SECURITIES & EXCHANGE COMMISSION EDGAR FILING

EMERGENT CAPITAL, INC.

Form: 10-Q

Date Filed: 2016-11-07

Corporate Issuer CIK: 1494448

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

Form 10-Q

(Mark One)

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2016

or

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

Commission file number: 001-35064

EMERGENT CAPITAL, INC.

(Exact name of registrant as specified in its charter)

Florida	**30-0663473**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

5355 Town Center Road—Suite 701
Boca Raton, Florida 33486
(Address of principal executive offices, including zip code)

(561) 995-4200

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ❑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ❑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	❑	Accelerated filer	ý
Non-accelerated filer	❑ (Do not check if a smaller reporting company)	Smaller reporting company	❑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ❑ No ý

As of November 4, 2016, the Registrant had 28,272,211 shares of common stock outstanding.

EMERGENT CAPITAL, INC.
FORM 10-Q REPORT FOR THE QUARTER ENDED September 30, 2016

TABLE OF CONTENTS

"Forward Looking" Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "estimate," "expect," "project," "plan," "intend," "believe," "may," "will," "should," "can have," "likely" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future cash flows, operating or financial performance or other events. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry and Company, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, readers are cautioned that any such forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Although we believe that the expectations reflected in such forward-looking statements are reasonable as of the date made, results may prove to be materially different. Unless otherwise required by law, we disclaim any obligation to update our view of any such risks or uncertainties or to announce publicly the result of any revisions to the forward-looking statements made in this report.

Factors that could cause our actual results to differ materially from those indicated in our forward-looking statements include, but are not limited to, the following:

- our ability to obtain future financings on favorable terms, or at all;
- our ability to manage the process of exploring strategic alternatives;
- our ability to complete any strategic alternatives that our special committee may recommend;
- our ability to receive distributions from policy proceeds from life insurance policies pledged as collateral under our revolving credit facilities;
- our ability to meet our debt service obligations;
- delays in the receipt of death benefits from our portfolio of life insurance policies;
- costs related to obtaining death benefits from our portfolio of life insurance policies;
- our ability to continue to comply with the covenants and other obligations, including the conditions precedent for additional fundings, under our revolving credit facilities;
- increases in premiums on, or the cost of insurance of, life insurance policies that we own;
- lack of mortalities of insureds of the life insurance policies that we own;
- changes to actuarial life expectancy tables;
- changes in general economic conditions, including inflation, changes in interest or tax rates;
- our results of operations;
- our ability to continue to make premium payments on the life insurance policies that we own;
- continuing costs associated with an investigation by the U.S. Securities and Exchange Commission ("SEC") (the "SEC Investigation");
- adverse developments, including financial ones, associated with the SEC Investigation, other litigation and judicial actions or similar matters;
- inaccurate estimates regarding the likelihood and magnitude of death benefits related to life insurance policies that we own;
- increases to the discount rates used to value the life insurance policies that we own;
- changes in mortality rates and inaccurate assumptions about life expectancies;
- changes in life expectancy calculation methodologies by third party medical underwriters;
- the effect on our financial condition as a result of any lapse of life insurance policies;

- our ability to sell the life insurance policies we own at favorable prices, if at all;
- adverse developments in capital markets;
- deterioration of the market for life insurance policies and life settlements;
- increased carrier challenges to the validity of our life insurance policies;
- adverse court decisions regarding insurable interest and the obligation of a life insurance carrier to pay death benefits or return premiums upon a successful rescission or contest;
- challenges to the ownership of the policies in our portfolio;
- changes in laws and regulations;
- deterioration in the credit worthiness of the life insurance companies that issue the policies included in our portfolio;
- regulation of life settlement transactions as securities;
- liabilities associated with our legacy structured settlement business;
- our failure to maintain the security of personally identifiable information pertaining to insureds and counterparties;
- disruption of our information technology systems;
- cyber security risks and the threat of data breaches;
- loss of the services of any of our executive officers; and
- the effects of United States' involvement in hostilities with other countries and large-scale acts of terrorism, or the threat of hostilities or terrorist acts.

All forward-looking statements are expressly qualified in their entirety by these cautionary statements. See “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2015. You should evaluate all forward-looking statements made in this Form 10-Q in the context of these risks and uncertainties. The Company cautions you that the important factors referenced above may not contain all of the factors that are important to you.

As used in this Form 10-Q, "Emergent Capital," "Company, "we," "us," "its," or "our" refer to Emergent Capital, Inc. and its consolidated subsidiary companies, unless the context suggests otherwise.

Emergent Capital, Inc.
CONSOLIDATED BALANCE SHEETS

	September 30, 2016	December 31, 2015*
	(Unaudited)	
	(In thousands except share data)	
ASSETS		
Assets		
Cash and cash equivalents	$ 9,801	$ 12,946
Cash and cash equivalents (VIE Note 4)	9,098	7,395
Certificates of deposit	6,008	2,501
Prepaid expenses and other assets	1,488	1,017
Deposits - other	1,347	1,347
Life settlements, at estimated fair value	7,810	11,946
Life settlements, at estimated fair value (VIE Note 4)	475,585	449,979
Receivable for maturity of life settlements (VIE Note 4)	20,088	18,223
Fixed assets, net	256	322
Investment in affiliates	2,384	2,384
Total assets	$ 533,865	$ 508,060
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	$ 3,550	$ 3,051
Accounts payable and accrued expenses (VIE Note 4)	521	419
Other liabilities	395	360
Interest payable - Convertible Notes (Note 11)	768	2,272
Convertible Notes, net of discount and deferred debt costs (Note 11)	59,532	56,812
Interest payable - Senior Secured Notes (Note 12)	200	—
Senior Secured Notes, net of discount and deferred debt costs (Note 12)	29,209	—
White Eagle Revolving Credit Facility, at estimated fair value (VIE Note 4)	182,128	169,131
Red Falcon Revolving Credit Facility, at estimated fair value (VIE Note 4)	61,451	55,658
Total liabilities	337,754	287,703
Commitments and Contingencies (Note 16)		
Stockholders' Equity		
Common stock (par value $0.01 per share, 80,000,000 authorized at September 30, 2016 and December 31, 2015; 28,836,573 issued and 28,228,573 outstanding as of September 30, 2016; 28,130,508 issued and 27,522,508 outstanding at December 31, 2015)	288	281
Preferred stock (par value $0.01 per share, 40,000,000 authorized; 0 issued and outstanding as of September 30, 2016 and December 31, 2015)	—	—
Treasury Stock, net of cost (608,000 shares as of September 30, 2016 and December 31, 2015)	(2,534)	(2,534)
Additional paid-in-capital	307,210	305,450
Accumulated deficit	(108,853)	(82,840)
Total stockholders' equity	196,111	220,357
Total liabilities and stockholders' equity	$ 533,865	$ 508,060

* Derived from audited consolidated financial statements.

The accompanying notes are an integral part of these financial statements.

Emergent Capital, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands, except share and per share data)			
Income				
Change in fair value of life settlements (Notes 8 & 14)	$ 4,735	$ 2,667	$ (2,690)	$ 43,582
Other income	32	102	125	201
Total income (loss)	4,767	2,769	(2,565)	43,783
Expenses				
Interest expense	7,895	8,614	21,330	21,491
Extinguishment of Secured Notes	—	8,782	—	8,782
Change in fair value of Revolving Credit Facilities (Notes 9, 10 & 14)	(551)	(4,203)	(16,121)	13,489
Personnel costs	1,303	1,945	5,133	5,425
Legal fees	1,833	3,370	5,361	10,345
Professional fees	2,136	1,579	5,347	5,284
Insurance	200	309	639	966
Other selling, general and administrative expenses	494	585	1,511	1,671
Total expenses	13,310	20,981	23,200	67,453
Income (loss) from continuing operations before income taxes	(8,543)	(18,212)	(25,765)	(23,670)
(Benefit) provision for income taxes	—	(4,721)	—	(6,981)
Net income (loss) from continuing operations	$ (8,543)	$ (13,491)	$ (25,765)	$ (16,689)
Discontinued Operations:				
Income (loss) from discontinued operations before income taxes	(54)	(147)	(248)	(640)
(Benefit) provision for income taxes	—	(34)	—	(224)
Net income (loss) from discontinued operations	(54)	(113)	(248)	(416)
Net income (loss)	$ (8,597)	$ (13,604)	$ (26,013)	$ (17,105)
Basic and diluted income (loss) per share:				
Continuing operations	$ (0.31)	$ (0.48)	$ (0.94)	$ (0.70)
Discontinued operations	$ —	$ —	$ (0.01)	$ (0.02)
Net income (loss)	$ (0.31)	$ (0.48)	$ (0.95)	$ (0.72)
Weighted average shares outstanding:				
Basic and Diluted	27,614,441	28,084,254	27,529,120	23,827,030

The accompanying notes are an integral part of these financial statements.

Emergent Capital, Inc.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
For the Nine Months Ended September 30, 2016

	Common Stock		Treasury Stock		Additional		
	Shares	Amount	Shares	Amount	Paid-in Capital	Accumulated Deficit	Total
	(in thousands, except share data)						
Balance, January 1, 2016	28,130,508	$ 281	(608,000)	$ (2,534)	$ 305,450	$ (82,840)	$ 220,357
Net income (loss)	—	—	—	—	—	(26,013)	(26,013)
Stock-based compensation	265,212	3	—	—	267	—	270
Common stock issued through ATM, net	443,038	4	—	—	1,501	—	1,505
Retirement of common stock	(2,185)	—	—	—	(8)	—	(8)
Balance, September 30, 2016	28,836,573	$ 288	(608,000)	$ (2,534)	$ 307,210	$ (108,853)	$ 196,111

The accompanying notes are an integral part of these financial statements.

Emergent Capital, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30,	
	2016	2015
	(In thousands)	
Cash flows from operating activities		
Net income (loss)	$ (26,013)	(17,105)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	76	74
Red Falcon Revolving Credit Facility origination cost	297	3,273
Amortization of discount and deferred costs for Convertible Notes	2,721	2,281
Amortization of discount and deferred costs for 15.00% Senior Secured Notes	260	—
Amortization of discount and deferred costs for 12.875% Secured Notes	—	542
Stock-based compensation expense	262	429
Finance cost and fees withheld by borrower	664	5,566
Change in fair value of life settlements	2,690	(43,582)
Unrealized change in fair value of structured settlements	—	(20)
Change in fair value of Revolving Credit Facilities	(16,121)	13,489
Loss on life settlements, net	—	(32)
Interest income	(23)	(81)
Extinguishment of Secured Notes	—	8,782
Deferred income tax	—	(7,205)
Change in assets and liabilities:		
Deposits - other	—	(654)
Structured settlement receivables	—	1,097
Prepaid expenses and other assets	1,177	(188)
Accounts payable and accrued expenses	602	(1,492)
Other liabilities	60	(812)
Interest payable - Convertible Notes	(1,503)	(1,503)
Interest payable - 15.00% Senior Secured Notes	200	—
Interest payable - 12.875% Secured Notes	—	(261)
Net cash used in operating activities	(34,651)	(37,401)
Cash flows from investing activities		
Purchase of fixed assets, net of disposals	(9)	(47)
Certificate of deposit	(5,000)	—
Purchase of life settlements	(1,390)	(28,904)
Premiums paid on life settlements	(52,750)	(48,243)
Proceeds from maturity of life settlements	27,980	47,519
Net cash used in investing activities	(31,169)	(29,675)
Cash flows from financing activities		
Borrowings from White Eagle Revolving Credit Facility	38,771	36,880
Repayment of borrowings under White Eagle Revolving Credit Facility	(10,577)	(43,241)
Borrowings under Red Falcon Revolving Credit Facility	15,101	2,967
Repayment of borrowings under Red Falcon Revolving Credit Facility	(9,195)	(1,863)
Proceeds from issue of common stock, net	1,505	—
Proceeds from rights offering	—	38,458
Proceeds from 15.00% Senior Secured Notes	30,000	—
Proceeds from Secured Notes, net	—	23,750
Purchase of treasury stock	—	(348)
Payment under finance lease obligations	(26)	(25)
Extinguishment of Secured Notes	—	(3,570)
Red Falcon Revolving Credit Facility origination costs	(150)	(427)
15.00% Senior Secured Notes deferred cost	(1,051)	—
12.875% Secured Notes deferred costs	—	(5)
Net cash provided by financing activities	64,378	52,576
Net decrease in cash and cash equivalents	(1,442)	(14,500)
Cash and cash equivalents, at beginning of the period	20,341	54,917
Cash and cash equivalents, at end of the period	$ 18,899	$ 40,417
Supplemental disclosures of cash flow information:		
Cash paid for interest during the period	$ 19,339	$ 12,143
Supplemental disclosures of non-cash financing activities:		
Interest payment and fees withheld from borrowings by lender	$ 664	$ 5,566
Red Falcon Revolving Credit Facility origination cost paid to lender	—	$ 2,200
Repayment of 12.875% Secured Notes by lender of Red Falcon Revolving Credit Facility	—	$ 51,800
Borrowings under Red Falcon Revolving Credit Facility	—	$ 54,000

The accompanying notes are an integral part of these financial statements.

(1) Description of Business

Founded in December 2006 as a Florida limited liability company, Imperial Holdings, LLC, converted into Imperial Holdings, Inc. on February 3, 2011, in connection with the Company's initial public offering. Effective September 1, 2015, the Company changed its name to Emergent Capital, Inc. (with its subsidiary companies, the "Company" or "Emergent Capital").

Incorporated in Florida, Emergent Capital, through its subsidiary companies, owns a portfolio of 623 life insurance policies, also referred to as life settlements, with a fair value of $483.4 million and an aggregate death benefit of approximately $3.0 billion at September 30, 2016. The Company primarily earns income on these policies from changes in their fair value and through death benefits. 431 of these policies, with an aggregate death benefit of approximately $2.2 billion and a fair value of approximately $345.5 million at September 30, 2016 are pledged under a $250.0 million, revolving credit agreement (the "White Eagle Revolving Credit Facility") entered into by the Company's indirect subsidiary, White Eagle Asset Portfolio, LP ("White Eagle"). Additionally, 158 policies, with an aggregate death benefit of approximately $619.7 million and a fair value of approximately $130.0 million at September 30, 2016 were pledged as collateral under a $110.0 million, revolving credit agreement (the "Red Falcon Revolving Credit Facility" and, together with the White Eagle Revolving Credit Facility, the "Revolving Credit Facilities") entered into by Red Falcon Trust ("Red Falcon"), a Delaware statutory trust formed by one of our subsidiary companies. At September 30, 2016, 34 policies owned by the Company, with an aggregate death benefit of approximately $166.8 million and a fair value of $7.8 million were not pledged as collateral under either of the Revolving Credit Facilities.

(2) Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company, all of its wholly-owned subsidiary companies and its special purpose entities, with the exception of Imperial Settlements Financing 2010, LLC ("ISF 2010"), an unconsolidated special purpose entity which is accounted for using the cost method of accounting. The special purpose entity has been created to fulfill specific objectives. All significant intercompany balances and transactions have been eliminated in consolidation, including income from services performed by subsidiary companies in connection with the Revolving Credit Facilities. Notwithstanding consolidation, as referenced above, White Eagle is the owner of 431 policies, with an aggregate death benefit of approximately $2.2 billion and an estimated fair value of approximately $345.5 million and Red Falcon is the owner of 158 policies with an aggregate death benefit of approximately $619.7 million and an estimated fair value of approximately $130.0 million, in each case, at September 30, 2016.

The unaudited consolidated financial statements have been prepared in conformity with the rules and regulations of the SEC for Form 10-Q and therefore do not include certain information, accounting policies, and footnote disclosures information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. However, all adjustments (consisting of normal recurring accruals), which, in the opinion of management, are necessary for a fair presentation of the financial statements, have been included. Operating results for the three months and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for future periods or for the year ended December 31, 2016. These interim financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in Emergent Capital's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Discontinued Operations

On October 25, 2013, the Company sold substantially all of the assets comprising its structured settlement business for $12.0 million. As a result, the Company has discontinued segment reporting and classified its operating results of the structured settlement business, net of income taxes, as discontinued operations. The accompanying consolidated balance sheets of the Company as of September 30, 2016 and December 31, 2015, and the related consolidated statements of operations for the three months and nine months ended September 30, 2016 and 2015, and the related notes to the consolidated financial statements reflect the classification of its structured settlement business operating results, net of tax, as discontinued operations. See Note 7, "Discontinued Operations," for further information. Unless otherwise noted, the following notes refer to the Company's continuing operations.

Derivative Instrument

In February 2014, the Company issued and sold $70.7 million in aggregate principal amount of 8.50% senior unsecured convertible notes due 2019 (the "Convertible Notes"). Prior to shareholder approval on June 5, 2014 to issue shares of common stock upon conversion of the Convertible Notes in excess of New York Stock Exchange limits for share issuances without shareholder approval, the Convertible Notes contained an embedded derivative feature. In accordance with Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*, derivative instruments are recognized as either assets or liabilities on the Company's balance sheet and are measured at fair value with gains or losses recognized in earnings. Embedded derivatives that are not clearly and closely related to the host contract, such as the Convertible Notes, are bifurcated and recognized at fair value with changes in fair value recognized as either a gain or loss in earnings if they can be reliably measured. The Company determined the fair value of its embedded derivative based upon available market data and unobservable inputs using a Black Scholes pricing model. In accordance with ASC 815, upon receipt of shareholder approval on June 5, 2014, the Company reclassified the embedded derivative to equity along with unamortized transaction costs proportionate to the allocation of the initial debt discount and the principal amount of the Convertible Notes. The Convertible Notes are recorded at accreted value and will continue to be accreted up to the par value of the Convertible Notes at maturity. See Note 11, "8.50% Senior Unsecured Convertible Notes."

Foreign Currency

The Company owns certain foreign subsidiary companies formed under the laws of Ireland, Bahamas and Bermuda. These foreign subsidiary companies utilize the U.S. dollar as their functional currency. The foreign subsidiary companies' financial statements are denominated in U.S. dollars and therefore, there are no translation gains and losses resulting from translating the financial statements at exchange rates other than the functional currency. Any gains and losses resulting from foreign currency transactions (transactions denominated in a currency other than the subsidiary companies' functional currency) are included in income. These gains and losses are immaterial to the Company's financial statements.

Use of Estimates

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America ("GAAP"), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates and such differences could be material. Significant estimates made by management include income taxes, the valuation of life settlements, the valuation of the debt owing under the Revolving Credit Facilities, the valuation of equity awards and the valuation of the conversion derivative liability formerly embedded within the Convertible Notes.

Reclassification

Certain reclassification of the prior period amounts and presentation have been made to conform to the presentation of the current period. This reclassification relates primarily to the adoption of ASU No. 2015-03, "Interest—Imputation of Interest (Subtopic 835-30): which provides guidance on the balance sheet presentation for debt issuance costs and impacts the Convertible Notes.

Change in Accounting Principle and Accounting for Debt Issuance Costs

The Company adopted ASU No. 2015-03, "Interest—Imputation of Interest (Subtopic 835-30)" on January 1, 2016. Upon adoption of ASU No. 2015-03, deferred debt issuance costs related to the Convertible Notes previously presented in the Company's consolidated balance sheet as an asset have been reclassified as a direct deduction to the carrying amount of the liability. The adoption of this ASU did not result in changes to the consolidated statements of operations, stockholders' equity, or statement of cash flows. In transitioning the application of this guidance, retrospective application to all periods presented in the consolidated financial statements has been performed as follows (in thousands):

	As reported under previous accounting guidance	As reported under ASU 2015-03	Effect of change
Balance Sheet			
December 31, 2015			
Assets:			
Deferred debt costs	$ 1,797	$ —	$ (1,797)
Total assets	$ 509,857	$ 508,060	$ (1,797)
Liabilities:			
Convertible Notes, net of discount	58,609	56,812	(1,797)
Total liabilities	289,500	287,703	(1,797)
Total stockholders' equity	220,357	220,357	—
Total liabilities and stockholders' equity	$ 509,857	$ 508,060	$ (1,797)
Net effect	$ —	$ —	$ —

(3) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which converges the FASB and the International Accounting Standards Board ("IASB") standard on revenue recognition. Areas of revenue recognition that will be affected include, but are not limited to, transfer of control, variable consideration, allocation of transfer pricing, licenses, time value of money, contract costs and disclosures. In April 2015, the FASB voted to defer the effective date of the new revenue recognition standard by one year. As a result, the provisions of this ASU are effective for interim and annual periods beginning after December 15, 2017. Following the deferral, in March 2016 the FASB issued ASU No. 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" which aims to clarify the implementation guidance on principal versus agent considerations. The amendments in this Update do not change the core principle of the guidance in No. 2014-09. The effective date and transition requirements of ASU No. 2016-08 are the same as the effective date and transitions requirements of Update 2014-09. The Company does not expect that this guidance will have a material impact on its financial position, results of operations or cash flows.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosures of Uncertainties About an Entity's Ability to Continue as a Going Concern." The standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The Company does not expect that this guidance will have a material impact on its financial position, results of operations or cash flows, and impact on related disclosures.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." This guidance focuses on a reporting company's consolidation evaluation to determine whether they should consolidate certain legal entities. This guidance is effective for annual periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The Company has determined that this guidance does not have an impact on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Interest—Imputation of Interest (Subtopic 835-30)." This standard provides guidance on the balance sheet presentation for debt issuance costs and debt discounts and debt premiums. To simplify the presentation of debt issuance costs, this standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. This ASU is effective for fiscal years beginning after December 15, 2015. The Company adopted this guidance on January 1, 2016. The adoption of this ASU did not result in changes to the consolidated statements of operations, stockholders' equity, or statement of cash flows. In

transitioning the application of this guidance, retrospective application to all periods presented in the consolidated financial statements has been performed.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classifications of Deferred Taxes," which aligns the FASB and the IASB standard for financial statement presentation of deferred income taxes. To simplify the presentation of deferred income taxes, this standard requires that deferred tax assets and liabilities be presented as noncurrent on the balance sheet. This ASU is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted, including adoption in an interim period. The Company does not expect that this guidance will have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-06, "Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments." Topic 815 requires that embedded derivatives be separated from the host contract and accounted for separately as derivatives if certain criteria are met. One of those criteria is that the economic characteristics and risks of the embedded derivatives are not clearly and closely related to the economic characteristics and risks of the host contract (the "clearly and closely related" criterion). The guidance in this ASU intends to resolve the diversity in practice resulting from the application of the existing four-step decision sequence defined in ASC 815-15-25-42 to call (put) options that can accelerate the repayment of principal on a debt instrument if they meet the clearly and closely related criterion by clarifying that an entity is required to perform only the four-step decision sequence. The entity does not have to separately assess whether the event that triggers its ability to exercise the contingent option is itself indexed only to interest rates or credit risk. This ASU is effective for annual periods beginning after December 15, 2017, and interim periods beginning after December 15, 2018. Early adoption is permitted including adoption in an interim period, as long as any adjustment is reflected as of the beginning of the fiscal year that includes the interim period. We are currently evaluating the impact that the adoption of ASU 2016-06 will have on our consolidated financial statements or related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, "Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" as part of its Simplification Initiative. The guidance simplifies several aspects of the accounting for share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public business entities, these amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted including adoption in an interim period, as long as any adjustment is reflected as of the beginning of the fiscal year that includes the interim period. We are currently evaluating the impact that the adoption of ASU 2016-09 will have on our consolidated financial statements or related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." This ASU provides specific guidance on eight cash flow classification issues that are either unclear or not included in current GAAP. These cash flow classification issues include debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. We are currently evaluating the impact that the adoption of ASU 2016-15 will have on our consolidated financial statements.

(4) Consolidation of Variable Interest Entities

The Company evaluates its interests in variable interest entities ("VIEs") on an ongoing basis and consolidates those VIEs in which it has a controlling financial interest and is thus deemed to be the primary beneficiary. A controlling financial interest has both of the following characteristics: (i) the power to direct the activities of the VIE that most significantly impact its economic performance; and (ii) the obligation to absorb losses of the VIE that could potentially be significant to it or the right to receive benefits from the VIE that could be potentially significant to the VIE.

The following table presents the consolidated assets and consolidated liabilities of VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated in the Company's financial statements as of September 30, 2016 as well as non-consolidated VIEs for which the Company has determined it is not the primary beneficiary (in thousands):

	Primary Beneficiary		Not Primary Beneficiary	
	Consolidated VIEs		Non-consolidated VIEs	
	Assets	Liabilities	Total Assets	Maximum Exposure To Loss
September 30, 2016	$ 504,771	$ 244,100	$ 2,384	$ 2,384
December 31, 2015	$ 475,597	$ 225,208	$ 2,384	$ 2,384

As of September 30, 2016, 431 life insurance policies owned by White Eagle with an aggregate death benefit of approximately $2.2 billion and an estimated fair value of approximately $345.5 million were pledged as collateral under the White Eagle Revolving Credit Facility. In accordance with ASC 810, *Consolidation*, the Company consolidated White Eagle in its financial statements for the nine months ended September 30, 2016 and 2015, and the year ended December 31, 2015.

As of September 30, 2016, 158 life insurance policies owned by Red Falcon with an aggregate death benefit of approximately $619.7 million and an estimated fair value of approximately $130.0 million were pledged as collateral under the Red Falcon Revolving Credit Facility. In accordance with ASC 810, *Consolidation*, the Company consolidated Red Falcon in its financial statements for the nine months ended September 30, 2016 and the year ended December 31, 2015.

(5) Earnings Per Share

As of September 30, 2016 and 2015, there were 28,836,573 and 28,130,508 shares of common stock issued, respectively, and 28,228,573 and 28,064,887 shares of common stock outstanding, respectively. Outstanding shares as of September 30, 2016 and 2015 have been adjusted to reflect 608,000 and 65,621 treasury shares, respectively.

Basic net income per share is computed by dividing the net earnings attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is computed by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding, increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. Conversion or exercise of the potential common shares is not reflected in diluted earnings per share unless the effect is dilutive. The dilutive effect, if any, of outstanding common share equivalents is reflected in diluted earnings per share by application of the treasury stock method, as applicable.

The following table reconciles actual basic and diluted earnings per share for the three months and nine months ended September 30, 2016 and 2015 (in thousands except share and per share data).

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016(1)	2015(2)	2016(1)	2015(2)
Income (loss) per share:				
Numerator:				
Net income (loss) from continuing operations	$ (8,543)	$ (13,491)	$ (25,765)	$ (16,689)
Net income (loss) from discontinued operations	(54)	(113)	(248)	(416)
Net income (loss)	$ (8,597)	$ (13,604)	$ (26,013)	$ (17,105)
Basic and diluted income (loss) per common share:				
Basic and diluted income (loss) from continuing operations	$ (0.31)	$ (0.48)	$ (0.94)	$ (0.70)
Basic and diluted income (loss) from discontinued operations	—	—	(0.01)	(0.02)
Basic and diluted income (loss) per share available to common shareholders	$ (0.31)	$ (0.48)	$ (0.95)	$ (0.72)
Denominator:				
Basic and Diluted	27,614,441	28,084,254	27,529,120	23,827,030

(1) The computation of diluted EPS does not include 265,212 shares of restricted stock, 763,594 options, 6,240,521 warrants, and up to 10,738,165 shares of underlying common stock issuable upon conversion of the Convertible Notes, as the effect of their inclusion would have been anti-dilutive.
(2) The computation of diluted EPS did not include 41,259 shares of restricted stock, 774,394 options, 6,240,521 warrants, up to 10,738,165 shares of underlying common stock issuable upon conversion of the Convertible Notes and 323,500 performance shares, as the effect of their inclusion would have been anti-dilutive.

(6) Stock-based Compensation

On May 28, 2015, the Company amended and restated its 2010 Omnibus Incentive Plan (the "Omnibus Plan"). Awards under the Omnibus Plan may consist of incentive awards, stock options, stock appreciation rights, performance shares, performance units, and shares of common stock, restricted stock, restricted stock units or other stock-based awards as determined by the compensation committee of the Company's board of directors. The Omnibus Plan provides for an aggregate of 2,700,000 shares of common stock to be reserved for issuance under the Omnibus Plan, subject to adjustment as provided in the Omnibus Plan.

Options

As of December 31, 2015, all options to purchase shares of common stock issued by the Company were fully vested. The Company recognized approximately $0 and $237,000 in stock-based compensation expense relating to stock options during the three months and nine months ended September 30, 2015, respectively.

As of September 30, 2016, options to purchase 763,594 shares of common stock were outstanding under the Omnibus Plan at a weighted average exercise price of $8.52 per share. The following table presents the activity of the Company's outstanding stock options of common stock for the nine months ended September 30, 2016:

Common Stock Options	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding, January 1, 2016	774,394	$ 8.50	3.47	$ —
Options granted	—			
Options exercised	—			
Options forfeited	(10,800)	$ 7.22	—	
Options expired	—			
Options outstanding, September 30, 2016	763,594	$ 8.52	2.72	$ —
Exercisable at September 30, 2016	763,594	$ 8.52	2.72	
Unvested at September 30, 2016	—	—	—	$ —

As of September 30, 2016, all outstanding stock options had an exercise price above the fair market value of the common stock on that date. There are no remaining unamortized amounts to be recognized on these options.

Restricted Stock

The Company incurred additional stock-based compensation expense of approximately $142,000 and $61,000 relating to restricted stock granted to its board of directors and certain employees during the three months ended September 30, 2016 and 2015, respectively, and approximately $270,000 and $192,000 during the nine months ended September 30, 2016 and 2015, respectively.

Under the Omnibus Plan, 41,060 shares of restricted stock granted to the Company's directors during 2014 vested during the nine months ended September 30, 2015. The fair value of the restricted stock was approximately $255,000 based on the closing price of the Company's shares on the day prior to the grant date. The Company incurred additional stock-based compensation expense of approximately $0 and $108,000, respectively, related to these 41,060 shares of restricted stock during the three months and nine months ended September 30, 2015.

Under the Omnibus Plan, 41,259 shares of restricted stock granted to the Company's directors during 2015 vested during the nine months ended September 30, 2015. The fair value of the restricted stock was valued at approximately $255,000 based on the closing price of the Company's shares on the day prior to the grant date. The Company incurred stock-based compensation expense of approximately $0 and $61,000 related to these 41,259 shares of restricted stock during the three months ended September 30, 2016 and 2015, respectively, and $103,000 and $83,000 during the nine months ended September 30, 2016 and 2015, respectively.

During the nine months ended September 30, 2016 , the Company granted 65,212 shares of restricted stock to its directors under the Omnibus Plan, which are subject to a one year vesting period that commenced on the date of grant. The fair value of the unvested restricted stock was valued at approximately $255,000 based on the closing price of the Company's shares on the day prior to the grant date. The Company incurred stock-based compensation expense of approximately $61,000 and $80,000 related to these 65,212 shares of restricted stock during the three months and nine months ended September 30, 2016.

During the nine months ended September 30, 2016 , the Company granted 200,000 shares of restricted stock units to certain employees under the Omnibus Plan, which are subject to a two year vesting period that commenced on the date of grant. The fair value of the unvested restricted stock was valued at approximately $674,000 based on the closing price of the Company's shares on the day prior to the grant date. The Company incurred stock-based compensation expense of approximately $81,000 and $87,000, related to these 200,000 shares of restricted stock during the three months and nine months ended September 30, 2016.

The following table presents the activity of the Company's unvested shares of restricted stock for the nine months ended September 30, 2016 :

Common Unvested Shares	Number of Shares
Outstanding January 1, 2016	41,259
Granted	265,212
Vested	(41,259)
Forfeited	—
Outstanding September 30, 2016	265,212

The aggregate intrinsic value of the awards of 65,212 and 200,000 is $190,000 and $586,000, respectively, and the remaining weighted average life of these awards is 0.67 years and 1.73 years, respectively as of September 30, 2016.

Performance Shares

During 2014, the Company awarded 323,500 target performance shares for restricted common stock to its directors and certain employees, of which 150,000 shares were subject to shareholder approval of the Omnibus Plan, which was obtained at the Company's 2015 annual meeting on May 28, 2015. The issuance of the performance shares was contingent on the Company's financial performance, as well as the performance of the Company's common stock through June 30, 2016, with the actual shares to be issued ranging between 0 – 150% of the target performance shares. During the year ended December 31, 2015, 4,000 of the performance shares were forfeited. Given that the Company's financial performance goal was not achieved during the nine months ended September 30, 2016, the remaining performance shares have been forfeited. At September 30, 2015, the Company determined that it was not probable that the performance conditions would be achieved and no related expense was recognized for the three months and nine months ended September 30, 2015, respectively.

The following table presents the activity of the Company's performance share awards for the nine months ended September 30, 2016 :

Performance Shares	Number of Shares
Outstanding January 1, 2016	319,500
Awarded	—
Vested	—
Forfeited	(319,500)
Outstanding September 30, 2016	—

Warrants

On February 11, 2011, three shareholders received warrants that may be exercised for up to a total of 4,240,521 shares of the Company's common stock at a weighted average exercise price of $14.51 per share. The warrants will expire seven years after the date of issuance and are exercisable as they are fully vested. At September 30, 2016, all 4,240,521 warrants remained outstanding.

In connection with a settlement of class action litigation arising in connection with the investigation by the U.S. Attorney's Office for District of New Hampshire ("USAO") into the Company's now legacy premium finance business (the "USAO Investigation"), the Company issued warrants to purchase two million shares of the Company's stock into an escrow account in April of 2014. The estimated fair value as of the measurement date of such warrants was $5.4 million, which is included in stockholders' equity. The warrants were distributed in October 2014 and have a five-year term from the date they were distributed to the class participants with an exercise price of $10.75. The Company is obligated to file a registration statement to register the shares underlying the warrants with the SEC if shares of the Company's common stock have an average daily trading closing price of at least $8.50 per share for a 45 day period. The warrants will be exercisable upon effectiveness of the registration statement.

(7) Discontinued Operations

On October 25, 2013, the Company sold substantially all of the operating assets comprising its structured settlement business to Majestic Opco LLC pursuant to an Asset Purchase Agreement. No structured settlement receivables were sold and no on-balance sheet liabilities were transferred in connection with the sale. On August 18, 2015, the Company sold its remaining structured settlement receivables asset for $920,000 to the buyer of its operating assets.

As a result of the sale of its structured settlements business, the Company reclassified its structured settlement business operating results as discontinued operations in the accompanying Consolidated Statements of Operations for all periods presented.

Operating results related to the Company's discontinued structured settlement business are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Total income (loss)	$ 3	$ (13)	$ 9	$ 60
Total expenses	57	134	257	700
Income (loss) before income taxes	(54)	(147)	(248)	(640)
Income tax benefit	—	34	$ —	224
Net income (loss) from discontinued operations, net of income taxes	$ (54)	$ (113)	$ (248)	$ (416)

(8) Life Settlements (Life Insurance Policies)

The Company accounts for policies it acquires using the fair value method in accordance with ASC 325-30-50 *Investments-Other-Investment in Insurance Contracts*. Under the fair value method, the Company recognizes the initial investment at the purchase price. For policies that were relinquished in satisfaction of premium finance loans at maturity, the initial investment is the loan carrying value. For policies purchased in the secondary or tertiary markets, the initial investment is the amount of cash outlay at the time of purchase. At each reporting period, the Company re-measures the investment at fair value in its entirety and recognizes changes in the Statements of Operations in the periods in which the changes occur.

As of September 30, 2016 and December 31, 2015, the Company owned 623 and 632 policies, respectively, with an aggregate estimated fair value of life settlements of $483.4 million and $461.9 million, respectively.

The weighted average life expectancy calculated based on death benefit of insureds in the policies owned by the Company at September 30, 2016 was 9.2 years. The following table describes the Company's life settlements as of September 30, 2016 (dollars in thousands):

Remaining Life Expectancy (In Years)*	Number of Life Settlement Contracts	Estimated Fair Value	Face Value
0 - 1	5	$ 18,456	$ 22,192
1 - 2	14	33,153	50,245
2 - 3	13	33,749	61,450
3 - 4	28	34,899	92,584
4 - 5	35	53,344	158,546
Thereafter	528	309,794	2,568,779
Total	623	$ 483,395	$ 2,953,796

*Based on remaining life expectancy at September 30, 2016 derived from reports of third party life expectancy providers, and does not indicate the timing of expected death benefits. See Note 14, "Fair Value Measurements" —Life Settlements.

The weighted average life expectancy calculated based on death benefit of insureds in the policies owned by the Company at December 31, 2015 was 9.9 years. The following table describes the Company's life settlements as of December 31, 2015 (dollars in thousands):

Remaining Life Expectancy (In Years)*	Number of Life Settlement Contracts	Estimated Fair Value	Face Value
0-1	—	$ —	$ —
1-2	12	28,873	42,988
2-3	17	47,272	84,497
3-4	18	24,450	58,154
4-5	31	42,304	124,720
Thereafter	554	319,026	2,668,993
Total	632	$ 461,925	$ 2,979,352

*Based on remaining life expectancy at December 31, 2015 derived from reports of third party life expectancy providers, and does not indicate the timing of expected death benefits. See Note 14, "Fair Value Measurements" —Life Settlements.

Estimated premiums to be paid for each of the five succeeding fiscal years and thereafter to keep the life insurance policies in force as of September 30, 2016, are as follows (in thousands):

Remainder of 2016	$ 18,754
2017	81,169
2018	84,039
2019	91,375
2020	95,623
Thereafter	971,246
	$ 1,342,206

The amount of $1.34 billion noted above represents the estimated total future premium payments required to keep the life insurance policies in force during the life expectancies of all the underlying insured lives and does not give effect to projected receipt of death benefits. The estimated total future premium payments could increase or decrease significantly to the extent that insurance carriers increase the cost of insurance on their issued policies or that actual mortalities of insureds differs from the estimated life expectancies.

(9) White Eagle Revolving Credit Facility

Effective April 29, 2013, White Eagle entered into a 15-year revolving credit agreement with LNV Corporation, as initial lender, Imperial Finance & Trading, LLC, as servicer and portfolio manager and CLMG Corp., as administrative agent. Proceeds from the initial advance under the facility were used, in part, to retire a bridge facility and to fund a payment to the lender protection insurance provider to release subrogation rights in certain of the policies pledged as collateral for the White Eagle Revolving Credit Facility. On May 16, 2014, White Eagle Asset Portfolio, LLC converted from a Delaware limited liability company to White Eagle Asset Portfolio, LP, a Delaware limited partnership (the “Conversion”) and all of its ownership interests were transferred to an indirect, wholly-owned Irish subsidiary of the Company. In connection with the Conversion, the White Eagle Revolving Credit Facility was amended and restated among White Eagle, as borrower, Imperial Finance and Trading, LLC, as the initial servicer, the initial portfolio manager and guarantor, Lamington Road Bermuda Ltd., as portfolio manager, LNV Corporation, as initial lender, the other financial institutions party thereto as lenders, and CLMG Corp., as administrative agent for the lenders. On November 9, 2015, the White Eagle Revolving Credit Facility ("White Eagle Amendment") was amended. As amended, the White Eagle Revolving Credit Facility may provide earlier participation in the portfolio cash flows if certain loan to value (“LTV”) ratios are achieved as more fully described below under “Amortization & Distributions.” Additionally, the maximum facility limit was reduced from $300.0 million to $250.0 million, and will generally be reduced annually by $25.0 million beginning on April 29, 2019. Additionally, the interest rate under the facility was increased by 50 basis points.

General & Security. The White Eagle Revolving Credit Facility provides for an asset-based revolving credit facility backed by White Eagle’s portfolio of life insurance policies with an aggregate lender commitment of up to $250.0 million, subject to borrowing base availability. 431 life insurance policies with an aggregate death benefit of approximately $2.2 billion and an estimated fair value of approximately $345.5 million are pledged as collateral under the White Eagle Revolving Credit Facility at September 30, 2016. In addition, the equity interests in White Eagle have been pledged under the White Eagle Revolving Credit Facility.

Borrowing Base. Borrowing availability under the White Eagle Revolving Credit Facility is subject to a borrowing base, which at any time is equal to the lesser of (A) the sum of all of the following amounts that have been funded or are to be funded through the next distribution date (i) the initial advance and all additional advances to acquire additional pledged policies or that are not for ongoing maintenance advances, plus (ii) 100% of the sum of the ongoing maintenance costs, plus (iii) 100% of accrued and unpaid interest on borrowings (excluding the rate floor portion described below), plus (iv) 100% of any other fees and expenses funded and to be funded as approved by the required lenders, less (v) any required payments of principal and interest previously distributed and to be distributed through the next distribution date; (B) 75% of the valuation of the policies pledged as collateral as determined by the lenders; (C) 50% of the aggregate face amount of the policies pledged as collateral (excluding certain specified life insurance policies); and (D) the then applicable facility limit. At September 30, 2016, $49.2 million was undrawn and $2.7 million was available to borrow under the White Eagle Revolving Credit Facility. This amount available to borrow is calculated based on and limited to the premium payments and expenses if any, that are due as of the calculation date. In essence, what is available, is what is required to pay expenses and keep the policies in force as of the calculation date.

Amortization & Distributions. Proceeds from the maturity of the policies pledged as collateral under the White Eagle Revolving Credit Facility are distributed pursuant to a waterfall. After premium payments, fees to service providers and payments of interest, a percentage of the collections from policy proceeds are to be paid to the lenders, which will vary depending on the then LTV ratio as follows: (1) if the LTV is equal to or greater than 50%, all remaining proceeds will be directed to the lenders to repay the then outstanding principal balance; (2) if the LTV is less than 50% but greater than or equal to 25%, 65% of the remaining proceeds will be directed to the lenders to repay the then outstanding principal balance; or (3) if the LTV is less than 25%, 35% of the remaining proceeds will be directed to the lenders to repay the then outstanding principal balance, in each case, with remaining proceeds (“Excess LTV Payments”) directed to White Eagle for so long as the “Net Total Investment Percentage” exceeds 15% and there are at least 75 policies pledged under the White Eagle Revolving Credit Facility representing 75 distinct insured with any such proceeds to White Eagle decreasing the $76.1 million preference amount (the “preference amount”) that would have been distributed to White Eagle prior to the November 9, 2015 amendment upon the pay down of outstanding indebtedness. Following the satisfaction of the remaining preference payment, 50% of the remaining proceeds will generally be directed to the lenders with the remainder paid to White Eagle and for any unpaid fees to service providers. As of any calculation date, the “Net Total Investment Percentage” is determined by dividing the difference between the preference amount and the aggregate Excess LTV Payments by the outstanding principal amount under the White Eagle Revolving Credit Facility. With respect to approximately 25% of the face amount of policies pledged as collateral under the White Eagle Revolving Credit Facility, White Eagle has agreed that if policy proceeds that are otherwise due are not paid by an insurance carrier, the foregoing distributions will be altered such that the lenders will receive any “catch-up” payments with respect to amounts that they would have received in the waterfall prior to distributions being made to White Eagle. During the

continuance of events of default or unmatured events of default, the amounts from collections of policy proceeds that might otherwise be paid to White Eagle will instead be held in a designated account controlled by the lenders and may be applied to fund operating and third party expenses, interest and principal, “catch-up” payments or percentage payments that would go to the lenders as described above.

Use of Proceeds. Generally, ongoing advances may be made for paying premiums on the life insurance policies pledged as collateral and to pay the fees of service providers. Effective with the White Eagle Amendment on November 9, 2015, ongoing advances may no longer be used to pay interest, which will now be paid by White Eagle if there is not otherwise sufficient amounts available from policy proceeds to be distributed to pay interest expense pursuant to the waterfall described above in "Amortization and Distributions." Subsequent advances and the use of proceeds from those advances in respect of newly pledged policies are at the discretion of the lenders.

Interest. Borrowings under the White Eagle Revolving Credit Facility bear interest at a rate equal to LIBOR or, if LIBOR is unavailable, the base rate, in each case plus an applicable margin of 4.50%, which was increased from 4.00% pursuant to the November 9, 2015 amendment, and subject to a rate floor component equal to the greater of LIBOR (or the applicable rate) and 1.5%. The base rate under the White Eagle Revolving Credit Facility equals the sum of (i) the weighted average of the interest rates on overnight federal funds transactions or, if unavailable, the average of three federal funds quotations received by the Agent plus 0.75% and (ii) 0.5%. Based on the loan agreement, the LIBOR portion of the interest rate will re-adjust annually, once the floor has exceeded 1.5%. The applicable rate will be dependent on the rate at the last business day of the preceding calendar year. The effective rate at September 30, 2016 and 2015 was 6.0% and 5.5%, respectively.

Interest paid during the period is recorded in the Company’s consolidated financial statements. Accrued interest is reflected as a component of the estimated fair value of the White Eagle Revolving Credit Facility debt. Effective with the White Eagle Amendment on November 9, 2015, interest for the applicable margin of 4.50% is no longer withheld from borrowings by the lender and, therefore, $2.9 million was paid by White Eagle during the three months ended September 30, 2016 compared to interest expense of $2.3 million during the three months ended September 30, 2015 , which included $1.7 million withheld from borrowings by the lender and $634,000 paid by White Eagle. During the nine months ended September 30, 2016 , approximately $8.1 million in interest expense was paid by White Eagle, compared to interest expense of $6.9 million for the nine months ended September 30, 2015 , which included $5.0 million withheld from borrowings by the lender and $1.9 million paid by White Eagle.

Maturity. The term of the White Eagle Revolving Credit Facility expires April 28, 2028, which is also the scheduled commitment termination date (though the lenders’ commitments to fund borrowings may terminate earlier in an event of default). The lenders’ interests in and rights to a portion of the proceeds of the policies does not terminate with the repayment of the principal borrowed and interest accrued thereon, the termination of the White Eagle Revolving Credit Facility or expiration of the lenders’ commitments.

Covenants/Events of Defaults. The White Eagle Revolving Credit Facility contains covenants and events of default that are customary for asset-based credit agreements of this type, but also include cross defaults under the servicing, account control, contribution and pledge agreements entered into in connection with the White Eagle Revolving Credit Facility (including in relation to breaches by third parties thereunder), certain changes in law, changes in control of or insolvency or bankruptcy of the Company and relevant subsidiary companies and performance of certain obligations by certain relevant subsidiary companies, White Eagle and third parties. The White Eagle Revolving Credit Facility does not contain any financial covenants, but does contain certain tests relating to asset maintenance, performance and valuation, the satisfaction of which will be determined by the lenders with a high degree of discretion.

Remedies. The White Eagle Revolving Credit Facility and ancillary transaction documents afford the lenders a high degree of discretion in their selection and implementation of remedies, including strict foreclosure, in relation to any event of default, including a high degree of discretion in determining whether to foreclose upon and liquidate all or any pledged policies, the interests in White Eagle, and the manner of any such liquidation. White Eagle has limited ability to cure events of default through the sale of policies or the procurement of replacement financing.

The Company elected to account for the debt under the White Eagle Revolving Credit Facility in accordance with ASC 820, which includes the 50% interest in policy proceeds to the lender, using the fair value method. The fair value of the debt is the amount the Company would have to pay to transfer the debt to a market participant in an orderly transaction. The Company calculated the fair value of the debt using a discounted cash flow model taking into account the stated interest rate of the credit facility and probabilistic cash flows from the pledged policies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the Company’s estimates are not necessarily indicative of the amounts that the Company, or holders of the instruments, could realize in a current market exchange. The most significant assumptions are the

estimates of life expectancy of the insured and the discount rate. The use of different assumptions and/or estimation methodologies could have a material effect on the estimated fair values.

At September 30, 2016, the fair value of the outstanding debt was $182.1 million and the borrowing base was approximately $203.5 million, which includes $200.8 million of outstanding principal. Approximately $2.7 million was available to borrow under the Facility.

There are no scheduled repayments of principal prior to maturity although payments are due upon the next distribution date following the receipt of death benefits and distributed pursuant to the waterfall as described above. At September 30, 2016, approximately $7.0 million included in restricted cash was on account with White Eagle waiting distribution through the waterfall.

(10) Red Falcon Revolving Credit Facility

Effective July 16, 2015, Red Falcon Trust ("Red Falcon"), a Delaware statutory trust formed by Blue Heron Designated Activity Company ("Blue Heron"), a wholly-owned Irish subsidiary of the Company, entered into a revolving loan and security agreement (together with its ancillary documents, the “Red Falcon Revolving Credit Facility”) with LNV Corporation, as initial lender, the other lenders party thereto from time to time, Imperial Finance & Trading, LLC, as guarantor, Blue Heron as portfolio administrator and CLMG Corp., as administrative agent (the "Agent"). On July 15, 2016, the Company amended its Red Falcon Revolving Credit Facility (the "Red Falcon Amendment"). Pursuant to the amendment, six additional policies and additional portions of 20 policies that were previously pledged in part as collateral under the initial credit agreement were pledged for an additional policy advance. Amounts advanced to Red Falcon following effectiveness of the amendment to the credit agreement were approximately $3.0 million.

General & Security. The Red Falcon Revolving Credit Facility provides for a revolving credit facility backed by Red Falcon’s portfolio of life insurance policies with an initial aggregate lender commitment of up to $110.0 million, subject to borrowing base availability. As of September 30, 2016, 158 life insurance policies owned by Red Falcon with an aggregate death benefit of approximately $619.7 million and an estimated fair value of approximately $130.0 million are pledged as collateral under the Red Falcon Revolving Credit Facility. In connection with the Red Falcon Revolving Credit Facility, the residual interests in Red Falcon were also pledged.

Borrowing Base & Availability. Revolving credit borrowings are permitted for a five-year period with the loans under the Red Falcon Revolving Credit Facility maturing on July 15, 2022. Borrowing availability under the Red Falcon Revolving Credit Facility is subject to a borrowing base, which at any time is equal to the lesser of (A) the sum of all of the following amounts that have been funded or are to be funded through the next distribution date (i) the initial advance and all additional advances in respect of newly pledged policies that are not for ongoing maintenance advances, plus (ii) 100% of the sum of the ongoing maintenance costs, less (iii) any required amortization payments previously distributed and to be distributed through the next distribution date; (B) 60% of the valuation of the policies pledged as collateral as determined by the lenders; (C) 45% of the aggregate face amount of the policies pledged as collateral; and (D) $110.0 million. At September 30, 2016, $48.4 million was undrawn and $307,000 was available to borrow under the Red Falcon Revolving Credit Facility. The amount available to borrow is calculated based on and limited to the premium payments and expenses, if any, that are due as of the calculation date. In essence, what is available, is what is required to pay expenses and keep the policies in force as of the calculation date.

Amortization & Distributions. Proceeds from the policies pledged as collateral under the Red Falcon Revolving Credit Facility are distributed pursuant to a waterfall with, subject to yield maintenance provisions, 5% of policy proceeds directed to the lenders. Thereafter proceeds are directed to pay fees to service providers and premiums with any remaining proceeds directed to pay outstanding interest and required amortization of 8% per annum on the greater of the then outstanding balance of the loan or the initial advance. Generally, after payment of interest and required amortization, a percentage of the collections from policy proceeds are to be paid to the lenders, which will vary depending on the then LTV as follows: (1) if the LTV is equal to or greater than 50%, all remaining proceeds will be directed to the lenders to repay the then outstanding principal balance; (2) if the LTV is less than 50% but greater than or equal to 25%, 65% of the remaining proceeds will be directed to the lenders to repay the then outstanding principal balance; or (3) if the LTV is less than 25%, 35% of the remaining proceeds will be directed to the lenders to repay the then outstanding principal balance, in each case, with remaining proceeds directed to Red Falcon. To the extent there are not sufficient remaining proceeds in the waterfall to satisfy the amount of required interest and amortization then due, Red Falcon will be required to pay any such shortfall amount.

Initial Advance and Use of Proceeds. Amounts advanced to Red Falcon following effectiveness of the Red Falcon Revolving Credit Facility were approximately $54.0 million with certain of the proceeds used to pay transaction expenses and to purchase the policies pledged as collateral under the Red Falcon Revolving Credit Facility from certain affiliates of the Company, who then made a distribution to the Company that was used to redeem the Company's 12.875% Secured Notes. Generally, ongoing advances may be made for paying premiums on the life insurance policies pledged as collateral, and to pay the fees of service providers. Subsequent advances in respect of newly pledged policies are at the discretion of the lenders.

Interest. Borrowings under the Red Falcon Revolving Credit Facility bear interest at a rate equal to LIBOR or, if LIBOR is unavailable, the base rate, in each case plus an applicable margin of 4.50% and subject to a rate floor of 1.0%. The base rate under the Red Falcon Revolving Credit Facility equals the sum of (i) the weighted average of the interest rates on overnight federal funds transactions or, if unavailable, the average of three federal funds quotations received by the Agent plus 0.75% and (ii) 0.5%. Based on the loan agreement, the LIBOR portion of the interest rate will re-adjust monthly, once the floor has exceeded 1.0%. The applicable rate will be dependent on the rate at the last business day of the immediately preceding calendar month. During the nine months ended September 30, 2016 the LIBOR floor increased from 1.0% to 1.56% at September 30, 2016. The effective interest rate at September 30, 2016 was 6.06%.

Interest expense for the cash portion of interest paid during the period is recorded in the Company's consolidated financial statements. Accrued interest is reflected as a component of the estimated fair value of the Red Falcon Revolving Credit Facility.

Interest expense on the facility was $1.3 million for the three months ended September 30, 2016 and $3.2 million for the nine months ended September 30, 2016 as compared to $3.8 million for the three and nine month period ended September 30, 2015. Interest expense for the three and nine month period ended September 30, 2015 included $3.2 million in debt issuance costs which were not capitalized as a result of the Company electing the fair value option for valuing this debt compared to $297,000 during the same period ending 2016 associated with the Red Falcon Amendment.

Maturity. The term of the Red Falcon Revolving Credit Facility expires July 15, 2022.

Covenants/Events of Defaults. The Red Falcon Revolving Credit Facility contains covenants and events of default, including those that are customary for asset-based credit facilities of this type and including cross defaults under the servicing, portfolio management and sales agreements entered into in connection with the Red Falcon Revolving Credit Facility, changes in control of or insolvency or bankruptcy of the Company and relevant subsidiary companies and performance of certain obligations by certain relevant subsidiary companies, Red Falcon and third parties. The Red Falcon Revolving Credit Facility does not contain any financial covenants, but does contain certain tests relating to asset maintenance, performance and valuation with determinations as to the satisfaction of such tests involving determinations made by the lenders with a high degree of discretion.

The Company elected to account for the debt under the Red Falcon Revolving Credit Facility using the fair value method in accordance with ASC 820. The fair value of the debt is the amount the Company would have to pay to transfer the debt to a market participant in an orderly transaction. The Company calculated the fair value of the debt using a discounted cash flow model taking into account the stated interest rate of the credit facility and probabilistic cash flows from the pledged policies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the Company's estimates are not necessarily indicative of the amounts that the Company, or holders of the instruments, could realize in a current market exchange. The most significant assumptions are the estimates of life expectancy of the insured and the discount rate. The use of different assumptions and/or estimation methodologies could have a material effect on the estimated fair values.

At September 30, 2016, the fair value of the outstanding debt was $61.5 million and the borrowing base was approximately $61.9 million, which includes $61.6 million of outstanding principal. Approximately $307,000 was available to borrow under the Facility.

(11) 8.50% Senior Unsecured Convertible Notes

In February 2014, the Company issued $70.7 million in an aggregate principal amount of 8.50% senior unsecured convertible notes due 2019. The Convertible Notes were issued pursuant to an indenture dated February 21, 2014, between the Company and U.S. Bank National Association, as trustee. Two members of the Company's Board of Directors, Messrs. Dakos and Goldstein, are affiliated with Bulldog Investors, LLC, who purchased $9.2 million of the Convertible Notes.

The Convertible Notes are general senior unsecured obligations and rank equally in right of payment with all of the Company's other existing and future senior unsecured indebtedness. The Convertible Notes are effectively subordinate to all of the Company's secured indebtedness to the extent of the value of the assets collateralizing such indebtedness. The Convertible Notes are not guaranteed by the Company's subsidiaries.

The maturity date of the Convertible Notes is February 15, 2019. The Convertible Notes accrue interest at the rate of 8.50% per annum on the principal amount of the Convertible Notes, payable semi-annually in arrears on August 15 and February 15 of each year .

The Convertible Notes are convertible into shares of common stock at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date. Initially, the Convertible Notes were convertible into shares of common stock at a conversion rate of 147.9290 shares of common stock per $1,000 principal amount of Convertible Notes (equivalent to a conversion price of $6.76 per share of common stock). In the second quarter of 2015, the conversion rate was adjusted to 151.7912 shares of common stock per $1,000 principal amount of Convertible Notes (equivalent to a conversion price of $6.59 per share of common stock) in connection with anti-dilution adjustment triggered by a rights offering that resulted in the issuance of 6,688,433 shares of the Company's common stock.

The Company may not redeem the Convertible Notes prior to February 15, 2017. On and after such date, and prior to the maturity date, the Company may redeem for cash all, but not less than all, of the Convertible Notes if the last reported sale price of the Company's common stock equals or exceeds 130% of the applicable conversion price for at least 20 trading days during the 30 consecutive trading day period ending on the trading day immediately prior to the date the Company delivers notice of the redemption. The redemption price will be equal to 100% of the principal amount of the Convertible Notes, plus any accrued and unpaid interest to, but excluding, the redemption date. In addition, if the Company calls the Convertible Notes for redemption, a make-whole fundamental charge will be deemed to occur. As a result, the Company will, in certain circumstances, increase the conversion rate by a number of additional shares of common stock for holders who convert their notes prior to the redemption date.

The Company determined that an embedded conversion option existed in the Convertible Notes that was required to be separately accounted for as a derivative under ASC 815, which required the Company to bifurcate the embedded conversion option, record it as a liability at fair value and record a debt discount by an equal amount. Upon receipt of shareholder approval to issue shares of common stock upon conversion of the Convertible Notes in an amount that exceeded applicable New York Stock Exchange limits for issuances without shareholder approval, the Company reclassified the embedded conversion derivative liability to equity. The Convertible Notes are recorded at accreted value and will continue to be accreted up to the par value of the Convertible Notes at maturity.

As of September 30, 2016, the carrying value of the Convertible Notes was $59.5 million, net of unamortized debt discounts and origination costs of $9.8 million and $1.4 million, respectively. These are being amortized over the remaining life of the Convertible Notes using the effective interest method.

During the three months ended September 30, 2016 , the Company recorded $2.5 million of interest expense on the Convertible Notes, including $1.5 million, $838,000 and $124,000 from interest, amortizing debt discounts and origination costs, respectively, compared to interest expense of $2.3 million during the three months ended September 30, 2015 , which included $1.5 million, $711,000 and $105,000 from interest, amortizing debt discounts and origination costs, respectively.

During the nine months ended September 30, 2016 , the Company recorded $7.2 million of interest expense on the Convertible Notes, including $4.5 million, $2.4 million and $351,000 from interest, amortizing debt discounts and origination costs, respectively compared to interest expense of $6.8 million during the nine months ended September 30, 2015 , which included $4.5 million, $2.0 million and $294,000 from interest, amortizing debt discounts and origination costs, respectively.

During the nine months ended September 30, 2016 the Company adopted ASU No. 2015-03, "Interest-Imputation of Interest (Subtopic 835-30)." This standard provides guidance on the balance sheet presentation of debt issuance cost, discount and premiums. See Note 2 "Principles of Consolidation and Basis of Presentation."

(12) 15.00% Senior Secured Notes

On March 11, 2016 (the "Initial Closing Date"), the Company, as issuer, entered into an indenture with Wilmington Trust Company, as indenture trustee. The indenture provides for the issuance of up to $30.0 million in senior secured notes (the "Senior Secured Notes"), of which approximately $21.2 million were issued on the Initial Closing Date with an additional $8.8

million issued on March 24, 2016. The Senior Secured Notes were purchased in private transactions exempt from the registration requirements of the Securities Act of 1933, as amended, under the note purchase agreements with certain accredited investors and/or non U.S. persons, including certain members of the Company's board of directors, management and their affiliates, who purchased approximately $3.3 million of the Senior Secured Notes issued on the Initial Closing Date.

Interest on the Senior Secured Notes accrues at 15.0% per annum payable quarterly and all Senior Secured Notes will mature on September 14, 2018 (the "Maturity Date"). The Senior Secured Notes may be optionally redeemed in full at any time and must be redeemed in full upon additional issuances of debt by Emergent Capital, Inc., in each case, at a price equal to 100% of the principal amount redeemed plus (i) accrued and unpaid interest on the Senior Secured Notes redeemed up to the date of redemption, and (ii) the present value, as of the date of redemption of all remaining interest payments to the Maturity Date using a discount rate equal to the yield to maturity at the time of computation on the US treasury security with a constant maturity most nearly equal to the period from the redemption date to the Maturity Date plus 50 basis points. Upon a change of control, the Company will be required to make an offer to holders of the Senior Secured Notes to repurchase the Senior Secured Notes at a price equal to 107.5% of their principal amount.

The Senior Secured Notes contain negative covenants restricting additional debt incurred by Emergent Capital, Inc., creation of liens on the collateral securing the Senior Secured Notes, and restrictions on dividends and stock repurchases. The Senior Secured Notes are secured by settlement proceeds, if any, received from certain litigation involving the Company, certain notes issued to the Company and a pledge of 65% of the equity interests in Blue Heron Designated Activity Company, OLIPP IV, LLC and Red Reef Alternative Investments, LLC.

During the nine months ended September 30, 2016 , the Company adopted ASU No. 2015-03, "Interest - Imputation of Interest (Subtopic 835-30)." This standard provides guidance on the balance sheet presentation of debt issuance cost, discount and premiums.

As of September 30, 2016, the carrying value of the Senior Secured Notes was $30.0 million, net of unamortized debt origination costs of $791,000, which is being amortized over the remaining life of the Senior Secured Notes using the effective interest method.

The Company recorded approximately $1.2 million of interest expense on the Senior Secured Notes, which includes $1.2 million of interest and $84,000 of amortizing debt issuance costs, during the three months ended September 30, 2016 .

The Company recorded approximately $2.8 million of interest expense on the Senior Secured Notes, which includes $2.5 million of interest and $260,000 of amortizing debt issuance costs, during the nine months ended September 30, 2016 .

(13) 12.875% Senior Secured Notes

On November 10, 2014 and January 21, 2015, the Company issued an aggregate of $50.0 million in 12.875% Senior Secured Notes (the "Secured Notes") in two $25.0 million tranches. The Secured Notes were issued at 96% of their face amount. Fees and expenses paid by the Company in connection with the initial and subsequent issuances were approximately $1.8 million and $305,000, respectively.

All Secured Notes issued under the indenture were scheduled to mature on November 10, 2017. On July 16, 2015, the Company redeemed all of the outstanding Secured Notes at 106% of their principal amount plus interest up to November 10, 2015. Approximately $8.8 million was expensed as extinguishment related to the early repayment of the facility in July 2015, including $5.2 million, $171,000, $1.7 million and $1.7 million related to interest and prepayment penalties, unused fees, a write off of debt discounts and write off of issuance costs, respectively.

For the nine months ended September 30, 2015 , the Company recorded $4.0 million of interest expense on the Secured Notes, including $3.2 million, $265,000, $264,000 and $277,000 for interest, unused fees, amortizing debt discounts and issuance costs, respectively.

(14) Fair Value Measurements

The Company carries life settlements and debt under the Revolving Credit Facilities at fair value as shown in the consolidated balance sheets. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. Fair value measurements are classified based on the following fair value hierarchy:

Level 1-Valuation is based on unadjusted quoted prices in active markets for identical assets and liabilities that are accessible at the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2-Valuation is determined from pricing inputs that are other than quoted prices in active markets that are either directly or indirectly observable as of the reporting date. Observable inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and interest rates and yield curves that are observable at commonly quoted intervals.

Level 3-Valuation is based on inputs that are both significant to the fair value measurement and unobservable. Level 3 inputs include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value generally require significant management judgment or estimation.

Assets and liabilities measured at fair value on a recurring basis

The balances of the Company's assets measured at fair value on a recurring basis as of September 30, 2016, are as follows (in thousands):

	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Life settlements	$ —	$ —	$ 483,395	$ 483,395
	$ —	$ —	$ 483,395	$ 483,395

The balances of the Company's liabilities measured at fair value on a recurring basis as of September 30, 2016 are as follows (in thousands):

	Level 1	Level 2	Level 3	Total Fair Value
Liabilities:				
White Eagle Revolving Credit Facility	$ —	$ —	182,128	$ 182,128
Red Falcon Revolving Credit Facility	—	—	61,451	61,451
	$ —	$ —	$ 243,579	$ 243,579

The balances of the Company's assets measured at fair value on a recurring basis as of December 31, 2015, are as follows (in thousands):

	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Life settlements	$ —	$ —	$ 461,925	$ 461,925
	$ —	$ —	$ 461,925	$ 461,925

The balances of the Company's liabilities measured at fair value on a recurring basis as of December 31, 2015, are as follows (in thousands):

	Level 1	Level 2	Level 3	Total Fair Value
Liabilities:				
White Eagle Revolving Credit Facility	$ —	$ —	$ 169,131	$ 169,131
Red Falcon Revolving Credit Facility	$ —	$ —	$ 55,658	$ 55,658
	$ —	$ —	$ 224,789	$ 224,789

The Company categorizes its investment in life settlement portfolio in two classes, non-premium financed and premium financed. In considering the categories, historically, it has generally believed that market participants would require a lower risk premium for policies that were non-premium financed, while a higher risk premium would be required for policies that were premium financed; the Company believes that this risk premium has been declining.

($ in thousands)	Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value at 9/30/16	Aggregate death benefit at 9/30/16	Valuation Technique	Unobservable Input (s)	Range (Weighted Average)
Non-premium financed	$ 103,219	$332,588	Discounted cash flow	Discount rate	15.00% - 21.00%
				Life expectancy evaluation	(5.8 years)
Premium financed	$ 380,176	$2,621,208	Discounted cash flow	Discount rate	16.00% - 22.50%
				Life expectancy evaluation	(9.7 years)
Life settlements	$ 483,395	$2,953,796	Discounted cash flow	Discount rate	16.52%
				Life expectancy evaluation	(9.2 years)
White Eagle Revolving Credit Facility	$ 182,128	$2,167,370	Discounted cash flow	Discount rate	20.06%
				Life expectancy evaluation	(9.2 years)
Red Falcon Revolving Credit Facility	$ 61,451	$619,652	Discounted cash flow	Discount Rate	11.20%
				Life expectancy evaluation	(8.6 years)

Following is a description of the methodologies used to estimate the fair values of assets and liabilities measured at fair value on a recurring basis and within the fair value hierarchy.

Life settlements—The Company has elected to account for the life settlement policies it acquires using the fair value method. The Company uses a present value technique to estimate the fair value of its life settlements, which is a Level 3 fair value measurement as the significant inputs are unobservable and require significant management judgment or estimation. The Company currently uses a probabilistic method of valuing life insurance policies, which the Company believes to be the preferred valuation method in the industry. The most significant assumptions are the estimates of life expectancy of the insured and the discount rate.

The Company provides medical records for each insured to independent life expectancy providers (each, an "LE provider"). Each LE provider reviews and analyzes the medical records and identifies all medical conditions it feels are relevant to the life expectancy determination of the insured. Debits and credits are assigned by each LE provider to the individual's health based on identified medical conditions, which are derived from the experience of mortality attributed to relevant conditions in the portfolio of lives that the LE provider monitors. The health of the insured is summarized by the LE provider into a life assessment of the individual's life expectancy expressed both in terms of months and in mortality factor. The mortality factor represents the degree to which the given life can be considered more or less impaired than a life having similar characteristics (e.g. gender, age, smoking, etc.). For example, a standard insured (the average life for the given mortality table) would carry a mortality rating of 100%. A similar but impaired life bearing a mortality rating of 200% would be considered to have twice the chance of dying earlier than the standard life relative to the LE provider's population. Since each provider's mortality factor is based on its own mortality table, the Company calculates its own factors to apply to the table selected by the Company.

The Company calculates mortality factors so that when applied to the mortality table selected by the Company, the resulting LE equals the LE provided by each LE provider. The resulting mortality factors are then blended to determine a factor for each insured.

A mortality curve is then generated based on the calculated mortality factors and the rates from the Company selected mortality table to generate the best estimated probabilistic cash flow stream. The net present value of the cash flows is then calculated to determine the policy value.

If the insured dies earlier than expected, the return will be higher than if the insured dies when expected or later than expected. The calculation allows for the possibility that if the insured dies earlier than expected, the premiums needed to keep the policy in force will not have to be paid. Conversely, the calculation also considers the possibility that if the insured lives longer than expected, more premium payments will be necessary.

Since the quarter ended September 30, 2012, and prior to June 30, 2016, the Company used the 2008 Valuation Basic tables, smoker distinct ("2008 VBT"), mortality tables developed by the U.S. Society of Actuaries (the "SOA"). The mortality tables are created based on the expected rates of death among different groups categorized by factors such as age and gender.

During 2015, the U.S. Society of Actuaries released new versions of the Valuation Basic Tables, the ("2015 VBT"). The 2015 VBT has a significant increase in exposure and number of claims over the 2008 VBT and is believed to be a better fit for the life settlement industry and is becoming more widely accepted. During the nine months ended September 30, 2016 , the Company changed its valuation technique and decided to adopt the 2015 VBT, smoker and gender distinct tables, to determine the value of the policies. The table shows lower mortality rates in the earlier select periods at most ages, so while the Company continues to fit the life expectancies from the LE providers to the 2015 VBT, the change in the mortality curve changes the timing of the Company's expected cash flow streams. The resulting impact is approximately $17.6 million reduction in the fair value of our life settlements.

Future changes in the life expectancies could have a material adverse effect on the fair value of the Company's life settlements, which could have a material adverse effect on its business, financial condition and results of operations

Life expectancy sensitivity analysis

If all of the insured lives in the Company's life settlement portfolio live six months shorter or longer than the life expectancies provided by these third parties, the change in estimated fair value would be as follows (dollars in thousands):

Life Expectancy Months Adjustment	Value	Change in Value
+6	$ 403,498	$ (79,897)
-	$ 483,395	—
-6	$ 568,760	$ 85,365

Discount rate

The discount rate incorporates current information about market interest rates, the credit exposure to the insurance company that issued the life insurance policy and our estimate of the risk premium an investor in the policy would require.

The Company re-evaluates its discount rates at the end of every reporting period in order to reflect the estimated discount rates that could reasonably be used in a market transaction involving the Company's portfolio of life insurance policies. In doing so, the Company relies on management insight, engages third party consultants to corroborate its assessment, engages in discussions with other market participants and extrapolates the discount rate underlying actual sales of policies.

At one time, due to the Company's association with the USAO Investigation and certain civil litigation involving the Company, the Company believed that, when given the choice to invest in a policy that was associated with the Company's premium finance business and a similar policy without such an association, all else being equal, an investor would have generally opted to invest in the policy that was not associated with the Company's premium finance business. However, since the Company entered into a non-prosecution agreement, investors have required less of a risk premium to transact in policies associated with the Company's legacy premium finance business. With passage of time, and resolution of litigations, the Company now believes investors no longer require a greater risk premium for policies associated with the Company's premium finance business than the risk premium otherwise required for policies that were premium financed. In general, the Company believes that the risk premium an investor would require to transact in a policy that has been premium financed versus a policy without premium financing is lessening in the current market environment and further expects that, with the passage of time, investors will continue to require less of a risk premium to transact in policies associated that had been premium financed.

Credit exposure of insurance company

The Company considers the financial standing of the issuer of each life insurance policy. Typically, we seek to hold policies issued by insurance companies that are rated investment grade by the top three credit rating agencies. At September 30, 2016, the Company had 18 life insurance policies issued by two carriers that were rated non-investment grade as of that date. In order to compensate a market participant for the perceived credit and challenge risks associated with these policies, the Company applied an additional 300 basis point risk premium.

The following table provides information about the life insurance issuer concentrations that exceed 10% of total death benefit and 10% of total fair value of the Company's life settlements as of September 30, 2016:

Carrier	Percentage of Total Fair Value	Percentage of Total Death Benefit	Moody's Rating	S&P Rating
Transamerica Life Insurance Company	18.3%	20.6%	A1	AA-
Lincoln National Life Insurance Company	21.7%	19.2%	A1	AA-

Estimated risk premium

As of September 30, 2016, the Company owned 623 policies with an estimated fair value of $483.4 million. Of these 623 policies, 539 were previously premium financed and are valued using discount rates that range from 16.00% to 22.50%. The remaining 84 policies, which are non-premium financed, are valued using discount rates that range from 15.00% to 21.00%. As of September 30, 2016, the weighted average discount rate calculated based on death benefit used in valuing the policies in the Company's life settlement portfolio was 16.52%.

The discount rate incorporates current information about market interest rates, the credit exposure to the insurance company that issued the life insurance policy and our estimate of the risk premium an investor in the policy would require. The extent to which the fair value could vary in the near term has been quantified by evaluating the effect of changes in the weighted average discount rate on the death benefit used to estimate the fair value. If the weighted average discount rate was increased or decreased by 1/2 of 1% and the other assumptions used to estimate fair value remained the same, the change in estimated fair value would be as follows (dollars in thousands):

Market interest rate sensitivity analysis

Weighted Average Rate Calculated Based on Death Benefit	Rate Adjustment	Value	Change in Value
16.02%	-0.50%	$ 496,625	$ 13,230
16.52%	—	$ 483,395	$ —
17.02%	+0.50%	$ 470,722	$ (12,673)

Future changes in the discount rates we use to value life insurance policies could have a material effect on the yield on life settlement transactions, which could have a material adverse effect on our business, financial condition and results of our operations.

At the end of each reporting period we re-value the life insurance policies using our valuation model in order to update our estimate of fair value for investments in policies held on our balance sheet. This includes reviewing our assumptions for discount rates and life expectancies as well as incorporating current information for premium payments and the passage of time.

White Eagle Revolving Credit Facility — In connection with the White Eagle Revolving Credit Facility, 431 policies are pledged by White Eagle to serve as collateral for its obligations under the facility. Absent an event of default under the White Eagle Revolving Credit Facility, ongoing borrowings will be used to pay the premiums on these policies and certain approved third party expenses. As more fully described in Note 9, "White Eagle Revolving Credit Facility," proceeds from the policies pledged as collateral will be distributed pursuant to a waterfall with 50% of the proceeds remaining following the Excess LTV Payments and/or preference amount, as the case may be, being directed to the lenders with the remainder paid to White Eagle. We have elected to account for this long-term debt, which includes the lender's interest in policy proceeds, using the fair value method. The fair value of the debt is the amount the Company would have to pay to transfer the debt to a market participant in an orderly transaction. We calculated the fair value of the debt using a discounted cash flow model taking into account the stated interest rate of the White Eagle Revolving Credit Facility and probabilistic cash flows from the pledged policies. Accordingly, our estimates are not necessarily indicative of the amounts that we, or holders of the instruments, could realize in a current market exchange. The most significant assumptions are the estimates of life expectancy of the insured and the discount rate. The use of different assumptions and/or estimation methodologies could have a material effect on the estimated fair values.

During the nine months ended September 30, 2016 , the Company changed its valuation technique by adopting the 2015 VBT, smoker and gender distinct tables, to determine the value of the life insurance policies pledged as collateral in the facility.

The table shows lower mortality rates in the earlier select periods at most ages, so while the Company continues to fit the life expectancies from the LE providers to the 2015 VBT, the change in the mortality curve changes the timing of the Company's expected cash flow streams, which resulted in an increase in projected borrowings. The resulting impact is a positive change in fair value of the White Eagle Revolving Credit Facility of approximately $14.7 million.

Life expectancy sensitivity analysis of the White Eagle Revolving Credit Facility

A considerable portion of the fair value of the White Eagle Revolving Credit Facility is determined by the timing of receipt of future policy proceeds. Should life expectancies lengthen such that policy proceeds are collected further into the future, the fair value of this debt will decline. Conversely, should life expectancies shorten, the fair value of this debt will increase. Considerable judgment is required in interpreting market data to develop the estimates of fair value.

If all of the insured lives in the life settlement portfolio pledged under the White Eagle Revolving Credit Facility live six months shorter or longer than the life expectancies used to calculate the estimated fair value of the White Eagle Revolving Credit Facility debt, the change in estimated fair value would be as follows (dollars in thousands):

Life Expectancy Months Adjustment	Fair Value of White Eagle Revolving Credit Facility	Change in Value
+6	$ 152,558	$ (29,570)
	$ 182,128	—
-6	$ 214,421	$ 32,293

Future changes in the life expectancies could have a material effect on the fair value of the White Eagle Revolving Credit Facility, which could have a material adverse effect on its business, financial condition and results of operations.

Discount rate of the White Eagle Revolving Credit Facility

The discount rate incorporates current information about market interest rates, credit exposure to insurance companies and the Company's estimate of the return a lender lending against the policies would require.

Market interest rate sensitivity analysis of the White Eagle Revolving Credit Facility

The extent to which the fair value of the White Eagle Revolving Credit Facility could vary in the near term has been quantified by evaluating the effect of changes in the weighted average discount. If the weighted average discount rate were increased or decreased by 1/2 of 1% and the other assumptions used to estimate fair value remained the same, the change in estimated fair value of the White Eagle Revolving Credit Facility as of September 30, 2016 would be as follows (dollars in thousands):

Discount Rate	Rate Adjustment	Fair Value of White Eagle Revolving Credit Facility	Change in Value
19.56%	-0.50 %	$ 186,485	$ 4,357
20.06%	—	$ 182,128	$ —
20.56%	+0.50 %	$ 177,933	$ (4,195)

Future changes in the discount rates could have a material effect on the fair value of the White Eagle Revolving Credit Facility, which could have a material adverse effect on its business, financial condition and results of its operations.

At September 30, 2016, the fair value of the debt was $182.1 million and the outstanding principal was approximately $200.8 million.

Red Falcon Revolving Credit Facility— In connection with the Red Falcon Revolving Credit Facility, 158 policies are pledged by Red Falcon to serve as collateral for its obligations under the facility. Proceeds from the policies pledged as collateral under the Red Falcon Credit Facility are distributed pursuant to a waterfall with, subject to yield maintenance provisions, 5% of policy proceeds directed to the lenders. Thereafter proceeds are directed to pay fees to service providers and premiums with any remaining proceeds directed to pay outstanding interest and required amortization of 8% per annum on the

loan. Generally, after payment of interest and required amortization, a percentage of the collections from policy proceeds are to be paid to the lenders to repay the then outstanding principal balance, which will vary depending on the then loan to value ratio as more fully described in Note 10, "Red Falcon Revolving Credit Facility." The Company has elected to account for this long-term debt using the fair value method. The fair value of the debt is the amount the Company would have to pay to transfer the debt to a market participant in an orderly transaction. The Company calculated the fair value of the debt using a discounted cash flow model taking into account the stated interest rate of the Red Falcon Revolving Credit Facility and probabilistic cash flows from the pledged policies. Accordingly, the Company's estimates are not necessarily indicative of the amounts that the Company, or holders of the instruments, could realize in a current market exchange. The most significant assumptions are the estimates of life expectancy of the insured and the discount rate. The use of different assumptions and/or estimation methodologies could have a material effect on the estimated fair values.

During the nine months ended September 30, 2016 , the Company changed its valuation technique by adopting the 2015 VBT, smoker and gender distinct tables, to determine the value of the life insurance policies pledged as collateral in the facility. The table shows lower mortality rates in the earlier select periods at most ages, so while the Company continues to fit the life expectancies from the LE providers to the 2015 VBT, the change in the mortality curve changes the timing of the Company's expected cash flow streams, which resulted in an increase in projected borrowings. The resulting impact is a positive change in fair value of the Red Falcon Revolving Credit Facility of approximately $1.0 million.

Life expectancy sensitivity analysis of the Red Falcon Revolving Credit Facility

A considerable portion of the fair value of the Red Falcon Revolving Credit Facility is determined by the timing of receipt of future policy proceeds. Should life expectancies lengthen such that policy proceeds are collected further into the future, the fair value of this debt will decline. Conversely, should life expectancies shorten; the fair value of this debt will increase. Considerable judgment is required in interpreting market data to develop the estimates of fair value.

If all of the insured lives in the life settlement portfolio pledged under the Red Falcon Credit Facility live six months shorter or longer than the life expectancies used to calculate the estimated fair value of the Red Falcon Revolving Credit Facility, the change in estimated fair value would be as follows (dollars in thousands):

Life Expectancy Months Adjustment	Fair Value of Red Falcon Revolving Credit Facility	Change in Value
+6	$ 58,820	$ (2,631)
	$ 61,451	—
-6	$ 63,718	$ 2,267

Future changes in the life expectancies could have a material effect on the fair value of the Red Falcon Revolving Credit Facility, which could have a material adverse effect on its business, financial condition and results of operations.

Discount rate of the Red Falcon Revolving Credit Facility

The discount rate incorporates current information about market interest rates, credit exposure to insurance companies and the Company's estimate of the return a lender lending against the policies would require.

Market interest rate sensitivity analysis of the Red Falcon Revolving Credit Facility

The extent to which the fair value of the Red Falcon Revolving Credit Facility could vary in the near term has been quantified by evaluating the effect of changes in the weighted average discount. If the weighted average discount rate were increased or decreased by 1/2 of 1% and the other assumptions used to estimate fair value remained the same, the change in estimated fair value of the Red Falcon Revolving Credit Facility as of September 30, 2016 would be as follows (dollars in thousands):

Discount Rate	Rate Adjustment	Fair Value of Red Falcon Revolving Credit Facility	Change in Value
10.70%	-0.50 %	$ 60,542	$ (909)
11.20%	—	$ 61,451	$ —
11.70%	+0.50 %	$ 62,382	$ 931

Future changes in the discount rate, either positive or negative, could have a material effect on the fair value of the Red Falcon Revolving Credit Facility, which could have a material effect on its business, financial condition and results of its operations.

At September 30, 2016, the fair value of the debt was $61.5 million and the outstanding principal was approximately $61.6 million.

Convertible Notes—The Company determined that an embedded conversion option in the Convertible Notes was required to be separately accounted for as a derivative under Accounting Standards Codification 815, *Derivatives and Hedging* ("ASC 815"). ASC 815 required the Company to bifurcate the embedded conversion option and record it as a liability at fair value and reduce the debt liability by a corresponding discount of an equivalent amount. The Company used a Black Scholes pricing model that incorporates present valuation techniques and reflect both the time value and the intrinsic value of the embedded conversion option to approximate the fair value of the conversion derivative liability at the end of each reporting period. This model required assumptions as to expected volatility, dividends, terms, and risk free rates.

In accordance with ASC 815, upon receipt of shareholder approval the Company reclassified the embedded derivative to stockholders' equity along with unamortized transaction costs proportionate to the allocation of the initial debt discount and the principal amount of the Convertible Notes. The Convertible Notes continue to be recorded at accreted value up to the par value of the Convertible Notes at maturity. See Note 11, "8.50% Senior Unsecured Convertible Notes." Although the Company believes its valuation method is appropriate, the use of different methodologies or assumptions to determine the fair value could result in different fair values.

Changes in Fair Value

The following table provides a roll-forward in the changes in fair value for nine months ended September 30, 2016 , for all life settlement assets for which the Company determines fair value using a material level of unobservable (Level 3) inputs, which consists solely of life settlements (in thousands):

Life Settlements:	
Balance, January 1, 2016	$ 461,925
Purchase of policies	16
Retained death benefits acquisitions	1,374
Change in fair value*	(2,690)
Matured/lapsed/sold policies	(29,980)
Premiums paid	52,750
Transfers into level 3	—
Transfer out of level 3	—
Balance, September 30, 2016	$ 483,395
Changes in fair value included in earnings for the period relating to assets held at September 30, 2016	$ (17,838)

*Change in the mortality curve after adoption of 2015 VBT resulted in approximately $17.6 million reduction in the fair value of our life settlements.

The following table provides a roll-forward in the changes in fair value for nine months ended September 30, 2016 , for the White Eagle Revolving Credit Facility for which the Company determines fair value using a material level of unobservable (Level 3) inputs (in thousands):

White Eagle Revolving Credit Facility:		
Balance, January 1, 2016	$	169,131
Draws under the White Eagle Revolving Credit Facility		39,295
Payments on White Eagle Revolving Credit Facility		(10,577)
Unrealized change in fair value		(15,721)
Transfers into level 3		—
Transfer out of level 3		—
Balance, September 30, 2016	$	182,128
Changes in fair value included in earnings for period relating to liabilities held at September 30, 2016	$	(15,721)

The following table provides a roll-forward in the changes in fair value for nine months ended September 30, 2016 , for the Red Falcon Revolving Credit Facility for which the Company determines fair value using a material level of unobservable (Level 3) inputs (in thousands):

Red Falcon Revolving Credit Facility:		
Balance, January 1, 2016	$	55,658
Draws under the Red Falcon Revolving Credit Facility		15,387
Payments on Red Falcon Revolving Credit Facility		(9,195)
Unrealized change in fair value		(400)
Transfers into level 3		—
Transfer out of level 3		—
Balance, September 30, 2016	$	61,450
Changes in fair value included in earnings for period relating to liabilities held at September 30, 2016	$	(400)

The following table provides a roll-forward in the changes in fair value for nine months ended September 30, 2015 , for all assets for which the Company determines fair value using a material level of unobservable (Level 3) inputs, which consist solely of life settlements (in thousands):

Life Settlements:		
Balance, January 1, 2015	$	388,886
Purchase of policies		30,534
Change in fair value		43,582
Matured/sold policies		(53,435)
Premiums paid		48,243
Transfers into level 3		—
Transfer out of level 3		—
Balance, September 30, 2015	$	457,810
Changes in fair value included in earnings for the period relating to assets held at September 30, 2015	$	2,805

The following table provides a roll-forward in the changes in fair value for the nine months ended September 30, 2015 , for the White Eagle Revolving Credit Facility for which the Company determines fair value using a material level of unobservable (Level 3) inputs (in thousands):

White Eagle Revolving Credit Facility:		
Balance, January 1, 2015	$	145,831
Draws under the White Eagle Revolving Credit Facility		42,448
Payments on White Eagle Revolving Credit Facility		(43,241)
Unrealized change in fair value		12,908
Transfers into level 3		—
Transfer out of level 3		—
Balance, September 30, 2015	$	157,946
Changes in fair value included in earnings for the period relating to liabilities held at September 30, 2015	$	12,908

The following table provides a roll-forward in the changes in fair value for the nine months ended September 30, 2015 , for the Red Falcon Revolving Credit Facility for which the Company determines fair value using a material level of unobservable (Level 3) inputs (in thousands):

Red Falcon Revolving Credit Facility		
Balance, January 1, 2015	$	—
Draws under the Red Falcon Revolving Credit Facility		54,000
Payments on Red Falcon Revolving Credit Facility		2,967
Unrealized change in fair value		(1,863)
Transfers into level 3		581
Transfer out of level 3		—
Balance, September 30, 2015	$	55,685
Changes in fair value included in earnings for the period relating to liabilities held at September 30, 2015	$	581

There were no transfers of financial assets or liabilities between levels of the fair value hierarchy during the nine months ended September 30, 2016 and 2015.

Other Fair Value Considerations - Carrying value of certificate of deposits, prepaid expenses and other assets, receivable for maturity of life settlements, investment in affiliates, Senior Secured Notes, accounts payable and accrued expenses approximate fair value due to their short-term maturities and/or low credit risk.

(15) Segment Information

On October 25, 2013, the Company sold its structured settlement business, which was previously reported as an operating segment. The operating results related to the Company's structured settlement business have been included in discontinued operations in the Company's Consolidated Statements of Operations for all periods presented and the Company has discontinued segment reporting.

(16) Commitments and Contingencies

Lease Agreements

The Company leases office space under a lease that commenced on October 1, 2014. The lease expires on September 30, 2020. The annual base rent is $239,000, with a provision for a 3% increase on each anniversary of the rent commencement date. Rent expense was approximately $103,000 and $122,000 for the three months ended September 30, 2016 and 2015, respectively, and approximately $311,000 and $319,000 for the nine months ended September 30, 2016 and 2015. Future minimum lease payments for the remainder of 2016 are approximately $60,000.

Employment Agreements

The Company has entered into employment agreements with certain of its officers, including with its chief executive officer, whose agreement provides for substantial payments in the event that the executive terminates his employment with the Company due to a material change in the geographic location where the chief executive officer performs his duties or upon a material diminution of his base salary or responsibilities, with or without cause. These payments are equal to three times the sum of the chief executive officer's base salary and the average of the preceding three years' annual cash bonus.

The Company does not have any general policies regarding the use of employment agreements, but has and may, from time to time, enter into such a written agreement to reflect the terms and conditions of employment of a particular named executive officer, whether at the time of hire or thereafter.

Separation Agreement

On April 26, 2012, the Company entered into a Separation Agreement and General Release of Claims (the "Separation Agreement") with its former chief operating officer, Jonathan Neuman. The Separation Agreement obligates the Company to indemnify Mr. Neuman for his legal expenses including expenses incurred as part of the USAO Investigation and SEC investigation. The Company recognized indemnification expenses of $59,000 and $998,000 during the three months ended September 30, 2016 and 2015, respectively, and $488,000 and $2.5 million during the nine months ended September 30, 2016 and 2015. On December 31, 2015, the Company received a letter from the USAO indicating that the USAO had concluded the USAO Investigation. Accordingly, the Company does not expect to incur advancement or indemnification expenses related to the USAO Investigation going forward.

Litigation

In accordance with applicable accounting guidance, the Company establishes an accrued liability for litigation and regulatory matters when those matters present loss contingencies that are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. When a loss contingency is not both probable and estimable, the Company does not establish an accrued liability. As a litigation or regulatory matter develops, the Company, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. If, at the time of evaluation, the loss contingency related to a litigation or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. When a loss contingency related to a litigation or regulatory matter is deemed to be both probable and estimable, the Company will establish an accrued liability with respect to such loss contingency and record a corresponding amount of litigation-related expense. The Company will then continue to monitor the matter for further developments that could affect the amount of any such accrued liability.

Non-Prosecution Agreement & Indemnification Obligations

On September 27, 2011, the Company was informed that it was being investigated by the U.S. Attorney's Office for the District of New Hampshire in connection with the Company's now legacy premium finance loan business. On April 30, 2012, the Company entered into a Non-Prosecution Agreement (the "Non-Prosecution Agreement") with the USAO.

The Non-Prosecution Agreement had a term of three years and expired in accordance with its terms on April 30, 2015. While the Non-Prosecution Agreement effectively resolved the USAO Investigation as it pertained to the Company, the Company had continuing cooperation obligations to the USAO and, since entering the Non-Prosecution Agreement, the USAO had been to investigating certain individuals and entities formerly associated with the Company's legacy premium finance business. Settlements of certain civil litigation with the Company's director and officer liability insurance carriers related to the USAO Investigation and other contractual obligations required the Company to advance legal fees to and indemnify these individuals and entities. On December 31, 2015, the Company received a letter from the USAO indicating that the USAO Investigation had formally concluded, that the Company fully complied with all of its obligations under the Non-Prosecution Agreement and that the Company was released from any further obligations under the Non-Prosecution Agreement. Accordingly, the Company does not expect to incur advancement or indemnification expenses related to the USAO Investigation going forward.

SEC Investigation

On February 17, 2012, the Company received an initial subpoena issued by the staff of the SEC seeking documents from 2007 through the date of the subpoena, generally related to the Company's premium finance business and corresponding financial reporting. The SEC is investigating whether any violations of federal securities laws have occurred and the Company has been cooperating with the SEC regarding this matter. The Company is unable to predict what action, if any, might be taken in the future by the SEC or its staff as a result of the investigation or what impact, if any, the cost of responding to the SEC might have on the Company's financial position, results of operations, or cash flows. The Company has not established any provision for losses in respect of this matter.

Sun Life

On April 18, 2013, Sun Life Assurance Company of Canada ("Sun Life") filed a complaint against the Company and several of its affiliates in the United States District Court for the Southern District of Florida, entitled *Sun Life Assurance Company of Canada v. Imperial Holdings, Inc., et al* . ("*Sun Life Case*"), asserting, among other things, that at least 28 life insurance policies issued by Sun Life and owned by the Company through certain of its subsidiary companies were invalid. The Sun Life complaint, as amended, asserted the following claims: (1) violations of the federal Racketeer Influenced and Corrupt Organizations ("RICO") Act, (2) conspiracy to violate the RICO Act, (3) common law fraud, (4) aiding and abetting fraud, (5) civil conspiracy to commit fraud, (6) tortious interference with contractual obligations, and (7) a declaration that the policies issued were void. Following the filing of a motion by the Company to dismiss the Sun Life Case, on December 9, 2014, counts (2), (4), (5), (6) and (7) of the Sun Life Case were dismissed with prejudice. The Company then filed a motion for summary judgment on the remaining counts. On February 4, 2015, the Court issued an order (the "Order") granting the Company's motion for summary judgment on counts (1) and (3), resulting in the Company prevailing on all counts in the Sun Life Case.

On July 29, 2013, the Company filed a separate complaint against Sun Life in United States District Court for the Southern District of Florida, entitled *Imperial Premium Finance, LLC v. Sun Life Assurance Company of Canada* ("*Imperial Case*"), which was subsequently consolidated with the Sun Life Case. The Imperial complaint asserts claims against Sun Life for breach of contract, breach of the covenant of good faith and fair dealing, and fraud, and seeks a judgment declaring that Sun Life is obligated to comply with the promises made by it in certain insurance policies. The complaint also seeks compensatory damages of no less than $30.0 million in addition to an award of punitive damages. On August 23, 2013, Sun Life moved to dismiss the complaint, which was denied by the Court as part of the Order. On February 26, 2015, Sun Life filed a Notice of Appeal from the Order to the United States Court of Appeals for the Eleventh Circuit, which had denied Sun Life's motion to dismiss. On December 17, 2015, after the matter was fully briefed, the Circuit Court issued an order granting the Company's motion to dismiss and sent the case back to the District Court. The District Court lifted the stay and ordered Sun Life to file its Answer to the Imperial Case by January 22, 2016. On February 3, 2016, the District Court set a trial date of the Imperial Case for October 31, 2016.

On September 22, 2016, the Court granted summary judgment in favor of Sun Life on the entirety of the Imperial complaint and subsequently entered final judgment to end the case. The Company filed a motion to alter or amend the judgment on October 20, 2016.

Other Litigation

A complaint was filed against the Company's subsidiary, styled *Kenneth Jennings v. Washington Square Financial, LLC d/b/a Imperial Structured Settlements* ("Washington Square"), and was pending in the United States District Court for the Northern District of Illinois. The plaintiff sought, in a purported class action, to represent all individuals who sold all or a part of a structured settlement annuity to Washington Square under the Illinois Structured Settlement Protections Act (the "Illinois Act"), where the underlying annuity contract contained an anti-assignment clause, and where a court issued an order under the Illinois Act approving the transaction. The complaint sought, among other things, a declaration that all such transactions are void and compensatory and punitive damages. On September 28, 2016, the District Court terminated the case pursuant to a notice of voluntary dismissal, without prejudice, which had been filed by the plaintiff.

The Company is party to various other legal proceedings that arise in the ordinary course of business. Due to the inherent difficulty of predicting the outcome of litigation and other legal proceedings, the Company cannot predict the eventual outcome of these matters, and it is reasonably possible that some of them could be resolved unfavorably to the Company. As a result, it is possible that the Company's results of operations or cash flows in a particular fiscal period could be materially affected by an unfavorable resolution of pending litigation or contingencies. However, the Company believes that the resolution of these other

proceedings will not, based on information currently available, have a material adverse effect on the Company's financial position or results of operations.

(17) Stockholders' Equity

During the second quarter of 2015, the Company issued 6,688,433 shares of common stock pursuant to a rights offering at a price of $5.75 per share.

In connection with the settlement of class litigation, the Company issued warrants to purchase two million shares of the Company's stock into an escrow account in April 2014 and were distributed in October 2014. The estimated fair value at the measurement date of such warrants was $5.4 million, which is included in stockholder's equity. The warrants have a five-year term from the date of their distribution with an exercise price of $10.75. The Company is obligated to file a registration statement to register the shares underlying the warrants with the SEC if shares of the Company's common stock have an average daily trading closing price of at least $8.50 per share for a 45 day period. The warrants will be exercisable upon effectiveness of the registration statement.

The Company has reserved an aggregate of 2,700,000 shares of common stock under its Omnibus Plan, of which 763,594 options to purchase shares of common stock granted to existing employees were outstanding as of September 30, 2016, and 116,871 shares of restricted stock had been granted to directors under the plan with 265,212 shares subject to vesting. There were 1,554,323 securities remaining for future issuance under the Omnibus Plan as of September 30, 2016.

On September 1, 2015, the Company announced that its Board of Directors authorized a $10.0 million share and note repurchase program. The program has a two-year expiration date, and authorizes the Company to repurchase up to $10.0 million of its common stock and/or its Convertible Notes due 2019. During 2015, the Company purchased 608,000 shares for a total cost of approximately $2.5 million, which is an average cost of $4.17 per share, including transaction fees. There were no purchases during three months ended September 30, 2016 or nine months ended September 30, 2016 . As of September 30, 2016, the Company may purchase up to approximately $7.5 million of additional common stock or Convertible Notes under its board authorized plan. However, the Company's Senior Secured Notes restrict the Company from repurchasing its common stock if the Company has less than $20 million in cash and cash equivalents.

On March 14, 2016, the Company filed a prospectus supplement with the SEC related to the offer and sale from time to time of the Company's common stock at an aggregate offering price of up to $50.0 million through FBR Capital Markets & Co. and MLV & Co. LLC, as distribution agents. Sales of shares of the Company's common stock under the prospectus supplement and the equity distribution agreement entered into with the distribution agents, if any, may be made in negotiated transactions or transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act of 1933. The Company has agreed to pay the distribution agents a commission rate of up to 3% of the gross proceeds from the sale of any shares of common stock sold through the equity distribution agreement. During the three months ended September 30, 2016 , the Company sold 443,038 shares of common stock under this prospectus supplement at a weighted average price per share of $3.51, receiving proceeds net of commissions totaling approximately 1,505,000. Approximately $47,000 in commissions were paid in connection with the sales of shares.

(18) Income Taxes

The Company's provision for income taxes from continuing operations is estimated to result in an annual effective tax rate of approximately 0.0% for the nine month period ended September 30, 2016 as compared to 35.0% during the same period in 2015. The Company's quarterly effective income tax rates are based upon the Company's current estimated annual rate. The Company's annual effective income tax rate varies based upon the Company's taxable earnings, as well as on a mix of taxable earnings in the various state and foreign jurisdictions.

In December 2015, based on the Company's evaluation, a deferred tax valuation allowance was established against its net deferred tax assets. In its evaluation, management considers taxable loss carryback availability, expectations of sufficient future taxable income, trends in earnings, existence of taxable income in recent years, the future reversal of temporary differences, and available tax planning strategies that could be implemented, if required. Valuation allowances are established based on the consideration of all available evidence using a more likely than not standard. This valuation allowance was determined to be necessary as an offset to the full amount of the federal and state deferred tax asset. During the nine month period ended September 30, 2016 , the Company does not expect that position to change and therefore is not recording any benefit.

In March of 2014, the Company was notified by the IRS of its intention to examine our tax returns for the years ended 2012 and 2013. Tax years prior to 2012 are no longer subject to IRS examination. Various state jurisdiction tax years remain open to examination.

The Company and its subsidiary companies are subject to U.S. federal income tax, as well as to income tax in Florida and other states and foreign jurisdictions in which it operates.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity, and cash flows of our Company as of and for the periods presented below and should be read in conjunction with the financial statements and accompanying notes included with this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors. See "Forward-Looking Statements."

Business Overview

Incorporated in Florida, Emergent Capital owns a portfolio of 623 life insurance policies, also referred to as life settlements, with a fair value of approximately $483.4 million and an aggregate death benefit of approximately $3.0 billion at September 30, 2016. The Company primarily earns income on its life insurance policies from changes in their fair value and through death benefits.

On August 1, 2016, the Company initiated a formal process to explore strategic alternatives in response to receiving a number of unsolicited inquiries from several interested parties. The Company's Board of Directors has formed a special committee whose mandate is to review and consider strategic alternatives and to make recommendations to the full Board of Directors. Some of the possible strategic alternatives the special committee may consider are a sale of the Company, a merger or other business combination, a sale of all or a material portion of the Company's assets, a joint venture, or equity and debt refinancing. At September 30, 2016, the special committee was continuing its efforts to explore these initiatives.

Although we are actively pursuing our strategic alternatives, there is no assurance that we will be able to successfully negotiate and consummate a transaction on a timely basis, or at all. Further, our expenses may exceed our current plans and expectations, which could require us to complete a transaction or significantly reorganize the organization. If the process takes longer than anticipated, the Company may seek to raise capital, including, but not limited to a rights offering and the at-the-market offering program. If we are unable to successfully complete a strategic transaction or secure additional capital on a timely basis and on terms that are acceptable to our shareholders, we may be required to significantly reorganize the organization.

As of September 30, 2016, we had cash and cash equivalents and certificate of deposits of $24.9 million with approximately $9.1 million restricted to the Revolving Credit Facilities. We believe these funds should be sufficient to fund our operations through March 2017.

Our indirect subsidiary, White Eagle, is the owner of 431 of these life insurance policies with an aggregate death benefit of approximately $2.2 billion and a fair value of approximately $345.5 million at September 30, 2016. White Eagle pledged its policies as collateral to secure borrowings made under the White Eagle Revolving Credit Facility, which is used, among other things, to pay premiums on the life insurance policies owned by White Eagle. Additionally, 158 policies, with an aggregate death benefit of approximately $619.7 million and a fair value of approximately $130.0 million at September 30, 2016 were pledged as collateral under the Red Falcon Revolving Credit Facility entered into by Red Falcon, a Delaware statutory trust formed by one of our subsidiary companies. Borrowings under the Revolving Credit Facilities fund the payment of premiums on the life insurance policies that have been pledged as collateral for the respective facilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

During the nine months ended September 30, 2016 , 10 life insurance policies with face amounts totaling $30.0 million matured, resulting in a net gain of approximately $14.8 million. The gains related to these maturities are included in income from changes in the fair value of life settlements in the consolidated statements of operations for the nine months ended September 30, 2016 . Of these maturities, six served as collateral under the White Eagle Revolving Credit Facility and four served as collateral under the Red Falcon Revolving Credit Facility. Proceeds from maturities totaling $28.0 million were

received during the nine months ended September 30, 2016 . Of this amount, approximately $7.5 million was utilized to repay borrowings, interest and expenses under the Red Falcon Revolving Credit facility and $13.5 million under the White Eagle Revolving Credit Facility during the nine months ended September 30, 2016. The remaining $7.0 million is on account for White Eagle awaiting distribution through the waterfall. We continue to believe that there are accretive opportunities to grow our existing portfolio of life settlements and may, subject to our liquidity needs, selectively deploy capital in both the secondary and tertiary life settlement markets. As we acquire more policies, our premium payments will increase. Assuming we recognize no policy maturities, our estimated premiums for the remainder of 2016 would be $18.9 million. White Eagle would be eligible to borrow approximately $13.4 million of this amount and Red Falcon would be eligible to borrow approximately $4.7 million, under the Revolving Credit Facilities to pay premiums on policies secured by the Revolving Credit Facilities with approximately $814,000 in estimated premiums required to maintain the policies not pledged as collateral under the Revolving Credit Facilities as of September 30, 2016.

During the three months ended September 30, 2016 , Red Falcon entered into a first amendment to its revolving loan and security agreement. With the amendment, six additional policies and additional portions of 20 policies that were previously pledged in part as collateral under the initial credit agreement were pledged in an additional policy advance. This has reduced the Company's portion of estimated premiums for the remainder of 2016 by $269,500.

Commencing in the third quarter of 2015, 24 of our policies became subject to a cost of insurance increase. For the nine months ended September 30, 2016, cost of insurance increase for these additional policies caused the fair value of our life settlements to decrease by approximately $3.2 million and approximately $7.6 million since the third quarter of 2015. There was no additional cost of insurance increase during the three months ended September 30, 2016. Further cost of insurance increases may cause our projected premium payments to significantly increase, adversely affect the loan to value ratios under the Revolving Credit Facilities and otherwise could have an adverse, material effect on our business, results of operations and the value of any affected policies.

During 2015, the U.S. Society of Actuaries released new versions of the Valuation Basic Tables, the ("2015 VBT"). The 2015 VBT has a significant increase in exposure and number of claims over the 2008 VBT and is believed to be a better fit for the life settlement industry and is becoming more widely accepted. During the nine months ended September 30, 2016 , the Company changed its valuation technique and decided to adopt the 2015 VBT, smoker and gender distinct tables, to determine the value of the policies. The table shows lower mortality rates in the earlier select periods at most ages, so while the Company continues to fit the life expectancies from the LE providers to the 2015 VBT, the change in the mortality curve changes the timing of the Company’s expected cash flow streams for both the life settlement assets and the revolving credit facilities. The resulting impact is approximately $17.6 million reduction in the fair value of the life settlements, and approximately $15.7 million gain for the change in fair value of the Revolving Credit Facilities with a net impact on the consolidated statement of operations of approximately $1.9 million for the nine months ended September 30, 2016 .

This reduction in cash flows may reduce funds available to us from policy proceeds, including from White Eagle and Red Falcon, and may adversely affect our ability to service our indebtedness. Future changes in life expectancies or actuarial tables could have a material adverse effect on the fair value of our life settlements, which could have a material adverse effect on our business, financial condition and results of operations.

Critical Accounting Policies

Critical Accounting Estimates

The preparation of the financial statements requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. We base our judgments, estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions and conditions. We evaluate our judgments, estimates and assumptions on a regular basis and make changes accordingly. We believe that the judgments, estimates and assumptions involved in the accounting for income taxes, the valuation of life settlements, the valuation of the debt owing under the Revolving Credit Facilities and the valuation of our conversion derivative liability formerly embedded within the Convertible Notes have the greatest potential impact on our financial statements and accordingly believe these to be our critical accounting estimates.

Fair Value Measurement Guidance

We follow ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value as an exit price representing the amount that would be received if an asset were sold or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the guidance establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. Level 1 relates to quoted prices in active markets for identical assets or liabilities. Level 2 relates to observable inputs other than quoted prices included in Level 1. Level 3 relates to unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Our investments in life insurance policies and Revolving Credit Facility debt are considered Level 3 as there is currently no active market where we are able to observe quoted prices for identical assets/liabilities and our valuation model incorporates significant inputs that are not observable. See Note 14, "Fair Value Measurements" of the notes to Consolidated Financial Statements for a discussion of our fair value measurement.

Fair Value Option

We have elected to account for life settlements using the fair value method. The fair value of the asset is the estimated amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date. We calculate the fair value of the asset using a present value technique to estimate the fair value of its life settlements. The Company currently uses a probabilistic method of valuing life insurance policies, which the Company believes to be the preferred valuation method in the industry. The most significant assumptions are the estimates of life expectancy of the insured and the discount rate. See Note 8, "Life Settlements (Life Insurance Policies)" and Note 14, "Fair Value Measurements."

We have elected to account for the debt under the Revolving Credit Facilities, which includes the interest in policy proceeds to the lender, using the fair value method. The fair value of the debt is the estimated amount that would have to be paid to transfer the debt to a market participant in an orderly transaction. We calculated the fair value of the debt using a discounted cash flow model taking into account the stated interest rate of the credit facilities and probabilistic cash flows from the pledged policies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, our estimates are not necessarily indicative of the amounts that we, or holders of the instruments, could realize in a current market exchange. The most significant assumptions are the estimates of life expectancy of the insured and the discount rate. The use of assumptions and/or estimation methodologies could have a material effect on the estimated fair values.

The Company determined that an embedded conversion option existed in the Convertible Notes, prior to June 5, 2014, that was required to be separately accounted for as a derivative under Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*. On June 5, 2014, the Company obtained shareholder approval to issue shares of common stock upon conversion of the Convertible Notes in an amount that exceeded the New York Stock Exchange limits for issuances without shareholder approval. In accordance with ASC 815, the Company reclassified the conversion derivative liability to stockholders' equity along with unamortized transaction costs proportionate to the allocation of the initial debt discount and the principal amount of the Convertible Notes. In subsequent reporting periods, the Convertible Notes will continue to be recorded at accreted value up to the par value of the Convertible Notes at maturity. The debt discount will be amortized into interest expense using the interest method, in an aggregate amount equal to the amount of the conversion derivative liability reclassified into equity along with any unamortized transaction costs. See Note 11, "8.50% Senior Unsecured Convertible Notes."

Income Recognition

Our primary sources of income are in the form of changes in fair value of life settlements and gains on life settlements, net. Our income recognition policies for this source of income is as follows:

- *Changes in Fair Value of Life Settlements*—When we acquire certain life insurance policies, we initially record these investments at the transaction price, which is the fair value of the policy for those acquired upon relinquishment or the amount paid for policies acquired for cash. The fair value of the investment in insurance policies is evaluated at the end of each reporting period. Changes in the fair value of the investment based on evaluations are recorded as changes in fair value of life settlements in our consolidated statement of operations. The fair value is determined on a discounted cash flow basis that incorporates current life expectancy assumptions. The discount rate incorporates current information about market interest rates, the credit exposure to the insurance company that issued the life insurance policy and our estimate of the risk premium an investor in the policy would require. We recognize income

from life settlement maturities upon receipt of death notice or verified obituary of the insured. This income is the difference between the death benefits and fair values of the policy at the time of maturity.

Deferred Debt Costs

Deferred debt costs include costs incurred in connection with acquiring and maintaining debt arrangements. These costs are directly deducted from the carrying amount of the liability in the consolidated balance sheets, are amortized over the life of the related debt using the effective interest method and are classified as interest expense in the accompanying consolidated statement of operations. These deferred costs are related to the Company's Convertible Notes and Senior Secured Notes. The Company did not recognize any deferred debt costs on the Revolving Credit Facilities given all costs were expensed due to electing the fair value option in valuing the Revolving Credit Facilities.

Income Taxes

We account for income taxes in accordance with ASC 740, Income Taxes. Under ASC 740, deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of enacted tax laws. Deferred income tax provisions and benefits are based on changes to the assets or liabilities from year to year. In providing for deferred taxes, we consider tax regulations of the jurisdictions in which we operate, estimates of future taxable income and available tax planning strategies. If tax regulations, operating results or the ability to implement tax-planning strategies varies, adjustments to the carrying value of the deferred tax assets and liabilities may be required. Valuation allowances are based on the "more likely than not" criteria of ASC 740.

Our provision for income taxes from continuing operations results in an annual effective tax rate of 0.0% and 35.0% in 2016 and 2015, respectfully, except as noted below. The accounting for uncertain tax positions guidance under ASC 740 requires that we recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. We recognize interest and penalties (if any) on uncertain tax positions as a component of income tax expense.

In December of 2015, based on the Company’s evaluation, a deferred tax valuation allowance was established against its net deferred tax assets. In its evaluation, management considers taxable loss carryback availability, expectations of sufficient future taxable income, trends in earnings, existence of taxable income in recent years, the future reversal of temporary differences, and available tax planning strategies that could be implemented, if required. Valuation allowances are established based on the consideration of all available evidence using a more likely than not standard. This valuation allowance was determined to be necessary as an offset to the full amount of the federal and state deferred tax asset. During the second quarter of 2016 the Company does not expect that position to change and therefore is not recording any benefit.

In March of 2014, the Company was notified by the IRS of its intention to examine our tax returns for the years ended 2012 and 2013. Tax years prior to 2012 are no longer subject to IRS examination. Various state jurisdiction tax years remain open to examination.

Stock-Based Compensation

We have adopted ASC 718, *Compensation—Stock Compensation.* ASC 718 addresses accounting for share-based awards, including stock options, restricted stock, performance shares and warrants, with compensation expense measured using fair value and recorded over the requisite service or performance period of the award. The fair value of equity instruments will be determined based on a valuation using an option pricing model that takes into account various assumptions that are subjective. Key assumptions used in the valuation will include the expected term of the equity award taking into account both the contractual term of the award, the effects of expected exercise and post-vesting termination behavior, expected volatility, expected dividends and the risk-free interest rate for the expected term of the award. Compensation expense associated with performance shares is only recognized to the extent that it is probable the performance measurement will be met.

Held-for-sale and discontinued operations

The Company reports a business as held-for-sale when management has approved or received approval to sell the business and is committed to a formal plan, the business is available for immediate sale, the business is being actively marketed, the sale is anticipated to occur during the ensuing year and certain other specified criteria are met. A business classified as held-for-sale is recorded at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value, a loss is recognized. Depreciation is not recorded on assets of a business classified as held-for-sale. Assets and liabilities related to a business classified as held-for-sale are segregated in the Consolidated Balance Sheet and major classes are separately disclosed in the notes to the Consolidated Financial Statements commencing in the period in which the business is classified as held-for-sale. The Company reports the results of operations of a business as discontinued operations if the business is classified as held-for-sale, the operations and cash flows of the business have been or will be eliminated from the ongoing operations of the Company as a result of a disposal transaction and the Company will not have any significant continuing involvement in the operations of the business after the disposal transaction. The results of discontinued operations are reported in Discontinued Operations in the Consolidated Statement of Operations for current and prior periods commencing in the period in which the business meets the criteria of a discontinued operation, and include any gain or loss recognized on closing or adjustment of the carrying amount to fair value less cost to sell. During the fourth quarter of 2013, the Company sold substantially all of our structured settlements business. As a result, the Company has classified its structured settlement operating results as discontinued operations.

Foreign Currency

The Company owns certain foreign subsidiaries formed under the laws of Ireland, Bahamas and Bermuda. These foreign subsidiaries utilize the U.S. dollar as their functional currency. The foreign subsidiaries' financial statements are denominated in U.S. dollars and therefore, there are no translation gains and losses resulting from translating the financial statements at exchange rates other than the functional currency. Any gains and losses resulting from foreign currency transactions (transactions denominated in a currency other than the subsidiaries' functional currency) are included in income. These gains and losses are immaterial to the Company's financial statements.

Accounting Changes

Note 3, "*Recent Accounting Pronouncements*," of the Notes to Consolidated Financial Statements discusses accounting standards adopted in 2016, as well as accounting standards recently issued but not yet required to be adopted and the expected impact of these changes in accounting standards. Any material impact of adoption is discussed in Management’s Discussion and Analysis of Financial Condition and Results of Operations and in the Notes to the Consolidated Financial Statements.

Selected Operating Data (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Period Acquisitions — Policies Owned				
Number of policies acquired	—	3	1	41
Average age of insured at acquisition	—	85.4	90.3	85.0
Average life expectancy — Calculated LE (Years)	—	5.6	2.3	5.4
Average death benefit	$ —	$ 6,232	$ 690	$ 2,924
Aggregate purchase price	$ —	$ 2,679	$ 16	$ 30,534
End of Period — Policies Owned				
Number of policies owned	623	634	623	634
Average Life Expectancy — Calculated LE (Years)	9.2	10.0	9.2	10.0
Aggregate Death Benefit	$ 2,953,796	$ 2,997,903	$ 2,953,796	$ 2,997,903
Aggregate fair value	$ 483,395	$ 457,810	$ 483,395	$ 457,810
Monthly premium — average per policy	$ 10.6	$ 8.9	$ 10.6	$ 8.9
Period Maturities				
Number of policies matured	2	2	10	14
Average age of insured at maturity	85.2	86.8	85.6	84.1
Average life expectancy - Calculated LE (Years)	1.8	5.4	3.7	7.4
Aggregate death benefit	$ 12,800	$ 3,700	$ 29,980	$ 53,468
Gains on maturity	$ 4,014	$ 2,421	$ 14,777	$ 40,240
Proceeds collected	$ 7,000	$ 28,280	$ 27,980	$ 47,519

Results of Operations

The following is our analysis of the results of operations for the periods indicated below. This analysis should be read in conjunction with our financial statements, including the related notes to the financial statements. Our results of operations are discussed below in two parts: (i) our consolidated results of continuing operations and (ii) our results of discontinued operations.

Results of Continuing Operations

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

Net loss from continued operations for the quarter ended September 30, 2016 was $8.5 million as compared to $13.5 million for the same period last year. Our net loss for the quarter ended September 30, 2015 includes approximately $4.7 million in income tax benefit, there was no tax benefit for the quarter ended September 30, 2016. The following is our analysis of net loss for the period.

	Three Months Ended September 30,				
	2016	2015	Change	% Change	
Income	$ 4,767	$ 2,769	$ 1,998	72 %	increase
Expenses	13,310	20,981	(7,671)	(37)%	decrease
Income tax (benefit)	—	(4,721)	4,721	(100)%	decrease
Net loss	**$ (8,543)**	**$ (13,491)**	**$ 4,948**	**(37)%**	**decrease**

Income from continuing operations for the three months ended September 30, 2016 was mainly comprised of a gain on maturity of two policies with a net gain of approximately $4.0 million compared to a net gain on maturity of $2.4 million of two policies for the same period in 2015.

Total expenses from continuing operations mainly comprised of interest expense on the White Eagle Revolving Credit Facility of $2.9 million; $2.5 million on the Convertible Notes; $1.3 million on the Red Falcon Revolving Credit Facility; and $1.2 million on the Senior Secured Notes.

Expenses for three months ended September 30, 2015 were significantly higher due to the extinguishment of the Secured Notes of $8.8 million and interest on the Red Falcon Revolving Credit Facility of $3.8 million; $2.3 million on the White Eagle Revolving Credit Facility, and $2.3 million on the Convertible Notes, which were offset by a gain in the fair value of the Revolving Credit Facilities of $4.2 million.

Change in fair value of life settlements (in thousands)

	Three Months Ended September 30,				
	2016	2015	Change	% Change	
Change in fair value of life settlements	$ 4,735	$ 2,667	$ 2,068	78%	increase

During the quarter ended September 30, 2016, two life insurance policies with face amounts totaling $12.8 million matured compared to two policies with face amounts of $3.7 million for the same period in 2015. The net gain of these maturities was $4.0 million and $2.4 million and is recorded as a change in fair value of life settlements in the consolidated statements of operations for the quarter ended September 30, 2016 and 2015, respectively. Of the maturities during the quarter ended September 30, 2016, both served as collateral under the White Eagle Revolving Credit Facility. Proceeds from maturities totaling $7.0 million were received during the quarter ended September 30, 2016. Approximately $5.5 million in policy proceeds received during the second quarter of 2016 was utilized to repay borrowings, interest and credit facility expenses under the White Eagle Revolving Credit Facility during the quarter ended September 30, 2016. The Company recorded a $20.1 million receivable for maturity of life settlements at September 30, 2016 relating to the Revolving Credit Facilities.

Other items impacting the change in fair value include updated life expectancies procured by the Company in respect to the insured lives and maturities. The updated life expectancy reports implied that in aggregate, the insureds' health improved therefore lengthening their life expectancies relative to the prior life expectancies.

The change in fair value was impacted due to an increase in estimated risk premium, which drives our discount rate. The Company re-evaluates its discount rates at the end of each reporting period in order to reflect the estimated discount rates that could reasonably be used in a market transaction involving the Company's portfolio of life settlements. In doing so, consideration is given to the various factors influencing the rates, including credit exposure of the insurance company that issued the life insurance policy, our estimated risk premium an investor in the policy would require among other factors. In considering these factors, at September 30, 2016, the Company determined that the weighted average discount rate calculated based on death benefit was 16.52%, compared to 17.02% at December 31, 2015 and 16.49% at June 30, 2016, this resulted in a negative impact for the change in fair value of our life settlement for the three months ended September 30, 2016 .

As of September 30, 2016, we owned 623 policies with an estimated fair value of $483.4 million compared to 632 policies with an estimated fair value of $461.9 million at December 31, 2015, an increase in estimated fair value of $21.5 million or 5%. Of the 623 policies, 431 policies were pledged to the White Eagle Revolving Credit Facility and 158 policies were pledged to the Red Falcon Revolving Credit Facility. We acquired three life insurance policies during the three months ended September 30, 2015 that resulted in a gain of approximately $1.5 million. As of September 30, 2016, the aggregate death benefit of our life settlements was approximately $3.0 billion.

Of these 623 policies owned as of September 30, 2016, 539 were previously premium financed and are valued using discount rates that range from 16.00% – 22.50%. The remaining 84 policies are valued using discount rates that range from 15.00% – 21.00%.

See Note 14, "Fair Value Measurements," to the accompanying consolidated financial statements.

Expenses (in thousands)

	Three Months Ended September 30,				
	2016	2015	Change	% Change	
Interest expense	$ 7,895	$ 8,614	$ (719)	(8)%	decrease
Extinguishment of Senior Notes	—	8,782	(8,782)	(100)%	decrease
Change in fair value of Revolving Credit Facilities	(551)	(4,203)	3,652	(87)%	increase
SG&A expenses	5,966	7,788	(1,822)	(23)%	decrease
Total Expense	**$ 13,310**	**$ 20,981**	**$ (7,671)**	**(37)%**	**decrease**

Interest expense (in thousands)

	Three Months Ended September 30,				
	2016	2015	Change	% Change	
White Eagle Revolving Credit Facility	$ 2,926	$ 2,325	$ 601	26 %	increase
Red Falcon Revolving Credit Facility	1,259	3,789	(2,530)	(67)%	decrease
Convertible Notes	2,466	2,320	146	6 %	increase
15% Senior Secured Notes	1,242	—	1,242	100 %	increase
12.875% Senior Secured Notes	—	174	(174)	(100)%	decrease
Other	2	6	(4)	(67)%	decrease
Total Interest Expense	**$ 7,895**	**$ 8,614**	**$ (719)**	**(8)%**	**decrease**

Outstanding debt for the quarter ended September 30, 2016 included $200.8 million of outstanding principal on the White Eagle Revolving Credit Facility, $61.6 million on the Red Falcon Revolving Credit Facility, $70.7 million of Convertible Notes and $30.0 million of 15% Senior Secured Notes.

The Company's outstanding debt increased by $27.4 million from $335.7 million at September 30, 2015 to $363.1 million at September 30, 2016. The increase is mainly attributable to a net increase in principal of $40.9 million on the White Eagle Revolving Credit Facility, a net increase in principal of $6.5 million on the Red Falcon Revolving Credit Facility, a $30.0 million increase in the 15% Senior Secured Notes offset by a $50.0 million repayment of the 12.875% Senior Secured Notes during the three months ended September 30, 2015 .

The White Eagle Revolving Credit Facility shows an increase of approximately $601,000 which is attributable to additional draws under the facility during the three months ended September 30, 2016 .

The Red Falcon Revolving Credit Facility shows a decrease of approximately $2.5 million when compared to the three months ended September 30, 2015 . The $1.3 million of interest for 2016 included $98,700 related to an increase in the LIBOR floor from 1.0% to 1.56% at September 30, 2016. Of the $3.8 million paid during 2015, approximately $3.3 million was attributable to debt issuance costs which were not capitalized as a result of electing the fair value option for valuing this debt and an additional $515,000 related to interest payments paid during the three months ended September 30, 2015 .

The Company recorded $2.5 million and $2.3 million of interest expense on the Convertible Notes, including $1.5 million, $838,000 and $124,000 and $1.5 million, $711,000 and $105,000 from interest, amortizing debt discounts and origination costs, during the three months ended September 30, 2016 and 2015, respectively.

The Company recorded approximately $1.2 million of interest expense on the 15.00% Senior Secured Notes, which includes $1.2 million of interest and $84,000 of amortizing debt issuance costs, during the three months ended September 30, 2016 .

See Notes 9, "White Eagle Revolving Credit Facility," 10, "Red Falcon Revolving Credit Facility," 11, "8.50% Senior Unsecured Convertible Notes," 12, "15.00% Senior Secured Notes," and 13, "12.875% Senior Secured Notes," to the accompanying consolidated financial statements.

Extinguishment of debt (in thousands)

	Three Months Ended September 30,				
	2016	2015	Change	% Change	
Extinguishment of Senior Notes	$ —	$ 8,782	$ (8,782)	(100)%	decrease

During the three months ended September 30, 2015 , the Company redeemed all of the outstanding 12.875% Senior Secured Notes and discharged the Secured Note Indenture. The Secured Notes were redeemed at 106% of their principal amount plus interest. Approximately $8.8 million was expensed as loss on extinguishment related to the early repayment of the facility for the three months ended September 30, 2015 .

See Note 13 "12.875% Senior Secured Notes" to the accompanying consolidated financial statements.

Change in fair value of Revolving Credit Facilities (in thousands)

	Three Months Ended September 30,				
	2016	2015	Change	% Change	
White Eagle Revolving Credit Facility	$ (1,316)	$ (4,784)	$ 3,468	(72)%	decrease
Red Falcon Revolving Credit Facility	765	581	184	32 %	increase
Total Change in Fair Value of Revolving Credit Facilities	**$ (551)**	**$ (4,203)**	**$ 3,652**	**(87)%**	**decrease**

The fair value of both facilities was impacted by increased borrowings, the lengthening of life expectancy estimates for the policies pledged under the Revolving Credit Facilities and an increase in discount rates, these were offset by paydown of principal during the three months ended September 30, 2016 . The net impact is a gain and is shown as a reduction to our expenses on the statement of operations for the three months ended September 30, 2016 and 2015.

The White Eagle Revolving Credit Facility is valued at September 30, 2016 using a discount rate of 20.06% compared to 23.55% for the quarter ended September 30, 2015.

The Red Falcon Revolving Credit Facility is valued at September 30, 2016 using a discount rate of 11.20% compared to 11.18% for the quarter ended September 30, 2015.

See Note 14, "Fair Value Measurements," to the accompanying consolidated financial statements.

Selling, general, and administrative expenses (in thousands)

	Three Months Ended September 30,				
	2016	2015	Change	% Change	
Personnel costs	$ 1,303	$ 1,945	$ (642)	(33)%	decrease
Legal fees	1,833	3,370	(1,537)	(46)%	decrease
Professional fees	2,136	1,579	557	35 %	increase
Insurance	200	309	(109)	(35)%	decrease
Other SG&A expenses	494	585	(91)	(16)%	decrease
Total SG&A Expenses	**$ 5,966**	**$ 7,788**	**$ (1,822)**	**(23)%**	**decrease**

The decrease in operating expense was primarily a result of a decrease in legal expense of $1.5 million, a decrease in personnel cost of $642,000, a decrease in insurance costs of $109,000 and a decrease in other operating expenses of $91,000 which is offset by an increase in professional fees of $557,000.

Of the legal expense, approximately $76,000 is associated with the USAO Investigation, SEC Investigation, IRS Investigation and related matters for the quarter ended September 30, 2016, compared to $2.8 million for the quarter ended September 30, 2015. Amounts for 2015 mainly relate to the USAO Investigation, which was concluded at December 31, 2015. See Note 16, "Commitments and Contingencies," to the accompanying consolidated financial statements.

Results of Discontinued Operations

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

	Three Months Ended September 30,				
	2016	2015	Change	% Change	
Total income (loss)	$ 3	$ (13)	$ 16	(123)%	increase
Total expenses	57	134	(77)	(57)%	decrease
Income (loss) before income taxes	(54)	(147)	93	(63)%	decrease
Income tax benefit	—	34	(34)	(100)%	decrease
Net income (loss), net of income taxes	**$ (54)**	**$ (113)**	**$ 59**	**(52)%**	**decrease**

Net loss from our discontinued structured settlement operations for the quarter ended September 30, 2016 was $54,000 as compared to a net loss of $113,000 for the same quarter in 2015. Total income from our discontinued structured settlement operations was $3,000 compared to a loss of $13,000 for the quarter ended September 30, 2016 and 2015, respectively. During the three months ended September 30, 2015 our discontinued structured settlement operations sold 43 structured settlement for a loss of approximately $31,000, the Company received proceeds of approximately $920,000. There was no such sale in 2016.

Total expenses from our discontinued structured settlement operations were $57,000 for the quarter ended September 30, 2016 compared to $134,000 incurred during the same period in 2015. This decrease was primarily attributable to an $85,000 decrease in legal fees.

Results of Continuing Operations

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Net loss from continued operations for the nine months ended September 30, 2016 was $25.8 million as compared to $16.7 million for the same period last year. Our net loss for the nine months ended September 30, 2015 includes approximately $7.0 million in income tax benefit, there was no benefit for the nine months ended September 30, 2016. The following is our analysis of net loss for the period.

	Nine Months Ended September 30,				
	2016	**2015**	**Change**	**% Change**	
Income	$ (2,565)	$ 43,783	$ (46,348)	(106)%	decrease
Expenses	23,200	67,453	(44,253)	(66)%	decrease
Income tax (benefit)	—	(6,981)	6,981	(100)%	decrease
Net loss	**$ (25,765)**	**$ (16,689)**	**$ (9,076)**	**54 %**	**increase**

Income for the nine months ended September 30, 2015 was significantly higher due to the maturity of 14 policies with a net gain of approximately $40.2 million compared to ten policies with a net gain of approximately $14.8 million for the nine months ended September 30, 2016 . Our income was also significantly impacted by the adoption of the 2015 VBT, which resulted in a reduction in fair value of life settlements of approximately $17.6 million.

Our expense was significantly impacted by a $15.7 million gain for the change in fair value of the Revolving Credit Facilities which is associated with the adoption of the 2015 VBT as well as a $5.0 million reduction in legal expense during the nine months ended September 30, 2016 .

Our net loss for the nine months ended September 30, 2015 includes an income tax benefit of approximately $7.0 million. There was no income tax benefit recognized during the nine months ended September 30, 2016 .

Change in fair value of life settlements (in thousands)

	Nine Months Ended September 30,				
	2016	**2015**	**Change**	**% Change**	
Change in fair value of life settlements	$ (2,690)	$ 43,582	$ (46,272)	(106)%	decrease

During the nine months ended September 30, 2016 , ten life insurance policies with face amounts totaling $30.0 million matured compared to 14 policies with face amounts totaling $53.4 million for the same period in 2015. The net gain of these maturities was $14.8 million and $40.2 million for 2016 and 2015, respectively, and is recorded as a change in fair value of life settlements in the consolidated statements of operations for the nine months ended September 30, 2016 and 2015. Six of these maturities served as collateral under the White Eagle Revolving Credit Facility and four served as collateral under the Red Falcon Revolving Credit Facility. Proceeds from maturities totaling $28.0 million were received during the nine months ended September 30, 2016 . Of this amount, approximately $13.5 million and $7.5 million was utilized to repay borrowings, interest and credit facility expenses under the White Eagle Revolving Credit Facility and Red Falcon Revolving Credit Facility, respectively, during the nine months ended September 30, 2016 . Approximately $5.0 million in policy proceeds received at the end of 2015 were used to repay borrowings, interest, and expenses for White Eagle during 2016. The Company also recorded a $20.1 million receivable for maturity of life settlements at September 30, 2016.

During the nine months ended September 30, 2016 , the Company changed its valuation technique and decided to adopt the 2015 VBT, smoker and gender distinct tables, to determine the value of the policies. The resulting impact was a reduction in the fair value of the life settlements of approximately $17.6 million for the nine months ended September 30, 2016 .

Other items impacting the change in fair value include updated life expectancies procured by the Company in respect to the insured lives and maturities. The updated life expectancy reports implied that in aggregate, the insureds' health improved, therefore lengthening their life expectancies relative to the prior life expectancies, which resulted in a decrease in fair value.

The change in fair value was further impacted due to an increase in estimated risk premium which drives our discount rate. The Company re-evaluates its discount rates at the end of each reporting period in order to reflect the estimated discount rates that could reasonably be used in a market transaction involving the Company's portfolio of life settlements. In doing so, consideration is given to the various factors influencing the rates, including credit exposure of the insurance company that issued the life insurance policy, our estimated risk premium an investor in the policy would require among other factors. In considering these factors, at September 30, 2016, the Company determined that the weighted average discount rate calculated based on death benefit was 16.52%, compared to 17.02% at December 31, 2015. This resulted in a negative impact for the change in fair value of our life settlement for the nine months ended September 30, 2016.

As of September 30, 2016, we owned 623 policies with an estimated fair value of $483.4 million compared to 632 policies with a fair value of $461.9 million at December 31, 2015, an increase of $21.5 million or 5%. Of the 623 policies, 431 policies were pledged to the White Eagle Revolving Credit Facility and 158 policies were pledged to the Red Falcon Revolving Credit Facility. During the nine months ended September 30, 2016 , the Company purchased $3.1 million in additional death benefit by acquiring retained portions of policy benefits from 20 policies for approximately $1.4 million. In addition, we acquired one life insurance policy for the period, which resulted in a gain of approximately $262,000 during the nine months ended September 30, 2016 compared to 41 policies acquired which resulted in a gain of $5.9 million during the same period in 2015. As of September 30, 2016, the aggregate death benefit of our life settlements was approximately $3.0 billion.

Of these 623 policies owned as of September 30, 2016, 539 were previously premium financed and are valued using discount rates that range from 16.00% to 22.50%. The remaining 84 policies are valued using discount rates that range from 15.00% to 21.00%.

See Note 14, Fair Value Measurements," to the accompanying consolidated financial statements.

Expenses (in thousands)

	Nine Months Ended September 30,				
	2016	**2015**	**Change**	**% Change**	
Interest expense	$ 21,330	$ 21,491	$ (161)	(1)%	decrease
Extinguishment of Senior Notes	—	8,782	(8,782)	(100)%	decrease
Change in fair value of Revolving Credit Facilities	(16,121)	13,489	(29,610)	(220)%	decrease
SG&A expenses	17,991	23,691	(5,700)	(24)%	decrease
Total Expense	**$ 23,200**	**$ 67,453**	**$ (44,253)**	**(66)%**	**decrease**

Interest expense (in thousands)

	Nine Months Ended September 30,				
	2016	**2015**	**Change**	**% Change**	
White Eagle Revolving Credit Facility	8,142	6,875	$ 1,267	18 %	increase
Red Falcon Revolving Credit Facility	3,178	3,789	(611)	(16)%	decrease
Convertible Notes	7,231	6,791	440	6 %	increase
15% Senior Secured Notes	2,770	—	2,770	100 %	increase
12.875% Senior Secured Notes	—	4,019	(4,019)	(100)%	decrease
Other	9	17	(8)	(47)%	decrease
Total Interest Expense	**$ 21,330**	**$ 21,491**	**$ (161)**	**(1)%**	**decrease**

Outstanding debt for the nine months ended September 30, 2016 included $200.8 million of outstanding principal on the White Eagle Revolving Credit Facility, $61.6 million on the Red Falcon Revolving Credit Facility, $70.7 million of Convertible Notes and $30.0 million of Senior Secured Notes.

The Company's outstanding debt increased by $27.4 million from $335.7 million at September 30, 2015 to $363.1 million at September 30, 2016. The increase is mainly attributable to a net increase in principal of $40.9 million on the White Eagle Revolving Credit Facility, a net increase in principal of $6.5 million on the Red Falcon Revolving Credit Facility, and a $30.0 million increase in the 15% Senior Secured Noted, offset by a $50.0 million repayment of the 12.875% Senior Secured Notes during the three months ended September 30, 2015 .

Of the interest expense of $21.3 million for the nine months ended September 30, 2016 , approximately $8.1 million represents interest paid on the White Eagle Revolving Credit Facility and approximately $3.2 million was attributable to the Red Falcon Revolving Credit Facility. The $3.2 million of interest for 2016 included $98,700 related to an increase in the LIBOR floor from 1.0% to 1.56% at September 30, 2016.

Interest expense on the Convertible Notes totaled $7.2 million, including $4.5 million, $2.4 million, and $351,000 representing interest, amortization of debt discount and issuance costs, respectively. The Company recorded approximately $2.8 million of interest expense on the Senior Secured Notes, including $2.5 million and $260,000 from interest and amortizing debt issuance costs, respectively, during the nine months ended September 30, 2016 .

Of the interest expense of $21.5 million during the nine months ended September 30, 2015 , approximately $6.9 million of interest expense was attributable to the White Eagle Revolving Credit Facility, which included $5.0 million withheld from borrowings by the lender and $1.9 million paid by White Eagle. Approximately $3.8 million represents interest expense attributable to the Red Falcon Revolving Credit Facility. Of the $3.8 million paid during 2015, approximately $3.3 million was attributable to debt issuance costs, which were not capitalized as a result of electing the fair value option for valuing this debt and an additional $515,000 related to interest payments paid during the three months ended September 30, 2015 .

Interest expense on the Convertible Notes totaled $6.8 million, including $4.5 million, $2.0 million and $294,000 representing interest, amortization of debt discount and issuance costs, respectively. We recorded $4.0 million of interest expense on the Secured Notes, including $3.2 million, $265,000, $264,000, and $277,000 from interest, unused fees, amortization of debt discounts and issuance costs, respectively, during the nine months ended September 30, 2015 .

See Notes 9, "White Eagle Revolving Credit Facility," 10, "Red Falcon Revolving Credit Facility," 11, "8.50% Senior Unsecured Convertible Notes," 12, "15.00% Senior Secured Notes," and 13, "12.875% Senior Secured Notes," to the accompanying consolidated financial statements.

Extinguishment of debt (in thousands)

	Nine Months Ended September 30,				
	2016	2015	Change	% Change	
Extinguishment of Senior Notes	$ —	$ 8,782	(8,782)	(100)%	decrease

During the nine months ended September 30, 2015 , the Company redeemed all of the outstanding 12.875% Senior Secured Notes and discharged the Secured Note Indenture. The Secured Notes were redeemed at 106% of their principal amount plus interest. Approximately $8.8 million was expensed as loss on extinguishment related to the early repayment of the facility for the nine months ended September 30, 2015 .

See Note 13 "12.875% Senior Secured Notes" to the accompanying consolidated financial statements.

Change in fair value of Revolving Credit Facilities (in thousands)

	Nine Months Ended September 30,				
	2016	2015	Change	% Change	
White Eagle Revolving Credit Facility	$ (15,721)	$ 12,908	(28,629)	(222)%	decrease
Red Falcon Revolving Credit Facility	(400)	581	(981)	(169)%	decrease
Total Change in Fair Value of Revolving Credit Facilities	**$ (16,121)**	**$ 13,489**	**(29,610)**	**(220)%**	**decrease**

During the nine months ended September 30, 2016 , the Company changed its valuation technique by adopting the 2015 VBT, smoker and gender distinct tables, to determine the value of the life insurance policies pledged as collateral in the facility. The resulting impact was a positive change in fair value of the White Eagle Revolving Credit Facility of approximately $14.7 million. This amount is shown as a reduction to our expenses on the statement of operations for the nine months ended September 30, 2016 . The White Eagle Revolving Credit Facility is valued at September 30, 2016 using discount rates of 20.06% compared to 23.55% for the quarter ended September 30, 2015.

Change in fair value of Revolving Credit Facility also includes a gain of $400,000 attributable to the Red Falcon Revolving Credit Facility for the nine months ended September 30, 2016.

The change resulting from the Company's adoption of the 2015 VBT resulted in a positive change in fair value of the Red Falcon Revolving Credit Facility of approximately $1.0 million. This amount is shown as a reduction to our expenses on the statement of operations for the nine months ended September 30, 2016. The Red Falcon Revolving Credit Facility is valued at September 30, 2016 using a discount rate of 11.20% compared to 11.18% at September 30, 2015.

The fair value was also impacted by increased borrowings, cost of insurance increases, and the lengthening of life expectancy estimates for the policies pledged under the Revolving Credit Facilities which was offset by a decrease in the discount rates. See Note 14, "Fair Value Measurements," to the accompanying consolidated financial statements.

Selling, general, and administrative expenses (in thousands)

	Nine Months Ended September 30,				
	2016	2015	Change	% Change	
Personnel costs	$ 5,133	$ 5,425	(292)	(5)%	decrease
Legal fees	5,361	10,345	(4,984)	(48)%	decrease
Professional fees	5,347	5,284	63	1 %	increase
Insurance	639	966	(327)	(34)%	decrease
Other SG&A	1,511	1,671	(160)	(10)%	decrease
Total SG&A Expenses	**$ 17,991**	**$ 23,691**	**$ (5,700)**	**(24)%**	**decrease**

The decrease in SG&A expenses was primarily a result of a decrease in legal expense of $5.0 million, a decrease in insurance costs of $327,000, and a decrease in personnel cost of $292,000.

During the nine months ended September 30, 2016 , as part of a reduction in force, the Company reduced its headcount from 31 employees to 25 employees inclusive of two executives. The expense associated with this reduction was approximately $992,000 for the nine months ended September 30, 2016.

Legal expenses for the nine months ended September 30, 2016 were $5.4 million compared to $10.3 million for the nine month period ended September 30, 2015. Of the legal expense, approximately $1.7 million is associated with the USAO Investigation, SEC Investigation, IRS Investigation and related matters for the nine months ended September 30, 2016 , compared to $7.0 million for the same period ended September 30, 2015. Amounts for 2015 mainly relate to the USAO Investigation, which was concluded at December 31, 2015. See Note 16, "Commitments and Contingencies ," to the accompanying consolidated financial statements.

Results of Discontinued Operations

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

	Nine Months Ended September 30,				
	2016	**2015**	**Change**	**% Change**	
Total income (loss)	$ 9	$ 60	$ (51)	(85)%	decrease
Total expenses	257	700	(443)	(63)%	decrease
Income (loss) before income taxes	(248)	(640)	392	(61)%	decrease
Income tax benefit	$ —	224	(224)	(100)%	decrease
Net income (loss), net of income taxes	**$ (248)**	**$ (416)**	**$ 168**	**(40)%**	**decrease**

Net loss from our discontinued structured settlement operations for the nine months ended September 30, 2016 was $249,000 as compared to a net loss of $416,000 for the same period in 2015. Total income from our discontinued structured settlement operations was $9,000 compared to $60,000 for the nine months ended September 30, 2016 and 2015, respectively. During the nine months ended September 30, 2015 our discontinued structured settlement operations sold 43 structured settlements for a loss of approximately $31,000. The Company received proceeds of approximately $920,000. There was no such sale in 2016.

Net loss for the nine months ended September 30, 2015 includes an income tax benefit of $224,000. There was no income tax benefit recorded during the nine months ended September 30, 2016 .

Total expenses from our discontinued structured settlement operations were $258,000 for the nine months ended September 30, 2016 compared to $700,000 incurred during the same period in 2015. This decrease was primarily attributable to a $476,000 decrease in legal fees.

Liquidity and Capital Resources

Our consolidated financial statements have been prepared assuming the realization of assets and the satisfaction of liabilities in the normal course, as well as continued compliance with the covenants contained in the Revolving Credit Facilities, the indentures governing our Convertible Notes and Senior Secured Notes and other financing arrangements.

At September 30, 2016, we had approximately $24.9 million of cash and cash equivalents and certificate of deposits; of this amount, approximately $15.8 million was available to pay premiums on 34 policies that have not been pledged as collateral under either of the Revolving Credit Facilities and for other overhead expenses, with approximately $9.1 million restricted to the Revolving Credit Facilities. We expect to meet our liquidity needs for the foreseeable future primarily through a combination of the receipt of death benefits from life insurance policy maturities, borrowings under the Revolving Credit Facilities, strategic capital market raises, policy sales (subject to the asset sale restrictions in our debt arrangements) and cash on hand.

For the nine months ended September 30, 2016 , we paid $52.8 million in premiums to maintain our policies in force. Of this amount, approximately $37.9 million was paid by White Eagle through its borrowings and $11.9 million was paid by Red Falcon through its borrowings. While the liquidity risk associated with the policies that have been pledged as collateral under the Revolving Credit Facilities has been mitigated, any distributions from available proceeds under the Revolving Credit Facilities will vary based on the respective then current loan to value ratio. Accordingly, there can be no assurance as to when the proceeds from maturities of the policies pledged as collateral under the Revolving Credit Facilities will be distributed to the Company. Additionally, White Eagle and Red Falcon may not borrow under their respective facilities to pay interest and the Red Falcon Credit Facility requires mandatory amortization of the debt under the facility of 8% per annum. To the extent there are insufficient collections from policy proceeds to cover these amounts, these required payments will stress our available cash. As we continue to acquire additional life settlement assets, we expect our premium obligations to increase. Assuming no policy maturities, as of September 30, 2016, we expect to pay $814,000 in premiums during the remainder of 2016 on the 34 policies that have not been pledged under the Revolving Credit Facilities. Additionally, at September 30, 2016, we had $70.7

million and $30.0 million in aggregate principal amount of outstanding Convertible Notes and Senior Secured Notes, which accrued interest at 8.50% and 15.0%, respectively. Interest on the Convertible Notes is due semi-annually and interest on the Senior Secured Notes is due quarterly.

As of September 30, 2016, the Company's cumulative legal and related fees in respect of the USAO Investigation (including indemnification obligations), the SEC Investigation, the IRS Investigation and related matters were $58.3 million, including $76,000 and $2.8 million incurred during the three months ended September 30, 2016 and 2015, respectively and $1.7 million and $7.0 million incurred during the nine months ended September 30, 2016 and 2015. We do not expect to incur material expense related to the USAO Investigation or IRS Investigation in the future. However, we may continue to incur significant expense on the SEC Investigation in future periods, in addition to expenses for general litigation and judicial proceedings over the next year, and possibly beyond. These amounts, while currently unquantifiable, may be substantial and could have a material adverse effect on the Company's financial position and results of operations.

During the nine months ended September 30, 2016 , actual maturities have fallen below the Company's expectations. As a result, the Company anticipates a liquidity shortfall in the first quarter of 2017 unless additional liquidity is obtained. Accordingly, the Company will continue to proactively manage its cash in order to effectively run its businesses and service its debt. The Company may, subject to the covenants and restrictions in its debt arrangements, sell or, under very limited circumstances, lapse certain of its policies as its portfolio management strategy and liquidity needs dictate. The lapsing of policies, if any, could result in events of default under the Revolving Credit Facilities and would create losses as such assets would be written down to zero.

On August 1, 2016, the Company initiated a formal process to explore strategic alternatives in response to receiving a number of unsolicited inquiries from several interested parties. The Company's Board of Directors has formed a special committee whose mandate is to review and consider strategic alternatives and to make recommendations to the full Board of Directors. Some of the possible strategic alternatives the special committee may consider are a sale of the Company, a merger or other business combination, a sale of all or a material portion of the Company's assets, a joint venture, and a recapitalization. At September 30, 2016, the special committee was continuing its efforts to explore these initiatives. As a result, the Company does not currently intend to expend resources acquiring policies and will continue to sell shares of common stock under the Company's at-the-market offering program to assist with funding business operations.

Financing Arrangements Summary

Red Falcon Revolving Credit Facility

Effective July 16, 2015, Red Falcon, as borrower, entered into a $110.0 million 7-year credit facility that provides for five years of revolving credit borrowing with LNV Corporation, as initial lender, the other lenders party thereto from time to time, Imperial Finance & Trading, LLC, as guarantor, Blue Heron as portfolio administrator and CLMG Corp., as administrative agent.

During the three months ended September 30, 2016 , Red Falcon entered into a first amendment to its revolving loan and security agreement. With the amendment, six additional policies and additional portions of 20 policies that were previously pledged in part as collateral under the initial credit agreement were pledged in an additional policy advance.

Borrowing availability under the Red Falcon Revolving Credit Facility is subject to a borrowing base, which among other items is capped at 60% of the valuation of the policies pledged as collateral. This loan to value calculation is determined by the lenders with a high degree of discretion. At September 30, 2016, $48.4 million was undrawn and $307,000 was available to borrow under the Red Falcon Revolving Credit Facility. For a discussion of the calculation of the facility's borrowing base availability, see Note 10, "Red Falcon Revolving Credit Facility—Borrowing Base & Availability" of the notes to Consolidated Financial Statements.

At September 30, 2016, the fair value of the debt under the Red Falcon Revolving Credit Facility is $61.5 million, the borrowing base was approximately $61.9 million including $61.6 million in outstanding principal. Interest calculated of LIBOR (subject to a floor of 1.0%) plus an applicable margin of 4.5% and required amortization at 8% per annum on the greater of the then outstanding balance of the loan or the initial advance are due monthly. During the three months ended September 30, 2016, required amortization paid was $1.2 million, which was paid directly by Red Falcon as there was no maturity or collection from policy proceeds. Interest totaling $962,000 was paid during the quarter ended September 30, 2016, which was paid directly by Red Falcon.

Based on the loan agreement, the LIBOR portion of the interest rate will re-adjust monthly once the floor has exceeded 1.0%. The applicable rate will be dependent on the rate at the last business day of the immediately preceding calendar month. During the nine months ended September 30, 2016 the LIBOR floor increased from 1.0% to 1.56% at September 30, 2016. Future increases in LIBOR could have a material adverse effect on the Company's financial position and results of operations.

White Eagle Revolving Credit Facility

As amended on November 9, 2015, White Eagle is the borrower under a $250.0 million revolving credit facility, with Imperial Finance and Trading, LLC, as the initial servicer, the initial portfolio manager and guarantor, Lamington Road Bermuda Ltd., as portfolio manager, LNV Corporation, as initial lender, the other financial institutions party thereto as lenders, and CLMG Corp., as administrative agent for the lenders.

Borrowing availability under the White Eagle Revolving Credit Facility is subject to a borrowing base, which, among other items, is capped at 75% of the valuation of the policies pledged as collateral. This loan to value calculation is determined by the lenders with a high degree of discretion. At September 30, 2016, $49.2 million was undrawn and $2.7 million was available to borrow under the White Eagle Revolving Credit Facility. For a discussion of the calculation of the facility's borrowing base availability, see Note 9, "White Eagle Revolving Credit Facility —Borrowing Base & Availability" of the notes to Consolidated Financial Statements.

At September 30, 2016, the fair value of the debt under the White Eagle Revolving Credit Facility was $182.1 million, the borrowing base was approximately $203.5 million including $200.8 million in outstanding principal. Interest calculated as LIBOR (subject to a floor of 1.5%) plus an applicable margin of 4.5% is due quarterly. Interest totaling $2.9 million was paid during the quarter ended September 30, 2016, all of which was paid from policy proceeds. There are no scheduled repayments of principal prior to maturity although payments are due upon receipt of death benefits and distributed pursuant to the waterfall. At September 30, 2016, approximately $7.0 million included in cash and cash equivalents -VIE was on account with White Eagle for distribution through the waterfall.

Based on the loan agreement, the LIBOR portion of the interest rate will re-adjust annually once the floor has exceeded 1.5%. The applicable rate will be dependent on the rate at the last business day of the preceding calendar year. Future increase in LIBOR could have a material adverse effect on the Company's financial position and results of operations.

8.50% Senior Unsecured Convertible Notes

At September 30, 2016, there was $70.7 million in aggregate principal amount of the Company's 8.50% senior unsecured convertible notes due 2019 outstanding. For a description of the Convertible Notes see Note 11, "8.50% Senior Unsecured Convertible Notes," of the notes to Consolidated Financial Statements.

15.00% Senior Secured Notes

At September 30, 2016, there was $30.0 million in aggregate principal amount of the Company's 15% Senior Secured Notes due 2018 outstanding. For a description of the Secured Notes, see Note 12, "15% Senior Secured Notes," of the notes to Consolidated Financial Statements.

At-The-Market Offering

On March 14, 2016, we filed a prospectus supplement with the SEC related to the offer and sale from time to time of our common stock at an aggregate offering price of up to $50.0 million through FBR Capital Markets & Co. and MLV & Co. LLC, as distribution agents. Sales of shares of our common stock under the prospectus supplement and the equity distribution agreement entered into with the distribution agents, if any, may be made in negotiated transactions or transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act of 1933. We have agreed to pay the distribution agents a commission rate of up to 3% of the gross proceeds from the sale of any shares of common stock sold through the equity distribution agreement.

During the quarter ended September 30, 2016, the Company sold 443,038 shares of common stock under this prospectus supplement, receiving net proceeds totaling approximately $1.5 million.

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share
July 1 through July 31	—	—
August 1 through August 31	99,353	$3.83
September 1 through September 30	343,685	$3.35
Total	443,038	$3.42

Cash Flows

Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities for the nine months ended September 30, 2016 and 2015 (in thousands):

	Nine Months Ended September 30,	
	2016	2015
Statement of Cash Flows Data:		
Total cash (used in) provided by:		
Operating activities	$ (34,651)	$ (37,401)
Investing activities	(31,169)	(29,675)
Financing activities	64,378	52,576
Increase (decrease) in cash and cash equivalents	$ (1,442)	$ (14,500)

Operating Activities

During the nine months ended September 30, 2016 , operating activities used cash of $34.7 million. Our net loss of $26.0 million was adjusted for: change in fair value of life settlement loss of $2.7 million that is mainly attributable to the impact of adopting the 2015 VBT offset by maturities of 10 policies; change in fair value of Revolving Credit Facilities gain of $16.1 million that is mainly attributable to the impact of adopting the 2015 VBT, increased borrowings, the lengthening of life expectancies of certain insureds underlying policies pledged as collateral in the facility and a slight increase in the discount rates; and a net positive change in the components of operating assets and liabilities of $536,000. This $536,000 change in operating assets and liabilities is partially attributable to a $1.5 million decrease in interest payable for the Convertible Notes, a $1.2 million decrease in prepaid and other assets, and a $602,000 increase in accounts payable and accrued expenses.

During the nine months ended September 30, 2015 , operating activities used cash of $37.4 million. Our net loss of $17.1 million was adjusted for: White Eagle Revolving Credit Facility financing costs and fees of $5.6 million, which represents interest expense and other fees associated with the White Eagle Revolving Credit Facility withheld by the lender and added to the outstanding loan balance; change in fair value of life settlement gains of $43.6 million that is mainly attributable to the maturity of 14 policies; change in fair value of the White Eagle Revolving Credit Facility loss of $13.5 million that is mainly attributable to a reduction in the discount rate used to value the facility and projected early repayment given earlier than projected maturities. These were offset by increased borrowings and the lengthening of life expectancies of certain insureds underlying policies pledged as collateral in the facility, Red Falcon Revolving Credit Facility origination costs of $3.3 million relating to the debt issuance which was not capitalized as a result of electing the fair value option for valuing this debt, extinguishment of the Senior Secured Notes of $8.8 million which represents redemption at 106% of their principal amount plus interest, a deferred income tax benefit of $7.2 million, and a net negative change in the components of operating assets and liabilities of $3.8 million. This $3.8 million change in operating assets and liabilities is partially attributable to a $1.5 million decrease in accounts payable and accrued expenses; a $1.5 million decrease in interest payable for the Convertible Notes; a $812,000 decrease in other liabilities and a $654,000 increase in deposits. These were offset by a $1.1 million decrease in structured settlement receivables associated with the sale during the nine months ended September 30, 2015 .

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2016 was $31.2 million and includes proceeds of $28.0 million from maturity of 10 life settlements. This was offset by $52.8 million for premiums paid on life settlements; $5.0 million for certificates of deposit and $1.4 million for purchase of life settlements.

Net cash used in investing activities for the nine months ended September 30, 2015 was $29.7 million and includes proceeds of $47.5 million from maturity of 14 life settlements. This was offset by $48.2 million for premiums paid on life settlements and $28.9 million for purchase of life settlements.

Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2016 was $64.4 million and includes $30.0 million of proceeds from the Senior Secured Notes; $38.8 million of borrowings from the White Eagle Revolving Credit Facility; $15.1 million of borrowings from the Red Falcon Revolving Credit Facility and $1.5 million from issuance of common stock through the Company's "at the market" offerings. These were offset by $10.6 million in repayment of borrowings under the White Eagle Revolving Credit Facility and $9.2 million in repayment of borrowings under the Red Falcon Revolving Credit Facility.

Net cash provided by financing activities for the nine months ended September 30, 2015 was $52.6 million and includes $38.5 million of net proceeds from the rights offering completed in the second quarter of 2015, $23.8 million of net proceeds from 12.875% Secured Notes and $36.9 million of borrowings from the White Eagle Revolving Credit Facility. These were offset by $43.2 million in repayment of borrowings under the White Eagle Revolving Credit Facility; $1.9 million in repayment of borrowing under the Red Falcon Revolving Credit Facility and $3.6 million for the extinguishment of the Secured Notes.

Inflation

Our assets and liabilities are, and will be in the future, interest-rate sensitive in nature. As a result, interest rates may influence our performance far more than inflation. Changes in interest rates do not necessarily correlate with inflation or changes in inflation rates. We do not believe that inflation had any material impact on our results of operations in the periods presented in our financial statements presented in this report.

Off-Balance Sheet Arrangements

At September 30, 2016, there were no off-balance sheet arrangements between us and any other entity that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to shareholders.

Item 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Market risk is the risk of potential economic loss principally arising from adverse changes in the fair value of financial instruments. The major components of market risk are credit risk, interest rate risk and foreign currency risk. As of September 30, 2016, we did not hold a material amount of financial instruments for trading purposes.

Credit Risk

Credit risk consists primarily of the potential loss arising from adverse changes in the financial condition of the issuers of the life insurance policies that we own. Although we may purchase life settlements from carriers rated below investment grade, to limit our credit risk, we generally only purchase life settlements from companies that are investment grade.

The following table provides information about the life insurance issuer concentrations that exceed 10% of total death benefit and 10% of total fair value of our life settlements as of September 30, 2016:

Carrier	Percentage of Total Fair Value	Percentage of Total Death Benefit	Moody's Rating	S&P Rating
Transamerica Life Insurance Company	18.3%	20.6%	A1	AA-
Lincoln National Life Insurance Company	21.7%	19.2%	A1	AA-

Interest Rate Risk

At September 30, 2016, fluctuations in interest rates impacted interest expense in the life finance business by approximately $98,700. Both Revolving Credit Facilities accrue interest at LIBOR plus an applicable margin. LIBOR under the White Eagle Revolving Credit Facility is subject to a floor of 1.5% and LIBOR under the Red Falcon Revolving Credit Facility is subject to a floor of 1.0%.

Based on the Red Falcon Revolving Credit Facility loan agreements, the LIBOR portion of the interest rate will re-adjust monthly once the floor has exceeded 1.0%. The applicable rate will be dependent on the rate at the last business day of the immediately preceding calendar month. The LIBOR portion of the interest rate for the White Eagle Revolving Credit Facility will re-adjust annually once the floor has exceeded 1.5%. The applicable rate will be dependent on the rate at the last business day of the preceding calendar year.

During the nine months ended September 30, 2016 the LIBOR floor for the Red Falcon Revolving Credit Facility increased from 1.0% to 1.56% at September 30, 2016, resulted in additional interest expense of approximately $98,700.

Future increases in LIBOR could have a material adverse effect on the Company's financial position and results of operations. Increases in LIBOR above the floors provided in the Revolving Credit Facilities, will also affect the calculation of the fair value of the debt under the Revolving Credit Facilities. Additional increases in interest rates may impact the rates at which we are able to obtain financing in the future.

We earn income on the changes in fair value of the life insurance policies we own. However, if the fair value of the life insurance policies we own decreases, we record this reduction as a loss.

As of September 30, 2016, we owned life settlements with a fair value of $483.4 million. A rise in interest rates could potentially have an adverse impact on the sale price if we were to sell some or all of these assets, which could also decrease the borrowing base available to White Eagle and Red Falcon under the applicable Revolving Credit Facilities. There are several factors that affect the market value of life settlements, including the age and health of the insured, investors' demand, available liquidity in the marketplace, duration and longevity of the policy, and interest rates. We currently do not view the risk of a decline in the sale price of life settlements due to normal changes in interest rates as a material risk.

Foreign Currency Exchange Rate Risk

Changes in the exchange rate between transactions denominated in a currency other than our foreign subsidiaries' functional currency are immaterial to our operating results. Exposure to foreign currency exchange rate risk may increase over time as our business evolves.

Item 4. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

Limitations on Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures or our internal controls over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based on certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Litigation

For a description of legal proceedings, see "Litigation" under Note 16, "Commitments and Contingencies" to our consolidated financial statements.

Item 1A. *Risk Factors*

In addition to our risk factors disclosed in our Annual Report on Form 10-K filed for the year ended December 31, 2015, investors should also consider the following additional risk factors.

We may not be successful in negotiating and consummating a strategic transaction.

Our Board of Directors has formed a special committee whose mandate is to review and consider strategic alternatives and to make recommendations to the full Board of Directors. A financial advisory firm has been retained to explore our available strategic alternatives to obtain the capital required to fund our future operations or otherwise enhance shareholder value, a sale of the Company, a merger or other business combination, a sale of all or a material portion of the Company's assets, a joint venture, and or equity and debt refinancing. Although we are actively pursuing our strategic alternatives, there is no assurance that we will be able to successfully negotiate and consummate a transaction or raise capital on a timely basis. Further, our expenses may exceed our current plans and expectations, which could require us to raise capital sooner than anticipated. If we are not successful in completing a strategic transaction or securing additional capital on a timely basis, we may be required to significantly reorganize the organization.

We will require, and may not be able to obtain, additional capital in order to carry out our planned activities and to continue as a going concern beyond the first quarter of 2017.

As of September 30, 2016, we had cash and cash equivalents and certificate of deposits of $24.9 million with approximately $9.1 million restricted to the Revolving Credit Facilities. Our existing cash resources are not sufficient to meet our operating plan beyond the first quarter of 2017, and if we are unable to raise additional capital, we may not be able to continue as a going concern. As a result, we need to secure additional capital to continue to fund our operations through the first quarter of 2017. Moreover, our expenses may exceed our current plans, which may, in the absence of additional capital, require us to significantly reorganize our operations sooner than anticipated. There can be no assurance that additional funds will be available when needed from any source or, if available, will be available on terms that are acceptable to us. While we expect to be able to raise sufficient funds to operate through 2017, if we are unable to complete one or more strategic transactions and or raise funds to satisfy our capital needs on a timely basis and control our operating costs, there can be no assurance based upon our present cash position that we will be able to continue to operate our business in its current organization beyond the first quarter of 2017 without significant restructuring.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

Purchases of Equity Securities

On September 1, 2015, the Company announced that its Board of Directors authorized a $10.0 million share and note repurchase program. The program has a two-year expiration date, and authorizes the Company to repurchase up to $10.0 million of its common stock and/or its Convertible Notes due 2019. During 2015, the Company purchased 608,000 shares for a total cost of approximately $2.5 million, which is an average cost of $4.17 per share, including transaction fees. There were no purchases during three months and nine months ended September 30, 2016.

Item 3. Default Upon Senior Securities

None.

Item 4. *Mine Safety Disclosures*

None.

Item 5. *Other Information*

During the quarter, the Company's Board of Directors named Miriam Martinez as the Company's Chief Financial Officer and removed the prior "interim" designation.

Item 6. ***Exhibits***

See the Exhibit Index following the Signatures page of this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Emergent Capital, Inc.

/s/ Miriam Martinez

Miriam Martinez

Date November 7, 2016

Chief Financial Officer

(Principal Financial Officer)

EXHIBIT INDEX

Exhibit No.	Description
Exhibit 10.1	First Amendment to Loan and Security Agreement, dated July 15, 2016, among Red Falcon Trust, as borrower, Imperial Finance & Trading, LLC, as guarantor, Blue Heron Designated Activity Company, as portfolio administrator, LNV Corporation, as lender, and CLMG Corp, as administrative agent.
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101.	Interactive Data Files
Exhibit 101.INS +	XBRL Instance Document
Exhibit 101.SCH +	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL +	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF +	XBRL Taxonomy Definition Linkbase Document
Exhibit 101.LAB +	XBRL Taxonomy Extension Label Linkbase Document 10.1 & 10.2
Exhibit 101.PRE +	XBRL Taxonomy Extension Presentation Linkbase Document

+ Submitted electronically with this Quarterly Report

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT (this “Agreement”) is made and entered into this 15th day of July, 2016, by and among RED FALCON TRUST, a Delaware statutory trust (the “Borrower”), IMPERIAL FINANCE AND TRADING, LLC, a Florida limited liability company, as guarantor (in such capacity, the "Guarantor"), BLUE HERON DESIGNATED ACTIVITY COMPANY, a designated activity company limited by shares and duly incorporated in Ireland, as Portfolio Administrator (in such capacity, “the Portfolio Administrator”), CLMG CORP., a Texas corporation, as Administrative Agent (in such capacity, the “Administrative Agent”), and LNV CORPORATION, a Nevada corporation, as Lender (in such capacity, the “Lender”).

WITNESSETH:

A. The Borrower, the Guarantor, the Portfolio Administrator, the Administrative Agent and the Lender are parties to that certain Loan and Security Agreement, dated as of July 16, 2015 (the “Loan Agreement”). Capitalized words and terms used herein, but not defined herein, have the meanings set forth in the Loan Agreement.

B. The Borrower, the Guarantor and the Portfolio Administrator have requested that the Administrative Agent and the Lender agree to amend certain provisions of the Loan Agreement as set forth herein.

NOW, THEREFORE, for and in consideration of the premises, the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged and confessed by each of the parties hereto, the parties hereto hereby agree as follows:

1. Schedule 8.1(w) to the Loan Agreement is replaced in its entirety by Schedule 8.1(w) to this Agreement.

2. Eligibility Criteria Clause (g) Schedule to the Loan Agreement is hereby replaced in its entirety by Eligibility Criteria Clause (g) Schedule to this Agreement.

3. Eligibility Criteria Clause (i) Schedule to the Loan Agreement is hereby replaced in its entirety by Eligibility Criteria Clause (i) Schedule to this Agreement.

4. Eligibility Criteria Clause (m) Schedule to the Loan Agreement is hereby replaced in its entirety by Eligibility Criteria Clause (m) Schedule to this Agreement.

5. The Borrower has previously requested and hereby agrees that proceeds of the Additional Policy Advance, to be made on the date hereof, shall be deposited into the Borrower Account. As provided in Section 5.1(c) of the Loan Agreement, the Borrower shall be entitled to withdraw such proceeds from the Borrower Account for any purpose permitted by the Loan Agreement.

6. AS A MATERIAL INDUCEMENT TO THE LENDER AND THE ADMINISTRATIVE AGENT TO ENTER INTO THIS AGREEMENT, THE BORROWER, THE GUARANTOR AND THE PORTFOLIO ADMINISTRATOR, EACH ON BEHALF OF ITSELF AND ITS SUCCESSORS, ASSIGNS, LEGAL REPRESENTATIVES AND CONSTITUENTS (WHETHER OR NOT A PARTY HERETO) (BORROWER, THE GUARANTOR, THE PORTFOLIO ADMINISTRATOR AND SUCH SUCCESSORS, ASSIGNS, LEGAL REPRESENTATIVES AND CONSTITUENTS BEING REFERRED TO HEREIN COLLECTIVELY AND INDIVIDUALLY, AS "OBLIGORS, ET AL."), HEREBY FULLY, FINALLY AND COMPLETELY RELEASE AND FOREVER DISCHARGE THE LENDER, THE ADMINISTRATIVE AGENT AND THEIR RESPECTIVE OWNERS, SUCCESSORS, ASSIGNS, AFFILIATES, SUBSIDIARIES, PARENTS, OFFICERS, SHAREHOLDERS, DIRECTORS, EMPLOYEES, ATTORNEYS AND AGENTS, PAST, PRESENT AND FUTURE, AND THEIR RESPECTIVE HEIRS, PREDECESSORS, SUCCESSORS AND ASSIGNS (COLLECTIVELY AND INDIVIDUALLY, "LENDER, ET AL.") OF AND FROM ANY AND ALL CLAIMS, CONTROVERSIES, DISPUTES, LIABILITIES, OBLIGATIONS, DEMANDS, DAMAGES, EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES), DEBTS, LIENS, ACTIONS AND CAUSES OF ACTION OF ANY AND EVERY NATURE WHATSOEVER, INCLUDING, WITHOUT LIMITATION, ANY THEREOF RELATING TO THE ADVANCES, AND WAIVE AND RELEASE ANY DEFENSE, RIGHT OF COUNTERCLAIM, RIGHT OF SET-OFF OR DEDUCTION TO THE PAYMENT OF THE INDEBTEDNESS EVIDENCED BY THE LENDER NOTE AND/OR ANY OTHER TRANSACTION DOCUMENT WHICH OBLIGORS, ET AL. NOW HAVE OR MAY CLAIM TO HAVE AGAINST LENDER, ET AL., OR ANY THEREOF, ARISING OUT OF, CONNECTED WITH OR RELATING TO ANY AND ALL ACTS, OMISSIONS OR EVENTS OCCURRING PRIOR TO THE EXECUTION OF THIS AGREEMENT.

THE BORROWER, THE GUARANTOR AND THE PORTFOLIO ADMINISTRATOR HEREBY ACKNOWLEDGE, REPRESENT AND WARRANT TO THE LENDER AND THE ADMINISTRATIVE AGENT THAT THEY AGREE TO ASSUME THE RISK OF ANY AND ALL UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES AND CLAIMS WHICH ARE RELEASED BY THE PROVISIONS HEREOF IN FAVOR OF LENDER, ET AL., AND WAIVE AND RELEASE ALL RIGHTS AND BENEFITS WHICH THEY MIGHT OTHERWISE HAVE UNDER ANY FEDERAL, STATE OR LOCAL LAW OR STATUTE WITH REGARD TO THE RELEASE OF SUCH

UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES OR CLAIMS.

THE BORROWER, THE GUARANTOR AND THE PORTFOLIO ADMINISTRATOR ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND EACH OF THE PROVISIONS OF THIS RELEASE. THE BORROWER, THE GUARANTOR AND THE PORTFOLIO ADMINISTRATOR FULLY UNDERSTAND THAT THIS RELEASE CONSTITUTES A GENERAL RELEASE, AND THAT IT HAS IMPORTANT LEGAL CONSEQUENCES. THE BORROWER, THE GUARANTOR AND THE PORTFOLIO ADMINISTRATOR UNDERSTAND AND CONFIRM THAT THEY ARE HEREBY RELEASING ANY AND ALL RELEASED CLAIMS THAT ANY MAY INDIVIDUALLY HAVE AS OF THE DATE HEREOF. THE BORROWER, THE GUARANTOR AND THE PORTFOLIO ADMINISTRATOR HEREBY ACKNOWLEDGE THAT THEY HAVE HAD A FULL AND FAIR OPPORTUNITY TO OBTAIN A LAWYER'S ADVICE CONCERNING THE LEGAL CONSEQUENCES OF THIS RELEASE AND WAIVER.

7. As an additional material inducement to the Lender and the Administrative Agent to enter into this Agreement and to amend certain provisions of the Loan Agreement as provided herein, the Borrower, the Guarantor and the Portfolio Administrator hereby represent and warrant to, and agree with, the Lender and the Administrative Agent that, as of the date hereof:

(a) the Transaction Documents, as amended hereby, are in full force and effect and none of Borrower, the Guarantor or the Portfolio Administrator has any defense, counterclaim or offset to the payment or performance of any of such party's obligations in regard to the Advances or any of the Transaction Documents, as amended hereby, and the Liens created and granted by the Transaction Documents continue unimpaired and of first priority and secure all existing and future obligations owed to the Lender and/or the Administrative Agent in regard to the Advances;

(b) the representations and warranties of the Borrower and the Guarantor set forth in the Transaction Documents and the representations and warranties of the Portfolio Administrator set forth in Section 8.2 of the Loan Agreement and Section 3.1 of the Portfolio Administration Agreement are true and correct in all material respects as of the date hereof and are hereby reaffirmed as if such representations and warranties had been made on the date hereof and shall continue in full force and effect; and

(c) this Agreement constitutes the legal, valid and binding obligation of the Borrower, the Guarantor and the Portfolio Administrator, enforceable against the Borrower, the Guarantor and the Portfolio Administrator in accordance with the terms hereof.

The representations and warranties of the Borrower, the Guarantor and the Portfolio Administrator contained in this Agreement and in the Transaction Documents shall survive the consummation of the transactions contemplated by this Agreement.

8. In addition to the documents, instruments and acts described in this Agreement and which are to be executed and/or delivered and/or taken pursuant to this Agreement, the Borrower, the Guarantor and the Portfolio Administrator shall execute and deliver, and/or cause to be executed and delivered, from time to time upon request by the Administrative Agent such other documents and instruments, and take such other action, as the Administrative Agent may reasonably request or require to more fully and completely evidence and carry out the transactions contemplated by this Agreement.

9. The Borrower, the Guarantor and the Portfolio Administrator hereby affirm, confirm, ratify, renew and extend the debts, duties, obligations, liabilities, rights, titles, security interests, Liens, powers and privileges created or arising by virtue of the Transaction Documents, as amended hereby, until all of the Advances and all other Obligations have been paid and performed in full. The Borrower confirms that it is fully, unconditionally liable for the payment and performance of the Advances as provided in the Transaction Documents and that neither the Administrative Agent nor the Lender has released, forgiven, discharged, impaired, waived or relinquished, and the Administrative Agent and the Lender do not hereby release, forgive, discharge, impair, waive or relinquish any rights, titles, interests, Liens, security interests, Collateral, parties, remedies or any other matter with respect to the Advances or any of the Transaction Documents, but rather the Administrative Agent and the Lender are expressly retaining and reserving the same to their fullest extent.

10. Except as expressly amended hereby, all the terms, provisions, debts, duties, Obligations, liabilities, representations, warranties, rights, titles, security interests, Liens, powers and privileges existing by virtue of the Transaction Documents shall be and continue in full force and effect and are hereby acknowledged by the Borrower, the Guarantor and the Portfolio Administrator to be legal, valid, binding and enforceable in accordance with their terms.

11. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York and the laws of the United States applicable to transactions within New York, exclusive of any laws relating to conflicts of law.

12. This Agreement shall constitute a Transaction Document and shall be binding upon the parties hereto and their respective successors and assigns. Nothing contained herein shall act to amend or modify any of the provisions of the Transaction Documents which restrict or prohibit assignment or transfer.

13. Neither this Agreement nor any provision of any of the other Transaction Documents may be waived, modified or amended, except by an instrument in writing signed by

the party against which the enforcement of such waiver, modification or amendment is sought, accompanied by the prior written consent of the Administrative Agent, and then only to the extent set forth in such instrument.

14. The provisions of Section 11.3 (Limited Recourse and Non-Petition) of the Loan Agreement shall apply to this Agreement, *mutatis mutandis*, in respect of the obligations of the Portfolio Administrator in respect of this Agreement, and such provisions shall survive the termination of this Agreement.

15. This Agreement constitutes the entire agreement between the parties in regard to the amendment of the Loan Agreement effected hereby, and supersedes all prior agreements and understandings, if any, between the parties relating to the amendment of the Loan Agreement.

16. This Agreement may be signed in multiple counterparts and each shall be deemed to be an original, and the facsimile transmission or transmission by email of executed counterpart agreements shall be deemed to be an originally executed agreement; provided that executed original documents are provided to the parties promptly following such facsimile transmission or transmission by email.

[Signature Pages Follow]

17. The Borrower agrees to pay and/or reimburse the Administrative Agent and the Lender for all costs and expenses incurred by the Administrative Agent and/or the Lender in regard to the amendment of the Transaction Documents effected hereby.

EXECUTED as of the day and year first above written.

RED FALCON TRUST, as Borrower

By: Blue Heron Designated Activity Company, in its capacity as Residual Interest Holder

By: /s/ Miriam Martinez
Name: Miriam Martinez
Title: Director

IMPERIAL FINANCE & TRADING, LLC,
as Guarantor

By: /s/ Miriam Martinez
Name: Miriam Martinez
Title: Chief Financial Officer

BLUE HERON DESIGNATED ACTIVITY COMPANY,
as Portfolio Administrator

By: /s/ Miriam Martinez
Name: Miriam Martinez
Title: Director

LENDER:

LNV CORPORATION

By: /s/ Jacob Cherner
Name: Jacob Cherner
Title: Executive Vice President

ADMINISTRATIVE AGENT:

CLMG CORP.

By: /s/ James Erwin
Name: James Erwin
Title: President

Schedule 8.1(w)

Retained Death Benefit Policies

[Attached]

RDB SCHEDULE

	Case #	NAME	POLICY	Policy Issue Date	Issuing Company	Death Benefit Split by $				Death Benefit Split by %			
						Imperial Net Death Benefit	Split DB to Insured	Split DB to Security Savings Bank	Total Policy Face	Imperial Net Death Benefit	Split DB to Insured	Split DB to Security Savings Bank	Total Policy Face
1	[*]	[*]	[*]	[*]	Sun Life Assurance Company of Canada	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
2	[*]	[*]	[*]	[*]	John Hancock Life Insurance Company	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
3	[*]	[*]	[*]	[*]	The Manufacturers Life Insurance Company (USA)	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
4	[*]	[*]	[*]	[*]	Sun Life Assurance Company of Canada	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
5	[*]	[*]	[*]	[*]	Sun Life Assurance Company of Canada	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
6	[*]	[*]	[*]	[*]	Sun Life Assurance Company of Canada	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
7	[*]	[*]	[*]	[*]	Transamerica Financial Life Insurance Company	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
8	[*]	[*]	[*]	[*]	Security Life of Denver Insurance Company	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
9	[*]	[*]	[*]	[*]	John Hancock Life Insurance Company	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
10	[*]	[*]	[*]	[*]	John Hancock Life Insurance Company	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
11	[*]	[*]	[*]	[*]	Sun Life Assurance Company of Canada	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
12	[*]	[*]	[*]	[*]	John Hancock Life Insurance Company	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
13	[*]	[*]	[*]	[*]	AXA Equitable Life Insurance Company	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
14	[*]	[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
						47,900,000	18,829,800		67,100,000				

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

Eligibility Criteria Clause (g) Schedule

[Attached]

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

Eligibility Criteria Clause (G) Schedule

Last Name	First Name	Policy Number	Carrier	Net Death Benefit
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Phoenix Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	AXA Equitable Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Phoenix Life Insurance Company	[*]
[*]	[*]	[*]	Jefferson Pilot Life Insurance Company	[*]
[*]	[*]	[*]	AXA Equitable Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	American General Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Principal Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Sun Life Assurance Company of Canada	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

[*]	[*]	[*]	Jefferson Pilot Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	United of Omaha Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	AXA Equitable Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	West Coast Life Insurance Company	[*]

1st Additional Policy Advance

Last Name	First Name	Policy Number	Carrier	Net Death Benefit
[*]	[*]	[*]	Axa Equitable Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Protective Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]

Eligibility Criteria Clause (i) Schedule

[Attached]

Eligibility Criteria Clause (I) Schedule

Last Name	First Name	Policy Number	Carrier	Net Death Benefit
[*]	[*]	[*]	Lincoln Benefit Life Company	[*]
[*]	[*]	[*]	Lincoln Benefit Life Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln Benefit Life Company	[*]

1st Additional Policy Advance

Last Name	First Name	Policy Number	Carrier	Net Death Benefit
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]

Eligibility Criteria Clause (m) Schedule

[Attached]

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

Eligibility Criteria Clause (M) Schedule (P.O.A.'s)

Last Name	First Name	Policy Number	Carrier	Net Death Benefit
[*]	[*]	[*]	Phoenix Life Insurance Company	[*]
[*]	[*]	[*]	Jefferson Pilot Life Insurance Company	[*]
[*]	[*]	[*]	AXA Equitable Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Phoenix Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln Benefit Life Company	[*]
[*]	[*]	[*]	Principal Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln Benefit Life Company	[*]
[*]	[*]	[*]	Lincoln Benefit Life Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Principal Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	AXA Equitable Life Insurance Company	[*]

[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln Benefit Life Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Phoenix Life Insurance Company	[*]
[*]	[*]	[*]	ReliaStar Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Genworth Life and Annuity Insurance Company	[*]
[*]	[*]	[*]	AXA Equitable Life Insurance Company	[*]
[*]	[*]	[*]	AXA Equitable Life Insurance Company	[*]

[*]	[*]	[*]	Jefferson Pilot Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	AXA Equitable Life Insurance Company	[*]
[*]	[*]	[*]	AXA Equitable Life Insurance Company	[*]
[*]	[*]	[*]	AXA Equitable Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	AXA Equitable Life Insurance Company	[*]
[*]	[*]	[*]	Principal Life Insurance Company	[*]

[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	AXA Equitable Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln Benefit Life Company	[*]
[*]	[*]	[*]	Lincoln Benefit Life Company	[*]
[*]	[*]	[*]	Lincoln Benefit Life Company	[*]
[*]	[*]	[*]	Lincoln Benefit Life Company	[*]
[*]	[*]	[*]	Lincoln Benefit Life Company	[*]
[*]	[*]	[*]	Lincoln Benefit Life Company	[*]
[*]	[*]	[*]	Sun Life Assurance Company of Canada	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	Massachusetts Mutual Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Variable Life Insurance Company	[*]
[*]	[*]	[*]	Security Life of Denver Insurance Company	[*]
[*]	[*]	[*]	United of Omaha Life Insurance Company	[*]
[*]	[*]	[*]	MetLife Investors USA Insurance Company	[*]
[*]	[*]	[*]	Travelers Life & Annuity Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Pruco Life Insurance Company	[*]
[*]	[*]	[*]	New York Life Insurance and Annuity Corporation	[*]
[*]	[*]	[*]	Transamerica Life Insurance Company	[*]
[*]	[*]	[*]	Pacific Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	Sun Life Assurance Company of Canada	[*]
[*]	[*]	[*]	American General Life Insurance Company	[*]
[*]	[*]	[*]	ReliaStar Life Insurance Company of New York	[*]

[*]	[*]	[*]	Columbus Life Insurance	[*]
[*]	[*]	[*]	US Financial Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	Wilton Reassurance Life Company of NY	[*]
[*]	[*]	[*]	United States Life Insurance Company in the City of New York	[*]

1st Additional Policy Advance

Last Name	First Name	Policy Number	Carrier	Net Death Benefit
[*]	[*]	[*]	Axa Equitable Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Protective Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]

Eligibility Criteria Clause (M) Schedule (Death Certificate Authorizations)

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

Last Name	First Name	Policy Number	Carrier	Net Death Benefit
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	United of Omaha Life Insurance Company	[*]
[*]	[*]	[*]	Jefferson Pilot Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Life Insurance Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	West Coast Life Insurance Company	[*]
[*]	[*]	[*]	Hartford Life and Annuity Insurance Company	[*]
[*]	[*]	[*]	American General Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	New York Life Insurance and Annuity Corporation	[*]
[*]	[*]	[*]	US Financial Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	Travelers Life & Annuity Company	[*]
[*]	[*]	[*]	Lincoln National Life Insurance Company	[*]
[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Pruco Life Insurance Company	[*]
[*]	[*]	[*]	Pacific Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	Columbus Life Insurance	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	John Hancock Life Insurance Company	[*]
[*]	[*]	[*]	Wilton Reassurance Life Company of NY	[*]
[*]	[*]	[*]	United States Life Insurance Company in the City of New York	[*]

[*]	[*]	[*]	Transamerica Occidental Life Insurance Company	[*]
[*]	[*]	[*]	Security Life of Denver Insurance Company	[*]
[*]	[*]	[*]	American General Life Insurance Company	[*]

1st Additional Policy Advance

Last Name	First Name	Policy Number	Carrier	Net Death Benefit
[*]	[*]	[*]	Transamerica Life Insurance Company	[*]

Exhibit 31.1

CERTIFICATIONS

I, Antony Mitchell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Emergent Capital, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary companies, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Antony Mitchell

Antony Mitchell
Chief Executive Officer and Director
(Principal Executive Officer)

November 7, 2016

Exhibit 31.2

CERTIFICATIONS

I, Miriam Martinez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Emergent Capital, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary companies, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Miriam Martinez

Miriam Martinez
Chief Financial Officer
(Principal Financial Officer)

November 7, 2016

Exhibit 32.1

Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Emergent Capital, Inc. (the Registrant) on Form 10-Q for the period ended September 30, 2016 as filed with the U.S. Securities and Exchange Commission on the date hereof (the Report), I, Antony Mitchell, Chief Executive Officer of the Registrant, certify to the best of my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Antony Mitchell

Antony Mitchell
Chief Executive Officer and Director

November 7, 2016

Exhibit 32.2

Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Emergent Capital, Inc. (the Registrant) on Form 10-Q for the period ended September 30, 2016 as filed with the U.S. Securities and Exchange Commission on the date hereof (the Report), I, Miriam Martinez, Chief Financial Officer of the Registrant, certify to the best of my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Miriam Martinez

Miriam Martinez
Chief Financial Officer

November 7, 2016