

JGWPT Holdings Inc.
Second Quarter 2014 Financial Results
August 14, 2014

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the JGWPT Second Quarter 2014 Financial Results Conference 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, August 14th, 2014, at 10:00 AM Eastern Time.

I would now like to turn the meeting over to your host for today's call, Jennifer Gambol, Head of Investor Relations for JGWPT. Please go ahead, Ms. Gambol.

Jennifer Gambol: Thank you, Operator, and thank you, everyone, for joining JGWPT's conference call for the second quarter of 2014.

Statements in this conference call and in our earnings press release issued this morning, other than historical facts, are forward-looking statement. 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 permanent financing trustees 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 (inaudible) 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 would like to introduce Stewart Stockdale, our new Chief Executive Officer.

Stewart Stockdale: Thank you, Jennifer, and good morning, everyone. We appreciate you joining our equity investor conference call.

First, I would like to thank David Miller for his years of service to this organization. He led the Company through the financial crisis, was instrumental in diversifying our financing sources, and led J.G. Wentworth in its merger with Peachtree. David brought us to where we are today and we all thank him for it.

Today, I will give you an overview of my background, touch on the results for the quarter and discuss my early high-level findings and priorities going forward. I will then ask John Schwab to provide a detailed overview of the financial results. We will then open it up for questions.

I've been here a couple of weeks and I am excited to be here. I think that my background in consumer financial services and marketing is relevant in taking the Company to the next level. Most recently, I had the opportunity to work in private equity with Summit Partners. It was a great experience and very helpful to me today.

Prior to Summit, I was leading the global consumer financial services business for the Western Union Company, one of the most global brands. Before Western Union, I served as President of Simon Brand Ventures and Chief Marketing Officer of Simon Property Group, a leading retail real estate company. I have also held various leadership positions with Conesco, MasterCard Worldwide, American Express and Procter & Gamble. I think my experiences are beneficial and have provided me the right set of tools to lead the Company into its next chapter.

As far as the second quarter results, John will cover them in detail. The Company had a great second quarter, growing adjusted net income to 17 million, which represents an increase over the second quarter of 2013 of 6.7 million. The Company grew total receivable balance, or TRB, to 288 million, which is up from last quarter's TRB of 261 million, demonstrating the team's hard work and push for success. These positive results will serve as a foundation for our strategic plan going forward.

Over the course of my first few weeks here, I have met a very talented Management team. We have been spending time together and getting to know each other. I am very happy to have joined this team and look forward to realizing our full potential together by leveraging our core competencies and becoming a high-performance team.

I see many competencies throughout this organization. Some of them include our national brand, J.G. Wentworth and Peachtree; our direct marketing capability; our operational and underwriting proficiencies; our low cost to funds; and our winning culture. Most importantly, I am particularly impressed by our people. I have held numerous meetings with many internal groups, getting a sense of what drives them, and our culture. We have smart and ambitious people who want to succeed. Overall, these core competencies provide an excellent foundation to build a Fund.

My initial priorities are to continue to get to know the people, the business and the current trends in the business. I don't just mean reviewing the financial statements, but looking at the white of the eyes of employees and getting their sense and mood of where the business is headed. I want to fully understand our challenges and our opportunities.

Going forward, our three key strategic pillars are: number one, grow the core. We are market leaders in the competitive, structured settlement payment purchasing industry and we should always strive to strengthen our position in the category.

Number two, become an information, data and analytics Company. This will help the core business and provide the foundation for additional products and new services. We generate a lot of contact and in turn—that turn into prospects. It is important that we capture information at every corner. Over time, we will be known for being a leading-edge, information-based enterprise.

Number three, we will migrate to become a diversified consumer financial services player through the building, partnering and acquiring of products that are logical extensions to our structured settlement core. We have a number of ideas that we are currently reviewing and other opportunities that we will pursue. We look forward to sharing some of that with you over time.

Finally, nothing else matters if we don't execute. My style (ph) has always been to motivate and empower teams, change paradigms and deliver on what I promise. We will measure our progress against our priorities on an ongoing basis and you will see the results.

I will now turn the call over to John for a review of the second quarter financial results.

John Schwab: Thank you, Stewart. We had a great second quarter with TRB at \$288 million, showing sequential improvement of 27 million. That, combined with the lower cost of funds drove our strong performance and were the primary factors in the increase of our adjusted net income, sequentially, and

on the year-over-year basis of 7 million to 17.2 million. Further, our continued focus on cost control has enabled us to lower our cost base compared to 2013.

Getting into some details; the total TRB for the quarter of 288 million was up sequentially from the first quarter TRB of 261 million, but decreased from the prior year of 295 million. TRB's spread margin for the second quarter was 20.5%, as compared to 18% in the second quarter of 2013, which is an increase of 260 basis points.

The second quarter 2014 margin includes approximately \$2 million of spread revenue related to the purchase of an asset portfolio.

I want to point out, to enable a more meaningful calculation of spread margin, we have provided additional detail in our press release to break out TRB between secured price product purchases, life-contingent purchases and pre-settlement funding. In addition, we've also added some additional quarterly metrics to facilitate data trends over time.

For the second quarter, revenue was \$123.5 million, which represents an increase of 56.8 million from the second quarter of last year. The increase in revenue was driven by our unrealized gains, primarily due to lower cost of funds. The rates continue to be favorable after quarter end, which was evidenced by the successful execution of our 2014 to securitization.

Interest income in the second quarter was 22.9% higher than 2013, due to the securitizations completed in 2013 and in 2014. This was offset slightly by lower interest income on our pre-settlement and other portfolios.

Our adjusted net income for the second quarter was \$17.2 million, compared to 10.5 million in the second quarter of 2013. The increase in ANI between the periods was largely driven by our lower cost to funds as well as reductions in our operating expenses.

Advertising expense decreased from the second quarter to 16.4 million, from 17.3 million in the second quarter of 2013. This decrease was due to the timing of our advertising initiatives. As we develop TV production, you will see quarter-to-quarter variances in our advertising expense. For instance, we launched our new Peachtree branding campaign last week and you will see the production cost for the new campaign hitting the third quarter of the year.

Interest expense during the second quarter increased to 50.7 million from 43.3 million in the second quarter of 2013, primarily due to an increase in debt from securitizations, but partially offset by the net decrease in

principal amount of our term loan and interest rate reduction that occurred in December of 2013.

Interest expense on the term loan was \$10 million in the second quarter of 2014, down 2.3 million from 12.3 in the second quarter of 2013.

Compensation and benefits expense and general administrative expenses for the second quarter were down by 1.1 million and 1.6 million, respectively, compared to the second quarter of 2013. These decreases were driven primarily by the savings associated with the downsizing of the Company's Boynton Beach office and certain operational efficiencies from our cost savings initiative.

Professional and consulting fees were up 11% or approximately \$500,000 compared to the second quarter of 2013, due primarily to outside legal fees associated with the March 2014 CFPB inquiry.

Now, some notes on our financial condition. At June 30, 2014, we had \$35.4 million of cash and equivalents on hand. The fair value of the Company's retained interest and finance receivables was 294.6 million at June 30, 2014, as compared to 234.9 million at June 30, 2013.

During our second quarter, we purchased 88,000 shares of the Company's common stock and open market transactions, for \$917,000 in conjunction with the previously announced share repurchase program. We'll continue to assess our cash position and consider opportunities for additional share purchases in the future.

After the close of the quarter, we completed our 2014 to securitization and received net proceeds of approximately \$59 million. As a result of this transaction, the balance of our current cash and receivables to be financed is over \$110 million, currently. Please keep in mind that the costs related to the securitization will be reflected in our third quarter financial statements due to the timing of the closing.

So, in summary, we had a strong quarter. We were able to grow our TRB sequentially and increase profitability. We're continuing to focus on driving growth, profitability and cost management in the core business. We are focused on building our strategic plan with Stewart and look forward to reporting on the progress going forward.

Now, I'll turn things back to Stewart.

Stewart Stockdale:
the lines for questions?

Thank you, John. Operator, can we please open up

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

Your first question comes from David Scharf from JPM Securities. Your line is now open.

David Scharf: Yes, good morning and thanks for taking my call. Stewart, welcome. I guess, first question would be, maybe just to follow up on some of the trends that surfaced in the beginning of the year related to judicial review and approval. Is there any update you can provide us, either on specific regions or just on a national basis, how court approval rates are trending, whether or not they've changed materially from what you experienced in the first quarter?

John Schwab: Sure, David, thanks for the question. As we reported on our previous call, we had seen an increase in the denial rates early in the year, and I think on the last quarter we reported that the denial rate for the month of March had increased to 9.1% or so. Since that time, we believe the denial rates have moderated, certainly, and we've seen them start to move back towards our historical averages. So, where we had—were concerned or did not know whether that new 9.1% rate was a trend, you know, we don't believe it is so and we believe that we see things heading back to more normalized levels.

David Scharf: Okay, and just to be clear, John. You're defining normalized levels as more kind of the mid single-digit projection rates?

John Schwab: Right. We talked about mid single-digits kind of being where things were over a long haul. I think we're just headed back—we're headed, certainly, towards that. We're not there yet, but we certainly made some big progress in getting there in the current—over the current three months since we last spoke, so we're very pleased with that.

David Scharf: Got it, got it. Moving onto competition and just the pricing environment, any update there? I know that at the beginning of the year, there was discussion of—particularly more price competition from sort of one-off competitors. I know there's one in particular that is a name that keeps popping up, but in general, based on the both the prices that are offered out there as well as perhaps indications of stepped-up advertising, is there anything you can update on in that front?

John Schwab: Sure, and as we've talked about, we do operate in a highly competitive industry and we're confident in our position in the space. You know, our marketing, our brand strategy and brand recognition are aspects of the business that aren't easily replicated, making it tougher for new players to get into the market and really gain scale.

As you guys know, we spend about \$70 million a year on our marketing efforts, and you know, I can't imagine players reaching that same level. But the opportunity here, as Stewart talked about as he went through his remarks, is we have a tremendous opportunity and marketing advantage and we plan to continue to augment that with leading-edge information and other things as we grow the business over time. So, you know, from a competitive standpoint, we feel like we're in really good shape and our market position still remains as strong as ever.

Stewart Stockdale: I'll add to that, David. Being new to the family here, I can tell you that \$70 million over the course of various years is something that is not easy to achieve, and the brand awareness that we have with the two brands is phenomenal. Then if you augment that with information capabilities, we think that we'll further deepen that moat around us and we feel good about the competitive position that we're in.

David Scharf: Got it, got it. As it relates just to the pricing environment, I mean, you know, clearly you remain the 800-pound gorilla and the brands are, far and away, the most identifiable but I know they're always kind of pockets of several months here and there where you do start to see, you know, stepped-up price competitiveness from some other players. Has that seemed to have moderated a bit from what you witnessed in the first quarter?

John Schwab: It continues to be competitive, David, but we haven't seen any material changes in the period. You know, we went off with that shared deal. As you guys know, we've got a great cost to fund and we were able to win the transactions, but we haven't seen a real material difference in the competition levels.

David Scharf: Okay. Good, good. Just a couple, you know, modeling questions and then I'll get back in queue. You partially answered the question in your prepared remarks, John, I think, on advertising. It sounds like what we'll see is sequential tick-up in the third quarter with the Peachtree launch. But in general, as we think about, you know, modeling an annualized figure, is the low 70 millions still an appropriate budget, based on any analysis of new opportunities or new TV campaigns in addition to the two launched this year? Should that—is that a figure that's likely to increase materially going out a year?

John Schwab: I think, David, as we think about it, we ran about \$70 million in 2013, and as we've said, you know, marketing's going to vary depending on opportunistic ways that we can enhance and increase the number of leads, number of contacts and other things that come along the way. I think, you know, the 70 million is good number that we've been shooting for, but I think, again, with some of the changes here and the reevaluation of a lot of things that we're working on, I think that, you know, there's an opportunity to work on that

and change that in the direction. So, I don't really have a good update and can't give a whole lot of guidance as far as that goes, but maybe Stewart can give some.

Stewart Stockdale: Yes, I'll add a little bit. I mean, obviously we're going to spend around that amount in the foreseeable future. I think the more important question is how to—you know, direct—the direct marketing that we do is very measurable, because we're not building brand only, we're also getting direct responses so we're getting response rates and we really know what works. So, what you'll see us do is test a lot of stuff on an ongoing basis on top of what we're already doing, and then we'll measure more—probably not so much the number, but where do we spend our dollars? Would it be on the web, would it be on TV? So, we'll look to maximize the response rates and the conversion rates going forward, so that's something that we will continue to do.

David Scharf: Got it. Are you noticing any impact in consumer demand as we start to see prime credit card issuance, you know, finally turn the corner and increase issuance? Are you seeing—you know, any sense that your consumers may be seeing alternative sources of capital at comparable rates?

John Schwab: Yes, at this point, David, we haven't begun to see any big, massive shifts in trends or shift in rates, you know, as far as that would go, from a volume perspective. But, you know, obviously if things were to develop in that way, we'd certainly—materially, we'd make everybody aware.

David Scharf: Got it. Lastly, John, in terms of dead issuance costs, you closed the 2014 second securitization in Q3. Should we still think about 2.5 to 3 million per quarter, or in those quarters in which you affected securitization as the right level?

John Schwab: Yes, David, I think if you look back over the last three securitizations we've done, the average was just in the low \$3 million numbers and I think that's something—a fair base to base things on. We're still—as you would expect, we're still adding up the costs now as the transaction just did close but I think that's probably a fair thing to look at is the historical trend for modeling that amount.

David Scharf: Great, thank you.

John Schwab: You bet.

Operator: Your next question comes from Moshe Orenbuch (ph) from Credit Suisse. Your line is now open.

Moshe Orenbuch: Great, thanks. I'm not sure if I missed it or not. Could you talk a little bit about the acquisition that you did make and whatever else might kind of be out there prospectively, and talk a little bit about that?

John Schwab: Yes. First, Moshe, thanks for the question. From an acquisition standpoint, I had mentioned that we did a portfolio acquisition in the quarter. As many know, we have a wholesale business that we operate in the normal course of business where a buyer will purchase structured settlement payment streams from other originators that are out there. During the quarter, an opportunity presented itself to us from another originator to purchase a larger—you know, a big—a portfolio that they had and they were looking to monetize. We were able to do so and we were able to then include that into our securitization that was completed after the period. So, it was an asset acquisition versus a business acquisition, just to be clear. Also to be clear, we did not include any of the TRB associated with that purchase in our TRB numbers, just to be clear on that.

Moshe Orenbuch: Got it, okay. Maybe then, just to kind of relate to what you're seeing in terms of the potential for acquisitions or companies? I mean, is that still something that you're looking at as we go forward?

Stewart Stockdale: This is Stewart. You know, we've been fairly local about diversifying the Company over time, and so that is our goal. I think information will really help as we analyze all of the data and modeling capabilities that we will have on what are the next most likely products to have.

Short-term we are. The team has been looking at a number of acquisitions and partnerships that I am currently reviewing, so I'm asking you for a little bit of a time-out as it relates to just giving me time to review that. But that is the goal and you will see that over time we will partner, build or acquire new services, new products to add to the arsenal. So, we are looking at stuff short-term, as well as stuff that will go more into mid and longer term.

Moshe Orenbuch: Great. Now John, you had alluded to the costs related to kind of professional fees for your responses to the CFPB. Any update that you can give us there?

John Schwab: Yes. You know, we continue to be responsive to the CFPB. There's really no update. As we mentioned on the last call, we have met, we have agreed on a submission—data submission plan to that and we have executed on that data submission plan, and we are waiting to hear back from them. So, there's not a big update to give as far as sort of progress goes.

Moshe Orenbuch: Any sense just as to the focus of where there are information requests, kind of, were concentrated?

John Schwab: Yes, I would say, Moshe, that the requests were fairly broad in nature and they touched many areas of the business, as we'd mentioned previously. Nothing new and nothing in our subsequent dealings with them that would have indicated a focus in any particular area. It was more of a broad swath of questioning around the business, the industry and how we go about our day-to-day activities.

Moshe Orenbuch: Thanks very much.

John Schwab: Sure, thank you.

Operator: Your next question comes from Terry Moss (ph) from Barclays. Your line is now open.

Terry Moss: Hey, just going back to the pricing for structure settlements in this environment. So, given how low interest rates are, can you maybe just talk about whether or not you've adjusted pricing or your ability to adjust pricing, to maybe pick up extra volume without sacrificing margin?

John Schwab: Yes, Terry, thanks for the question. You know, we do—we're evaluating everyday sort of what pricing looks like and how we should be pricing on the floor to the customers. So, we manage that very tightly and very heavily, and so we are always considering the trade-off between volume and margin, and it's something that we've been very cognizant of as we've been approaching the business. As you know, it is a competitive business out there. We continue to lead with our low cost to fund but I haven't seen—we haven't seen any big shifts in things, but are, everyday, evaluating that cost trade-off.

Terry Moss: Okay, great. Just going back to your three pillars. Can you just talk about how you plan on growing the core (inaudible) in the acquisitions, and maybe just talk a little bit more about that?

John Schwab: Yes, as far as the three pillars go, I mean, that continues to be something that we have, you know, a tremendous amount of focus on, as Stewart has alluded to. We're going to build on focusing on those pillars and growing them over time. I mean, it's very important that we ensure that the core is strong and that we continue to drive business in the core to allow us to generate the profitability that we need to to get ourselves where we need to be to allow us to look into other areas and other markets.

Stewart Stockdale: Terry, and I'll add—the core continues to be and will be the most important part of our business, so growing it and growing it profitability is really important to the organization. When I talk about information, I think that information—not only to enhance what has already been done here, and I'm currently assessing the inventory of data and quality of the data and how that flows and so forth. We will continue to improve and look at process

improvement through information and other processes to not only look at modeling capabilities, targeting capabilities, to improve that core business on an ongoing business. Conversion rates and so forth. So, data and data-driven isn't only for the new products, but it's really to help both the lead prospecting as well as the conversion of the existing core, and we look to continue to grow that profitably.

Terry Moss: Okay, got it. I think last quarter you guys had initially mentioned something about broker referrals. Is there any update on that?

Stewart Stockdale: Yes, this is Stewart, Terry. Yes, we are in the middle of assessing a number of opportunities on that front. The team was fairly far down the road, all the way to having calls set up and so forth. I am reviewing that information and looking at the partners and the financials around it, so over the course of the next few weeks, we'll be in a position to tell you more. I'm just reviewing it, but the team has made quite a bit of progress down that path.

Terry Moss: Okay, and just on the portfolio acquisition. So, that wasn't in TRB, but how much of that spread revenue was in your—I think I may have missed it—how much of that was in your actual spread revenue this quarter?

John Schwab: That was \$2 million, Terry, about \$2 million.

Terry Moss: Okay, got it. Thanks a lot.

John Schwab: You bet. Thank you.

Operator: Your next question comes from Yaron Kirar from Deutsche Bank. Your line is now open.

Yaron Kirar: Good morning and thanks for taking my questions. I want to go back to TRBs, and specifically to the securitized product TRBs and the significant sequential growth we saw there. Other than the improvement in the court approval rate, was there anything else driving that? Are you seeing more call volume, more conversions? What kind of led to that change?

John Schwab: Thanks for the question, Yaron. As far as TRB increases go, I mean, we've talked about over the years that it is—there is some volatility there. It bounces around from quarter to quarter, if you go back and look into 2013 you can see how that's moved around. We did have a couple of nice sizable transactions during the quarter which did provide a little bit of additional TRB, but I think, you know, generally speaking I wouldn't say there's been any large increases in volumes or anything else on the front-end that are driving the reason for the increases. Again, it's been a business that we continue to work hard and continue to focus on all of the activities that we do to drive

those leads, and the timing of them is somewhat—sometimes a little bit more unpredictable so you get a few more in periods than others. That's the best I—that's probably the best I can tell you as far as sort of the reasons for the increase in the second quarter.

Yaron Kirar: Okay, that's helpful. Then, with regards to the court approval rate or the declination rate, I guess, as far as NFRB, it's starting to move back to the historic average but it's not quite there yet. Can you—do you see some bifurcation between states or counties that are sold at very low rates or kind of at the same rate of denial that we saw—that you saw in March, versus other states that are kind of moving back to normal? Or is it really across the board that you're seeing the change?

John Schwab: I would say, as we looked at the—you know, the denial rate is something that we're very pleased to see it moving in the right direction. Again, it's a very positive thing for us. But I don't have any particular state in mind, you know, to point out and to break out, but I don't really have a trend to say, hey, these states are good, these states are bad in terms of sort of anything higher or lower, as far as that's moving. So, it's really across the board.

Yaron Kirar: Okay, and one more on the court approval rate. Other than the courts, you know, rejecting or declining or approving the case that's in front of them, is there something that the Company can do to control it in terms of maybe—well, I guess the cynical way of saying it would be arbitraging the different counties and looking for quotes that are more—if they have a higher approval rate and try to bring more cases to those courts. Or, is there any control that you guys have over that?

John Schwab: There is. You have to be very careful there. The Company does not venue shop. There are strict regulations and rules that we follow regarding, you know, the jurisdictions that these approvals will get done in, and so we're very mindful of that and need to make sure that we were full compliance. So, there's not a lot of flexibility with how to move those things around.

Yaron Kirar: Okay. Then one question not regarding the TRBs, on the buyback side. So, you did about 900,000 worth of buybacks this quarter. Why wouldn't that number have been higher? You have, I think, 11.5 million of authorization under your belt there, and you had a very strong quarter. Why not make more use of the cash, certainly while the share price is where it is today?

John Schwab: Yes, I appreciate the question. We did—we were very thoughtful about the share buyback. We were pleased to put in place the \$15 million authorization, and I think we evaluated it along with sort of other potential uses of cash including acquisitions and other things and felt that that was sort of the right level for which to play at this point. Now, that is still open

and we still have opportunity to buy into that. You know, we haven't changed our thoughts as far as our view on the stock price, because we could think it's undervalued. But I think, again, given a number of things that are up in the air right now in terms of—as we reevaluate things here, we want to just make sure that we have the appropriate capital structure in place to handle what could be coming down the road.

Yaron Kirar: I appreciate the color.

John Schwab: Yes, thanks very much, Yaron.

Operator: Your question comes from Sanjay Sanchari (ph) from KDW. Your line is now open.

Sanjay Sanchari: Thank you. I guess most of my questions have been answered, but I had a couple for Stewart. When you guys talk about being a diversified consumer Company, consumer lending, could you just talk about what other product, and I know you're assessing them to, but like where you see yourselves going? Is the goal to balance sheet some assets as well?

Stewart Stockdale: It's early to tell you what categories. I mean, most people would think one particular category or another. I come from a diversified consumer financial services background so I have a lot of ideas. I spent the last year in private equity so I can tell you that there's a lot of mid-sized companies out there that would love to leverage our brand, our direct marketing capabilities, our operational and underwriting capabilities, our low cost to fund and so forth.

So, all I can tell you is that, you know, we think that there's a number of categories that would make logical adjacencies to our core business. How we actually manage an account for those is still too early to tell, but I am really excited about the brand that we have and the type of pull. I mean, if you think of our direct marketing capabilities, the huge awareness and calls that we get, and if you think about—we only have a number, a product in particular to be able to fulfill this huge lead generation that we're fulfilling. It really is, I think, a big opportunity for the Company.

So, all I can tell you is that we're really excited about it. I'm really excited about it, that's part of my charter in coming here, but it's early to tell. I think over time you're going to be measuring our success—the data will tell us a lot, as we look at not only our current set of customers and the file that we have on everybody that's done structured settlements, but everybody that's calling us, what do you they look like, how do they behave, what is their most likely product, will allow us to then in turn look, should we go partner for a product? Or should we go acquire a product? Those have very different paths, as you well know.

But, think of us as being an information machine that really then starts to say, what other products should we be offering with this really, really rich direct marketing capability that we have, both from an inbound perspective as well as an outbound perspective, and don't discount the web, because the web is a really important part for both searching as well as, over time, fulfilling product.

So, you know, today, think of us as a branded Company. I'm sure people here take it for granted but building a brand and just seeing the brand, a national brand, in what is the most expensive brand-building country in the world is something that we should never take for granted. We talked about it earlier, certainly a competitive advantage, and you combine the brand and the direct marketing and information and I think it makes for a really powerful recipe.

Sanjay Sanchari: I just want to make sure I understand it. Is leveraging your balance sheet an option then?

John Schwab: Sanjay, it's John. We haven't—you know, at this point, it's in early days, but again I think we're more focused on the brand than sort of, you know—and using and leveraging that rather than leveraging the balance sheet at this time. But again, as we get into these and get down further into discussions, we will then evaluate it. But it doesn't—it's not something that we've—you know, that's one of our top priorities.

Sanjay Sanchari: Then when we think about the core business and growing it, could you maybe just talk about what kind of growth story you guys think it is today?

John Schwab: Yes, I think—you know, when we look at the market, there is a large install base of annuities and structured settlements that are out there and available for purchase. I think—you know, we continue to look at that as a terrific opportunity to leverage some of the brand and some of the awareness that we've talked about today, to drive into that market and to gain—you know, to address more of the market that's currently being addressed, as well as continue to gain market share. So, we're continuing to focus on that and come up with ways and different campaigns with which to identify those groups and drive additional volumes through the pipe.

Sanjay Sanchari: Okay. All right, great. Thank you.

Operator: Your next question comes from Josh Bederman from Pyrrho Capital. Your line is now open.

Josh Bederman: Hi, I think—so, on the denial issue. You guys had mentioned that last quarter it was focused in a couple of areas. One was Illinois

which seemed to be more of a broader issue, and the other two were Florida and Maryland where there were specific judges. Can you give an update on the status of what's going on with those three areas, please?

John Schwab: Sure, Josh, thanks for the question. Appreciate it. A couple of things. You know, again, we feel like things were headed in the right direction, we kind of migrated ourselves down from that 9% down towards 7% or so, and so we feel pretty comfortable with that heading in the right direction. From a state by state basis, I would tell you that Florida and Maryland, as you brought up, we feel like—that they are—they have moderated and they are back to sort of more reasonable and rational levels that we've seen in the past, so we feel comfortable with that.

Illinois, as you know, continues to—for us and for all the competitors—continues to be a difficult state to get structured settlements approved. That's going to take some time to remedy, and so we'll need to—I would—you know, I don't anticipate that changing in the near-term. But again, I think the other two states are ones where we have been able to make—that there has been progress made and we feel much more comfortable with those, how they've—effectively, how they have been approved this quarter.

Josh Bederman: Great, thank you. Just one more thing. Your consultant fees et cetera were up compared to the CFPBs that you had submitted something. Is there anything, in terms of the process going forward, that you think will keep those fees elevated in the near-term? Can you give us some guidance on how to think about those additional fees?

John Schwab: Yes, Josh, it's hard for us to tell. Again, this is our—you know, new days and kind of getting through this, and it's the early part of the inquiry. So all I can tell you is we're being responsive to the requests of what's in front of us and we'll continue to be. As far as the costs go and how that goes, you know, we'll try to report it out to the extent that it's material as we go forward, but I really couldn't give you a perspective on how to model that out because, frankly, it's something that's going to evolve as we work through it with them.

Josh Bederman: Okay, thank you.

Operator: Your next question comes from Marcelo Larma (ph) from (inaudible). Your line is now open.

Marcelo Larma: Yes, good morning, thank you. Stewart, I have a question for you on these possible acquisitions. One thing that really worries, I think, a lot of your shareholders is—or will worry them whenever an acquisition is announced, is what type of return on capital are you going to be able to get out of an acquisition? As I'm sure you know, a lot of public companies destroy value by making ill-judged acquisitions. So, could you articulate, how do you think about

that? How do you think about the value that's created, return on capital, et cetera—what are your metrics for any potential acquisition that you make? Thanks.

Stewart Stockdale: Thank you for the question. First and foremost, I am very familiar with the track record of public companies doing acquisitions, so I understand the history. I would like for you to think of it a little bit differently. I come at it from—truly from an operator perspective and going, okay, so we have a number of customers today that, you know, leverage our brands and are branded, from the information that we have, and what does our customer base look like? What other products would these customers be wanting to buy from us?

The next question becomes, should we partner to offer those products? Should we build those products, or should we acquire those products? I don't have a bias for another (ph) of those three. What I really want to do is execute to make sure that we're able to fulfill a customer need and offer good products that people are going to buy at the right level.

I've done this in my past. If you look at the companies I've been with, I've looked at the core and leveraged the core to make sure that the adjacencies are really going to be additive and really build into a product set that makes a lot of sense and that is profitable growth for the company going forward. As I said, sometimes we will build it, sometimes we will partner for it and sometimes we will acquire it. If we acquire it, we will look at all of those thresholds that you will look as well, as far as to what we're investing and what type of return on capital we will foresee.

But rest assured, we're not going to do acquisitions to do acquisitions. We're going to do it—you know, targeted acquisitions for product capabilities that will leverage our brand, our direct marketing capabilities, our operational and underwriting capabilities and our low cost of funds. So, these will be, you know, leveraging our brands to really add more product through the pipeline. So, I think it will be a logical extension to what we have today, and make a lot of sense for us. I think that, over time, you will welcome those additions to our product portfolio.

John Schwab: Operator, are there any more questions?

Operator: We have no further questions at this time. I turn the call back over to the presenters.

Stewart Stockdale: Okay. I would like to thank everyone for joining the call today. If you have any additional questions, please don't hesitate to contact John or myself, or Jennifer, and we'll attempt to answer your questions. Thank you for joining the call today, we appreciate it.

Operator:
disconnect.

This concludes today's conference call. You may now