weeks. Maybe just focus a little bit on the mortgage acquisition because I guess that is kind of the largest market and I think it's a little bit different, right? I mean, and this is not exactly kind of a cross-sell. Could you talk just a little bit about, you know, what made you decide to buy something, and how do you think about the potential for that market for you and your customers?

Stewart Stockdale: Thank you for the question, Moshe. Obviously, when I got here we started to look at the three areas that I spoke about—you know, should we build something, partner with people, and buy—and we started going down all those paths. We had been in discussions with a mortgage company, WestStar, for quite a few months now and the more we started to get to know the folks down there, the management team, their core assets, we realized that they're a very well-run family-originated company, and they're very successful on their own. If you take a look at their success by themselves and then you start adding the type of things that we could bring to this independent mortgage company that include our brand, our call center expertise, our access to the capital markets, and even our back office capabilities, and you add those to this already successful company, it is our hope and expectation that we could grow share in this really large market. I think we can and I think that the synergy between both companies are very well aligned.

My belief is that if you put these two companies together and you let them run with the capabilities that we bring to the table, they're going to go up that chart and share in the category. As we buy it, we believe that the transaction is going to be accretive to us. They are a relatively small company in a very large market. We currently operate in a smaller market where we have a much higher share, but the importance is can we grow that share and have their growth prospects accelerate, and we believe that we can. As you know, we took other approaches on partnership and build, so the prepaid product we're going to build and the Avant product we're going partner with. But this one we're excited about the acquisition and we're excited about what it could become as a newly rebranded division for the company.

Moshe Orenbuch: All right. Just a—pull back a little bit. Could you just talk briefly about like how each of these three efforts kind of flow into the P&L over the course of the next year? Like, you know, maybe not the exact numbers, but, you know, what are we going to see from them with—talk about that a little bit.

John Schwab: Yes. I guess—Moshe, this is John. Thanks again for the question. In terms of sort of where we see, we see these rolling out, first, from a prepaid standpoint, the prepaid product is just in its early days and hasn't yet been launched. We expect that to happen sometime second, third, you know, midyear if you will, and so I think that's going to come in. We don't—as I sit and think about the future, we don't expect a tremendous amount of revenue growth, but I think we'll be reporting back as to the successes that we're having, and I think Stewart will report on that over periods of time. But we'll keep you guys—we'll keep the investment community updated with our progress as far as that goes.

As far as the loan originations go and our partnership with Avant, that Avant relationship, again, has just launched over this past week and I think what we'll look to do is report to you guys on the next call, again, the successes that we've had there and what that looks like, and then try to at least—you know, try to demonstrate a little bit of what that looks like and how that's going to roll in.

We will, again, be thoughtful about the information that we share with you guys, but, again, as we think about the current year, it's a cold start, if you will, now, although we have been getting these leads for a long period of time of getting the project off the ground, and I think will be something that we start to see some impact in the third and fourth quarter, you know, in terms of where that goes, but I think we'll update you next quarter with how that'll roll in.

Finally, WestStar, as we think about WestStar, we've said that we expect this to close in the third quarter and I think that's reasonable just giving some of the regulatory approvals that are out there; and as that comes in, that business has dealt—is completely different from an economics and revenue standpoint than the current business that we're in, so we would expect that that would show up as a separate segment and we'd be able to talk to a lot of the metrics and KPIs and the like that come out of that business because there's a lot of people that focus on those that follow the mortgage originators. So we will make sure that we have that broken out separately so as not to co-mingle with some of the other things that are there, but they will be in the total results of the Company.

Moshe Orenbuch: Great. Thanks.

Stewart Stockdale: Let me just add a little bit. On the prepaid said, we've built a really large program in the past in previous lives. We're going to partner with a processor, we're going to partner with a bank and we're partnering with Visa, so the cost for us to get into the category aren't very large. We will leverage the brand and cross sell against our own customer base, so we think that that's a very efficient investment, but don't expect us to put large dollars and investing in those into product. We think we could roll it out fairly cost efficiently.

Where it really gets big is if we get it outside of the walls of J.G. Wentworth and roll it out on a national basis and we have some few ideas that could potentially get us there, also very cost-effectively. The lending business, the personal lending, the partnership, that is very much a cross sell against our existing customer base. People calling us that we'll refer those that don't have a structured settlement. We will refer them to a lending partner. So the expenses on that front are also minimal and all of the loans that we generate, it's plus business so it's gravy if you think of it that way.

Obviously WestStar, that's something that will flow into our numbers starting, you know, the second half of the year and we think that's a good thing.

Moshe Orenbuch: Great. Thanks so much.

Operator: Your next question comes from David Sharf with JMP Securities. Your line is open.

David Sharf: Hi. Good morning. Thanks for taking my questions, a few. Maybe to start on the core business on advertising, you mentioned a few points there a few times that there were lower volume in media placements, I guess, at year-end. I don't know if going forward if this is just a kind of seasonal or timing issue or, you know, should we be thinking broadly about that 68, 70 million annual spend as a good kind of flattish figure that you can leverage over the next couple of years, or should we be modeling in some additional programs and higher levels this year?

Stewart Stockdale: No. This is Stewart. I would leave it around that same ballpark number that we did last year. What we are now spending a lot of time on is looking at the efficiency of TV, the efficiency of web, and the efficiency of even direct-mail and outbound calls. So the mix will change over time. Still model us around the same levels as this last year, but think of us as now being very flexible and opportunistic on which avenue and which channel we are pursuing faster. Of interest will be, as we start launching new products I think lending we won't have a special campaign for our personal lending. Right now we may have direct-mail campaigns and we may have more activity on the web. On prepay we won't do TV but we will do both direct-mail and cross sell against

our existing base and then try to get retail distribution outside of the walls of the Company.

Then what we'll do is we'll rebrand WestStar and it will be, you know, carry the umbrella name, J.G. Wentworth, and, you know, they're successful in their selves. They operate primarily through big partnerships with retailers and third-party aggregators as well as retail, and as we bring our capabilities, we'll look at other activities and whether we do TV campaigns or not it's something that we're exploring, but that would be separate to what we invest on the core business.

David Sharf: Got it. That's helpful. On the prepaid side, as you market this to your installed base, do you have a sense for, you know, how much—what percentage of both of those with structured settlements in addition to all the other inbound calls that I assume you're going to be marketing to? I mean, what part of that mix is actually a candidate for a GPR, meaning they're largely under-banked or don't have a current, you know, checking/saving accounts relationship.?

Stewart Stockdale: Yes. What we're doing on that front, we're actually segmenting all of our checks that we send out. If you think about it, we make payments to customers on an ongoing basis and sometimes we send an ACH and sometimes we send a check, and sometimes we send a very large check, and sometimes we do more of a repeat type customer where we're sending monthly checks. So part of what we're going to do is look at how—you know, sometimes we'll offer the card as an additional product to a check, sometimes we'll offer it instead of, and we're going to test a lot of different ways to engage our current customer base so that they could leverage a very secure Visa-branded prepay product.

For those that are taking checks and they have to go to a check cashier to cash it, this is actually a more efficient buy because they could actually withdraw it through an ATM, which is at a better rate. But we're going to be testing a lot of avenues and our hope is that we will be able to load quite a few dollars onto it. We're not going to put very large amount onto the card, but we may add a card in addition to a check that's been sent so that customers could get, you know, get the brand, get the brand in their wallet. Then also very importantly, as we send future payments, because a lot of our business is repeat or amendments, people that come back for a second amount of money, maybe we could send it directly to the card or the bank product.

Remember, these are bank products. The card is the vehicle but it is a bank product. So we're, you know, our own base is something that will get out. We'll test it, we will hopefully be successful with it, and then what is really exciting is if you take that brand and you start playing outside of the walls, then the economics really get fun if we're able to—if we're successful at it.

David Sharf: Got it. Got it. Did you have an issuing bank pretty much lined up yet?

Stewart Stockdale: Yes. We're very far down the path with both a bank and a very large processor, and this is something we've done before and that's where the magic comes in. It's really being able to have, you know, us as what we call the program manager. The funds will actually reside at a bank, a third-party bank that's a federally chartered bank. The processor will be engaged in a lot of the variable costs associated with the management of the program, and then, of course, Visa. We've worked with Visa, you know, for years in the past and they're great at working with us and very supportive on some of the great ideas that I think the team here has.

So we're excited about it and, in fact, we're excited about all three opportunities and I think that's something that we're focused on. I mean, we're a company that's primarily a monoline where we have various sub-products, but we think that we can be successful at launching all of these new arteries for the Company.

David Sharf: Got it. Got it. I guess lastly on the mortgage acquisition, can you give us a sense for how much of the volume lately is related to refinancings and I guess what level of, you know, refinancing activity is sort of factored into that 15 to 20% static outlook right now for accretion, I mean, what your assumptions are around refi volumes as it relates to their business?

John Schwab: Yes. David, it's John. Yes, again, obviously with the rate change that occurred in the fourth quarter, certainly there was a big influx of the number of refis that took place in the fourth quarter than are flowing into the first quarter of this year as you would expect. Obviously, we've all heard the expectation for rates to be raising in the past. I would tell you, like, through the first six months as an example, you know, they were about a 50-50 split between refi and purchase, and so the Company certainly has the ability to do a great job in terms of originating purchase money purchases, not the refi activity.

So as we went forward, we went through the production. I'm not going to get into the details of how we split the breakdown for the projections in our assumption of accretion, but I think we are acknowledging what the forecasts for interest rates are going to be and expect that that will be—could be a bit of a lesser part of their business as the year goes if rates rise, as expected.

David Sharf: Got it. You know, without necessarily going into kind of the line items of WestStar, can you walk us through, you know, ultimately how they're earning their money right now? I mean is the bulk of it just a servicing fee on the originations they're selling or securitizing? Is the bulk of it a gain on sale

associated with that? I mean, just so we have a feel for what we're going to be tracking.

John Schwab: Yes. No. David. I think it's fair questions. I think when you think about the majority of the revenue that's being generated here is through the gain on sale and the origination of the mortgages that are out there. As Stewart had mentioned and we mentioned in the press release, the Company sells the mortgages, if you will, to institutional investors on one side, as well as some of the government-backed agencies on the other which is about roughly a 50-50 split if you think about that. That's how that goes.

On the items where they're selling to the government-backed organizations, they do retain the servicing for those items. They're servicing books was about \$2.5 billion, if you will, roughly at the end of the year, and so that's sort of a number to think about; and they keep it—and obviously there's an MSR value that's on the books that's subscribed to the servicing rights that are out there, which is about roughly \$25 million.

So I would tell you the majority of the income is really coming from the origination, but there is some servicing revenue that obviously gets—that comes into the P&L and the company doesn't do the servicings themselves. They use a third-party sub-servicer to manage that activity.

I'll just add—I mean, one of the things that we like about that business, and literally the three businesses that we're talking about, is that they're very transactional in nature, and of course, there's balance sheet and we think that it's a manageable balance sheet risk and they're selling off all these loans where we're actually holding onto books is limited, and of course we have to execute and be able to be good at that, but, you know, historically if you look at what we're good at is generating volume and so think of that front-end engine, and for somebody like the mortgage business can we really make them a leading mortgage company in the country and compete with some of the bigger guys? We think we can and not have to carry on that huge risk on the backside and that's a little bit of why we like the model as well and I know that's something that's on investors' minds.

David Sharf: Yes. You know, should we be thinking about it in terms of the operating leverage, you know, both positively and negatively similar to your core business? I mean, to the extent that you, for example are spending about 70 million on advertising kind of year-in and year-out, yet, you know, volumes can be very volatile in these structured settlement business. You know, you can obviously have big swings in earnings. Is there a lot of fixed cost involved in storefronts and employees at the mortgage space as well that there's (ph) this sort of similar dynamics that those costs are embedded in, you know, three to five (ph) volumes where a spike or drop precipitously, you know, we

could see kind of a similar degree of volatility quarter-to-quarter like we do in structured settlements?

John Schwab: David, I think—this is John—I'll start. I mean, from a volatility standpoint, obviously the mortgage business, you know, is an interest rate sensitive business as the structured settlement business is. I think the WestStar team has done a great job of building balanced organization that includes both the retail, as well as the direct channel, and how they generate their income is, you know, very sound. I think, you know, if you think about it, the number of retail operations that they have, it's about 20 or so of retail fronts, and you know, about roughly 25, 30% of the revenue is kind of coming through the retail channel, the other is coming through the direct channel, which really includes a lot of affinity relationships that they have with others. So, again, that will flex as demand flexes, certainly in the distribution side.

Again, I don't think that the retail component is a massive cost driver in the business. The Company has been very mindful of costs as they've grown the business and done a great job over time, and so we feel pretty good about what the team has done and what we are getting into from a balance standpoint.

Stewart Stockdale: I'll just that, I mean, if you look at their business, I mean, they don't spend a lot on marketing, okay, so that's a huge difference. They have a—the WestStar brand is known in their constituencies, but it's not a nationally recognized brand as J.G. Wentworth is, so immediately, the leverage that they're going to have—and I'm not suggesting that we're going to go spend \$70 million on mortgages, but we believe that through the partnerships that they have and we look to add some of those and you look at the retail distribution, then what we bring to the table through a direct channel I think that the complement is something that will be able to scale that business.

As far as their cost structure, a lot of it is variable. I mean, a lot of it ends up being loan officers, and if they're not producing business in that, their income goes up and down with seasonality. But the mortgage business is, because, you know, we don't—even if mortgages go up modestly this year, people start buying houses and as we go into the summer months we think it's a good time to be closing the deal and we're excited about it and we think that we could gain share, both in good times and when interest rates go up.

David Sharf: Got it. Got it. Just, one last, I guess, financial question on the mortgage business to help us. You know, is there an equivalent of a TRB margin, I guess, spread margin, how we ought to think about it since it's predominantly a gain on sale transaction that's accounting for the bulk of the revenue? I mean, is there something—obviously it's not a 20% APR business, but, you know, just so we can kind of think about it almost apples-to-apples to your gain on sale structured settlement model.

John Schwab: Yes. I would tell you obviously the mortgage originators run and look at a lot of their cost and a lot of their revenues in margins on a basis point basis. At this point, David, I don't have any guidance that I can give you as to sort of what that's going to look like on a go-forward basis. I'm happy to—as we get further into this I think we'll start disclosing that type of stuff to you guys, but right now I can't give you a number of what to expect as kind of a margin, if you will.

David Sharf: Got it. Got it. Thank you very much.

Stewart Stockdale: Yes. Thanks.

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

Steven Kwok: Hi. This actually Steven Kwok filling in for Sanjay. Thanks for taking my questions. I just want to go back to your core business. In terms of the TRB, any outlooks around what the TRB level could look like this year; and then also within some of the weather that we've gotten this year, are there—anything we should expect around the first quarter TRB volume?

Stewart Stockdale: Well, I mean you saw the numbers from last year and I mean, what I learned from last year as well was that we are a sensitive and quarter-to-quarter that the TRB varies and there's a lot of reasons why. But we've been generally a flat business, right, if you look at the last 12 months and so forth. Generally we're a flat business and we're putting a lot of emphasis on trying to grow that business and we're committed to growing that business.

What I like is it's fairly predictable. I like that it's profitable and I think that it's a great base for us as a company and, you know, we could get growth in that side of the house on an ongoing basis, then that's something that's really a plus because it'll help fuel some of the other stuff that we're doing with the other three initiatives that we just mentioned.

But, you know, generally we've been a flat business and then, you know, the first few months of this year were relatively flat to a year ago. But a lot of the new initiatives are starting to take place and we're hopeful that we'll grow the TRB for the year.

Steven Kwok: Great. Then around the spread revenues, that's been coming in—or spread margin, that's been coming in right around 20%; is that a good run rate to use going forward?

John Schwab: Yes. Again, so much depends on that, you know, with respect to sort of the interest rates and where things hold out. We've been,

you know, as I described in sort of the back and forth with some of the financial results and spread revenue margin has a lot to do with the cost of funds and the cost of funds has been—if you look at just this year, it's been tremendously volatile between where we ended December, then January and February. There's been a tremendous amount of movement there and so that has a significant impact on the margins that come out of it, and so I think that's the one thing that, you know, we have tough time predicting because of the variabilities around interest rate movement and where that goes. We typically look at the 10-year swap as an indicator of sort of where things go and then our cost of funds also then includes a premium month after that.

But, you know, it's been a volatile—it's been volatile so I just would just say that to you, and that's no different than it's ever been. It's just that it's moved around, but the first quarter there's been—it's been moving pretty volatily.

Steven Kwok: Got it. Then lastly, just around the debt issuance cost, I think that you incur that that only when you do a securitization. Is the thought process still that you'll do three securitizations this year, and should we use 2014 as a good proxy?

Stewart Stockdale: You know, our thoughts on securitization are obviously that, you know, we plan to get out there. We get out there with regularity and in size and, you know, three securitizations per year are something that's worked well for us. I think that we get with a nice size there. People are used to seeing us on a regular basis and the product performs well, so that all is very good for us.

We still think we will be in the market three different times. You know, the timing is always fairly uncertain with respect to where it's going to—when they're going to hit and when they're going to fall because of a lot of different conditions that are out there. So I would just say, you know, we do expect three times. I just can't tell you say exactly when, based on, you know, a lot of things that are still moving around right now.

Steven Kwok: Got it. Should we expect one in the first quarter?

Stewart Stockdale: Yes. It's hard to say. We usually target, you know, the end of first quarter, early second quarter timing for our initial one. So, you know, again, a lot of things depend on that.

Steven Kwok: Great. Thanks for the questions.

Stewart Stockdale: Sure.

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

Michael Del Grosso: Hi. Thanks. All my questions have been answered.

Stewart Stockdale: Thanks.

John Schwab: Thanks.

Operator: Your next question comes from Jim Fowler with Harvest Capital. Your line is open.

James Fowler: Sorry for the delay. I was on mute. Thanks for taking my question. Just one quick detail; on the servicing asset that you mentioned, 25 million, MSR 2.5 billion, it looks like it's valued at about a point which seems fair; is there any leverage against the MSR?

John Schwab: There's a very modest amount of leverage against the MSR at the current time.

James Fowler: How much? When you say modest, is that 50% or...?

John Schwab: About 3 million.

Stewart Stockdale: A couple of million. Three million dollars

James Fowler: Is part of your purchase agreement that they can't leverage that anymore?

John Schwab: The purchase agreement has a tangible net worth component of \$30 million and it needs to be delivered at close.

James Fowler: Okay. Tangible net would be ex the MSR leverage?

Stewart Stockdale: Tangible?

John Schwab: Now, you would include the leverage, right? I mean, that's part...

Stewart Stockdale: Sure. Yes.

James Fowler: Okay. Great. Okay. Then just one last detail, if you look at 2014 results for the company, if you took out, gosh, let's say 40 or, you know, the majority of the refinancing activity from 2014, and you took out the variable compensation related to the refinancing volume, so essentially you have purchased mortgages, maybe some small level of re-fi for housing turnover and

the like, and the fixed cost of the business, was the Company profitable on a pretax basis?

John Schwab: Jim, that's certainly a detailed question? I don't have the answer to—you know, if you stripped out all of the re-fi business out of the business what that looks like. Again, I think the Company has done a great job, as I've mentioned, of running a very clean shop and efficient shop, and has had a nice balance between the retail as well as the direct. I don't have the answer to your question is the short answer.

James Fowler: I mean, that's kind of a yes or no. I mean, I'm trying to phrase it that way coming from the perspective of I think if you look at it that way, though, say rates are going up, re-fis are going away; is the core business profitable on a purchase basis?

John Schwab: I mean, listen. We think it's a great business and we think the business is profitable. All of those scenarios that you just built in are ones that I just haven't run and don't have that in front of me. That all—that's the reason that I'm answering as I did.

Stewart Stockdale: But it's a profitable business and it's a growing business and we love the profile of it.

James Fowler: Okay. Great.

Stewart Stockdale: Yes.

Operator: Your next question comes from Marcelo Lima with Heller House. Your line is open.

Marcelo Lima: Hi. Good morning, guys. Obviously all these announcements are very exciting and interesting, but I just wanted to go back again to the core business since that is the backbone of the company. Could you just give us a little bit of an update on what denial rates have been recently, if you've seen any change from last year; any trends that you could talk about. Also, whether the market for structured settlements has grown or shrunk or whether you think it's stable, and whether you continue to find opportunities to perhaps make acquisitions in this space.

Stewart Stockdale: Great. Marcelo, thanks very much of the question. The first question on denials, you know, again, I think we mentioned that probably in the first quarter of last year that denial rates had picked up and we had seen that. I think on each of the successive calls that we've had I was happily able to report that those denial rates had sort of started to moderate back to where they had been historically, and I would tell you now having gone

through the full-year, I think it's—they have moderated back to where they were historically over the long period of time.

We didn't see any change in the fourth quarter. It feels like business as usual. Again, I think we created a lot of the stir in the industry a year or so ago going public and some of things that were out, and some others things out there and again, we've see that come back. So we're very pleased with sort of how that's gone. Go ahead.

John Schwab: I'll just that, I mean obviously it's a very competitive market and, you know, we see new and old competitors on an ongoing basis. I don't know that I've seen any real statistics on the growth of the category out there. We believe we hold our own and I don't know that there's competitors taking our lunch, but I think it's a relatively flat industry overall. A good question is: are other industries, you know, having an impact on us, i.e. lending and things like, and then, you know, you may make a case for it or not. But it's really tough to measure that.

Generally speaking, we think we're holding our own and the category is relatively flat, generally, is kind of the way we look at it and we think we're holding our share, but, again, there's no real statistic that I've seen on real, you know, share metrics that I could measure and able to answer that question.

Marcelo Lima: What about the potential acquisitions in the space in the core business?

Stewart Stockdale: You know, we—even before I got here, that was one of the strategies, and when you buy another player as are you buying the database, and the question that we've had—we've failed to be able to answer is can we find another company where the database is really fresh and it's adding real names to our database. So we think we have the cream of the crop as it relates to database and we're spending a lot of time, you know, looking into that and analyzing and modeling that database.

So there's no big company out there that we could go acquire that we could see. If somebody comes around, we will obviously take a look at it, but we are doing is buying blocks of business, and that's something that we will continue to do, which are smaller type of deals that some providers bring to us, and then we bring it on and we securitize it ourselves and actually go through our entire underwriting process. We do that on an ongoing basis. We did the last year and we'll continue to do that this year. But as far as big, big acquisitions, you know there are few and far between as far as I'm concerned going forward.

Marcelo Lima: Stewart, given your background and your, you know, in a previous life, do you think that there's any opportunity to create a money transfer business that builds on top of this whole network that you have and all the contacts in advertising?

Stewart Stockdale: You know, I've actually talked to some of those players and more on the reload side right now. I mean, if—we're going to need—as we're getting into prepaid—some of those providers obviously provide the network to reload cards at retail, and so obviously I have the relationships. When I started the process and we started looking at all of the different products that we could get into—and there was probably another three or four or five that we actually could—and it wouldn't be unreasonable at some point to look at that category—I'll tell you that, you know, I mean we could put a website on and put a link in an private label that and really get into that business that way and be more of online player. Given all of the things that we have on the table right now, I could assure you that we're really focused on the three that we've got. People ask me is there another two or three other things that you guys want to do, and of course, there is, but right now we literally laid the cards on the table. We've got three major initiatives—prepaid, personal lending, and mortgages—and what I like to look at is could those new businesses be as big as our current business and that's the threshold that I put on the table, and so anybody that's coming with a new idea—and we get our own team coming up with new ideas all the time—I want to make sure that we're focused, that I could look at the white of the eye of the people running the businesses, and that they're going to deliver on what we promise on each of these; and although there's other products that come to mind, whether it be money transfer or something else, right now the focus is on the three and if we could hit on the three and be successful and grow the core, then I think we have a wonderful story going forward. I think over the course of the next few weeks and months and so forth is we're going to be telling you how we're doing against these four initiatives: our core, our three new initiatives, and you'll be the judges on our success. But I promise you we've now put on our minds to execute and I think that the team that's here and it certainly has been my background is to deliver what I promise and that's what I'm trying to do, is we're going to go out there we're going to do the best of our ability and we think we have three great initiatives that are going to keep us really busy for the next few weeks and months.

Marcelo Lima: Great to hear. Congratulations and good effort.

Stewart Stockdale: Thank you.

Operator: Your next question comes from Jim (Inaudible) with (Inaudible) Partners. Your line is open.

Male Speaker: Thank you. Good morning, guys. Can you tell me what the discount rates you used for the fourth quarter for your VIE receivables as well as the debt in the securitizations?

John Schwab: I just—we do not have the—I don't have the discount rates in front of me right now as we sit here. We'll disclose—we'll have that information in our Form 10-K which we'll be filing tomorrow or Monday. It's due Monday, but we expect to file tomorrow.

Male Speaker: Okay. Anything for net operating cash flow?

John Schwab: I do not. Again, that'll be some information regarding that—surrounding that will be included in the filing as well, obviously the cash flow statement itself.

Male Speaker: Wonderful. Thank you very much.

John Schwab: You bet.

Operator: Again, if you would like to ask a question, please press star, then the number one on your telephone keypad.

There are no further questions at this time. I turn the call back over to Mr. Stockdale.

Stewart Stockdale: Well, thank you very much. I want to thank everybody for joining the call. If you have additional questions, please feel free to call me directly or call John and we will try to answer your questions, but thank you very much and have a good day.

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