
Section 1: 10-Q (FORM 10-Q)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

For the quarterly period ended March 31, 2019

of

The logo for Atlanticus features a large, stylized blue letter 'A' on the left, followed by the word 'Atlanticus' in a blue, sans-serif font.

ATLANTICUS HOLDINGS CORPORATION

a Georgia Corporation

IRS Employer Identification No. 58-2336689

SEC File Number 0-53717

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Atlanticus' common stock, no par value per share, is registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (the "Act") and is listed on the NASDAQ Global Select Market under the symbol "ATLC".

Atlanticus (1) has filed all reports required to be filed by Section 13 of the Act during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Atlanticus has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months.

Atlanticus is a smaller reporting company and is not a shell company or an emerging growth company.

As of April 30, 2019, 15,973,770 shares of common stock, no par value, of Atlanticus were outstanding, including 1,459,233 loaned shares to be returned.

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PART I--FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Atlanticus Holdings Corporation and Subsidiaries
Consolidated Balance Sheets (Unaudited)
(Dollars in thousands)

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Assets		
Unrestricted cash and cash equivalents (including \$41.1 million and \$16.8 million associated with variable interest entities at March 31, 2019 and December 31, 2018, respectively)	\$ 101,049	\$ 60,968
Restricted cash and cash equivalents (including \$45.7 million and \$61.0 million associated with variable interest entities at March 31, 2019 and December 31, 2018, respectively)	65,184	80,786
Loans, interest and fees receivable:		
Loans, interest and fees receivable, at fair value (including \$4.8 million and \$5.7 million associated with variable interest entities at March 31, 2019 and December 31, 2018, respectively)	5,394	6,306
Loans, interest and fees receivable, gross (including \$453.1 million and \$403.4 million associated with variable interest entities at March 31, 2019 and December 31, 2018, respectively)	562,472	541,344
Allowances for uncollectible loans, interest and fees receivable (including \$76.5 million and \$57.4 million associated with variable interest entities at March 31, 2019 and December 31, 2018, respectively)	(85,319)	(79,211)
Deferred revenue (including \$16.9 million and \$13.2 million associated with variable interest entities at March 31, 2019 and December 31, 2018, respectively)	(47,251)	(43,897)
Net loans, interest and fees receivable	435,296	424,542
Property at cost, net of depreciation	3,385	3,625
Investments in equity-method investees	2,260	2,476
Deposits	125	124
Operating lease right-of-use assets	17,013	—
Prepaid expenses and other assets	11,922	10,087
Total assets	<u>\$ 636,234</u>	<u>\$ 582,608</u>
Liabilities		
Accounts payable and accrued expenses	\$ 108,837	\$ 105,765
Operating lease liabilities	27,742	—
Notes payable, at face value (including \$382.4 million and \$366.7 million associated with variable interest entities at March 31, 2019 and December 31, 2018, respectively)	408,242	390,927
Notes payable to related parties	40,000	40,000
Notes payable associated with structured financings, at fair value (associated with variable interest entities)	4,776	5,651
Convertible senior notes	62,313	62,142
Income tax liability	300	252
Total liabilities	<u>652,210</u>	<u>604,737</u>
Commitments and contingencies (Note 10)		
Equity		
Common stock, no par value, 150,000,000 shares authorized: 15,977,130 shares issued and outstanding (including 1,459,233 loaned shares to be returned) at March 31, 2019; and 15,563,574 shares issued and outstanding (including 1,459,233 loaned shares to be returned) at December 31, 2018	—	—
Paid-in capital	214,891	213,435
Accumulated other comprehensive income	2,045	3,558
Retained deficit	(232,516)	(238,784)
Total shareholders' deficit	<u>(15,580)</u>	<u>(21,791)</u>
Noncontrolling interests	(396)	(338)
Total deficit	<u>(15,976)</u>	<u>(22,129)</u>
Total liabilities and deficit	<u>\$ 636,234</u>	<u>\$ 582,608</u>

See accompanying notes.

Atlanticus Holdings Corporation and Subsidiaries
Consolidated Statements of Operations (Unaudited)
(Dollars in thousands, except per share data)

	For the Three Months Ended March	
	31,	
	2019	2018
Interest income:		
Consumer loans, including past due fees	\$ 50,390	\$ 35,681
Other	69	45
Total interest income	50,459	35,726
Interest expense	(11,146)	(8,153)
Net interest income before fees and related income on earning assets and provision for losses on loans, interest and fees receivable	39,313	27,573
Fees and related income on earning assets	11,264	6,214
Net losses upon impairment of loans, interest and fees receivable recorded at fair value	(254)	(1,791)
Provision for losses on loans, interest and fees receivable recorded at net realizable value	(34,598)	(15,991)
Net interest income, fees and related income on earning assets	15,725	16,005
Other operating income:		
Servicing income	686	632
Other income	16,844	516
Equity in income of equity-method investees	227	9
Total other operating income	17,757	1,157
Other operating expense:		
Salaries and benefits	6,591	6,298
Card and loan servicing	10,444	9,164
Marketing and solicitation	6,387	2,346
Depreciation	289	229
Other	3,878	3,700
Total other operating expense	27,589	21,737
Income (loss) before income taxes	5,893	(4,575)
Income tax expense	(238)	(144)
Net income (loss)	5,655	(4,719)
Net loss attributable to noncontrolling interests	58	49
Net income (loss) attributable to controlling interests	\$ 5,713	\$ (4,670)
Net income (loss) attributable to controlling interests per common share—basic	\$ 0.40	\$ (0.34)
Net income (loss) attributable to controlling interests per common share—diluted	\$ 0.39	\$ (0.34)

See accompanying notes.

Atlanticus Holdings Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(Dollars in thousands)

	For the Three Months Ended March	
	31,	
	2019	2018
Net income (loss)	\$ 5,655	\$ (4,719)
Other comprehensive loss:		
Foreign currency translation adjustment	(1,513)	(2,345)
Reclassifications of foreign currency translation adjustment to Other operating expense on the consolidated statements of operations	—	—
Income tax expense related to other comprehensive loss	—	—
Comprehensive income (loss) attributable to noncontrolling interests	4,142	(7,064)
Comprehensive loss attributable to noncontrolling interests	58	49
Comprehensive income (loss) attributable to controlling interests	<u>\$ 4,200</u>	<u>\$ (7,015)</u>

See accompanying notes.

Atlanticus Holdings Corporation and Subsidiaries
Consolidated Statement of Shareholders' Deficit
For the Three Months Ended March 31, 2019 (Unaudited)
(Dollars in thousands)

	<u>Common Stock</u>		<u>Paid-In Capital</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Retained Deficit</u>	<u>Noncontrolling Interests</u>	<u>Total Deficit</u>
	<u>Shares Issued</u>	<u>Amount</u>					
Balance at December 31, 2018	15,563,574	\$ —	\$ 213,435	\$ 3,558	\$ (238,784)	\$ (338)	\$ (22,129)
Cumulative effects from adoption of new lease standard (Note 2)	—	—	—	—	555	—	555
Stock option exercises and proceeds related thereto	419,500	—	1,065	—	—	—	1,065
Deferred stock-based compensation costs	—	—	412	—	—	—	412
Redemption and retirement of shares	(5,944)	—	(21)	—	—	—	(21)
Comprehensive income	—	—	—	(1,513)	5,713	(58)	4,142
Balance at March 31, 2019	<u>15,977,130</u>	<u>\$ —</u>	<u>\$ 214,891</u>	<u>\$ 2,045</u>	<u>\$ (232,516)</u>	<u>\$ (396)</u>	<u>\$ (15,976)</u>

See accompanying notes.

Atlanticus Holdings Corporation and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
(Dollars in thousands)

	For the Three Months Ended March	
	31,	
	2019	2018
Operating activities		
Net income (loss)	\$ 5,655	\$ (4,719)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation, amortization and accretion, net	1,769	229
Losses upon impairment of loans, interest and fees receivable recorded at fair value	254	1,791
Provision for losses on loans, interest and fees receivable	34,598	15,991
Interest expense from accretion of discount on notes	233	216
Income from accretion of discount associated with receivables purchases	(21,862)	(18,020)
Unrealized gain on loans, interest and fees receivable and underlying notes payable held at fair value	(874)	(1,313)
Amortization of deferred loan costs	696	390
Income from equity-method investments	(227)	(9)
Deferred stock-based compensation costs	412	254
Lease liability payments	(2,492)	(2,523)
Changes in assets and liabilities:		
Increase in uncollected fees on earning assets	(165)	(802)
Increase in income tax liability	48	333
Increase in deposits	(1)	(20)
Increase (decrease) in accounts payable and accrued expenses	13,710	(1,800)
Other	(1,769)	(235)
Net cash provided by (used in) operating activities	<u>29,985</u>	<u>(10,237)</u>
Investing activities		
Proceeds from equity-method investees	443	692
Investments in earning assets	(164,935)	(125,768)
Proceeds from earning assets	141,354	116,164
Purchases and development of property, net of disposals	(48)	(21)
Net cash used in investing activities	<u>(23,186)</u>	<u>(8,933)</u>
Financing activities		
Proceeds from exercise of stock options	1,065	—
Purchase and retirement of outstanding stock	(21)	(14)
Proceeds from borrowings	89,661	89,538
Repayment of borrowings	(73,105)	(73,996)
Net cash provided by financing activities	<u>17,600</u>	<u>15,528</u>
Effect of exchange rate changes on cash	<u>80</u>	<u>(362)</u>
Net increase (decrease) in cash and cash equivalents	24,479	(4,004)
Cash and cash equivalents and restricted cash at beginning of period	141,754	70,658
Cash and cash equivalents and restricted cash at end of period	<u>\$ 166,233</u>	<u>\$ 66,654</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 3,894</u>	<u>\$ 8,718</u>
Net cash income tax payments (refunds)	<u>\$ 190</u>	<u>\$ (189)</u>

See accompanying notes.

Atlanticus Holdings Corporation and Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2019 and 2018

1. Description of Our Business

Our accompanying consolidated financial statements include the accounts of Atlanticus Holdings Corporation (the “Company”) and those entities we control. We are primarily focused on providing financial technology and related services. Through our subsidiaries, we provide technology and other support services to lenders who offer an array of financial products and services to consumers who may have been declined under traditional financing options.

In most cases, we invest in the receivables originated by lenders who utilize our technology platform and other related services. From time to time, we also purchase receivables portfolios from third parties. References to “receivables” include receivables purchased from our lending partners and from third parties. As discussed further below, we reflect our business lines within two reportable segments: Credit and Other Investments; and Auto Finance. See also Note 3, “Segment Reporting,” for further details.

Within our Credit and Other Investments segment, we facilitate consumer finance programs offered by our bank partners to originate consumer loans through multiple channels, including retail point-of-sale, direct mail solicitation, digital marketing and through partner relationships. In the retail credit (the “point-of-sale” operations) channel, we partner with retailers and service providers in various industries across the United States (“U.S.”) to enable them to provide credit to their customers for the purchase of goods and services. These services of our lending partners are often extended to consumers who may have been declined under traditional financing options. We specialize in supporting this “second look” credit service in various industries across the U.S. Additionally, we support lenders who market general purpose credit cards directly to consumers (collectively, the “direct-to-consumer” operations) through additional channels enabling them to reach consumers through a diverse origination platform that includes retail point-of-sale, direct mail solicitation, digital marketing and partnerships with third parties. Using our infrastructure and technology platform, we also provide loan servicing, including risk management and customer service outsourcing, for third parties.

Beyond these activities within our Credit and Other Investments segment, we continue to service portfolios of legacy credit card receivables. One of our portfolios of legacy credit card receivables is encumbered by non-recourse structured financing, and for this portfolio our principal remaining economic interest is the servicing compensation we receive as an offset against our servicing costs given that the likely future collections on the portfolio are insufficient to allow for full repayment of the financing.

Additionally, we report within our Credit and Other Investments segment: 1) the income earned from an investment in an equity-method investee that holds credit card receivables for which we are the servicer; and 2) gains or losses associated with investments previously made in consumer finance technology platforms. These include investments in companies engaged in mobile technologies, marketplace lending and other financial technologies. These investments are carried at the lower of cost or market valuation. None of these companies are publicly-traded and there are no material pending liquidity events.

Within our Auto Finance segment, our CAR subsidiary operations principally purchase and/or service loans secured by automobiles from or for, and also provide floor plan financing for, a pre-qualified network of independent automotive dealers and automotive finance companies in the buy-here, pay-here, used car business. We purchase auto loans at a discount and with dealer retentions or holdbacks that provide risk protection. Also within our Auto Finance segment, we are providing certain installment lending products in addition to our traditional loans secured by automobiles.

2. Significant Accounting Policies and Consolidated Financial Statement Components

The following is a summary of significant accounting policies we follow in preparing our consolidated financial statements, as well as a description of significant components of our consolidated financial statements.

Basis of Presentation and Use of Estimates

We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the U.S. ("GAAP"). The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of our consolidated financial statements, as well as the reported amounts of revenues and expenses during each reporting period. We base these estimates on information available to us as of the date of the financial statements. Actual results could differ materially from these estimates. Certain estimates, such as credit losses, payment rates, costs of funds, discount rates and the yields earned on credit card receivables, significantly affect the reported amount of credit card receivables that we report at fair value and our notes payable associated with structured financings, at fair value; these estimates likewise affect the changes in these amounts reflected within our fees and related income on earning assets line item on our consolidated statements of operations. Additionally, estimates of future credit losses have a significant effect on loans, interest and fees receivable, net, as shown on our consolidated balance sheets, as well as on the provision for losses on loans, interest and fees receivable within our consolidated statements of operations.

We have eliminated all significant intercompany balances and transactions for financial reporting purposes.

Loans, Interest and Fees Receivable

Our loans, interest and fees receivable include loans, interest and fees receivable, at fair value and loans, interest and fees receivable, gross. Some of these receivables are held by entities which qualify as variable interest entities ("VIE"), that are consolidated onto our consolidated balance sheet.

As of March 31, 2019 and December 31, 2018, the weighted average remaining accretion period for the \$47.3 million and \$43.9 million of deferred revenue reflected in the consolidated balance sheets was 11 months. Included within deferred revenue, are discounts on purchased loans of \$29.5 million and \$30.0 million as of March 31, 2019 and December 31, 2018, respectively.

A roll-forward (in millions) of our allowance for uncollectible loans, interest and fees receivable by class of receivable is as follows:

	Credit Cards	Auto Finance	Other Unsecured Lending Products	Total
For the three months ended March 31, 2019				
Allowance for uncollectible loans, interest and fees receivable:				
Balance at beginning of period	\$ (35.4)	\$ (1.3)	\$ (42.5)	\$ (79.2)
Provision for loan losses	(19.7)	(0.9)	(14.0)	(34.6)
Charge offs	12.3	0.9	17.1	30.3
Recoveries	(0.3)	(0.3)	(1.2)	(1.8)
Balance at end of period	<u>\$ (43.1)</u>	<u>\$ (1.6)</u>	<u>\$ (40.6)</u>	<u>\$ (85.3)</u>

	Credit Cards	Auto Finance	Other Unsecured Lending Products	Total
As of March 31, 2019				
Allowance for uncollectible loans, interest and fees receivable:				
Balance at end of period individually evaluated for impairment	<u>\$ —</u>	<u>\$ (0.3)</u>	<u>\$ —</u>	<u>\$ (0.3)</u>
Balance at end of period collectively evaluated for impairment	<u>\$ (43.1)</u>	<u>\$ (1.3)</u>	<u>\$ (40.6)</u>	<u>\$ (85.0)</u>
Loans, interest and fees receivable:				
Loans, interest and fees receivable, gross	<u>\$ 211.4</u>	<u>\$ 90.2</u>	<u>\$ 260.9</u>	<u>\$ 562.5</u>
Loans, interest and fees receivable individually evaluated for impairment	<u>\$ —</u>	<u>\$ 0.6</u>	<u>\$ 0.1</u>	<u>\$ 0.7</u>
Loans, interest and fees receivable collectively evaluated for impairment	<u>\$ 211.4</u>	<u>\$ 89.6</u>	<u>\$ 260.8</u>	<u>\$ 561.8</u>

**Other
Unsecured
Lending**

For the three months ended March 31, 2018

	<u>Credit Cards</u>	<u>Auto Finance</u>	<u>Products</u>	<u>Total</u>
Allowance for uncollectible loans, interest and fees receivable:				
Balance at beginning of period	\$ (18.2)	\$ (2.3)	\$ (42.5)	\$ (63.0)
Provision for loan losses	(9.0)	—	(7.0)	(16.0)
Charge offs	6.5	0.7	15.1	22.3
Recoveries	(0.1)	(0.3)	(1.2)	(1.6)
Balance at end of period	<u>\$ (20.8)</u>	<u>\$ (1.9)</u>	<u>\$ (35.6)</u>	<u>\$ (58.3)</u>

As of December 31, 2018	Credit Cards	Auto Finance	Other Unsecured Lending Products	Total
Allowance for uncollectible loans, interest and fees receivable:				
Balance at end of period individually evaluated for impairment	\$ —	\$ (0.2)	\$ (0.1)	\$ (0.3)
Balance at end of period collectively evaluated for impairment	\$ (35.4)	\$ (1.1)	\$ (42.4)	\$ (78.9)
Loans, interest and fees receivable:				
Loans, interest and fees receivable, gross	\$ 188.6	\$ 88.1	\$ 264.6	\$ 541.3
Loans, interest and fees receivable individually evaluated for impairment	\$ —	\$ 0.4	\$ 0.1	\$ 0.5
Loans, interest and fees receivable collectively evaluated for impairment	\$ 188.6	\$ 87.7	\$ 264.5	\$ 540.8

An aging of our delinquent loans, interest and fees receivable, gross (in millions) by class of receivable as of March 31, 2019 and December 31, 2018 is as follows:

As of March 31, 2019	Credit Cards	Auto Finance	Other Unsecured Lending Products	Total
30-59 days past due	\$ 8.3	\$ 5.5	\$ 7.8	\$ 21.6
60-89 days past due	6.7	2.1	6.9	15.7
90 or more days past due	17.0	2.7	18.5	38.2
Delinquent loans, interest and fees receivable, gross	32.0	10.3	33.2	75.5
Current loans, interest and fees receivable, gross	179.4	79.9	227.7	487.0
Total loans, interest and fees receivable, gross	\$ 211.4	\$ 90.2	\$ 260.9	\$ 562.5
Balance of loans greater than 90-days delinquent still accruing interest and fees	\$ —	\$ 2.0	\$ —	\$ 2.0

As of December 31, 2018	Credit Cards	Auto Finance	Other Unsecured Lending Products	Total
30-59 days past due	\$ 7.1	\$ 7.9	\$ 9.7	\$ 24.7
60-89 days past due	5.3	2.8	7.6	15.7
90 or more days past due	12.3	2.2	18.5	33.0
Delinquent loans, interest and fees receivable, gross	24.7	12.9	35.8	73.4
Current loans, interest and fees receivable, gross	163.9	75.2	228.8	467.9
Total loans, interest and fees receivable, gross	\$ 188.6	\$ 88.1	\$ 264.6	\$ 541.3
Balance of loans greater than 90-days delinquent still accruing interest and fees	\$ —	\$ 1.5	\$ —	\$ 1.5

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Troubled Debt Restructurings. As part of ongoing collection efforts, once an account in our Credit and Other Investments segment is 90 days or more past due, the account is placed on a non-accrual status. Placement on a non-accrual status results in the use of programs under which the contractual interest associated with a receivable may be reduced or eliminated, or a certain amount of accrued fees is waived, provided a minimum number or amount of payments have been made. Following this adjustment, if a customer demonstrates a willingness and ability to resume making monthly payments and meets certain additional criteria, we will re-age the customer's account. When we re-age an account, we adjust the status of the account to bring a delinquent account current, but generally do not make any further modifications to the payment terms or amount owed. Once an account is placed on a non-accrual status, it is closed for further purchases. Accounts that are placed on a non-accrual status and thereafter make at least one payment qualify as troubled debt restructurings ("TDRs").

The following table details by class of receivable, the number and amount of loans that qualify as TDRs, as of March 31, 2019 and December 31, 2018:

	As of			
	March 31, 2019		December 31, 2018	
	Point-of-sale	Direct-to-consumer	Point-of-sale	Direct-to-consumer
Number of TDRs	8,604	6,515	8,722	3,003
Number of TDRs that have been re-aged	2,737	1,503	2,414	236
Amount of TDRs on non-accrual status (in thousands)	\$ 11,712	\$ 6,160	\$ 12,178	\$ 3,193
Amount of TDRs on non-accrual status above that have been re-aged (in thousands)	\$ 4,779	\$ 1,608	\$ 3,876	\$ 262
Carrying value of TDRs (in thousands)	\$ 8,015	\$ 4,033	\$ 7,535	\$ 1,524
TDRs - Performing (carrying value, in thousands)*	\$ 6,426	\$ 3,449	\$ 5,788	\$ 1,208
TDRs - Nonperforming (carrying value, in thousands)*	\$ 1,589	\$ 584	\$ 1,747	\$ 316

*"TDRs - Performing" include accounts that are current on all amounts owed, while "TDRs - Nonperforming" include all accounts with past due amounts owed.

Given that the above TDRs have a high reserve rate prior to modification as TDRs, we do not separately reserve or impair these receivables outside of our general reserve process.

The Company modified 19,383 and 15,723 accounts in the amount of \$29.2 million and \$26.4 million during the twelve month periods ended March 31, 2019 and March 31, 2018, respectively, that qualified as TDRs. The following table details by class of receivable, the number of accounts and balance of TDRs that completed a modification within the prior twelve months and subsequently defaulted.

	Twelve Months Ended			
	March 31, 2019		March 31, 2018	
	Point-of-sale	Direct-to-consumer	Point-of-sale	Direct-to-consumer
Number of accounts	2,279	1,985	2,753	1,245
Loan balance at time of charge off (in thousands)	\$ 3,607	\$ 2,168	\$ 4,322	\$ 2,415

Prepaid Expenses and Other Assets

Prepaid expenses and other assets include amounts paid to third parties for marketing and other services as well as amounts owed to us by third parties. Prepaid amounts are expensed as the underlying related services are performed. Also included are (1) commissions paid associated with our various office leases which we amortize into expense over the lease terms, (2) ongoing deferred costs associated with service contracts and (3) investments in consumer finance technology platforms carried at the lower of cost or market valuation.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses reflect both the billed and unbilled amounts owed at the end of a period for services rendered. Also included within accounts payable and accrued expenses are amounts which may be payable in respect of one of our portfolios.

Income Taxes

We experienced an effective income tax expense rate of 4.0% for the three months ended March 31, 2019, compared to a negative effective income tax expense rate of 3.1% for the three months ended March 31, 2018. Our effective income tax expense rate for the three months ended March 31, 2019, is below the statutory rate principally due to reductions in our valuation allowances against net federal deferred tax assets during such period—the effect of such reductions being partially offset by accruals of interest on unpaid federal tax liabilities and uncertain tax positions and state and foreign income taxes during such period. Conversely, our negative effective income tax expense rate for the three months ended March 31, 2018, was greater than the statutory rate principally due to accruals of interest on unpaid federal tax liabilities and uncertain tax positions and state and foreign income taxes during such period—the effect of such accruals being partially offset by additions to valuation allowances against our net federal deferred tax assets during such period.

We report income tax-related interest and penalties (including those associated with both our accrued liabilities for uncertain tax positions and unpaid tax liabilities) within our income tax line item on our consolidated statements of operations. We likewise report the reversal of income tax-related interest and penalties within such line item to the extent that we resolve our liabilities for uncertain tax positions or unpaid tax liabilities in a manner favorable to our accruals therefor. During the three months ended March 31, 2019, and 2018, we included \$0.1 million and \$0.2 million, respectively, of net income tax-related interest and penalties within those periods' respective income tax expense line items.

In December 2014, we reached a settlement with the IRS concerning the tax treatment of net operating losses we incurred in 2007 and 2008 and carried back to obtain refunds of federal income taxes paid in earlier years dating back to 2003. In 2015, we filed an amended return claim that, if accepted, would have eliminated the \$7.4 million assessment (and corresponding interest and penalties) under a negotiated provision of the December 2014 IRS settlement. The IRS filed a lien (as is customarily the case) associated with the assessment. Subsequently, an IRS examination team denied our amended return claims, and we filed a protest with IRS Appeals. Following correspondence and conferences held with IRS Appeals, we received and accepted a settlement offer from IRS Appeals in June 2018 that reduced our \$7.4 million net unpaid income tax assessment referenced above to \$3.7 million. In July 2018, we paid \$5.4 million to the IRS to cover the \$3.7 million unpaid income tax assessment and most of the interest that had accrued thereon; during the three months ended September 30, 2018, the IRS refunded \$0.5 million of the \$5.4 million payment. Although we have paid all assessed income taxes related to this matter, we still have an outstanding accrued liability for some of the interest and for failure-to-pay penalties related to this matter. We paid another \$0.2 million against accrued interest liabilities in March 2019, and we are continuing to pursue complete abatement of failure-to-pay penalties of \$0.9 million. Once this matter is resolved and we pay any residual interest liability, we expect the IRS to remove the aforementioned lien in due course.

Revenue Recognition and Revenue from Contracts with Customers**Consumer Loans, Including Past Due Fees**

Consumer loans, including past due fees, reflect interest income, including finance charges, and late fees on loans, which are recognized in accordance with the terms of the related customer agreements. Premiums and discounts paid or received associated with an installment or auto loan are generally deferred and amortized over the average life of the related loans using the effective interest method. Finance charges and fees, net of amounts that we consider uncollectible, are included in loans, interest and fees receivable and revenue when the fees are earned based upon the contractual terms of the loans.

Fees and Related Income on Earning Assets

Fees and related income on earning assets primarily include: (1) fees associated with our credit products, including the receivables underlying our U.S. point-of-sale finance and direct-to-consumer activities, and our legacy credit card receivables; (2) changes in the fair value of loans, interest and fees receivable recorded at fair value; (3) changes in fair value of notes payable associated with structured financings recorded at fair value; and (4) gains or losses associated with our investments in securities.

We assess fees on credit card accounts underlying our credit card receivables according to the terms of the related cardholder agreements and, except for annual membership fees, we recognize these fees as income when they are charged to the customers' accounts. We accrete annual membership fees associated with our credit card receivables into income on a straight-line basis over the cardholder privilege period which is generally 12 months. Similarly, fees on our other credit products are recognized when earned, which coincides with the time they are charged to the customer's account. Fees and related income on earning assets, net of amounts that we consider uncollectible, are included in loans, interest and fees receivable and revenue when the fees are earned based upon the contractual terms of the loans.

The components (in thousands) of our fees and related income on earning assets are as follows:

	For the three months ended March 31,	
	2019	2018
Fees on credit products	\$ 10,296	\$ 4,905
Changes in fair value of loans, interest and fees receivable recorded at fair value	(1)	(18)
Changes in fair value of notes payable associated with structured financings recorded at fair value	875	1,331
Other	94	(4)
Total fees and related income on earning assets	\$ 11,264	\$ 6,214

The above changes in the fair value of loans, interest and fees receivable recorded at fair value category exclude the impact of current period charge offs associated with these receivables which are separately stated in Net (losses upon) recovery of charge off of loans, interest and fees receivable recorded at fair value on our consolidated statements of operations. See Note 6, "Fair Values of Assets and Liabilities," for further discussion of these receivables and their effects on our consolidated statements of operations.

Other Income

Included in Other income for the three months ended March 31, 2019, is \$15.5 million associated with reductions in accruals related to one of our portfolios. The original accrual was based upon our estimate of the amount that could be claimed by customers and is based upon several factors including customer claims volume, average claim amount and a determination of the amount, if any, which may be offered to resolve such claims. The assumptions used in the accrual estimate are subjective, mainly due to uncertainty associated with future claims volumes and the resolution costs, if any, per claim. As of March 31, 2019, we had approximately \$92 million accrued related to this liability within accounts payable and accrued expenses on the consolidated balance sheets, including the reclassification of approximately \$26 million from unrestricted cash and cash equivalents on our consolidated balance sheets. Also included in other income, are revenues associated with ancillary product offerings and interchange revenues. We recognize these fees as income in the period earned.

Revenue from Contracts with Customers

The majority of our revenue is earned from financial instruments and is not included within the scope of this standard. We have determined that revenue from contracts with customers would primarily consist of interchange revenues in our Credit and Other Investments segment and servicing revenue and other customer-related fees in both our Credit and Other Investments segment and our Auto Finance segment. Servicing revenue is generated by meeting contractual performance obligations related to the collection of amounts due on receivables, and is settled with the customer net of our fee. Revenue from these contracts with customers is included as a component of Other income on our consolidated statements of operations. Service charges and other customer related fees are earned from customers based on the occurrence of specific services that do not result in an ongoing obligation beyond what has already been rendered. Components (in thousands) of our revenue from contracts with customers is as follows:

Three months ended March 31, 2019	Credit and Other		Total
	Investments	Auto Finance	
Interchange revenues, net (1)	\$ 928	\$ —	\$ 928
Servicing income	419	267	686
Service charges and other customer related fees	429	17	446
Total revenue from contracts with customers	<u>\$ 1,776</u>	<u>\$ 284</u>	<u>\$ 2,060</u>

(1) Interchange revenue is presented net of customer reward expense.

Three months ended March 31, 2018	Credit and Other		Total
	Investments	Auto Finance	
Interchange revenues, net (1)	\$ 444	\$ —	\$ 444
Servicing income	402	230	632
Service charges and other customer related fees	25	47	72
Total revenue from contracts with customers	<u>\$ 871</u>	<u>\$ 277</u>	<u>\$ 1,148</u>

(1) Interchange revenue is presented net of customer reward expense.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. The guidance requires an assessment of credit losses based on expected rather than incurred losses (known as the current expected credit loss model). This generally will result in the recognition of allowances for losses earlier than under current accounting guidance for trade and other receivables, held to maturity debt securities and other instruments. The standard will be adopted on a prospective basis with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. We are currently in the process of reviewing accounting interpretations, expected data requirements and necessary changes to our loss estimation methods, processes and systems. This standard is expected to result in an increase to our allowance for loan losses given the change to expected losses for the estimated life of the financial asset. The extent of the increase will depend on the asset quality of the portfolio, and economic conditions and forecasts at adoption.

In February 2016, the FASB issued ASU No. 2016-02, Leases, along with subsequent guidance, which requires lessees to recognize assets and liabilities for most leases and changes certain aspects of current lessor accounting, among other things. We adopted these standards using a modified retrospective transition approach for leases existing at, or entered into after, January 1, 2019 and did not restate the comparative periods presented in the Consolidated Financial Statements upon adoption.

ASU 2016-02 provides a number of optional practical expedients and policy elections in transition. We elected the 'package of practical expedients' under which we did not reassess prior conclusions about lease identification, lease classification and initial direct costs. We did not elect the use-of-hindsight or the practical expedient pertaining to land easements, the latter not being applicable to us. We also elected the short-term lease recognition exemption for all leases that qualify, meaning we did not recognize right-of-use assets or lease liabilities for these short term leases.

Upon adoption, we recognized additional lease liabilities of \$30.2 million and a corresponding right-of-use asset of \$18.6 million with a \$0.6 million cumulative effect on our opening retained deficit. The impact of our status as a lessor in the sublease arrangements we maintain did not result in a material change upon adoption. See Note 7, "Leases" for additional disclosure.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 establishes a principles-based model under which revenue from a contract is allocated to the distinct performance obligations within the contract and recognized in income as each performance obligation is satisfied. Additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs

incurred to obtain or fulfill a contract is also required. In August 2015, the FASB delayed the effective date by one year and the guidance was effective for annual and interim periods beginning January 1, 2018. Most revenue associated with financial instruments, including interest income, loan origination fees and credit card fees, is outside the scope of the guidance. This includes most of the revenue of the Company. We adopted this standard as of January 1, 2018 using the modified retrospective method of adoption. Our adoption of this standard did not have a material impact on our consolidated financial statements.

Subsequent Events

We evaluate subsequent events that occur after our consolidated balance sheet date but before our consolidated financial statements are issued. There are two types of subsequent events: (1) recognized, or those that provide additional evidence with respect to conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements; and (2) nonrecognized, or those that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date. We have evaluated subsequent events occurring after March 31, 2019, and based on our evaluation we did not identify any recognized or nonrecognized subsequent events that would have required further adjustments to our consolidated financial statements.

3. Segment Reporting

We operate primarily within one industry consisting of two reportable segments by which we manage our business. Our two reportable segments are: Credit and Other Investments, and Auto Finance.

As of both March 31, 2019 and December 31, 2018, we did not have a material amount of long-lived assets located outside of the U.S., and only a negligible portion of our revenues for the three months ended March 31, 2019 and 2018 were generated outside of the U.S.

We measure the profitability of our reportable segments based on their income after allocation of specific costs and corporate overhead; however, our segment results do not reflect any charges for internal capital allocations among our segments. Overhead costs are allocated based on headcounts and other applicable measures to better align costs with the associated revenues.

Summary operating segment information (in thousands) is as follows:

Three months ended March 31, 2019	Credit and Other Investments	Auto Finance	Total
Interest income:			
Consumer loans, including past due fees	\$ 42,672	\$ 7,718	\$ 50,390
Other	69	—	69
Total interest income	42,741	7,718	50,459
Interest expense	(10,769)	(377)	(11,146)
Net interest income before fees and related income on earning assets and provision for losses on loans, interest and fees receivable	\$ 31,972	\$ 7,341	\$ 39,313
Fees and related income on earning assets	\$ 11,236	\$ 28	\$ 11,264
Servicing income	\$ 419	\$ 267	\$ 686
Equity in income of equity-method investees	\$ 227	\$ —	\$ 227
Income before income taxes	\$ 4,207	\$ 1,686	\$ 5,893
Income tax benefit (expense)	\$ 239	\$ (477)	\$ (238)
Total assets	\$ 557,281	\$ 78,953	\$ 636,234

Three months ended March 31, 2018	Credit and Other Investments	Auto Finance	Total
Interest income:			
Consumer loans, including past due fees	\$ 28,562	\$ 7,119	\$ 35,681
Other	45	—	45
Total interest income	28,607	7,119	35,726
Interest expense	(7,892)	(261)	(8,153)
Net interest income before fees and related income on earning assets and provision for losses on loans, interest and fees receivable	\$ 20,715	\$ 6,858	\$ 27,573
Fees and related income on earning assets	\$ 6,197	\$ 17	\$ 6,214
Servicing income	\$ 402	\$ 230	\$ 632
Equity in income of equity-method investees	\$ 9	\$ —	\$ 9
(Loss) income before income taxes	\$ (6,914)	\$ 2,339	\$ (4,575)
Income tax benefit (expense)	\$ 399	\$ (543)	\$ (144)
Total assets	\$ 365,882	\$ 67,030	\$ 432,912

4. Shareholders' Equity

During the three months ended March 31, 2019 and 2018, we repurchased and contemporaneously retired 5,944 and 7,006 shares of our common stock at an aggregate cost of \$21,000 and \$14,000, respectively, pursuant to the return of stock by holders of equity incentive awards to pay tax withholding obligations.

We had 1,459,233 loaned shares outstanding at March 31, 2019 and December 31, 2018, which were originally lent in connection with our November 2005 issuance of convertible senior notes. We retire lent shares as they are returned to us.

5. Investment in Equity-Method Investee

Our equity-method investment outstanding at March 31, 2019 consists of our 66.7% interest in a joint venture formed to purchase a credit card receivable portfolio.

In the following tables, we summarize (in thousands) balance sheet and results of operations data for our equity-method investee:

	As of	
	March 31, 2019	December 31, 2018
Loans, interest and fees receivables, at fair value	\$ 3,232	\$ 3,546
Total assets	\$ 3,407	\$ 3,732
Total liabilities	\$ 17	\$ 18
Members' capital	\$ 3,390	\$ 3,714
	Three months ended March 31,	
	2019	2018
Net interest income, fees and related income on earning assets	\$ 342	\$ 14
Net income (loss)	\$ 289	\$ (61)
Net income attributable to our equity investment investee	\$ 227	\$ 9

6. Fair Values of Assets and Liabilities

Valuations and Techniques for Assets

Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The table below summarizes (in thousands) by fair value hierarchy the March 31, 2019 and December 31, 2018 fair values and carrying amounts of (1) our assets that are required to be carried at fair value in our consolidated financial statements and (2) our assets not carried at fair value, but for which fair value disclosures are required:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Amount of Assets
Assets – As of March 31, 2019 (1)				
Loans, interest and fees receivable, net for which it is practicable to estimate fair value	\$ —	\$ —	\$ 476,959	\$ 429,902
Loans, interest and fees receivable, at fair value	\$ —	\$ —	\$ 5,394	\$ 5,394
Assets – As of December 31, 2018 (1)				
Loans, interest and fees receivable, net for which it is practicable to estimate fair value	\$ —	\$ —	\$ 470,496	\$ 418,236
Loans, interest and fees receivable, at fair value	\$ —	\$ —	\$ 6,306	\$ 6,306

(1) For cash, deposits and other short-term investments, the carrying amount is a reasonable estimate of fair value.

For those asset classes above that are required to be carried at fair value in our consolidated financial statements, gains and losses associated with fair value changes are detailed on our fees and related income on earning assets table within Note 2, “Significant Accounting Policies and Consolidated Financial Statement Components.”

For Level 3 assets carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents (in thousands) a reconciliation of the beginning and ending balances for the three months ended March 31, 2019 and 2018:

	Loans, Interest and Fees Receivables, at Fair Value	
	2019	2018
Balance at January 1,	\$ 6,306	\$ 11,109
Total gains—realized/unrealized:		
Net revaluations of loans, interest and fees receivable, at fair value	(1)	(18)
Settlements	(911)	(1,691)
Impact of foreign currency translation	—	13
Balance at March 31,	\$ 5,394	\$ 9,413

The unrealized gains and losses for assets within the Level 3 category presented in the tables above include changes in fair value that are attributable to both observable and unobservable inputs. Impacts related to foreign currency translation are included as a component of other operating expense on the consolidated statements of operations.

Net Revaluation of Loans, Interest and Fees Receivable. We record the net revaluation of loans, interest and fees receivable (including those pledged as collateral) in the fees and related income on earning assets category in our consolidated statements of operations, specifically as changes in fair value of loans, interest and fees receivable recorded at fair value. The net revaluation of loans, interest and fees receivable is based on the present value of future cash flows using a valuation model of expected cash flows and the estimated cost to service and collect those cash flows. We estimate the present value of these future cash flows using a valuation model consisting of internally developed estimates of assumptions third-party market participants would use in determining fair value, including estimates of net collected yield, principal payment rates, expected principal credit loss rates, costs of funds, discount rates and servicing costs. Accrued interest income on receivables underlying our asset classes that are carried at fair value in our consolidated financial statements is recorded in Interest income - Consumer loans, including past due fees in our Consolidated Statements of Operations.

For Level 3 assets carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents (in thousands) quantitative information about the valuation techniques and the inputs used in the fair value measurement as of March 31, 2019 and December 31, 2018:

Quantitative Information about Level 3 Fair Value Measurements

Fair Value Measurements	Fair Value at March 31, 2019 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
Loans, interest and fees receivable, at fair value	\$ 5,394	Discounted cash flows	Gross yield	25.2% to 33.5% (26.3%)
			Principal payment rate	2.1% to 3.1% (2.2%)
			Expected credit loss rate	10.6% to 11.2% (10.7%)
			Servicing rate	15.6% to 20.9% (16.3%)
			Discount rate	14.9% to 14.9% (14.9%)

Quantitative Information about Level 3 Fair Value Measurements

Fair Value Measurements	Fair Value at December 31, 2018 (in thousands)	Valuation Technique	Unobservable Input	Range (Weighted Average)
Loans, interest and fees receivable, at fair value	\$ 6,306	Discounted cash flows	Gross yield	25.8% to 30.8% (26.4%)
			Principal payment rate	2.2% to 3.0% (2.3%)
			Expected credit loss rate	8.7% to 11.3% (9.0%)
			Servicing rate	14.9% to 19.5% (15.5%)
			Discount rate	14.9% to 14.9% (14.9%)

Valuations and Techniques for Liabilities

Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the liability. The table below summarizes (in thousands) by fair value hierarchy the March 31, 2019 and December 31, 2018 fair values and carrying amounts of (1) our liabilities that are required to be carried at fair value in our consolidated financial statements and (2) our liabilities not carried at fair value, but for which fair value disclosures are required:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Amount of Liabilities
Liabilities – As of March 31, 2019				
Liabilities not carried at fair value				
Revolving credit facilities	\$ —	\$ —	\$ 407,022	\$ 407,022
Amortizing debt facilities	\$ —	\$ —	\$ 1,220	\$ 1,220
Notes payable to related parties	\$ —	\$ —	\$ 40,000	\$ 40,000
Convertible senior notes	\$ —	\$ 47,230	\$ —	\$ 62,313
Liabilities carried at fair value				
Notes payable associated with structured financings, at fair value	\$ —	\$ —	\$ 4,776	\$ 4,776
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Amount of Liabilities
Liabilities - As of December 31, 2018				
Liabilities not carried at fair value				
Revolving credit facilities	\$ —	\$ —	\$ 389,707	\$ 389,707
Amortizing debt facilities	\$ —	\$ —	\$ 1,220	\$ 1,220
Notes payable to related parties	\$ —	\$ —	\$ 40,000	\$ 40,000
Convertible senior notes	\$ —	\$ 47,230	\$ —	\$ 62,142
Liabilities carried at fair value				
Notes payable associated with structured financings, at fair value	\$ —	\$ —	\$ 5,651	\$ 5,651

For our material Level 3 liabilities carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents (in thousands) a reconciliation of the beginning and ending balances for the three months ended March 31, 2019 and 2018.

	Notes Payable Associated with Structured Financings, at Fair Value	
	2019	2018
Beginning balance, January 1,	\$ 5,651	\$ 9,240
Total (gains) losses—realized/unrealized:		
Net revaluations of notes payable associated with structured financings, at fair value	(875)	(1,331)
Repayments on outstanding notes payable, net	—	—
Ending balance, March 31,	\$ 4,776	\$ 7,909

The unrealized gains and losses for liabilities within the Level 3 category presented in the table above include changes in fair value that are attributable to both observable and unobservable inputs. We provide below a brief description of the valuation techniques used for Level 3 liabilities.

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Net Revaluation of Notes Payable Associated with Structured Financings, at Fair Value. We record the net revaluations of notes payable associated with structured financings, at fair value, in the changes in fair value of notes payable associated with structured financings line item within the fees and related income on earning assets category of our consolidated statements of operations. The legal entity associated with the securitization transaction is consolidated as a VIE as the Company is deemed the primary beneficiary of the entity. The Company is not liable for the full face value of the liability in the VIE so it is carried at fair value based upon amounts the borrower will receive from the legal entity. The net revaluation of these notes is based on the present value of future cash flows utilized in repayment of the outstanding principal and interest under the facilities using a valuation model of expected cash flows net of the contractual service expenses within the facilities. We estimate the present value of these future cash flows using a valuation model consisting of internally developed estimates of assumptions third-party market participants would use in determining fair value, including: estimates of net collected yield, principal payment rates and expected principal credit loss rates on the credit card receivables that secure the non-recourse notes payable; costs of funds; discount rates; and contractual servicing fees. Accrued interest expense on notes payable underlying our notes payable associated with structured financings, at fair value is recorded in Interest expense in our consolidated statements of operations.

For material Level 3 liabilities carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents (in thousands) quantitative information about the valuation techniques and the inputs used in the fair value measurement as of March 31, 2019 and December 31, 2018:

Quantitative information about Level 3 Fair Value Measurements

Fair Value Measurements	Fair Value at March 31, 2019 (in thousands)	Valuation Technique	Unobservable Input	Weighted Average
Notes payable associated with structured financings, at fair value	\$ 4,776	Discounted cash flows	Gross yield	25.2 %
			Principal payment rate	2.1%
			Expected credit loss rate	10.6 %
			Discount rate	14.9%

Quantitative Information about Level 3 Fair Value Measurements

Fair Value Measurements	Fair Value at December 31, 2018 (in thousands)	Valuation Technique	Unobservable Input	Weighted Average
Notes payable associated with structured financings, at fair value	\$ 5,651	Discounted cash flows	Gross yield	25.8 %
			Principal payment rate	2.2%
			Expected credit loss rate	8.7 %
			Discount rate	14.9%

Other Relevant Data

Other relevant data (in thousands) as of March 31, 2019 and December 31, 2018 concerning certain assets and liabilities we carry at fair value are as follows:

	Loans, Interest and Fees Receivable at Fair Value	Loans, Interest and Fees Receivable Pledged as Collateral under Structured Financings at Fair Value
As of March 31, 2019		
Aggregate unpaid principal balance within loans, interest and fees receivable that are reported at fair value	\$ 1,016	\$ 7,009
Aggregate fair value of loans, interest and fees receivable that are reported at fair value	\$ 618	\$ 4,776
Aggregate fair value of receivables carried at fair value that are 90 days or more past due (which also coincides with finance charge and fee non-accrual policies)	\$ 4	\$ 8
Unpaid principal balance of receivables within loans, interest and fees receivable that are reported at fair value and are 90 days or more past due (which also coincides with finance charge and fee non-accrual policies) over the fair value of such loans, interest and fees receivable	\$ 28	\$ 252
	Loans, Interest and Fees Receivable at Fair Value	Loans, Interest and Fees Receivable Pledged as Collateral under Structured Financings at Fair Value
As of December 31, 2018		
Aggregate unpaid principal balance within loans, interest and fees receivable that are reported at fair value	\$ 1,160	\$ 7,708
Aggregate fair value of loans, interest and fees receivable that are reported at fair value	\$ 655	\$ 5,651
Aggregate fair value of receivables carried at fair value that are 90 days or more past due (which also coincides with finance charge and fee non-accrual policies)	\$ 3	\$ 7
Unpaid principal balance of receivables within loans, interest and fees receivable that are reported at fair value and are 90 days or more past due (which also coincides with finance charge and fee non-accrual policies) over the fair value of such loans, interest and fees receivable	\$ 35	\$ 224
	Notes Payable Associated with Structured Financings, at Fair Value as of March 31, 2019	Notes Payable Associated with Structured Financings, at Fair Value as of December 31, 2018
Notes Payable		
Aggregate unpaid principal balance of notes payable	\$ 101,314	\$ 101,314
Aggregate fair value of notes payable	\$ 4,776	\$ 5,651

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7. Leases

We have operating leases primarily associated with our corporate offices and regional service centers as well as for certain equipment. Our leases have remaining lease terms of 1 to 5 years, some of which include options, at our discretion, to extend the leases for additional periods generally on one-year revolving periods. Other leases allow for us to terminate the lease based on appropriate notification periods. For certain of our leased offices, we sublease a portion of the unoccupied space. The terms of the sublease arrangement generally coincide with the underlying lease. The components of lease expense associated with our lease liabilities and supplemental cash flow information related to those leases were as follows:

	For the three months ended March 31,	
	2019	2018
Operating lease cost, gross	\$ 1,709	\$ 1,696
Sublease income	(1,283)	(1,270)
Net Operating lease cost	<u>\$ 426</u>	<u>\$ 426</u>
Cash paid under operating leases, gross	<u>\$ 2,492</u>	<u>\$ 2,523</u>
Weighted average remaining lease term - months	38	
Weighted average discount rate	6.9%	

Maturities of lease liabilities were as follows:

	Gross Lease Payment	Payments received from Sublease	Net Lease Payment
2019 (excluding the three months ended March 31, 2019)	\$ 7,460	\$ (5,201)	\$ 2,259
2020	9,999	(7,115)	2,884
2021	10,011	(7,315)	2,696
2022	4,254	(3,112)	1,142
2023	73	—	73
Thereafter	13	—	13
Total lease payments	<u>31,810</u>	<u>\$ (22,743)</u>	<u>\$ 9,067</u>
Less imputed interest	(4,068)		
Total	<u>\$ 27,742</u>		

8. Notes Payable

The Company contributes certain receivables to VIEs. These entities are established to facilitate a more efficient means of obtaining third party financing. When assets are contributed to the VIE, they serve as collateral for the debt securities issued by the VIE. The evaluation of whether the entity qualifies as a VIE is based upon the sufficiency of the equity at risk in the legal entity. This evaluation is generally a function of the level of excess collateral in the legal entity. We consolidate VIEs when we hold a variable interest and are the primary beneficiary. We are the primary beneficiary when we have the power to direct activities that most significantly affect the economic performance and have the obligation to absorb the majority of the losses or benefits. In certain circumstances we guarantee the performance of the underlying debt or agree to contribute additional collateral when necessary. When collateral is pledged it is not available for the general use of the Company and can only be used to satisfy the related debt obligation. The results of operations and financial position of consolidated VIEs are included in our consolidated financial statements.

The following table presents a summary of VIEs in which we had continuing involvement or held a variable interest (in millions):

	As of	
	March 31, 2019	December 31, 2018
Unrestricted cash and cash equivalents	\$ 41.1	\$ 16.8
Restricted cash and cash equivalents	\$ 45.7	\$ 61.0
Loans, interest and fees receivable, at fair value	\$ 4.8	\$ 5.7
Loans, interest and fees receivable, gross	\$ 453.1	\$ 403.4
Allowances for uncollectible loans, interest and fees receivable	\$ (76.5)	\$ (57.4)
Deferred revenue	\$ (16.9)	\$ (13.2)
Total Assets held by VIEs	<u>\$ 451.3</u>	<u>\$ 416.3</u>
Notes Payable, at face value held by VIEs	\$ 382.4	\$ 366.7
Notes Payable, at fair value held by VIEs	<u>\$ 4.8</u>	<u>\$ 5.7</u>
Maximum exposure to loss due to involvement with VIEs	<u>\$ 454.5</u>	<u>\$ 438.5</u>

Notes Payable Associated with Structured Financings, at Fair Value

Scheduled (in millions) in the table below are (1) the carrying amount of our structured financing note secured by certain credit card receivables and reported at fair value as of March 31, 2019 and December 31, 2018, (2) the outstanding face amount of our structured financing note secured by certain credit card receivables and reported at fair value as of March 31, 2019 and December 31, 2018, and (3) the carrying amount of the credit card receivables and restricted cash that provide the exclusive means of repayment for the note (i.e., lenders have recourse only to the specific credit card receivables and restricted cash underlying each respective facility and cannot look to our general credit for repayment) as of March 31, 2019 and December 31, 2018.

	Carrying Amounts at Fair Value as of	
	March 31, 2019	December 31, 2018
Securitization facility (stated maturity of December 2021), outstanding face amount of \$101.3 million as of March 31, 2019 (\$101.3 million as of December 31, 2018) bearing interest at a weighted average 7.5% interest rate, based upon LIBOR, at March 31, 2019 (7.5% at December 31, 2018), which is secured by credit card receivables and restricted cash aggregating \$4.8 million as of March 31, 2019 (\$5.7 million as of December 31, 2018) in carrying amount	\$ 4.8	\$ 5.7

Contractual payment allocations within this credit card receivables structured financing provide for a priority distribution of cash flows to us to service the credit card receivables, a distribution of cash flows to pay interest and principal due on the notes, and a distribution of all excess cash flows (if any) to us. The structured financing facility included in the above table is amortizing down along with collections of the underlying receivables and there are no provisions within the debt agreement that allow for acceleration or bullet repayment of the facility prior to its scheduled expiration date. The aggregate carrying amount of the credit card receivables and restricted cash that provide security for the \$4.8 million in fair value of the structured financing facility included in the above table is \$4.8 million, which means that we have no aggregate exposure to pre-tax equity loss associated with the above structured financing arrangement at March 31, 2019.

As discussed elsewhere, the legal entity holding the securitization facility discussed in the table above, is a VIE. Beyond our role as servicer of the underlying assets within the credit cards receivables structured financing, we have provided no other financial or other support to the structure, and we have no explicit or implicit arrangements that could require us to provide financial support to the structure.

Notes Payable, at Face Value and Notes Payable to Related Parties

Other notes payable outstanding as of March 31, 2019 and December 31, 2018 that are secured by the financial and operating assets of either the borrower, another of our subsidiaries or both, include the following, scheduled (in millions); except as otherwise noted, the assets of our holding company (Atlanticus Holdings Corporation) are subject to creditor claims under these scheduled facilities:

	As of	
	March 31, 2019	December 31, 2018
Revolving credit facilities at a weighted average interest rate equal to 7.7% at March 31, 2019 (7.6% at December 31, 2018) secured by the financial and operating assets of CAR and/or certain receivables and restricted cash with a combined aggregate carrying amount of \$484.0 million as of March 31, 2019 (\$468.8 million at December 31, 2018)		
Revolving credit facility, not to exceed \$40.0 million (expiring November 1, 2020) (1) (2)	31.2	30.0
Revolving credit facility, not to exceed \$50.0 million (expiring October 30, 2019) (2) (3) (4)	49.6	49.9
Revolving credit facility, not to exceed \$90.0 million (expiring February 8, 2022) (3) (4) (5) (6)	69.0	61.0
Revolving credit facility, not to exceed \$100.0 million (expiring June 11, 2020) (3) (4) (5) (6)	80.5	80.5
Revolving credit facility, not to exceed \$100.0 million (expiring November 16, 2020) (3) (4) (5) (6)	16.0	8.0
Revolving credit facility, not to exceed \$167.3 million (expiring November 15, 2023) (3) (4) (5) (6)	167.3	167.3
Other facilities		
Other secured debt (expiring September 8, 2023) that is secured by certain assets of the Company with an annual rate equal to 5.5%	1.2	1.2
Senior secured term loan to related parties (expiring November 21, 2019) that is secured by certain assets of the Company with an annual rate equal to 9.0% (4)	40.0	40.0
Total notes payable before unamortized debt issuance costs and discounts	454.8	437.9
Unamortized debt issuance costs and discounts	(6.6)	(7.0)
Total notes payable outstanding	\$ 448.2	\$ 430.9

- (1) Loan is subject to certain affirmative covenants, including a coverage ratio, a leverage ratio and a collateral performance test, the failure of which could result in required early repayment of all or a portion of the outstanding balance by our CAR Auto Finance operations.
- (2) These notes reflect modifications to either extend the maturity date, increase the loan amount or both, and are treated as accounting modifications.
- (3) Loans are subject to certain affirmative covenants tied to default rates and other performance metrics the failure of which could result in required early repayment of the remaining unamortized balances of the notes.
- (4) Loans are associated with variable interest entities.
- (5) See below for additional information.
- (6) Creditors do not have recourse against the general assets of the Company but only to the collateral within the VIEs.

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Not included in the table above are certain bank commitments to lend additional capital upon assignment of available collateral. The remaining terms on these agreements range from 9-30 months at interest rates based on LIBOR plus a spread of 4.5%-6.5%. The total committed but undrawn capacity of these additional bank commitments as of March 31, 2019 was \$97.0 million.

On November 26, 2014, we and certain of our subsidiaries entered into a Loan and Security Agreement with Dove Ventures, LLC, a Nevada limited liability company (“Dove”). The agreement provides for a senior secured term loan facility in an amount of up to \$40.0 million at any time outstanding. The Loan and Security Agreement was fully drawn with \$40.0 million outstanding as of March 31, 2019. In November 2018, the agreement was amended to extend the maturity date of the term loan to November 21, 2019. All other terms remain unchanged.

Our obligations under the agreement are guaranteed by certain subsidiary guarantors and secured by a pledge of certain assets of ours and the subsidiary guarantors. The loans bear interest at the rate of 9.0% per annum, payable monthly in arrears. The principal amount of these loans is payable in a single installment on November 21, 2019 (as amended). The agreement includes customary affirmative and negative covenants, as well as customary representations, warranties and events of default. Subject to certain conditions, we can prepay the principal amounts of these loans without premium or penalty.

Dove is a limited liability company owned by three trusts. David G. Hanna is the sole shareholder and the President of the corporation that serves as the sole trustee of one of the trusts, and David G. Hanna and members of his immediate family are the beneficiaries of this trust. Frank J. Hanna, III is the sole shareholder and the President of the corporation that serves as the sole trustee of the other two trusts, and Frank J. Hanna, III and members of his immediate family are the beneficiaries of these other two trusts.

In October 2015, we (through a wholly owned subsidiary) entered a revolving credit facility with a (as subsequently amended) \$50.0 million revolving borrowing limit that can be drawn to the extent of outstanding eligible principal receivables (of which \$49.6 million was drawn as of March 31, 2019). This facility is secured by the loans, interest and fees receivable and related restricted cash and accrues interest at an annual rate equal to LIBOR plus 5.0%. The loan is subject to certain affirmative covenants, including a liquidity test and an eligibility test, the failure of which could result in required early repayment of all or a portion of the outstanding balance. The note is guaranteed by Atlanticus who is required to maintain certain minimum liquidity levels.

In October 2016, we (through a wholly owned subsidiary) entered a revolving credit facility with a \$40.0 million borrowing limit that can be drawn to the extent of outstanding eligible principal receivables of our CAR subsidiary (of which \$31.2 million was drawn as of March 31, 2019). This facility is secured by the financial and operating assets of CAR and accrues interest at an annual rate equal to LIBOR plus a range between 2.4% and 3.0% based on certain ratios. The loan is subject to certain affirmative covenants, including a coverage ratio, a leverage ratio and a collateral performance test, the failure of which could result in required early repayment of all or a portion of the outstanding balance. In February 2019, we extended the maturity date of this revolving credit facility to November 1, 2020. There were no other material changes to the existing terms or conditions and the new maturity date is reflected in the table above.

In February 2017, we (through a wholly owned subsidiary) established a program under which we sell certain receivables to a consolidated trust in exchange for notes issued by the trust. The notes are secured by the receivables and other assets of the trust. Simultaneously with the establishment of the program, the trust issued a series of variable funding notes and sold an aggregate amount of up to \$90.0 million (of which \$69.0 million was outstanding as of March 31, 2019) to an unaffiliated third party pursuant to a facility that can be drawn upon to the extent of outstanding eligible receivables. Interest rates on the notes are fixed and range from 12.0% to 14.0%. The facility matures on February 8, 2022 and is subject to certain affirmative covenants and collateral performance tests, the failure of which could result in required early repayment of all or a portion of the outstanding balance of notes. The facility also may be prepaid subject to payment of a prepayment or other fee.

In 2018, we (through a wholly owned subsidiary) entered into two separate facilities associated with the above mentioned program to sell up to an aggregate \$200.0 million of notes which are secured by the receivables and other assets of the trust (of which \$96.5 million was outstanding as of March 31, 2019) to separate unaffiliated third parties pursuant to facilities that can be drawn upon to the extent of outstanding eligible receivables. Interest rates on the notes are based on commercial paper rates plus 4.25% and LIBOR plus 4.5%, respectively. The facilities mature on June 11, 2020 and November 16, 2020, respectively, and are subject to certain affirmative covenants and collateral performance tests, the failure of which could result in required early repayment of all or a portion of the outstanding balance of notes. The facilities also may be prepaid subject to payment of a prepayment or other fee.

In November 2018, we sold \$167.3 million of asset backed securities (“ABS”) secured by certain retail point-of-sale receivables. A portion of the proceeds from the sale were used to pay-down our existing term and revolving facilities associated with our point-of-sale receivables, noted in the table above, and the remaining proceeds are available to fund the acquisition of future receivables. The terms of the ABS allow for a two-year revolving structure with a subsequent 18-month amortization period. The weighted average interest rate on the securities is fixed at 5.76%.

We are in compliance with the covenants underlying our various notes payable.

9. Convertible Senior Notes

In November 2005, we issued \$300.0 million aggregate principal amount of 5.875% convertible senior notes due November 30, 2035. The convertible senior notes are unsecured, subordinate to existing and future secured obligations and structurally subordinate to existing and future claims of our subsidiaries’ creditors. These notes (net of repurchases since the issuance dates) are reflected within convertible senior notes on our consolidated balance sheets. No put rights exist under our convertible senior notes.

The following summarizes (in thousands) components of our consolidated balance sheets associated with our convertible senior notes:

	As of	
	March 31, 2019	December 31, 2018
Face amount of convertible senior notes	\$ 88,280	\$ 88,280
Discount	(25,967)	(26,138)
Net carrying value	<u>\$ 62,313</u>	<u>\$ 62,142</u>
Carrying amount of equity component included in paid-in capital	<u>\$ 108,714</u>	<u>\$ 108,714</u>
Excess of instruments' if-converted values over face principal amounts	<u>\$ —</u>	<u>\$ —</u>

10. Commitments and Contingencies

General

Under finance products available in the point-of-sale and direct-to-consumer channels, consumers have the ability to borrow up to the maximum credit limit assigned to each individual's account. Unfunded commitments under these products aggregated \$717.0 million at March 31, 2019. We have never experienced a situation in which all borrowers have exercised their entire available lines of credit at any given point in time, nor do we anticipate this will ever occur in the future. Moreover, there would be a concurrent increase in assets should there be any exercise of these lines of credit. We also have the effective right to reduce or cancel these available lines of credit at any time.

Additionally our CAR operations provide floor-plan financing for a pre-qualified network of independent automotive dealers and automotive finance companies in the buy-here, pay-here used car business. The financings allow dealers and finance companies to borrow up to the maximum pre-approved credit limit allowed in order to finance ongoing inventory needs. These loans are secured by the underlying auto inventory and, in certain cases where we have other lending products outstanding with the dealer, are secured by the collateral under those lending arrangements as well, including any outstanding dealer reserves. As of March 31, 2019, CAR had unfunded outstanding floor-plan financing commitments totaling \$8.0 million. Each draw against unused commitments is reviewed for conformity to pre-established guidelines.

Under agreements with third-party originating and other financial institutions, we have pledged security (collateral) related to their issuance of consumer credit and purchases thereunder, of which \$11.4 million remains pledged as of March 31, 2019 to support various ongoing contractual obligations.

Under agreements with third-party originating and other financial institutions, we have agreed to indemnify the financial institutions for certain liabilities associated with the services we provide on behalf of the financial institutions—such indemnification obligations generally being limited to instances in which we either (a) have been afforded the opportunity to defend against any potentially indemnifiable claims or (b) have reached agreement with the financial institutions regarding settlement of potentially indemnifiable claims. As of March 31, 2019, we have assessed the likelihood of any potential payments related to the aforementioned contingencies as remote. We will accrue liabilities related to these contingencies in any future period if and in which we assess the likelihood of an estimable payment as probable.

We also are subject to certain minimum payments under cancelable and non-cancelable lease arrangements. For further information regarding these commitments, see Note 7, "Leases".

Litigation

We are involved in various legal proceedings that are incidental to the conduct of our business, none of which are expected to be material to us.

11. Net Income (Loss) Attributable to Controlling Interests Per Common Share

The following table sets forth the computations of net income (loss) per common share (in thousands, except per share data):

	For the Three Months Ended March 31,	
	2019	2018
Numerator:		
Net income (loss) attributable to controlling interests	\$ 5,713	\$ (4,670)
Denominator:		
Basic (including unvested share-based payment awards) (1)	14,355	13,899
Effect of dilutive stock compensation arrangements (2)	362	—
Diluted (including unvested share-based payment awards) (1)	14,717	13,899
Net income (loss) attributable to controlling interests per common share—basic	\$ 0.40	\$ (0.34)
Net income (loss) attributable to controlling interests per common share—diluted	\$ 0.39	\$ (0.34)

- (1) Shares related to unvested share-based payment awards included in our basic and diluted share counts were 397,566 for the three months ended March 31, 2019, compared to 184,196 for the three months ended March 31, 2018.
- (2) The effect of dilutive stock compensation arrangements is shown only for informational purposes where we are in a net loss position. In such situations, the effect of including outstanding options and restricted stock would be anti-dilutive, and they are thus excluded from all loss period calculations.

For the three months ended March 31, 2019 and 2018, there were no shares potentially issuable and thus includible in the diluted net income attributable to controlling interests per common share calculations pursuant to our convertible senior notes. However, in future reporting periods during which our closing stock price is above the \$24.61 conversion price for the convertible senior notes, and depending on the closing stock price at conversion, the maximum potential dilution under the conversion provisions of such notes is 3.6 million shares, which could be included in diluted share counts in net income per common share calculations. See Note 9, “Convertible Senior Notes,” for a further discussion of these convertible securities.

12. Stock-Based Compensation

As of March 31, 2019, we had two stock-based compensation plans, the Second Amended and Restated Employee Stock Purchase Plan (the “ESPP”) and the Second Amended and Restated 2014 Equity Incentive Plan (the “2014 Plan”). On May 9, 2019, our shareholders approved the Fourth Amended and Restated 2014 Equity Incentive Plan (the “Fourth Amended 2014 Plan”). Among other things, the Fourth Amended 2014 Plan (i) increased the number of shares of Common Stock available for issuance under the Fourth Amended 2014 Plan by 2,000,000 shares and (ii) extended the term of the Fourth Amended 2014 Plan by approximately two years. As of March 31, 2019, 78,169 shares remained available for issuance under the ESPP and 1,796,770 shares remained available for issuance under the 2014 Plan (including the additional shares authorized by the Fourth Amended 2014 Plan).

Exercises and vestings under our stock-based compensation plans resulted in no income tax-related charges to additional paid-in capital during the three months ended March 31, 2019 and 2018.

Restricted Stock and Restricted Stock Units

During the three months ended March 31, 2019 and 2018, we granted 205,000 and 69,000 cumulative shares of restricted stock and restricted stock units (net of any forfeitures), respectively, with aggregate grant date fair values of \$0.7 million and \$0.2 million, respectively. We incurred expenses of \$0.2 million and \$0.1 million during the three months ended March 31, 2019 and 2018, respectively, related to restricted stock awards. When we grant restricted stock and restricted stock units, we defer the grant date value of the restricted stock and restricted stock unit and amortize that value (net of the value of anticipated forfeitures) as compensation expense with an offsetting entry to the paid-in capital component of our consolidated shareholders’ equity. Our restricted stock awards typically vest over a range of 12 to 60 months (or other term as specified in the grant) and are amortized to salaries and benefits expense ratably over applicable vesting periods. As of March 31, 2019, our unamortized deferred compensation costs associated with non-vested restricted stock awards were \$1.3 million with a weighted-average remaining amortization period of 2.0 years.

Stock Options

Our 2014 Plan provides that we may grant options on or shares of our common stock (and other types of equity awards) to members of our Board of Directors, employees, consultants and advisors. The exercise price per share of the options must be equal to or greater than the market price on the date the option is granted. The option period may not exceed 10 years from the date of grant. The vesting requirements for options are determined by the Compensation Committee of the Board of Directors. We had expense of \$0.2 million and \$0.2 million related to stock option-related compensation costs during the three months ended March 31, 2019 and 2018, respectively. When applicable, we recognize stock option-related compensation expense for any awards with graded vesting on a straight-line basis over the vesting period for the entire award. The table below includes additional information about outstanding options:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average of Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2018	3,121,200	\$ 3.50		
Issued	50,000	\$ 3.13		
Exercised	(419,500)	\$ 2.54		
Cancelled/Forfeited	—	\$ —		
Outstanding at March 31, 2019	<u>2,751,700</u>	\$ 3.64	2.9	\$ 934,117
Exercisable at March 31, 2019	<u>959,868</u>	\$ 3.34	2.1	\$ 239,953

We had \$1.0 million and \$1.2 million of unamortized deferred compensation costs associated with non-vested stock options as of March 31, 2019 and December 31, 2018, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and the related notes included therein and our Annual Report on Form 10-K for the year ended December 31, 2018, where certain terms have been defined.

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes forward-looking statements. We base these forward-looking statements on our current plans, expectations and beliefs about future events. There are risks, including the factors discussed in "Risk Factors" in Part II, Item 1A and elsewhere in this report, that our actual experience will differ materially from these expectations. For more information, see "Forward-Looking Information" below.

In this report, except as the context suggests otherwise, the words "Company," "Atlanticus Holdings Corporation," "Atlanticus," "we," "our," "ours," and "us" refer to Atlanticus Holdings Corporation and its subsidiaries and predecessors.

This report contains information that we obtained from industry and general publications and research, surveys and studies conducted by third parties. This information involves many assumptions and limitations, and you are cautioned not to give undue weight to any of this data. We have obtained this information from sources that we believe are reliable. However, we have not independently verified market or industry data from third party sources.

OVERVIEW

We utilize proprietary analytics and a flexible technology platform to enable financial institutions to provide various credit and related financial services and products to or associated with the financially underserved consumer credit market. According to data published by FICO (NYSE: FICO), 41.7% of consumers had FICO® scores of 700 or less as of April 2018 which represents a population in excess of 90 million consumers. The "Report on Economic Well-Being of U.S. Households in 2017" published by the Board of Governors of the Federal Reserve System further states that 40% of adults do not have ready access to \$400 to cover an unexpected expense or would cover the expense by selling something or borrowing money, with CareerBuilder noting that 75% of Americans live "paycheck to paycheck". These consumers often have short-term, immediate credit needs that are often not effectively met by traditional financial institutions. By facilitating fairly priced consumer credit alternatives with value added features and benefits specifically curated for the unique needs of this financially underserved consumer, we endeavor to empower consumers on a path to improved financial well-being.

Currently, within our Credit and Other Investments segment, we are applying the experiences gained and infrastructure built from servicing over \$25 billion in consumer loans over our 22-year operating history to support lenders who originate a range of consumer loan products. These products include retail credit and credit cards marketed through multiple channels, including retail point-of-sale, direct mail solicitation, and partnerships with third parties. In the point-of-sale channel, we partner with retailers and service providers in various industries across the U.S. to allow them to provide credit to their customers for the purchase of a variety of goods and services including consumer electronics, furniture, elective medical procedures, healthcare, educational services and home-improvements. These services of our lending partners are often extended to consumers who may not have access to traditional financing options. We specialize in supporting this "second-look" credit service. Our flexible technology platform allows our lending partners to integrate our paperless process and instant decision-making platform with the technology infrastructure of participating retailers and service providers. Additionally, we support lenders who market general purpose credit cards directly to consumers through additional channels, which enables them to reach consumers through a diverse origination platform that includes retail point-of-sale, direct mail and digital marketing solicitation and partnerships with third parties. Our technology platform and proprietary analytics enable lenders to make instant credit decisions utilizing hundreds of inputs from multiple sources and thereby offer credit to consumers overlooked by traditional providers of financing. By offering a range of products through a multitude of channels, we enable lenders to provide the right type of credit, whenever and wherever the consumer has a need.

In most cases, we invest in the receivables originated by lenders who utilize our technology platform and other related services. From time to time, we also purchase receivables portfolios from third parties. In this report, "receivables" refer to receivables we have purchased from our lending partners or from third parties.

Using our infrastructure and technology platform, we also provide loan servicing, including risk management and customer service outsourcing, for third parties. Also through our Credit and Other Investments segment, we engage in testing and limited investment in consumer finance technology platforms as we seek to capitalize on our expertise and infrastructure.

Additionally, we report within our Credit and Other Investments segment: (1) the income earned from an investment in an equity-method investee that holds credit card receivables for which we are the servicer; and (2) gains or losses associated with investments previously made in consumer finance technology platforms. These include investments in companies engaged in mobile technologies, marketplace lending and other financial technologies. These investments are carried at the lower of cost or market valuation. None of these companies are publicly-traded and there are no material pending liquidity events.

The recurring cash flows we receive within our Credit and Other Investments segment principally include those associated with (1) point-of-sale and direct-to-consumer receivables, (2) servicing compensation and (3) credit card receivables portfolios that are unencumbered or where we own a portion of the underlying structured financing facility.

We believe that our point-of-sale and direct-to-consumer receivables are generating, and will continue to generate, attractive returns

on assets, thereby facilitating debt financing under terms and conditions (including advance rates and pricing) that will support attractive returns on equity, and we continue to pursue growth in this area.

Within our Auto Finance segment, our CAR subsidiary operations principally purchase and/or service loans secured by automobiles from or for, and also provide floor plan financing for, a pre-qualified network of independent automotive dealers and automotive finance companies in the buy-here, pay-here, used car business. We purchase auto loans at a discount and with dealer retentions or holdbacks that provide risk protection. Also within our Auto Finance segment, we are providing certain installment lending products in addition to our traditional loans secured by automobiles.

We closely monitor and manage our expenses based on current product offerings. At this time, we are maintaining our infrastructure and incurring increased overhead and other costs in order to expand point-of-sale and direct-to-consumer finance and credit solutions and new product offerings that we believe have the potential to grow into our existing infrastructure and allow for long-term shareholder returns.

Beyond these activities within our Credit and Other Investments segment, we invest in and service portfolios of credit card receivables. One of our portfolios of credit card receivables is encumbered by non-recourse structured financing, and for this portfolio our principal remaining economic interest is the servicing compensation we receive as an offset against our servicing costs given that the likely future collections on the portfolio are insufficient to allow for full repayment of the financing.

Subject to the availability of capital at attractive terms and pricing, we plan to continue to evaluate and pursue a variety of activities, including: (1) investments in additional financial assets associated with point-of-sale and direct-to-consumer finance and credit activities as well as the acquisition of interests in receivables portfolios and (2) the repurchase of our convertible senior notes and other debt and our outstanding common stock.

CONSOLIDATED RESULTS OF OPERATIONS

(In Thousands)	For the Three Months Ended March 31,		Income
	2019	2018	Increases (Decreases) from 2018 to 2019
Total interest income	\$ 50,459	\$ 35,726	\$ 14,733
Interest expense	(11,146)	(8,153)	(2,993)
Fees and related income on earning assets:			
Fees on credit products	10,296	4,905	5,391
Changes in fair value of loans, interest and fees receivable recorded at fair value	(1)	(18)	17
Changes in fair value of notes payable associated with structured financings recorded at fair value	875	1,331	(456)
Other	94	(4)	98
Other operating income:			
Servicing income	686	632	54
Other income	16,844	516	16,328
Equity in income of equity-method investee	227	9	218
Total	\$ 68,334	\$ 34,944	\$ 33,390
Net losses upon impairment of loans, interest and fees receivable recorded at fair value	254	1,791	1,537
Provision for losses on loans, interest and fees receivable recorded at net realizable value	34,598	15,991	(18,607)
Other operating expenses:			
Salaries and benefits	6,591	6,298	(293)
Card and loan servicing	10,444	9,164	(1,280)
Marketing and solicitation	6,387	2,346	(4,041)
Depreciation	289	229	(60)
Other	3,878	3,700	(178)
Net income (loss)	5,655	(4,719)	10,374
Net loss attributable to noncontrolling interests	58	49	9
Net income (loss) attributable to controlling interests	5,713	(4,670)	10,383

Three Months Ended March 31, 2019, Compared to Three Months Ended March 31, 2018

Total interest income. Total interest income consists primarily of finance charges and late fees earned on point-of-sale and direct-to-consumer receivables, credit card and auto finance receivables. Period-over-period results primarily relate to growth in point-of-sale finance and direct-to-consumer products, the receivables of which increased from \$322.3 million as of March 31, 2018 to \$472.3 million as of March 31, 2019. We are currently experiencing continued period-over-period growth in point-of-sale and direct-to-consumer receivables and to a lesser extent in our CAR receivables—growth which we expect to result in net period-over-period growth in our total interest income for these operations in 2019. Future periods' growth is also dependent on the addition of new retail partners to expand the reach of point-of-sale operations as well as growth within existing partnerships and continued growth and marketing within the direct-to-consumer receivables.

Interest expense. Variations in interest expense are due to new borrowings associated with growth in point-of-sale and direct-to-consumer receivables and CAR operations as evidenced within Note 8, “Notes Payable,” to our consolidated financial statements offset by our debt facilities being repaid commensurate with net liquidations of the underlying credit card, auto finance and installment loan receivables that serve as collateral for the facilities. Outstanding notes payable associated with our point-of-sale and direct-to-consumer operations increased from \$219.9 million as of March 31, 2018 to \$382.4 million as of March 31, 2019. We anticipate additional debt financing over the next few quarters as we continue to acquire receivables, and as such, we expect our quarterly interest expense to be above that experienced in the prior periods for these operations.

Fees and related income on earning assets. The significant factors affecting our differing levels of fees and related income on earning assets include:

- increases in fees on credit products, primarily associated with growth in direct-to-consumer products and to a lesser degree by growth in point-of-sale finance products, offset somewhat by general net declines in historical credit card receivables; and
- the effects of changes in the fair values of credit card receivables recorded at fair value and notes payable associated with structured financings recorded at fair value as described below.

We expect increasing levels of direct-to-consumer fee income throughout 2019 as we continue to invest in new credit card receivables as part of our direct-to-consumer operations. Additionally, for credit card accounts for which we use fair value accounting, we expect our change in fair value of credit card receivables recorded at fair value and our change in fair value of notes payable associated with structured financings recorded at fair value amounts to gradually diminish (absent significant changes in the assumptions used to determine these fair values) in the future. These amounts, however, are subject to potentially high levels of volatility if we experience changes in the quality of our credit card receivables or if there are significant changes in market valuation factors (e.g., interest rates and spreads) in the future. Such volatility will be muted somewhat, however, by the offsetting nature of the receivables and underlying debt being recorded at fair value and with the expected reductions in the face amounts of such outstanding receivables and debt as we experience further legacy credit card receivables liquidations and associated debt repayments.

Servicing income. We earn servicing income by servicing loan portfolios for third parties (including our equity-method investee). Additionally, we will receive periodic compensation for processing reimbursements to consumers with respect to one of our portfolios. Unless and/or until we grow the number of contractual servicing relationships we have with third parties or our current relationships grow their loan portfolios, we will not experience significant growth and income within this category, and we currently expect to experience continued declines in this category of revenue relative to revenue earned in prior periods.

Other income. Included within our Other income category are ancillary and interchange revenues. Given recent growth associated with new credit card offerings and related receivables, we expect ancillary and interchange revenues to grow throughout the year. Also included in Other income for the three months ended March 31, 2019 is \$15.5 million associated with reductions in accruals related to one of our portfolios. The original accrual was based upon our estimate of the amount that could be claimed by customers and is based upon several factors including customer claims volume, average claim amount and a determination of the amount, if any, which may be offered to resolve such claims. The assumptions used in the accrual estimate are subjective, mainly due to uncertainty associated with future claims volumes and the resolution costs, if any, per claim. As of March 31, 2019, we had approximately \$92 million accrued related to this liability within accounts payable and accrued expenses on the consolidated balance sheets, including the reclassification of approximately \$26 million from unrestricted cash and cash equivalents on our consolidated balance sheets. We currently expect a significant majority of the remaining accrued amount to be either reduced or paid to customers by December 31, 2019. Any further reduction in the amount accrued would result in future earnings within this income statement category.

Equity in income of equity-method investee. Because our equity-method investee uses the fair value option to account for its financial assets and liabilities, changes in fair value estimates can cause some volatility in the earnings of this investee. Because of continued liquidations in the credit card receivables portfolio of our equity-method investee, absent additional investments in our existing or in new equity-method investees in the future, we expect gradually declining effects from our equity-method investment on our operating results.

Net losses upon impairment of loans, interest and fees receivable recorded at fair value. This account reflects charge offs (net of recoveries) of the face amount of credit card receivables we record at fair value on our consolidated balance sheet. We have experienced a general trending decline in, and we expect future trending declines in, these charge-offs as we continue to liquidate our historical credit card receivables.

Provision for losses on loans, interest and fees receivable recorded at net realizable value. Our provision for losses on loans, interest and fees receivable recorded at net realizable value covers, with respect to such receivables, changes in estimates regarding our aggregate loss exposures on (1) principal receivable balances, (2) finance charges and late fees receivable underlying income amounts included within our total interest income category, and (3) other fees receivable. We have experienced a period-over-period increase in this category between both the three months ended March 31, 2019 and 2018 and the years ended December 31, 2018 and 2017 primarily reflecting the effects of volume associated with point-of-sale and direct-to-consumer finance receivables (i.e., growth of new product receivables and their subsequent maturation), rather than specific credit quality changes or deterioration, which also impacted our provision for losses on loans, interest and fees receivable recorded at net realizable value to a lesser degree. See Note 2, “Significant Accounting Policies and Consolidated Financial Statement Components,” to our consolidated financial statements and the discussions of our Credit and Other Investments and Auto Finance segments for further credit quality statistics and analysis.

Total other operating expense. Total other operating expense variances for the three months ended March 31, 2019, relative to the three months ended March 31, 2018, reflect the following:

- increases in salaries reflecting marginal growth in both the number of employees and increases in related benefit costs. We expect some marginal increase in this cost for 2019 when compared to 2018 as we expect our receivables to continue to grow;
- increases in card and loan servicing expenses in the three months ended March 31, 2019 when compared to the three months ended March 31, 2018 due to growth in receivables associated with our investments in point-of-sale and direct-to-consumer receivables which grew from \$322.3 million outstanding to \$472.3 million outstanding at March 31, 2018 and March 31, 2019, respectively, offset by the continued net liquidations in our historical credit card portfolios, the receivables of which declined from \$15.6 million outstanding to \$8.7 million outstanding at March 31, 2018 and March 31, 2019, respectively;
- increases in marketing and solicitation costs for the three months ended March 31, 2019 when compared to the three months ended March 31, 2018, primarily due to volume-related increases in costs attributable to the growth in our retail point-of-sale and direct-to-consumer portfolios. We expect that increased origination and brand marketing support will result in overall increases in year-over-year costs during 2019 although the frequency and timing of marketing efforts could result in reductions in quarter-over-quarter marketing costs; and
- slight increases in other expenses primarily related to realized translation gains and losses recognized during both periods.

Certain operating costs are variable based on the levels of accounts and receivables we service (both for our own account and for others) and the pace and breadth of our growth in receivables. However, a number of our operating costs are fixed and until recently have comprised a larger percentage of our total costs based on the ongoing contraction of our legacy credit card receivables. This trend is reversing as we continue to grow our earning assets (including loans, interest and fees receivable) based principally on growth of point-of-sale and direct-to-consumer receivables and to a lesser extent, growth within our CAR operations. This is evidenced by the growth we experienced in our managed receivables levels with minimal growth in the fixed portion of our card and loan servicing expenses as well as our salaries and benefits costs as we were able to better utilize our fixed costs to grow our asset base. We continue to manage our costs effectively.

Notwithstanding our cost-control efforts and focus, we expect increased levels of expenditures associated with anticipated growth in point-of-sale and direct-to-consumer credit card-related operations. These expenses will primarily relate to the variable costs of marketing efforts and card and loan servicing expenses associated with new receivable acquisitions. While we have greater control over our variable expenses, it is difficult (as explained above) for us to appreciably reduce our fixed and other costs associated with an infrastructure (particularly within our Credit and Other Investments segment) that was built to support levels of managed receivables that are significantly higher than both our current levels and the levels that we expect to see in the near future. At this point, our Credit and Other Investments segment cash inflows are sufficient to cover its direct variable costs and a portion, but not all, of its share of overhead costs (including, for example, corporate-level executive and administrative costs and our convertible senior notes interest costs). As such, if we are unable to contain overhead costs or expand revenue-earning activities to levels commensurate with such costs, then we may experience continuing pressure on our ability to achieve consistent profitability.

Noncontrolling interests. We reflect the ownership interests of noncontrolling holders of equity in our majority-owned subsidiaries as noncontrolling interests in our consolidated statements of operations. Unless we enter into significant new majority-owned subsidiary ventures with noncontrolling interest holders in the future, we expect to have negligible noncontrolling interests in our majority-owned subsidiaries and negligible allocations of income or loss to noncontrolling interest holders in future quarters.

Income Taxes. We experienced an effective income tax expense rate of 4.0% for the three months ended March 31, 2019, compared to a negative effective income tax expense rate of 3.1% for the three months ended March 31, 2018. Our effective income tax expense rate for the three months ended March 31, 2019, is below the statutory rate principally due to reductions in our valuation allowances against net federal deferred tax assets during such period—the effect of such reductions being partially offset by accruals of interest on unpaid federal tax liabilities and uncertain tax positions and state and foreign income taxes during such period. Conversely, our negative effective income tax expense rate for the three months ended March 31, 2018, was greater than the statutory rate principally due to accruals of interest on unpaid federal tax liabilities and uncertain tax positions and state and foreign income taxes during such period—the effect of such accruals being partially offset by additions to valuation allowances against our net federal deferred tax assets during such period.

We report income tax-related interest and penalties (including those associated with both our accrued liabilities for uncertain tax positions and unpaid tax liabilities) within our income tax line item on our consolidated statements of operations. We likewise report the reversal of income tax-related interest and penalties within such line item to the extent that we resolve our liabilities for uncertain tax positions or unpaid tax liabilities in a manner favorable to our accruals therefor. During the three months ended March 31, 2019, and 2018, we included \$0.1 million and \$0.2 million, respectively, of net income tax-related interest and penalties within those periods' respective income tax expense line items.

In December 2014, we reached a settlement with the IRS concerning the tax treatment of net operating losses we incurred in 2007 and 2008 and carried back to obtain refunds of federal income taxes paid in earlier years dating back to 2003. In 2015, we filed an amended return claim that, if accepted, would have eliminated the \$7.4 million assessment (and corresponding interest and penalties) under a negotiated provision of the December 2014 IRS settlement. The IRS filed a lien (as is customarily the case) associated with the assessment. Subsequently, an IRS examination team denied our amended return claims, and we filed a protest with IRS Appeals. Following correspondence and conferences held with IRS Appeals, we received and accepted a settlement offer from IRS Appeals in June 2018 that reduced our \$7.4 million net unpaid income tax assessment referenced above to \$3.7 million. In July 2018, we paid \$5.4 million to the IRS to cover the \$3.7 million unpaid income tax assessment and most of the interest that had accrued thereon; during the three months ended September 30, 2018, the IRS refunded \$0.5 million of the \$5.4 million payment. Although we have paid all assessed income taxes related to this matter, we still have an outstanding accrued liability for some of the interest and for failure-to-pay penalties related to this matter. We paid another \$0.2 million against accrued interest liabilities in March 2019, and we are continuing to pursue complete abatement of failure-to-pay penalties of \$0.9 million. Once this matter is resolved and we pay any residual interest liability, we expect the IRS to remove the aforementioned lien in due course.

Credit and Other Investments Segment

Our Credit and Other Investments segment includes our activities relating to our servicing of and our investments in the point-of-sale, direct-to-consumer personal finance and credit card operations, our various credit card receivables portfolios, as well as other product testing and investments that generally utilize much of the same infrastructure. The types of revenues we earn from our investments in receivables portfolios and services primarily include finance charges, fees and the accretion of discounts associated with the point-of-sale receivables or annual fees on our direct-to-consumer receivables.

We record (i) the finance charges, discount accretion and late fees assessed on our Credit and Other Investments segment receivables in the interest income - consumer loans, including past due fees category on our consolidated statements of operations, (ii) the rental revenue, annual, activation, monthly maintenance, returned-check, cash advance and other fees in the fees and related income on earning assets category on our consolidated statements of operations, and (iii) the charge offs (and recoveries thereof) within our provision for losses on loans, interest and fees receivable recorded at net realizable value on our consolidated statements of operations (for all credit product receivables other than those for which we have elected the fair value option) and within net losses upon impairment of loans, interest and fees receivable recorded at fair value on our consolidated statements of operations (for all of our other receivables for which we have elected the fair value option). Additionally, we show the effects of fair value changes for those credit card receivables for which we have elected the fair value option as a component of fees and related income on earning assets in our consolidated statements of operations.

We historically have invested in receivables portfolios through subsidiary entities. If we control through direct ownership or exert a controlling interest in the entity, we consolidate it and reflect its operations as noted above. If we exert significant influence but do not control the entity, we record our share of its net operating results in the equity in income of equity-method investee category on our consolidated statements of operations.

Managed Receivables

We make various references within our discussion of the Credit and Other Investments segment to our managed receivables. Our managed receivables data includes only the performance of those receivables underlying consolidated subsidiaries and excludes from managed receivables data the performance of receivables held by our equity method investee. As the receivables underlying our equity method investee reflect a diminishing portion of our overall receivables base, we do not believe their inclusion or exclusion in the overall results is material. Additionally, we calculate average managed receivables based on the quarter ending balances.

Financial, operating and statistical data based on aggregate managed receivables are important to any evaluation of the performance of our credit portfolios, including our risk management, servicing and collection activities and our valuing of purchased receivables. In allocating our resources and managing our business, management relies heavily upon financial data and results prepared on this “managed basis.” Analysts, investors and others also consider it important that we provide selected financial, operating and statistical data on a managed basis because this allows a comparison of us to others within the specialty finance industry. Moreover, our management, analysts, investors and others believe it is critical that they understand the credit performance of our managed receivables because it provides information concerning the quality of loan originations and the related credit risks inherent within the portfolios.

Reconciliation of the managed receivables data to our GAAP financial statements requires an understanding that: (1) our managed receivables data are based on billings and actual charge-offs as they occur, without regard to any changes in our allowance for uncollectible loans, interest and fees receivable; (2) our managed receivables data exclude non-consolidated receivables (3) the period-end and average managed receivables data include the face value of receivables which are accounted for under the fair value option; and (4) when applicable, we exclude from our managed receivables data certain reimbursements received in respect of one of our portfolios which resulted in pre-tax income benefits within our net recovery of impairment of loans, interest and fees receivable recorded at fair value line item on our consolidated statements of operations totaling approximately \$0.4 million for the three months ended September 30, 2018, \$1.7 million for the three months ended June 30, 2018, \$2.9 million for the three months ended September 30, 2017, and \$1.1 million for the three months ended June 30, 2017. This last category of reconciling items above is excluded because it does not bear on our performance in managing our credit card portfolios, including our risk management, servicing and collection activities and our valuing of purchased receivables; moreover, we do not expect to receive any further material reimbursements with respect to this portfolio.

A reconciliation of our Loans, interest and fees receivable, at fair value to the assets underlying those receivables which are included in our managed receivables are as follows (in thousands):

	At or for the Three Months Ended							
	2019		2018				2017	
	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30
Loans, interest and fees receivable, gross	8,664	9,575	10,504	13,790	15,557	16,601	18,180	20,102
Fair value adjustment	(3,270)	(3,269)	(3,379)	(5,504)	(6,144)	(5,492)	(6,161)	(7,332)
Loans, interest and fees receivable, at fair value	<u>5,394</u>	<u>6,306</u>	<u>7,125</u>	<u>8,286</u>	<u>9,413</u>	<u>11,109</u>	<u>12,019</u>	<u>12,770</u>

Asset quality. Our delinquency and charge-off data at any point in time reflect the credit performance of our managed receivables. The average age of the accounts underlying our receivables, the timing of portfolio purchases, the success of our collection and recovery efforts and general economic conditions all affect our delinquency and charge-off rates. The average age of the accounts underlying our receivables portfolio also affects the stability of our delinquency and loss rates. We consider this delinquency and charge-off data in our allowance for uncollectible loans, interest and fees receivable for our other credit product receivables that we report at net realizable value. Our strategy for managing delinquency and receivables losses consists of account management throughout the life of the receivable. This strategy includes credit line management and pricing based on the risks. See also our discussion of collection strategies under the “How Do We Collect?” in Item 1, “Business” of our Annual Report on Form 10-K for the year ended December 31, 2018.

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The following table presents the delinquency trends of the receivables we manage within our Credit and Other Investments segment, as well as charge-off data and other managed receivables statistics (in thousands; percentages of total):

	At or for the Three Months Ended							
	2019	2018				2017		
	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30
Period-end managed receivables	\$ 480,928	\$ 462,862	\$ 406,057	\$ 371,331	\$ 337,848	\$ 333,286	\$ 303,080	\$ 267,637
Percent 30 or more days past due	13.7%	13.2%	12.7%	11.8%	12.1%	13.7%	12.1%	11.5%
Percent 60 or more days past due	10.3%	9.5%	9.3%	8.5%	9.1%	9.8%	8.3%	7.8%
Percent 90 or more days past due	7.5%	6.7%	6.4%	5.7%	6.5%	6.5%	5.5%	4.9%
Averaged managed receivables	\$ 471,895	\$ 434,460	\$ 388,694	\$ 354,590	\$ 335,567	\$ 318,183	\$ 285,359	\$ 257,603
Total yield ratio	46.5%	44.3%	43.2%	41.6%	41.0%	39.5%	36.5%	35.1%
Combined gross charge-off ratio	23.6%	21.6%	19.7%	22.4%	24.2%	20.1%	18.2%	21.1%

The following table presents additional trends and data with respect to our current point-of-sale (“Retail”) and direct-to-consumer operations (“Direct”) (dollars in thousands). Results of our historical credit card receivables portfolios are excluded:

	Retail - At or for the Three Months Ended							
	2019	2018				2017		
	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30
Period-end managed receivables	\$ 255,922	\$ 257,772	\$ 238,851	\$ 223,873	\$ 207,231	\$ 206,877	\$ 193,403	\$ 180,830
Percent 30 or more days past due	12.7%	13.6%	13.4%	12.4%	12.6%	14.0%	14.0%	12.3%
Percent 60 or more days past due	9.8%	9.9%	9.8%	8.8%	9.4%	10.1%	9.9%	8.4%
Percent 90 or more days past due	7.2%	7.1%	6.9%	5.8%	6.8%	7.2%	6.9%	5.6%
Average APR	24.8%	25.0%	24.7%	24.8%	24.2%	24.2%	26.7%	26.7%
Receivables purchased during period	\$ 69,120	\$ 80,096	\$ 70,860	\$ 74,391	\$ 60,932	\$ 64,036	\$ 59,293	\$ 65,786

	Direct - At or for the Three Months Ended							
	2019	2018				2017		
	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30
Period-end managed receivables	\$ 216,342	\$ 195,515	\$ 156,702	\$ 133,668	\$ 115,060	\$ 109,808	\$ 91,497	\$ 66,705
Percent 30 or more days past due	15.1%	13.0%	12.1%	11.5%	12.2%	12.9%	8.3%	9.3%
Percent 60 or more days past due	11.2%	9.3%	8.9%	8.5%	9.2%	9.1%	5.0%	6.2%
Percent 90 or more days past due	8.0%	6.4%	6.0%	5.9%	6.4%	5.3%	2.7%	3.4%
Average APR	27.9%	28.1%	27.6%	27.2%	26.9%	27.5%	28.5%	28.0%
Receivables purchased during period	\$ 60,733	\$ 69,585	\$ 48,729	\$ 48,966	\$ 33,747	\$ 38,338	\$ 38,005	\$ 15,051

The following discussion relates to the tables above.

Managed receivables levels. We experienced overall quarterly growth for the last eight quarters related to our current product offerings including over \$150.0 million in net receivables growth associated with our point-of-sale and direct-to-consumer products from March 31, 2018 to March 31, 2019. The addition of large point-of-sale retail partners and ongoing purchases of receivables from existing retail partners helped grow our point-of-sale receivables by \$48.7 million from March 31, 2018 to March 31, 2019. This growth was slightly offset in the first quarter of 2019 when compared to the fourth quarter of 2018 largely due to seasonality within the purchase behavior of consumers. Similarly, our direct-to-consumer acquisitions grew by \$101.3 million from March 31, 2018 to March 31, 2019, including growth in the first quarter of 2019. While we expect continued quarterly growth in our managed receivables balances for all of our products throughout 2019, this growth in future periods largely is dependent on the addition of new retail partners to the point-of-sale operations as well as the timing of solicitations within the direct-to-consumer operations. Further, the loss of existing retail partner relationships could adversely affect new loan acquisition levels.

Delinquencies. Delinquencies have the potential to impact net income in the form of net credit losses. Delinquencies also are costly in terms of the personnel and resources dedicated to resolving them. We intend for the receivables management strategies we use on our portfolios to manage and, to the extent possible, reduce the higher delinquency rates that can be expected with the younger average age of the newer originations in our managed portfolio. These account management strategies include conservative credit line management, purging of inactive accounts and collection strategies intended to optimize the effective account-to-collector ratio across delinquency categories. We measure the success of these efforts by reviewing delinquency rates. These rates exclude receivables that have been charged off.

As we continue to invest in our newer point-of-sale and direct-to-consumer receivables, our delinquency rates have increased when compared to the same periods in prior years. This is largely a result of the risk profiles (and corresponding expected returns) for these receivables. Our delinquency rates have continued to be somewhat lower than what we ultimately expect for our new point-of-sale and direct-to-consumer receivables given the continued growth and age of the related accounts. This trend can be seen in periods of large growth in the charts above which result in lower delinquency rates. If and when growth for these product lines moderates, we expect increased overall delinquency rates as the existing receivables mature through their peak charge-off periods. Additionally, we expect to continue to see seasonal payment patterns on these receivables which impact our delinquencies. For example, delinquency rates historically are lower in the first quarter of each year due to the benefits of seasonally strong payment patterns associated with year-end tax refunds for most consumers.

Total yield ratio. Currently, we are experiencing growth in our newer, higher yielding receivables, including point-of-sale receivables and direct-to-consumer loans. While this growth has contributed to increases in our total yield ratio, we expect this growth also will continue to result in higher charge-off and delinquency rates than those experienced historically. Our first quarter 2019 total yield ratio excludes the impact of \$15.5 million associated with our aforementioned reduction in reserves associated with one of our portfolios. Similarly, our fourth quarter 2018 total yield ratio excludes the impact of \$36.2 million associated with our aforementioned litigation settlement. Additionally, our fourth quarter 2017 total yield ratio excludes the impact of our \$2.1 million write-down of the carrying value associated with a previous investment in a consumer finance technology platform.

We expect total yield ratios to continue to fluctuate somewhat based on the relative mix of growth in point-of-sale receivables and our higher yielding direct-to-consumer credit card receivables.

Combined gross charge-off ratio. We charge off our Credit and Other Investments segment receivables when they become contractually more than 180 days past due. For all of our products, we charge off receivables within 30 days of notification and confirmation of a customer's bankruptcy or death. However, in some cases of death, we do not charge off receivables if there is a surviving, contractually liable individual or an estate large enough to pay the debt in full.

Growth within point-of-sale finance and direct-to-consumer receivables has resulted in increases in our charge-off rates over time. Our fourth quarter 2017 and first quarter 2018 combined gross charge-off ratios reflect further significant investments during the second and third quarters in 2017 in direct-to-consumer receivables, which reached their peak charge off periods during the fourth quarter of 2017 and first quarter of 2018. Second and third quarter 2018 declines in the gross charge-off ratio are reflective of this as well and are also indicative of some of the seasonal delinquency benefits discussed above. Combined gross charge-off rates for the fourth quarter of 2018 and first quarter of 2019 reflect the expected higher charge-off rates associated with a mix shift to higher yielding products and ongoing testing of new products throughout 2018.

The growth in the point-of-sale and direct-to-consumer receivables continues to result in higher charge-offs than those experienced historically. In the next few quarters, we expect continued elevated charge off rates when compared to historical results, given the following: (1) higher expected charge off rates on the point-of-sale and direct-to-consumer receivables corresponding with higher yields on these product offerings, (2) continued testing of receivables with higher risk profiles, which could lead to periodic increases in combined gross charge-offs, and (3) recent vintages reaching peak charge-off periods. Offsetting these increases will be growth in the underlying receivables base which will serve to mute to a varying degree some of the aforementioned impacts as has been seen in recent quarters. Further impacting our charge-off rates are the timing of solicitations which serve to minimize charge off rates in periods of high receivable acquisitions but also exacerbate charge-off rates in periods of lower receivable acquisitions.

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Average APR. Our average annual percentage rate (“APR”) charged to customers varies by receivable type, credit history and other factors. The average APR for receivables in our point-of-sale operations range from 9.99% to 36.0%. For our direct-to-consumer receivables, average APR ranges from 19.99% to 36.0%. We have experienced minor fluctuations in our average APR based on the relative product mix of receivables purchased during a period. We currently expect our average APRs in 2019 to remain consistent with the average APRs we have experienced over the past several quarters; however, the timing and relative mix of receivables acquired could cause some minor fluctuations.

Receivables purchased during period. Receivables purchased during the period reflect the gross amount of investments we have made in a given period, net of any credits issued to consumers during that same period. For most periods presented, our point-of-sale receivable purchases experienced overall growth throughout the periods presented largely based on the addition of new point-of-sale retail partners, as previously discussed. We may experience periodic declines in these acquisitions due to: the loss of one or more retail partners; seasonal purchase activity by consumers; or the timing of new customer originations by our lending partners. We currently expect to see increases in receivable acquisitions when compared to the same period in prior years. Our direct-to-consumer receivable acquisitions tend to have more volatility based on the issuance of new credit card accounts by our banking partner and the availability of capital to fund new purchases. Nonetheless, we expect continued growth in the acquisition of these receivables throughout 2019.

Auto Finance Segment

CAR, our auto finance platform acquired in April 2005, principally purchases and/or services loans secured by automobiles from or for, and also provides floor-plan financing for, a pre-qualified network of independent automotive dealers and automotive finance companies in the buy-here, pay-here used car business. We have expanded these operations to also include certain installment lending products in addition to our traditional loans secured by automobiles both in the U.S. and U.S. territories.

Collectively, as of March 31, 2019, we served more than 590 dealers through our Auto Finance segment in 34 states, the District of Columbia and two U.S. territories.

Managed Receivables Background

For reasons set forth above within our Credit and Other Investments segment discussion, we also provide managed receivables-based financial, operating and statistical data for our Auto Finance segment. Reconciliation of the auto finance managed receivables data to our GAAP financial statements requires an understanding that our managed receivables data are based on billings and actual charge offs as they occur, without regard to any changes in our allowance for uncollectible loans, interest and fees receivable. Similar to the managed receivables calculation above, the average managed receivables used in the ratios below is calculated based on the quarter ending balances of consolidated receivables.

Analysis of Statistical Data

Financial, operating and statistical metrics for our Auto Finance segment are detailed (in thousands; percentages of total) in the following table:

	At or for the Three Months Ended							
	2019		2018				2017	
	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30
Period-end managed receivables	\$ 90,208	\$ 88,057	\$ 85,338	\$ 83,872	\$ 78,436	\$ 77,213	\$ 74,923	\$ 76,387
Percent 30 or more days past due	11.4%	14.7%	13.3%	10.8%	8.8%	12.8%	13.0%	11.7%
Percent 60 or more days past due	5.3%	5.7%	4.3%	3.6%	3.3%	5.0%	5.0%	4.0%
Percent 90 or more days past due	2.9%	2.5%	1.7%	1.4%	1.6%	2.4%	2.2%	1.4%
Average managed receivables	\$ 89,133	\$ 86,698	\$ 84,605	\$ 81,154	\$ 77,825	\$ 76,068	\$ 75,655	\$ 74,254
Total yield ratio	36.0%	36.1%	37.9%	38.2%	37.9%	37.9%	38.8%	39.2%
Combined gross charge-off ratio	2.7%	2.8%	0.9%	0.5%	2.1%	3.0%	1.1%	2.5%
Recovery ratio	1.3%	0.9%	0.9%	1.0%	1.5%	1.5%	1.7%	2.0%

Managed receivables. We expect modest growth in the level of our managed receivables for 2019 when compared to the same periods in prior years in both the U.S. and U.S. territories as CAR expands within its existing locations and continues plans for service area expansion. Although we are expanding our CAR operations, the Auto Finance segment faces strong competition from other specialty finance lenders, as well as the indirect effects on us of our buy-here, pay-here dealership partners' competition with more traditional franchise dealerships for consumers interested in purchasing automobiles. Managed receivable levels are higher in the first quarter of 2019 when compared to the first quarter of 2018 and in each of the periods of 2018 when compared to the same period in 2017 primarily due to the acquisition of new dealer relationships which has resulted in the ability to purchase higher levels of auto receivables. We expect this increase in receivables when compared to the same periods in the prior year will continue to result in period over period increases.

Delinquencies. Current delinquency levels are consistent with our expectations for levels in the near term with some improvement noted in the first quarter of 2019 due to seasonal performance improvements. Delinquency levels experienced for the first three quarters of 2018 generally were lower than those experienced during the same periods in 2017 largely due to the absence of any significant dealer-related losses (as opposed to individual consumer defaults) that are typical during any given year and which tend to produce larger portfolio level defaults on receivables. These low delinquencies also contributed to lower combined gross charge-off rates during 2018 as discussed further below. Delinquency rates also tend to fluctuate based on seasonal trends and historically are lower in the first quarter of each year as seen above due to the benefits of strong payment patterns associated with year-end tax refunds for most consumers. While we expect some increase in our delinquency rates in 2019 (as was seen in the fourth quarter of 2018) when compared to the same periods in 2018, we are not concerned with modest fluctuations in delinquency rates and do not believe they will have a significantly positive or adverse impact on our results of operations; even at slightly elevated rates, we earn significant yields on CAR's receivables and have significant dealer reserves (i.e., retainages or holdbacks on the amount of funding CAR provides to its dealer customers) to protect against meaningful credit losses.

Total yield ratio. We have experienced modest fluctuations in our total yield ratio largely impacted by the relative mix of receivables in various products offered by CAR as some shorter term product offerings tend to have higher yields. Yields on our CAR products over the last few quarters are consistent with our expectations. Further, we expect our total yield ratio to remain in line with current experience, with moderate fluctuations based on relative growth or declines in average managed receivables for a given quarter. These variations would be based on the relative mix of receivables in our various product offerings. Additionally, our product offerings in the U.S. territories tend to have slightly lower yields than those offered in the U.S. As such, continued growth in that region also will serve to slightly depress our overall total yield ratio, yet we expect growth in that region to continue to generate attractive returns on assets.

Combined gross charge-off ratio and recovery ratio. We charge off auto finance receivables when they are between 120 and 180 days past due, unless the collateral is repossessed and sold before that point, in which case we will record a charge off when the proceeds are received. Combined gross charge-off ratios in the above table reflect the lower delinquency rates we have recently experienced. While we anticipate our charge-offs to be incurred ratably across our portfolio of dealers, specific dealer-related losses are difficult to predict and can negatively influence our combined gross charge-off ratio. We continually re-assess our dealers and will take appropriate action if we believe a particular dealer's risk characteristics adversely change. While we have appropriate dealer reserves to mitigate losses across the majority of our pool of receivables, the timing of recognition of these reserves as an offset to charge offs is largely dependent on various factors specific to each of our dealer partners including ongoing purchase volumes, outstanding balances of receivables and current performance of outstanding loans. As such, the timing of charge off offsets is difficult to predict; however, we believe that these reserves are adequate to offset any loss exposure we may incur. Additionally, the products we issue in the U.S. territories do not have dealer reserves with which we can offset losses. Further, given our expectation of some gradual increase in our delinquency rates as discussed above, we expect gross charge-off rates will climb slightly over existing rates although as indicated above, the timing of individual dealer-related losses is difficult to predict. We also expect our recovery rate to fluctuate modestly from quarter to quarter due to the timing of the sale of repossessed autos.

Definitions of Financial, Operating and Statistical Measures

Total yield ratio. Represents an annualized fraction, the numerator of which includes (as appropriate for each applicable disclosed segment) the: 1) finance charge and late fee income billed on all consolidated outstanding receivables and the amortization of the accretable yield component of our acquisition discounts for portfolio purchases, collectively included in the consumer loans, including past due fees category on our consolidated statements of income; plus 2) credit card fees (including over-limit fees, cash advance fees, returned check fees and interchange income), earned, amortized amounts of annual membership fees and activation fees with respect to certain credit card receivables, collectively included in our fees and related income on earning assets category on our consolidated statements of income; plus 3) servicing, other income and other activities collectively included in our other operating income category on our consolidated statements of income. The denominator used represents our average managed receivables.

Combined gross charge-off ratio. Represents an annualized fraction, the numerator of which is the aggregate consolidated amounts of finance charge, fee and principal losses from consumers unwilling or unable to pay their receivables balances, as well as from bankrupt and deceased consumers, less current-period recoveries (including recoveries from dealer reserve offsets for our CAR operations) and the related portion of unamortized discounts, as reflected in Note 2 “Significant Accounting Policies and Consolidated Financial Statement Components-Loans, Interest and Fees Receivable”, and the denominator of which is average managed receivables. Recoveries on managed receivables represent all amounts received related to managed receivables that previously have been charged off, including payments received directly from consumers and proceeds received from the sale of those charged-off receivables. Recoveries typically have represented less than 2% of average managed receivables.

LIQUIDITY, FUNDING AND CAPITAL RESOURCES

As discussed elsewhere in this report, we incur a significant level of costs associated with a fixed infrastructure that had been designed to support our significant legacy credit card operations. Our infrastructure costs are still somewhat elevated, and while we had in the past focused on cost reduction, our primary focus now is growing the point-of-sale and direct-to-consumer credit card receivables so that our revenues from these investments can cover our infrastructure costs and return us to consistent profitability. Increases in new and existing retail partnerships and the expansion of our investments in direct-to-consumer finance products have resulted in quarterly growth of total managed receivables levels, and we expect this growth to continue in the coming quarters.

Accordingly, we will continue to focus in the coming quarters on (i) containing costs (as opposed to our previous focus on reducing expenses) (ii) obtaining new retail partners to continue growth of the point-of-sale receivables (iii) continuing growth in direct-to-consumer credit card receivables and (iv) obtaining the funding necessary to meet capital needs required by the growth of our receivables and to cover our infrastructure costs until our receivables investments generate enough revenues and cash flows to cover such costs.

All of our Credit and Other Investments segment's structured financing facilities are expected to amortize down with collections on the receivables within their underlying trusts and should not represent significant refunding or refinancing risks to our consolidated balance sheet. Additionally, we do not expect any imminent refunding or financing needs associated with our convertible senior notes given their maturity in 2035. As such, facilities that could represent near-term significant refunding or refinancing needs as of March 31, 2019 are those associated with the following notes payable in the amounts indicated (in millions):

Revolving credit facility (expiring October 30, 2019) that is secured by certain receivables and restricted cash	\$	49.6
Revolving credit facility (expiring November 1, 2020) that is secured by the financial and operating assets of our CAR operations		31.2
Revolving credit facility (expiring June 11, 2020) that is secured by certain receivables and restricted cash		80.5
Revolving credit facility (expiring November 16, 2020) that is secured by certain receivables and restricted cash		16.0
Senior secured term loan from related parties (expiring November 21, 2019) that is secured by certain assets of the Company		40.0
Total	\$	<u>217.3</u>

Further details concerning the above debt facilities are provided in Note 8, "Notes Payable," to our consolidated financial statements included herein. Based on the state of the debt capital markets, the performance of our assets that serve as security for the above facilities, and our relationships with lenders, we view imminent refunding or refinancing risks with respect to the above facilities as low in the current environment, and we believe that the quality of our new receivables should allow us to raise more capital through increasing the size of our facilities with our existing lenders and attracting new lending relationships.

In February 2017, we (through a wholly owned subsidiary) established a program under which we sell certain receivables to a consolidated trust in exchange for notes issued by the trust. The notes are secured by the receivables and other assets of the trust. Simultaneously with the establishment of the program, the trust issued a series of variable funding notes and sold an aggregate amount of up to \$90.0 million (of which \$69.0 million was outstanding as of March 31, 2019) to an unaffiliated third party pursuant to a facility that can be drawn upon to the extent of outstanding eligible receivables. Interest rates on the notes range from 12.0% to 14.0%. The facility matures on February 8, 2022 and is subject to certain affirmative covenants and collateral performance tests, the failure of which could result in required early repayment of all or a portion of the outstanding balance of notes. The facility also may be prepaid subject to payment of a prepayment or other fee.

In June 2018 and again in November 2018, we (through a wholly owned subsidiary) expanded the above mentioned program to sell up to an additional \$100.0 million of notes (\$200.0 million in total notes through the June and November 2018 expansions) which are secured by the receivables and other assets of the trust (of which \$96.5 million was outstanding as of March 31, 2019) to separate unaffiliated third parties pursuant to facilities that can be drawn upon to the extent of outstanding eligible receivables. Interest rates on the notes are based on commercial paper rates plus 4.25% and LIBOR plus 4.5%, respectively.

The facilities mature on June 11, 2020 and November 16, 2020, respectively, and are subject to certain affirmative covenants and collateral performance tests, the failure of which could result in required early repayment of all or a portion of the outstanding balance of notes. The facilities also may be prepaid subject to payment of a prepayment or other fee.

In November 2018, we sold \$167.3 million of asset backed securities ("ABS") secured by certain retail point-of-sale receivables. A portion of the proceeds from the sale were used to pay-down our existing term and revolving facilities associated with our point-of-sale receivables. The weighted average interest rate on the securities is 5.76%.

In February 2019, we extended the maturity date of the revolving credit facility secured by the financial and operating assets of CAR to November 1, 2020. There were no other material changes to the existing terms or conditions and the new maturity date is reflected in the table above.

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At March 31, 2019, we had \$101.0 million in unrestricted cash held by our various business subsidiaries. Because the characteristics of our assets and liabilities change, liquidity management has been a dynamic process for us, driven by the pricing and maturity of our assets and liabilities. We historically have financed our business through cash flows from operations, asset-backed structured financings and the issuance of debt and equity. Details concerning our cash flows for the three months ended March 31, 2019 and 2018 are as follows:

- During the three months ended March 31, 2019, we generated \$30.0 million of cash flows from operations compared to the use of \$10.2 million of cash flows from operations during the three months ended March 31, 2018. The increase in cash provided by operating activities was principally related to the reclassification of approximately \$26 million from unrestricted cash and cash equivalents on our consolidated balance sheets and increases in finance collections associated with our growing point-of-sale and direct-to-consumer receivables.
- During the three months ended March 31, 2019, we used \$23.2 million of cash from our investing activities, compared to use of \$8.9 million of cash from investing activities during the three months ended March 31, 2018. This increase in cash used is primarily due to: 1) the shrinking size of our historical credit card receivables, resulting in lower corresponding payments from consumers; and 2) increasing levels of investments for 2019 in the point-of-sale and direct-to-consumer receivables relative to the same period in 2018 and which we expect to continue to make throughout 2019. Slightly offsetting this increase in cash used by investing activities are returns on our aforementioned investments in point-of-sale and direct-to-consumer receivables which contributed positively to our cash generated from investing activities.
- During the three months ended March 31, 2019, we generated \$17.6 million of cash in financing activities, compared to our generating \$15.5 million of cash in financing activities during the three months ended March 31, 2018. In both periods, the data reflect borrowings associated with point-of-sale and direct-to-consumer receivables offset by net repayments of amortizing debt facilities as payments are made on the underlying receivables that serve as collateral.

Beyond our immediate financing efforts discussed throughout this report, we will continue to evaluate debt and equity issuances as a means to fund our investment opportunities. We expect to take advantage of any opportunities to raise additional capital if terms and pricing are attractive to us. Any proceeds raised under these efforts or additional liquidity available to us could be used to fund (1) the acquisition of additional financial assets associated with the point-of-sale and direct-to-consumer finance operations as well as the acquisition of credit card receivables portfolios and (2) further repurchases of our convertible senior notes and common stock. Pursuant to a share repurchase plan authorized by our Board of Directors on May 10, 2018, we are authorized to repurchase up to 5,000,000 shares of our common stock through June 30, 2020. As of March 31, 2019 we were authorized to repurchase a remaining 4,737,000 shares under this share repurchase plan.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND OFF-BALANCE-SHEET ARRANGEMENTS

See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in our Annual Report on Form 10-K for the year ended December 31, 2018.

Commitments and Contingencies

We do not currently have any off-balance-sheet arrangements; however, we do have certain contractual arrangements that would require us to make payments or provide funding if certain circumstances occur, which we refer to as contingent commitments. We do not currently expect that these contingent commitments will result in any material amounts being paid by us. See Note 10, “Commitments and Contingencies,” to our consolidated financial statements included herein for further discussion of these matters.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2, “Significant Accounting Policies and Consolidated Financial Statement Components,” to our consolidated financial statements included herein for a discussion of recent accounting pronouncements.

CRITICAL ACCOUNTING ESTIMATES

We have prepared our financial statements in accordance with GAAP. These principles are numerous and complex. We have summarized our significant accounting policies in the notes to our consolidated financial statements. In many instances, the application of GAAP requires management to make estimates or to apply subjective principles to particular facts and circumstances. A variance in the estimates used or a variance in the application or interpretation of GAAP could yield a materially different accounting result. It is impracticable for us to summarize every accounting principle that requires us to use judgment or estimates in our application. Nevertheless, we describe below the areas for which we believe that the estimations, judgments or interpretations that we have made, if different, would have yielded the most significant differences in our consolidated financial statements.

On a quarterly basis, we review our significant accounting policies and the related assumptions, in particular, those mentioned below, with the audit committee of the Board of Directors.

Revenue Recognition

Consumer Loans, Including Past Due Fees

Consumer loans, including past due fees, reflect interest income, including finance charges, and late fees on loans in accordance with the terms of the related customer agreements. Premiums and discounts paid or received associated with a loan are generally deferred and amortized over the average life of the related loans using the effective interest method. Finance charges and fees, net of amounts that we consider uncollectible, are included in loans, interest and fees receivable and revenue when the fees are earned.

Fees and Related Income on Earning Assets

Fees and related income on earning assets primarily include: (1) fees associated with our credit products, including the receivables underlying our U.S. point-of-sale finance and direct-to-consumer activities, and our legacy credit card receivables; (2) changes in the fair value of loans, interest and fees receivable recorded at fair value; (3) changes in fair value of notes payable associated with structured financings recorded at fair value; (4) revenues associated with rent payments on rental merchandise; and (5) gains or losses associated with our investments in securities.

We assess fees on credit card accounts underlying our credit card receivables according to the terms of the related cardholder agreements and, except for annual membership fees, we recognize these fees as income when they are charged to the customers' accounts. We accrete annual membership fees associated with our credit card receivables into income on a straight-line basis over the cardholder privilege period. Similarly, fees on our other credit products are recognized when earned, which coincides with the time they are charged to the customer's account. Fees and related income on earning assets, net of amounts that we consider uncollectible, are included in loans, interest and fees receivable and revenue when the fees are earned.

Measurements for Loans, Interest and Fees Receivable at Fair Value and Notes Payable Associated with Structured Financings at Fair Value

Our valuation of loans, interest and fees receivable, at fair value is based on the present value of future cash flows using a valuation model of expected cash flows and the estimated cost to service and collect those cash flows. We estimate the present value of these future cash flows using a valuation model consisting of internally developed estimates of assumptions third-party market participants would use in determining fair value, including estimates of net collected yield, principal payment rates, expected principal credit loss rates, costs of funds, discount rates and servicing costs. Similarly, our valuation of notes payable associated with structured financings, at fair value is based on the present value of future cash flows utilized in repayment of the outstanding principal and interest under the facilities using a valuation model of expected cash flows net of the contractual service expenses within the facilities. We estimate the present value of these future cash flows using a valuation model consisting of internally developed estimates of assumptions third-party market participants would use in determining fair value, including: estimates of net collected yield, principal payment rates and expected principal credit loss rates on the credit card receivables that secure the non-recourse notes payable; costs of funds; discount rates; and contractual servicing fees.

The estimates for credit losses, payment rates, servicing costs, contractual servicing fees, costs of funds, discount rates and yields earned on credit card receivables significantly affect the reported amount of our loans, interest and fees receivable, at fair value and our notes payable associated with structured financings, at fair value on our consolidated balance sheet, and they likewise affect our changes in fair value of loans, interest and fees receivable recorded at fair value and changes in fair value of notes payable associated with structured financings recorded at fair value categories within our fees and related income on earning assets line item on our consolidated statements of operations.

Allowance for Uncollectible Loans, Interest and Fees

Through our analysis of loan performance, delinquency data, charge-off data, economic trends and the potential effects of those economic trends on consumers, we establish an allowance for uncollectible loans, interest and fees receivable as an estimate of the probable losses inherent within those loans, interest and fees receivable that we do not report at fair value. Our loans, interest and fees receivable consist of smaller-balance, homogeneous loans, divided into two portfolio segments: Credit and Other Investments; and Auto Finance. Each of these portfolio segments is further divided into pools based on common characteristics such as contract or acquisition channel. For each pool, we determine the necessary allowance for uncollectible loans, interest and fees receivable by analyzing some or all of the following unique to each type of receivable pool: historical loss rates; current delinquency and roll-rate trends; vintage analyses based on the number of months an account has been in existence; the effects of changes in the economy on our customers; changes in underwriting criteria; and estimated recoveries. These inputs are considered in conjunction with (and potentially reduced by) any unearned fees and discounts that may be applicable for an outstanding loan receivable. To the extent that actual results differ from our estimates of uncollectible loans, interest and fees receivable, our results of operations and liquidity could be materially affected.

RELATED PARTY TRANSACTIONS

Under a shareholders' agreement which we entered into with certain shareholders, including David G. Hanna, Frank J. Hanna, III and certain trusts that were Hanna affiliates, following our initial public offering (1) if one or more of the shareholders accepts a bona fide offer from a third party to purchase more than 50% of the outstanding common stock, each of the other shareholders that is a party to the agreement may elect to sell his shares to the purchaser on the same terms and conditions, and (2) if shareholders that are a party to the agreement owning more than 50% of the common stock propose to transfer all of their shares to a third party, then such transferring shareholders may require the other shareholders that are a party to the agreement to sell all of the shares owned by them to the proposed transferee on the same terms and conditions.

In June 2007, we entered into a sublease for 1,000 square feet (as later amended to cover 600 square feet) of excess office space at our Atlanta headquarters with HBR Capital, Ltd. ("HBR"), a company co-owned by David G. Hanna and his brother Frank J. Hanna, III. The sublease rate per square foot is the same as the rate that we pay under the prime lease. Under the sublease, HBR paid us \$18,089 and \$26,629 for 2018 and 2017, respectively. The aggregate amount of payments required under the sublease from January 1, 2019 to the expiration of the sublease in May 2022 is \$58,154.

In January 2013, HBR began leasing four employees from us. HBR reimburses us for the full cost of the employees, based on the amount of time devoted to HBR. In the three months ended March 31, 2019 and 2018, we received \$69,257 and \$70,004, respectively, of reimbursed costs from HBR associated with these leased employees.

On November 26, 2014, we and certain of our subsidiaries entered into a Loan and Security Agreement with Dove Ventures, LLC, a Nevada limited liability company ("Dove"). The agreement provides for a senior secured term loan facility in an amount of up to \$40.0 million at any time outstanding. The Loan and Security Agreement was fully drawn with \$40.0 million outstanding as of March 31, 2019. In November 2018, the agreement was amended to extend the maturity date of the term loan to November 21, 2019. All other terms remain unchanged.

Our obligations under the agreement are guaranteed by certain subsidiary guarantors and secured by a pledge of certain assets of ours and the subsidiary guarantors. The loans bear interest at the rate of 9.0% per annum, payable monthly in arrears. The principal amount of these loans is payable in a single installment on November 21, 2019 (as amended). The agreement includes customary affirmative and negative covenants, as well as customary representations, warranties and events of default. Subject to certain conditions, we can prepay the principal amounts of these loans without premium or penalty.

Dove is a limited liability company owned by three trusts. David G. Hanna is the sole shareholder and the President of the corporation that serves as the sole trustee of one of the trusts, and David G. Hanna and members of his immediate family are the beneficiaries of this trust. Frank J. Hanna, III is the sole shareholder and the President of the corporation that serves as the sole trustee of the other two trusts, and Frank J. Hanna, III and members of his immediate family are the beneficiaries of these other two trusts.

FORWARD-LOOKING INFORMATION

We make forward-looking statements in this report and in other materials we file with the Securities and Exchange Commission ("SEC") or otherwise make public. This Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements. In addition, our senior management might make forward-looking statements to analysts, investors, the media and others. Statements with respect to expected revenue; income; receivables; income ratios; net interest margins; long-term shareholder returns; acquisitions of financial assets and other growth opportunities; divestitures and discontinuations of businesses; loss exposure and loss provisions; delinquency and charge-off rates; changes in collection programs and practices; changes in the credit quality and fair value of our credit card loans, interest and fees receivable and the fair value of their underlying structured financing facilities; the impact of actions by the Federal Deposit Insurance Corporation ("FDIC"), Federal Reserve Board, Federal Trade Commission ("FTC"), Consumer Financial Protection Bureau ("CFPB") and other regulators on both us, banks that issue credit cards and other credit products on our behalf, and merchants that participate in our point-of-sale finance operations; account growth; the performance of investments that we have made; operating expenses; the impact of bankruptcy law changes; marketing plans and expenses; the performance of our Auto Finance segment; the impact of our credit card receivables on our financial performance; the sufficiency of available capital; the prospect for improvements in the capital and finance markets; future interest costs; sources of funding operations and acquisitions; growth and profitability of our point-of-sale finance operations; our ability to raise funds or renew financing facilities; share repurchases or issuances; debt retirement; the results associated with our equity-method investee; our servicing income levels; gains and losses from investments in securities; experimentation with new products and other statements of our plans, beliefs or expectations are forward-looking statements. These and other statements using words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would" and similar expressions also are forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. The forward-looking statements we make are not guarantees of future performance, and we have based these statements on our assumptions and analyses in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in such statements. Management cautions against putting undue reliance on forward-looking statements or projecting any future results based on such statements or present or historical earnings levels.

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Although it is not possible to identify all factors, we continue to face many risks and uncertainties. Among the factors that could cause actual future results to differ materially from our expectations are the risks and uncertainties described under “Risk Factors” set forth in Part II, Item 1A, and the risk factors and other cautionary statements in other documents we file with the SEC, including the following:

- the availability of adequate financing to support growth;
- the extent to which federal, state, local and foreign governmental regulation of our various business lines and the products we service for others limits or prohibits the operation of our businesses;
- current and future litigation and regulatory proceedings against us;
- the effect of adverse economic conditions on our revenues, loss rates and cash flows;
- competition from various sources providing similar financial products, or other alternative sources of credit, to consumers;
- the adequacy of our allowances for uncollectible loans, interest and fees receivable and estimates of loan losses used within our risk management and analyses;
- the possible impairment of assets;
- our ability to manage costs in line with the expansion or contraction of our various business lines;
- our relationship with (i) the merchants that participate in point-of-sale finance operations and (ii) the banks that issue credit cards and provide certain other credit products utilizing our technology platform and related services; and
- theft and employee errors.

Most of these factors are beyond our ability to predict or control. Any of these factors, or a combination of these factors, could materially affect our future financial condition or results of operations and the ultimate accuracy of our forward-looking statements. There also are other factors that we may not describe (because we currently do not perceive them to be material) that could cause actual results to differ materially from our expectations.

We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company,” as defined by Item 10 of Regulation S-K, we are not required to provide this information.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Act”)) was carried out on behalf of Atlanticus Holdings Corporation and our subsidiaries by our management and with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer). Based upon the evaluation, our principal executive officer and principal financial officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

During the quarter ended March 31, 2019, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Act) occurred that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in various legal proceedings that are incidental to the conduct of our business. There are currently no pending legal proceedings that are expected to be material to us.

ITEM 1A. RISK FACTORS

An investment in our common stock or other securities involves a number of risks. You should carefully consider each of the risks described below before deciding to invest in our common stock or other securities. If any of the following risks develops into actual events, our business, financial condition or results of operations could be negatively affected, the market price of our common stock or other securities could decline and you may lose all or part of your investment.

Investors should be particularly cautious regarding investments in our common stock or other securities at the present time in light of uncertainties as to the profitability of our business model going forward and our inability to achieve consistent earnings from our operations in recent years.

Our Cash Flows and Net Income Are Dependent Upon Payments from Our Investments in Receivables

The collectibility of our investments in receivables is a function of many factors including the criteria used to select who is issued credit, the pricing of the credit products, the lengths of the relationships, general economic conditions, the rate at which consumers repay their accounts or become delinquent, and the rate at which consumers borrow funds. Deterioration in these factors would adversely impact our business. In addition, to the extent we have over-estimated collectibility, in all likelihood we have over-estimated our financial performance. Some of these concerns are discussed more fully below.

Our portfolio of receivables is not diversified and primarily originates from consumers whose creditworthiness is considered sub-prime. Historically, we have invested in receivables in one of two ways—we have either (i) invested in receivables originated by lenders who utilize our services or (ii) invested in or purchased pools of receivables from other issuers. In either case, substantially all of our receivables are from financially underserved borrowers—borrowers represented by credit risks that regulators classify as “sub-prime.” Our reliance on sub-prime receivables has negatively impacted and may in the future negatively impact, our performance. Our various past and current losses might have been mitigated had our portfolios consisted of higher-grade receivables in addition to our sub-prime receivables.

Economic slowdowns increase our credit losses. During periods of economic slowdown or recession, we experience an increase in rates of delinquencies and frequency and severity of credit losses. Our actual rates of delinquencies and frequency and severity of credit losses may be comparatively higher during periods of economic slowdown or recession than those experienced by more traditional providers of consumer credit because of our focus on the financially underserved consumer market, which may be disproportionately impacted.

We are subject to foreign economic and exchange risks. Because of our operations in the U.K., we have exposure to fluctuations in the U.K. economy. We also have exposure to fluctuations in the relative values of the U.S. dollar and the British pound. Because the British pound has experienced a net decline in value relative to the U.S. dollar since we commenced our most significant operations in the U.K., we have experienced significant transaction and translation losses within our financial statements.

Because a significant portion of our reported income is based on management’s estimates of the future performance of receivables, differences between actual and expected performance of the receivables may cause fluctuations in net income. Significant portions of our reported income (or losses) are based on management’s estimates of cash flows we expect to receive on receivables, particularly for such assets that we report based on fair value. The expected cash flows are based on management’s estimates of interest rates, default rates, payment rates, cardholder purchases, servicing costs, and discount rates. These estimates are based on a variety of factors, many of which are not within our control. Substantial differences between actual and expected performance of the receivables will occur and cause fluctuations in our net income. For instance, higher than expected rates of delinquencies and losses could cause our net income to be lower than expected. Similarly, levels of loss and delinquency can result in our being required to repay lenders earlier than expected, thereby reducing funds available to us for future growth. Because all of the credit card receivables structured financing facilities are now in amortization status—which for us generally means that the only meaningful cash flows that we are receiving with respect to the credit card receivables that are encumbered by such structured financing facilities are those associated with our contractually specified fee for servicing the receivables—recent payment and default trends have substantially reduced the cash flows that we receive from these receivables.

Due to our relative lack of historical experience with Internet consumers, we may not be able to evaluate their creditworthiness.

We have less historical experience with respect to the credit risk and performance of receivables owed by consumers acquired over the Internet and other digital channels. As a result, we may not be able to target and evaluate successfully the creditworthiness of these potential consumers. Therefore, we may encounter difficulties managing the expected delinquencies and losses and appropriately pricing products.

We Are Substantially Dependent Upon Borrowed Funds to Fund Receivables We Purchase

We finance receivables that we acquire in large part through financing facilities. All of our financing facilities are of finite duration (and ultimately will need to be extended or replaced) and contain financial covenants and other conditions that must be fulfilled in order for funding to be available. Moreover, some of our facilities currently are in amortization stages (and are not allowing for the funding of any new loans) based on their original terms. The cost and availability of equity and borrowed funds is dependent upon our financial performance, the performance of our industry generally and general economic and market conditions, and at times equity and borrowed funds have been both expensive and difficult to obtain.

If additional financing facilities are not available in the future on terms we consider acceptable—an issue that has been made even more acute in the U.S. given regulatory changes that reduced asset-level returns on credit card lending—we will not be able to purchase additional receivables and those receivables may contract in size.

Our Financial Performance Is, in Part, a Function of the Aggregate Amount of Receivables That Are Outstanding

The aggregate amount of outstanding receivables is a function of many factors including purchase rates, payment rates, interest rates, seasonality, general economic conditions, competition from credit card issuers and other sources of consumer financing, access to funding, and the timing and extent of our receivable purchases.

Despite our recent purchases of credit card receivables, our aggregate credit card receivable balances may fluctuate. The amount of our credit card receivables is a product of a combination of factors, many of which are not in our control. Factors include:

- the availability of funding on favorable terms;
- our relationships with the banks that issue credit cards;
- the degree to which we lose business to competitors;
- the level of usage of our credit card products by consumers;
- the availability of portfolios for purchase on attractive terms;
- levels of delinquencies and charge offs;
- the level of costs of acquiring new receivables;
- our ability to employ and train new personnel;
- our ability to maintain adequate management systems, collection procedures, internal controls and automated systems; and
- general economic and other factors beyond our control.

Reliance upon relationships with a few large retailers in the point-of-sale finance operations may adversely affect our revenues and operating results from these operations. Our five largest retail partners accounted for over 50% of our outstanding point-of-sale receivables as of December 31, 2018. Although we are adding new retail partners on a regular basis, it is likely that we will continue to derive a significant portion of this operations' receivables base and corresponding revenue from a relatively small number of partners in the future. If a significant partner reduces or terminates its relationship with us, these operations' revenue could decline significantly and our operating results and financial condition could be harmed.

We Operate in a Heavily Regulated Industry

Changes in bankruptcy, privacy or other consumer protection laws, or to the prevailing interpretation thereof, may expose us to litigation, adversely affect our ability to collect receivables, or otherwise adversely affect our operations. Similarly, regulatory changes could adversely affect the ability or willingness of lenders who utilize our technology platform and related services to market credit products and services to consumers. While the Presidential Administration supports reducing regulatory burdens, the prospects for significant modifications are uncertain. Also, the accounting rules that apply to our business are exceedingly complex, difficult to apply and in a state of flux. As a result, how we value our receivables and otherwise account for our business is subject to change depending upon the changes in, and, interpretation of, those rules. Some of these issues are discussed more fully below.

Reviews and enforcement actions by regulatory authorities under banking and consumer protection laws and regulations may result in changes to our business practices, may make collection of receivables more difficult or may expose us to the risk of fines, restitution and litigation. Our operations and the operations of the issuing banks through which the credit products we service are originated are subject to the jurisdiction of federal, state and local government authorities, including the CFPB, the SEC, the FDIC, the Office of the Comptroller of the Currency, the FTC, U.K. banking and licensing authorities, state regulators having jurisdiction over financial institutions and debt origination and collection and state attorneys general. Our business practices and the practices of issuing banks, including the terms of products, servicing and collection practices, are subject to both periodic and special reviews by these regulatory and enforcement authorities. These reviews can range from investigations of specific consumer complaints or concerns to broader inquiries. If as part of these reviews the regulatory authorities conclude that we or issuing banks are not complying with applicable law, they could request or impose a wide range of remedies including requiring changes in advertising and collection practices, changes in the terms of products (such as decreases in interest rates or fees), the imposition of fines or penalties, or the paying of restitution or the taking of other remedial action with respect to affected consumers. They also could require us or issuing banks to stop offering some credit products or obtain licenses to do so, either nationally or in selected states. To the extent that these remedies are imposed on the issuing banks that originate credit products using our platform, under certain circumstances we are responsible for the remedies as a result of our indemnification obligations with those banks. We or our issuing banks also may elect to change practices that we believe are compliant with law in order to respond to regulatory concerns. Furthermore, negative publicity relating to any specific inquiry or investigation could hurt our ability to conduct business with various industry participants or to generate new receivables and could negatively affect our stock price, which would adversely affect our ability to raise additional capital and would raise our costs of doing business.

If any deficiencies or violations of law or regulations are identified by us or asserted by any regulator, or if the CFPB, the FDIC, the FTC or any other regulator requires us or issuing banks to change any practices, the correction of such deficiencies or violations, or the making of such changes, could have a material adverse effect on our financial condition, results of operations or business. In addition, whether or not these practices are modified when a regulatory or enforcement authority requests or requires, there is a risk that we or other industry participants may be named as defendants in litigation involving alleged violations of federal and state laws and regulations, including consumer protection laws. Any failure to comply with legal requirements by us or the banks that originate credit products utilizing our platform in connection with the issuance of those products, or by us or our agents as the servicer of our accounts, could significantly impair our ability to collect the full amount of the account balances. The institution of any litigation of this nature, or any judgment against us or any other industry participant in any litigation of this nature, could adversely affect our business and financial condition in a variety of ways.

We are dependent upon banks to issue credit cards and provide certain other credit products utilizing our technology platform and related services. We currently contract with a single bank to issue credit cards and provide certain other credit products. We then acquire interests in and service the receivables originated by that bank utilizing our technology platform. The bank could determine not to continue the relationship for various business reasons, or its regulators could limit its ability to issue credit cards on our behalf or to originate some or all of the other products that we service or require the bank to modify those products significantly and could do either with little or no notice. Any significant interruption or change of our bank relationship would result in our being unable to acquire new receivables or develop certain other credit products. Unless we were able to timely replace our bank relationship, such an interruption would prevent us from acquiring newly originated credit card receivables and growing our investments in point-of-sale and direct-to-consumer receivables. In turn, it would materially adversely impact our business.

Changes to consumer protection laws or changes in their interpretation may impede collection efforts or otherwise adversely impact our business practices. Federal and state consumer protection laws regulate the creation and enforcement of consumer credit card receivables and other loans. Many of these laws (and the related regulations) are focused on sub-prime lenders and are intended to prohibit or curtail industry-standard practices as well as non-standard practices. For instance, Congress enacted legislation that regulates loans to military personnel through imposing interest rate and other limitations and requiring new disclosures, all as regulated by the Department of Defense. Similarly, in 2009 Congress enacted legislation that required changes to a variety of marketing, billing and collection practices, and the Federal Reserve adopted significant changes to a number of practices through its issuance of regulations. While our practices are in compliance with these changes, some of the changes (e.g., limitations on the ability to assess up-front fees) have significantly affected the viability of certain credit products within the U.S. Changes in the consumer protection laws could result in the following:

- receivables not originated in compliance with law (or revised interpretations) could become unenforceable and uncollectible under their terms against the obligors;
- we may be required to credit or refund previously collected amounts;
- certain fees and finance charges could be limited, prohibited or restricted, which would reduce the profitability of certain investments in receivables;
- certain collection methods could be prohibited, forcing us to revise our practices or adopt more costly or less effective practices;
- limitations on our ability to recover on charged-off receivables regardless of any act or omission on our part;
- some credit products and services could be banned in certain states or at the federal level;
- federal or state bankruptcy or debtor relief laws could offer additional protections to consumers seeking bankruptcy protection, providing a court greater leeway to reduce or discharge amounts owed to us; and
- a reduction in our ability or willingness to invest in receivables arising under loans to certain consumers, such as military personnel.

Material regulatory developments may adversely impact our business and results from operations.

Our Automobile Lending Activities Involve Risks in Addition to Others Described Herein

Automobile lending exposes us not only to most of the risks described above but also to additional risks, including the regulatory scheme that governs installment loans and those attendant to relying upon automobiles and their repossession and liquidation value as collateral. In addition, our Auto Finance segment operation acquires loans on a wholesale basis from used car dealers, for which we rely upon the legal compliance and credit determinations by those dealers.

Funding for automobile lending may become difficult to obtain and expensive. In the event we are unable to renew or replace any Auto Finance segment facilities that bear refunding or refinancing risks when they become due, our Auto Finance segment could experience significant constraints and diminution in reported asset values as lenders retain significant cash flows within underlying structured financings or otherwise under security arrangements for repayment of their loans. If we cannot renew or replace future facilities or otherwise are unduly constrained from a liquidity perspective, we may choose to sell part or all of our auto loan portfolios, possibly at less than favorable prices.

Our automobile lending business is dependent upon referrals from dealers. Currently we provide substantially all of our automobile loans only to or through used car dealers. Providers of automobile financing have traditionally competed based on the interest rate charged, the quality of credit accepted and the flexibility of loan terms offered. In order to be successful, we not only need to be competitive in these areas, but also need to establish and maintain good relations with dealers and provide them with a level of service greater than what they can obtain from our competitors.

The financial performance of our automobile loan portfolio is in part dependent upon the liquidation of repossessed automobiles. In the event of certain defaults, we may repossess automobiles and sell repossessed automobiles at wholesale auction markets located throughout the U.S. Auction proceeds from these types of sales and other recoveries rarely are sufficient to cover the outstanding balances of the contracts; where we experience these shortfalls, we will experience credit losses. Decreased auction proceeds resulting from depressed prices at which used automobiles may be sold would result in higher credit losses for us.

Repossession of automobiles entails the risk of litigation and other claims. Although we have contracted with reputable repossession firms to repossess automobiles on defaulted loans, it is not uncommon for consumers to assert that we were not entitled to repossess an automobile or that the repossession was not conducted in accordance with applicable law. These claims increase the cost of our collection efforts and, if correct, can result in awards against us.

We Routinely Explore Various Opportunities to Grow Our Business, to Make Investments and to Purchase and Sell Assets

We routinely consider acquisitions of, or investments in, portfolios and other assets as well as the sale of portfolios and portions of our business. There are a number of risks attendant to any acquisition, including the possibility that we will overvalue the assets to be purchased and that we will not be able to produce the expected level of profitability from the acquired business or assets. Similarly, there are a number of risks attendant to sales, including the possibility that we will undervalue the assets to be sold. As a result, the impact of any acquisition or sale on our future performance may not be as favorable as expected and actually may be adverse.

Portfolio purchases may cause fluctuations in our reported Credit and Other Investments segment's managed receivables data, which may reduce the usefulness of this data in evaluating our business. Our reported Credit and Other Investments segment managed receivables data may fluctuate substantially from quarter to quarter as a result of recent and future credit card portfolio acquisitions.

Receivables included in purchased portfolios are likely to have been originated using credit criteria different from the criteria of issuing bank partners that have originated accounts utilizing our technology platform. Receivables included in any particular purchased portfolio may have significantly different delinquency rates and charge-off rates than the receivables previously originated and purchased by us. These receivables also may earn different interest rates and fees as compared to other similar receivables in our receivables portfolio. These variables could cause our reported managed receivables data to fluctuate substantially in future periods making the evaluation of our business more difficult.

Any acquisition or investment that we make will involve risks different from and in addition to the risks to which our business is currently exposed. These include the risks that we will not be able to integrate and operate successfully new businesses, that we will have to incur substantial indebtedness and increase our leverage in order to pay for the acquisitions, that we will be exposed to, and have to comply with, different regulatory regimes and that we will not be able to apply our traditional analytical framework (which is what we expect to be able to do) in a successful and value-enhancing manner.

Other Risks of Our Business

We are a holding company with no operations of our own. As a result, our cash flow and ability to service our debt is dependent upon distributions from our subsidiaries. The distribution of subsidiary earnings, or advances or other distributions of funds by subsidiaries to us, all of which are subject to statutory and could be subject to contractual restrictions, are contingent upon the subsidiaries' cash flows and earnings and are subject to various business and debt covenant considerations.

Unless we obtain a bank charter, we cannot issue credit cards. Issuers of general purpose credit cards generally permit only entities holding a bank or similar charter to issue credit cards. Because we do not have a bank or similar charter, we currently cannot issue credit cards ourselves. Unless we obtain a bank or similar charter, we will continue to be dependent upon our banking relationship that provides for the issuance of credit cards to consumers, and from which we acquire interests in receivables originated through the relationship. Even if we obtain a bank charter, there may be restrictions on the types of credit that the bank may extend.

We are party to litigation. We are party to certain legal proceedings which include litigation customary for a business of our nature. In each case we believe that we have meritorious defenses or that the positions we are asserting otherwise are correct. However, adverse outcomes are possible in these matters, and we could decide to settle one or more of our litigation matters in order to avoid the ongoing cost of litigation or to obtain certainty of outcome. Adverse outcomes or settlements of these matters could require us to pay damages, make restitution, change our business practices or take other actions at a level, or in a manner, that would adversely impact our business.

We face heightened levels of economic risk associated with certain prior investments. We have made a number of investments in businesses that are not directly related to our traditional servicing and receivables financing activities to, or associated with, the underserved consumer credit market. In addition, some of these investments that we have made are in debt or equity securities of businesses over which we exert little or no control, which likely exposes us to greater risks of loss than investments in activities and operations that we control. We make only those investments we believe have the potential to provide a favorable return. However, because some of the investments are outside of our core areas of expertise, they entail risks beyond those described elsewhere in this report.

Because we outsource account-processing functions that are integral to our business, any disruption or termination of that outsourcing relationship could harm our business. We generally outsource account and payment processing. If these outsourcing relationships were not renewed or were terminated or the services provided to us were otherwise disrupted, we would have to obtain these services from an alternative provider. There is a risk that we would not be able to enter into a similar outsourcing arrangement with an alternate provider on terms that we consider favorable or in a timely manner without disruption of our business.

If we are unable to protect our information systems against service interruption, our operations could be disrupted and our reputation may be damaged. We rely heavily on networks and information systems and other technology, that are largely hosted by third-parties to support our business processes and activities, including processes integral to the origination and collection of loans and other financial products, and information systems to process financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting and legal and tax requirements. Because information systems are critical to many of our operating activities, our business may be impacted by hosted system shutdowns, service disruptions or security breaches. These incidents may be caused by failures during routine operations such as system upgrades or user errors, as well as network or hardware failures, malicious or disruptive software, computer hackers, rogue employees or contractors, cyber-attacks by criminal groups, geopolitical events, natural disasters, failures or impairments of telecommunications networks, or other catastrophic events. If our information systems suffer severe damage, disruption or shutdown and our business continuity plans do not effectively resolve the issues in a timely manner, we could experience delays in reporting our financial results, and we may lose revenue and profits as a result of our inability to collect payments in a timely manner. We also could be required to spend significant financial and other resources to repair or replace networks and information systems.

Unauthorized or unintentional disclosure of sensitive or confidential customer data could expose us to protracted and costly litigation, and civil and criminal penalties. To conduct our business, we are required to manage, use, and store large amounts of personally identifiable information, consisting primarily of confidential personal and financial data regarding consumers across all operations areas. We also depend on our IT networks and systems, and those of third parties, to process, store, and transmit this information. As a result, we are subject to numerous U.S. federal and state laws designed to protect this information. Security breaches involving our files and infrastructure could lead to unauthorized disclosure of confidential information.

We take a number of measures to ensure the security of our hardware and software systems and customer information. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in the technology used by us to protect data being breached or compromised. In the past, banks and other financial service providers have been the subject of sophisticated and highly targeted attacks on their information technology. An increasing number of websites have reported breaches of their security.

If any person, including our employees or those of third-party vendors, negligently disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to costly litigation, monetary damages, fines, and/or criminal prosecution. Any unauthorized disclosure of personally identifiable information could subject us to liability under data privacy laws. Further, under credit card rules and our contracts with our card processors, if there is a breach of credit card information that we store, we could be liable to the credit card issuing banks for their cost of issuing new cards and related expenses. In addition, if we fail to follow credit card industry security standards, even if there is no compromise of customer information, we could incur significant fines. Security breaches also could harm our reputation, which could potentially cause decreased revenues, the loss of existing merchant credit partners, or difficulty in adding new merchant credit partners.

Internet and data security breaches also could impede our bank partners from originating loans over the Internet, cause us to lose consumers or otherwise damage our reputation or business. Consumers generally are concerned with security and privacy, particularly on the Internet. As part of our growth strategy, we have enabled lenders to originate loans over the Internet. The secure transmission of confidential information over the Internet is essential to maintaining customer confidence in such products and services offered online.

Advances in computer capabilities, new discoveries or other developments could result in a compromise or breach of the technology used by us to protect our client or consumer application and transaction data transmitted over the Internet. In addition to the potential for litigation and civil penalties described above, security breaches could damage our reputation and cause consumers to become unwilling to do business with our clients or us, particularly over the Internet. Any publicized security problems could inhibit the growth of the Internet as a means of conducting commercial transactions. Our ability to service our clients' needs over the Internet would be severely impeded if consumers become unwilling to transmit confidential information online.

Also, a party that is able to circumvent our security measures could misappropriate proprietary information, cause interruption in our operations, damage our computers or those of our users, or otherwise damage our reputation and business.

Regulation in the areas of privacy and data security could increase our costs. We are subject to various regulations related to privacy and data security/breach, and we could be negatively impacted by these regulations. For example, we are subject to the Safeguards guidelines under the Gramm-Leach-Bliley Act. The Safeguards guidelines require that each financial institution develop, implement and maintain a written, comprehensive information security program containing safeguards that are appropriate to the financial institution's size and complexity, the nature and scope of the financial institution's activities and the sensitivity of any customer information at issue. Broad-ranging data security laws that affect our business also have been adopted by various states. Compliance with these laws regarding the protection of consumer and employee data could result in higher compliance and technology costs for us, as well as potentially significant fines and penalties for non-compliance. Further, there are various other statutes and regulations relevant to the direct email marketing, debt collection and text-messaging industries including the Telephone Consumer Protection Act. The interpretation of many of these statutes and regulations is evolving in the courts and administrative agencies and an inability to comply with them may have an adverse impact on our business.

In addition to the foregoing enhanced data security requirements, various federal banking regulatory agencies, and all 50 states, the District of Columbia, Puerto Rico and the Virgin Islands, have enacted data security regulations and laws requiring varying levels of consumer notification in the event of a security breach.

Also, federal legislators and regulators are increasingly pursuing new guidelines, laws and regulations that, if adopted, could further restrict how we collect, use, share and secure consumer information, which could impact some of our current or planned business initiatives.

Unplanned system interruptions or system failures could harm our business and reputation. Any interruption in the availability of our transactional processing services due to hardware and operating system failures will reduce our revenues and profits. Any unscheduled interruption in our services results in an immediate, and possibly substantial, loss of revenues. Frequent or persistent interruptions in our services could cause current or potential consumers to believe that our systems are unreliable, leading them to switch to our competitors or to avoid our websites or services, and could permanently harm our reputation.

Although our systems have been designed around industry-standard architectures to reduce downtime in the event of outages or catastrophic occurrences, they remain vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, computer viruses, computer denial-of-service attacks, and similar events or disruptions. Some of our systems are not fully redundant, and our disaster recovery planning may not be sufficient for all eventualities. Our systems also are subject to break-ins, sabotage, and intentional acts of vandalism. Despite any precautions we may take, the occurrence of a natural disaster, a decision by any of our third-party hosting providers to close a facility we use without adequate notice for financial or other reasons, or other unanticipated problems at our hosting facilities could cause system interruptions, delays, and loss of critical data, and result in lengthy interruptions in our services. Our business interruption insurance may not be sufficient to compensate us for losses that may result from interruptions in our service as a result of system failures.

Climate change and related regulatory responses may impact our business. Climate change as a result of emissions of greenhouse gases is a significant topic of discussion and may generate federal and other regulatory responses. It is impracticable to predict with any certainty the impact on our business of climate change or the regulatory responses to it, although we recognize that they could be significant. The most direct impact is likely to be an increase in energy costs, which would adversely impact consumers and their ability to incur and repay indebtedness. However, we are uncertain of the ultimate impact, either directionally or quantitatively, of climate change and related regulatory responses on our business.

Risks Relating to an Investment in Our Securities

The price of our common stock may fluctuate significantly, and this may make it difficult for you to resell your shares of our common stock when you want or at prices you find attractive. The price of our common stock on the NASDAQ Global Select Market constantly changes. We expect that the market price of our common stock will continue to fluctuate. The market price of our common stock may fluctuate in response to numerous factors, many of which are beyond our control. These factors include the following:

- actual or anticipated fluctuations in our operating results;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- the overall financing environment, which is critical to our value;
- the operating and stock performance of our competitors;
- announcements by us or our competitors of new products or services or significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in interest rates;
- the announcement of enforcement actions or investigations against us or our competitors or other negative publicity relating to or our industry;
- changes in GAAP, laws, regulations or the interpretations thereof that affect our various business activities and segments;
- general domestic or international economic, market and political conditions;
- changes in ownership by executive officers, directors and parties related to them who control a majority of our common stock;
- additions or departures of key personnel; and
- future sales of our common stock and the transfer or cancellation of shares of common stock pursuant to a share lending agreement.

In addition, the stock markets from time to time experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies. These broad fluctuations may adversely affect the trading price of our common stock, regardless of our actual operating performance.

Future sales of our common stock or equity-related securities in the public market, including sales of our common stock pursuant to share lending agreements or short sale transactions by holders of convertible senior notes, could adversely affect the trading price of our common stock and our ability to raise funds in new stock offerings. Sales of significant amounts of our common stock or equity-related securities in the public market, including sales pursuant to share lending agreements, or the perception that such sales will occur, could adversely affect prevailing trading prices of our common stock and could impair our ability to raise capital through future offerings of equity or equity-related securities. Future sales of shares of common stock or the availability of shares of common stock for future sale, including sales of our common stock in short sale transactions by holders of our convertible senior notes, may have a material adverse effect on the trading price of our common stock.

We have the ability to issue preferred stock, warrants, convertible debt and other securities without shareholder approval. Our common stock may be subordinate to classes of preferred stock issued in the future in the payment of dividends and other distributions made with respect to common stock, including distributions upon liquidation or dissolution. Our articles of incorporation permit our Board of Directors to issue preferred stock without first obtaining shareholder approval. If we issue preferred stock, these additional securities may have dividend or liquidation preferences senior to the common stock. If we issue convertible preferred stock, a subsequent conversion may dilute the current common shareholders' interest. We have similar abilities to issue convertible debt, warrants and other equity securities.

Our executive officers, directors and parties related to them, in the aggregate, control a majority of our common stock and may have the ability to control matters requiring shareholder approval. Our executive officers, directors and parties related to them own a large enough share of our common stock to have an influence on, if not control of, the matters presented to shareholders. As a result, these shareholders may have the ability to control matters requiring shareholder approval, including the election and removal of directors, the approval of significant corporate transactions, such as any reclassification, reorganization, merger, consolidation or sale of all or substantially all of our assets and the control of our management and affairs. Accordingly, this concentration of ownership may have the effect of delaying, deferring or preventing a change of control of us, impede a merger, consolidation, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could have an adverse effect on the market price of our common stock.

The right to receive payments on our convertible senior notes is subordinate to the rights of our existing and future secured creditors. Our convertible senior notes are unsecured and are subordinate to existing and future secured obligations to the extent of the value of the assets securing such obligations. As a result, in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding of our company, our assets generally would be available to satisfy obligations of our secured debt before any payment may be made on the convertible senior notes. To the extent that such assets cannot satisfy in full our secured debt, the holders of such debt would have a claim for any shortfall that would rank equally in right of payment (or effectively senior if the debt were issued by a subsidiary) with the convertible senior notes. In such an event, we may not have sufficient assets remaining to pay amounts on any or all of the convertible senior notes.

As of March 31, 2019, Atlanticus Holdings Corporation had outstanding: \$422.4 million of secured indebtedness, which would rank senior in right of payment to the convertible senior notes; \$108.7 million of senior unsecured indebtedness in addition to the convertible senior notes that would rank equal in right of payment to the convertible senior notes; and no subordinated indebtedness. Included in senior

secured indebtedness are certain guarantees we have executed in favor of our subsidiaries. For more information on our outstanding indebtedness, See Note 8, "Notes Payable," to our consolidated financial statements included herein.

Our convertible senior notes are junior to the indebtedness of our subsidiaries. Our convertible senior notes are structurally subordinated to the existing and future claims of our subsidiaries' creditors. Holders of the convertible senior notes are not creditors of our subsidiaries. Any claims of holders of the convertible senior notes to the assets of our subsidiaries derive from our own equity interests in those subsidiaries. Claims of our subsidiaries' creditors will generally have priority as to the assets of our subsidiaries over our own equity interest claims and will therefore have priority over the holders of the convertible senior notes. Consequently, the convertible senior notes are effectively subordinate to all liabilities, whether or not secured, of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish. Our subsidiaries' creditors also may include general creditors and taxing authorities. As of March 31, 2019, our subsidiaries had total liabilities of approximately \$546.6 million (including the \$422.4 million of senior secured indebtedness mentioned above), excluding intercompany indebtedness. In addition, in the future, we may decide to increase the portion of our activities that we conduct through subsidiaries.

Note Regarding Risk Factors

The risk factors presented above are all of the ones that we currently consider material. However, they are not the only ones facing our company. Additional risks not presently known to us, or which we currently consider immaterial, also may adversely affect us. There may be risks that a particular investor views differently from us, and our analysis might be wrong. If any of the risks that we face actually occurs, our business, financial condition and operating results could be materially adversely affected and could differ materially from any possible results suggested by any forward-looking statements that we have made or might make. In such case, the trading price of our common stock or other securities could decline, and you could lose part or all of your investment. **We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.**

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth information with respect to our repurchases of common stock during the three months ended March 31, 2019.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs (2)
January 1 - January 31	—	\$ —	—	4,737,540
February 1 - February 28	—	\$ —	—	4,737,540
March 1 - March 31	5,944	\$ 3.56	—	4,737,540
Total	5,944	\$ 3.56	—	4,737,540

- (1) Because withholding tax-related stock repurchases are permitted outside the scope of our 5,000,000 share Board-authorized repurchase plan, these amounts exclude shares of stock returned to us by employees in satisfaction of withholding tax requirements on vested stock grants. There were 5,944 such shares returned to us during the three months ended March 31, 2019.
- (2) Pursuant to a share repurchase plan authorized by our Board of Directors on May 10, 2018, we are authorized to repurchase 5,000,000 shares of our common stock through June 30, 2020.

We will continue to evaluate our stock price relative to other investment opportunities and, to the extent we believe that the repurchase of our stock represents an appropriate return of capital, we will repurchase shares of our stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit	Incorporated by Reference from Atlanticus' SEC Filings Unless Otherwise Indicated
10.1	Fourth Amended and Restated 2014 Equity Incentive Plan	April 11, 2019, Definitive Proxy Statement on Schedule 14A, Appendix A
10.2	Program Management Agreement, dated April 1, 2017, between Mid America Bank & Trust Company and Atlanticus Services Corporation	Filed herewith
10.2(a)*	Amended and Restated Receivable Sales Agreement, dated April 1, 2017, between Mid America Bank & Trust Company and Fortiva Funding, LLC	Filed herewith
10.2(b)	Assignment and Assumption Agreement, dated March 24, 2018, among Mid America Bank & Trust Company, Atlanticus Services Corporation and The Bank of Missouri	Filed herewith
10.2(c)	Assignment and Assumption Agreement, dated March 24, 2018, among Mid America Bank & Trust Company, Fortiva Funding, LLC and The Bank of Missouri	Filed herewith
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)	Filed herewith
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)	Filed herewith
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Presentation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith

* Certain portions of this exhibit have been excluded because they are both not material and would likely cause competitive harm to the Company if publicly disclosed.

SIGNATURES

Pursuant to the requirements 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.

ATLANTICUS HOLDINGS CORPORATION

May 14, 2019

By /s/ WILLIAM R. McCAMEY
William R. McCamey
Chief Financial Officer
(duly authorized officer and principal financial officer)

Section 2: EX-10.2 (EXHIBIT 10.2)

Exhibit 10.2

PROGRAM MANAGEMENT AGREEMENT

THIS PROGRAM MANAGEMENT AGREEMENT (this "Agreement"), dated as of April 1, 2017 ("Effective Date"), is made by and between MID AMERICA BANK & TRUST COMPANY, a Missouri state-chartered bank, having its principal location in Dixon, Missouri ("Bank"), and ATLANTICUS SERVICES CORPORATION, a Georgia corporation, having its principal location in Atlanta, Georgia ("Program Manager").

WHEREAS, Bank is in the business of issuing various types of consumer loans;

WHEREAS, Program Manager is in the business of providing brand development, administering loan programs and servicing consumer loans; and

WHEREAS, Bank desires to develop a program pursuant to which Program Manager will, on behalf of Bank, market, administer and service loans issued by Bank, subject at all times to Bank's oversight, direction, supervision and control and in accordance with Bank's Procedures.

NOW, THEREFORE, in consideration of the foregoing and the terms, conditions and mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Program Manager mutually agree as follows:

1. Definitions, Schedules and Exhibits.

The capitalized terms used in this Agreement shall have the meaning set forth in the attached **Schedule 1**. In addition to those definitions in **Schedule 1**, this Agreement includes the following Exhibits and Schedule:

Exhibit A	Product Line
Exhibit B	Bank Credit Policy
Exhibit C	Bank Loan Account Documentation
Exhibit D	Compliance Plan
Exhibit E	Sample Funding Statement
Exhibit F	Funding Account Information
Exhibit G	Insurance Requirements
Exhibit H	Bank Procedures
Exhibit I	Tasks to be Performed by Program Manager
Exhibit J	Service Level Standards

2. Establishment of Loan Accounts; Program Materials; Brand Development.

- (a) The Parties agree that Bank shall have the sole and exclusive right to determine, and shall exercise continuing control over, all policies and procedures, and all modifications thereof for the establishment and maintenance of the Program, including, without limitation, the Credit Policy, pricing terms and fee structures. Program Manager will provide all services under this Agreement in the name, under the direction, for the benefit and on behalf of Bank on a “first party” basis. Program Manager shall develop one or more Brands and obtain the rights for Bank to use such Brands for the Loan Accounts and the Program. Bank shall have final approval of each Brand used in the Program.
- (b) Under Bank’s control, supervision and direction, and subject to the audit, examination and monitoring rights of Bank and any applicable Regulatory Authority, Program Manager shall perform marketing functions for the Program on behalf of Bank and as directed by Bank, using form(s) of media approved by Bank. Program Manager will assist Bank in developing the form (s) of media to be used, including terms and conditions for the Accounts, direct mail solicitations, promotional materials, television advertisements, telemarketing scripts, internet advertising and websites, but at all times, only upon prior approval of Bank. Program Manager shall submit to Bank all materials that Program Manager recommends that Bank use in marketing the Program (“Promotional Materials”), as well as all program disclosures (“Disclosures”), forms of applications, privacy notices, scripts, training materials and procedures related to the Program (collectively, the “Program Materials”), for Bank’s prior review and approval. Additionally, Program Manager will use its best efforts to ensure that such Promotional Materials and the Brands do not infringe upon the registered or common law trademarks of any third parties, and will indemnify Bank to the extent specified in section 10(b) below against any Lanham Act, or common law infringement claims of any kind, related to the use of the Promotional Materials or the Brands. Program Manager’s marketing responsibilities include, but are not limited to, identifying and engaging merchants and other parties to participate in Bank’s Program.

- (c) The following documents, terms and procedures that have been established and approved by Bank for the Program (collectively, “Consumer Finance Materials”) and that Program Manager shall use on behalf of Bank for Bank’s Loan Accounts are attached to this Agreement: description of terms and conditions of loans offered under Loan Accounts as Exhibit A (Product Lines); Bank Credit Policy as Exhibit B; and form of Loan Account Agreement, privacy notice and, monthly Loan Account statement as Exhibit C. The Consumer Finance Materials shall be approved by Bank in accordance with the Compliance Plan attached as Exhibit D. Bank shall develop an appropriate approval process for all Promotional Materials and Program Materials. Program Manager will use its best efforts to avoid promoting the Program in any Internet forum, publication, or broadcast that is of an offensive, controversial or scandalous nature, and if at any time Bank determines any such marketing channel is not acceptable to Bank, Program Manager shall discontinue the use of such channel at the direction of Bank.
- (d) Program Manager shall ensure that prior to submission and approval and adoption by Bank all Promotional Materials shall be accurate in all material respects and not misleading, all Promotional Materials include, where applicable, the agreed upon Disclosures, and all Promotional Materials and promotional strategies comply with Applicable Laws.
- (e) Bank shall establish the procedures to be used by Program Manager on behalf of Bank in providing the services set forth in this Agreement. All Procedures, including those performed by Program Manager, shall comply with all Applicable Laws, and the Bank Secrecy Act, Anti-Money Laundering, and Customer Identification programs of Bank. Except as required by Applicable Laws, Program Manager shall not amend or otherwise modify the Procedures without the prior written consent of Bank.

3. Extension of Credit.

Bank and Program Manager each acknowledge that approval of an Application and offering a Loan Account, the making of loans and the provision of funding, create a creditor-borrower relationship between Bank and a Borrower. Each Loan Account Agreement and all other documents referring to the creditor on the Loan Accounts shall identify Bank as the creditor at the time of each advance under the Loan Account. Program Manager shall take no action, or provide any communication, that is inconsistent with Bank’s ownership of the Program or Bank’s status as the issuer of credit and the originator of the Loan Account. All extensions of credit shall be made in accordance with the Credit Policy approved by the Bank, attached hereto as Exhibit B, and shall be made in the Bank’s sole discretion. Other than as required by Applicable Laws, Bank shall not extend credit to an Applicant or make an advance on a Loan Account if Bank determines that doing so would be an unsafe or unsound banking practice.

4. Application Processing.

- (a) Program Manager shall on behalf of Bank receive Applications from Applicants and submit such Applications for automated processing (including, but not limited to, obtaining credit reports on behalf of Bank) to determine whether or not the Applicant satisfies the eligibility criteria established by Bank from time to time as set forth in the Bank Credit Policy.
- (b) Program Manager shall forward to Bank the name, address, social security number, date of birth and any other information required by the Bank, regarding each Applicant who meets the eligibility criteria set forth in the Bank Credit Policy. Program Manager shall have no discretion to override the Bank Credit Policy with respect to any Applications.
- (c) Program Manager shall ensure that the subcontractors approved by Bank (“Approved Subcontractors”) process all Authorization Requests in accordance with the Bank Credit Policy. Program Manager shall have no discretion to override the Bank Credit Policy with respect to any Authorization Request.
- (d) Program Manager shall on Bank’s behalf respond to inquiries from Applicants regarding the Application process, provide to Applicants and Borrowers all notices and documents required by Applicable Laws, including, but not limited to adverse action notices with regard to Applications that do not meet the Bank Credit Policy or are otherwise denied by Bank, Loan Account Agreements with regard to Applications that are approved by Bank and Bank’s privacy notices, and provide in the name of the Bank any other customer communications in accordance with the Procedures.
- (e) Subject to the terms of this Agreement, if an Applicant qualifies for a Loan Account or a Borrower qualifies for an Authorization Request under the objectively applied criteria of the Bank Credit Policy, Bank shall establish a Loan Account for the Applicant, and extend credit and fund loans to the Applicant or Borrower.
- (f) Program Manager shall hold and maintain all Bank documents pertaining to Loan Accounts in accordance with Bank’s prescribed retention timeframes. Program Manager will take all commercially reasonable steps to preserve all original documents pertaining to the Loan Accounts, and adhere to all Federal guidance on customer identification regulations. Program Manager shall provide Bank with copies of such documents within a reasonable period of time following Bank’s request.
- (g) Program Manager shall cooperate and assist Bank in implementing programs and procedures necessary to meet all Bank Secrecy Act, Anti Money Laundering, Customer Identification Program standards. The programs and policies shall include a detailed action plan to be implemented and followed by the Parties, including but not limited to, data collection, retention and reporting standards, training standards applicable to Program Manager employees and its subcontractors, delegation of duties and responsibilities, audit procedures, testing, and other independent review procedures, and policies and programs

necessary to comply with Applicable Laws.

- (h) Program Manager shall perform all of its obligations described in this Section and the services set forth in **Exhibit I** hereto on Bank's behalf and under Bank's supervision, control and direction, and deliver any customer communications to Applicants and Borrowers as necessary to carry on the Program, all in accordance with the Procedures.

5. Servicing of Loan Accounts.

- (a) Program Manager shall provide the following services, either directly or through Approved Subcontractors: processing Authorization Requests, preparation and mailing of account statements, undertaking collections, providing customer service (including responding to credit limit adjustment requests in accordance with the Bank Credit Policy), crediting Loan Accounts in respect of unauthorized charges, chargebacks, refunds and adjustments, resolving customer disputes, managing merchant relationships, and providing such other services as are ordinary and customary for similar programs and the Loan Accounts, including the services set forth on **Exhibit I** hereto.
- (b) Program Manager shall perform Loan Account servicing on behalf of Bank in accordance with the Procedures, the Compliance Plan, Applicable Laws and with the service level standards set forth on **Exhibit J** hereto.
- (c) Program Manager shall cooperate and assist Bank in developing all forms of written communications with Borrowers, including Loan Account statements and collection letters. Bank must give approval for such written communication prior to use and for any written communication with a Borrower that is materially different from the approved form of such communication.
- (d) For Loan Accounts that have been charged off in accordance with the Procedures, Program Manager shall continue to service and collect those Loan Accounts pursuant to the Procedures and any other guidance provided by Bank.

6. Funding and Settlement.

Program Manager will provide a Funding Statement to Bank by e-mail or as otherwise mutually agreed in writing by the Parties not later than 3:00 p.m. CST on each Business Day. The Funding Statement shall be substantially in the form of **Exhibit E** attached hereto. The Program Manager shall submit ACH files on behalf of Bank to the Bank's payment processor to initiate the transfer of funds from the Bank's Funding Account(s) (such Funding Account or Funding Accounts as initially identified on **Exhibit F** hereto) to the Borrower or Merchant, as appropriate.

7. Program Compliance and Parameters.

- (a) Program Manager shall comply with Applicable Laws, the Procedures and the Compliance Plan in its performance of its obligations as set forth in this Agreement, including accepting Loan Accounts, processing Applications processing and preparing Loan Account Agreements and other Loan Account documents. Program Manager will also stay apprised of all changes to the Applicable Laws that may affect the Program, and will at all times follow direction from Bank in connection with such changes.
- (b) In accordance with Applicable Laws, Program Manager shall comply with the Bank's privacy notice with respect to Applicants and Borrowers and will take such steps as necessary and as further described herein to assure that all third parties necessary to the Program, including employees, agents, affiliates, subcontractors and assigns, observe the Bank's privacy notice.
- (c) With reasonable advance notice and during business hours, Program Manager shall make available its personnel to meet with Bank's personnel on a regular basis to discuss Program Manager's administering and servicing of the Program, Program Manager's servicing performance and any questions about or changes to the Program that Bank may request.

8. Representations and Warranties.

- (a) Bank hereby represents and warrants to Program Manager as of the Effective Date that:
 - (1) Bank is a Corporation duly organized, validly existing under the laws of Missouri;
 - (2) Bank is a federally insured, Missouri state-chartered, Federal Reserve member bank that accepts insured deposits from affiliated and non-affiliated companies, and is a federally insured state-chartered depository institution for the purposes of section 521 of the Depository Institutions Deregulation and Monetary Control Act of 1980, 12 U.S.C. § 1831(d);

- (3) Bank has full corporate power and authority to execute, deliver, and perform its obligations under this Agreement, including, but not limited to, the authority to make the extensions of credit contemplated by this Agreement to Borrowers in all United States jurisdictions; the execution, delivery and performance of this Agreement have been duly authorized and are not in conflict with and do not violate the terms of the charter or bylaws of Bank and will not result in a material breach of or constitute a default under, or require any consent under, any indenture, loan or agreement to which Bank is a party;
 - (4) All approvals, authorizations, licenses, registrations, consents, and other actions by notices to, and filings with, any Person that may be required in connection with the execution, delivery, and performance of this Agreement by Bank, have been obtained (other than those required to be made to or received from Borrowers and Applicants);
 - (5) This Agreement constitutes a legal, valid, and binding obligation of Bank, enforceable against Bank in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, receivership, conservatorship or other similar laws now or hereafter in effect, including the rights and obligations of receivers and conservators under 12 U.S.C. §§ 1821(d) and (e) which may affect the enforcement of creditors rights in general, and as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity);
 - (6) Bank is a member in good standing of Visa U.S.A., Inc. and MasterCard International Incorporated, and in compliance with their operating rules;
 - (7) Bank is not Insolvent;
 - (8) Bank is, and shall remain throughout the Term, adequately capitalized;
 - (9) There are no proceedings or investigations pending or, to the best knowledge of Bank, threatened against Bank asserting the invalidity of this Agreement, seeking to prevent the consummation of any of the transactions contemplated by the Bank pursuant to this Agreement, seeking any determination or ruling that, in the reasonable judgment of Bank, would materially and adversely affect the performance by Bank of its obligations under this Agreement, seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement or would have a materially adverse financial effect on Bank or its operations if resolved adversely to it;
 - (10) The Proprietary Materials licensed by Bank to Program Manager pursuant to Section 14, and their use as contemplated by this Agreement, do not violate or infringe upon, or constitute an infringement or misappropriation of, any U.S. patent, copyright or U.S. trademark, service mark, trade name or trade secret of any person or entity and Bank has the right to grant the licenses set forth in Sections 14(a) and below; and
 - (12) Bank has established and will maintain an information security program that meets the objectives of the interagency Guidelines Establishing Information Security Standards and that is designed to (i) ensure the security and confidentiality of Borrower Data, (ii) protect against unauthorized access to or use of Borrower Data that could result in substantial harm or inconvenience to Customer or any of its customers, and (iv) ensure the proper disposal of Borrower Data. Bank will (1) take appropriate action to address any incident of unauthorized access to Borrower Data and (2) notify Program Manager as soon as possible of any incident of unauthorized access to Sensitive Customer Information and any other breach in Customer's security that materially affects Program Manager or confidential customer information.
- (b) Program Manager hereby represents and warrants to Bank as of the Effective Date that:
- (1) Program Manager is a corporation, duly organized and validly existing in good standing under the laws of the State of Georgia, and has full power and authority to execute, deliver, and perform its obligations under this Agreement; the execution, delivery, and performance of this Agreement have been duly authorized, and are not in conflict with and do not violate the terms of the articles of incorporation of Program Manager and will not result in a material breach of or constitute a default under or require any consent under any material indenture, loan, or agreement to which Program Manager is a party;
 - (2) All approvals, authorizations, consents, and other actions by, notices to, and filings with any Person required to be obtained for the execution, delivery, and performance of this Agreement by Program Manager, have been obtained or will be acquired prior to engaging in the Program activity or activities giving rise to the need for such a license;
 - (3) This Agreement constitutes a legal, valid, and binding obligation of Program Manager, enforceable against Program Manager in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect, which may affect the enforcement of creditors' rights in general, and as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity);

- (4) There are no proceedings or investigations pending or, to the best knowledge of Program Manager, threatened against Program Manager asserting the invalidity of this Agreement, seeking to prevent the consummation of any of the transactions contemplated by the parties pursuant to this Agreement, seeking any determination or ruling that, in the reasonable judgment of Program Manager, would materially and adversely affect Program Manager's ability to perform this Agreement, seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement, or would have a materially adverse financial effect on Program Manager or its operations if resolved adversely to it;
 - (5) Program Manager is not Insolvent;
 - (6) The execution, delivery and performance of this Agreement by Program Manager, and the Consumer Finance Materials and Promotional Materials submitted to Bank for review and approval shall all comply with Applicable Laws;
 - (7) The Proprietary Materials Program Manager licenses to Bank pursuant to Section 14, and their use as contemplated by this Agreement, do not violate or infringe upon, or constitute an infringement or misappropriation of, any U.S. patent, copyright or U.S. trademark, service mark, trade name or trade secret of any person or entity and Program Manager has the right to grant the license set forth in Section 14(a) below; and
 - (8) Program Manager has established and will maintain an information security program that meets the objectives of the interagency Guidelines Establishing Information Security Standards and that is designed to (i) ensure the security and confidentiality of Borrower Data, (ii) protect against unauthorized access to or use of Borrower Data that could result in substantial harm or inconvenience to Customer or any of its customers, and (iv) ensure the proper disposal of Borrower Data. Program Manager will also take such steps as necessary and as further described herein to assure that all third parties necessary to the Program, including employees, agents, affiliates, subcontractors and assigns, observe all standards described in this subsection (8). Program Manager will (1) take appropriate action to address any incident of unauthorized access to Borrower Data and (2) notify Bank as soon as possible of any incident of unauthorized access to Sensitive Customer Information and any other breach in Customer's security that materially affects Bank or Bank's customers.
- (c) Program Manager hereby represents and warrants to Bank that:
- (1) For each Loan Account and each Loan Account Advance: to the best of Program Manager's knowledge, all information in the related Application is true and correct; Program Manager has delivered all required disclosures to Borrowers in compliance with Applicable Laws; the Loan Account Agreement and all other Loan Account documents conform to the requirements of the Program and were prepared in conformity with the Procedures; all necessary approvals required to be obtained from Bank by Program Manager have been obtained;
 - (2) Each Application reflected on a Funding Statement has been submitted by a verified person and satisfies the Bank Credit Policy for a Loan Account or the requested Loan Account Advance; and
 - (3) The information on each Funding Statement is true and correct in all material respects.
- (d) The representations and warranties of Bank and Program Manager contained in this Section 8, except those representations and warranties contained in Sections 8 (a)(8) and 8(b)(4), are made continuously throughout the term of this Agreement. In the event that any investigation or proceeding of the nature described in Sections 8(a)(8) and 8(b)(4) and is instituted or threatened against either Party, such Party shall promptly notify the other Party of the pending or threatened investigation or proceeding.

9. Compensation to Program Manager; Bank Expenses.

- (a) As compensation for the program administration and all other services provided by Program Manager on behalf of Bank pursuant to the terms hereof, Bank shall pay to Program Manager a monthly program management fee in an amount determined in accordance with **Schedule 2** hereto (the "Program Management Fee"). The Program Management Fee shall be in consideration for all direct, indirect and out of pocket costs and expenses incurred by Program Manager to provide the services as set forth herein and shall be paid no later than the fifteenth day following the end of each calendar month.
- (b) Program Manager shall reimburse Bank for the reasonable cost of annual audits, necessary travel and other non-typical expenses incurred by Bank in connection with the Bank's audit, review and oversight of the Program.

10. Indemnification.

- (a) Bank agrees to indemnify, defend and hold harmless Program Manager and its Affiliates, and the officers, directors, employees, representatives, shareholders, agents and attorneys of such entities (the "Program Manager Indemnified Parties") from and against any and all third-party claims or actions and related liability, judgments, damages, costs and expenses, including reasonable attorneys' fees ("Losses"), that may arise from the gross negligence or willful misconduct of Bank or its agents or representatives (other than Program Manager); the breach by Bank or its agents or representatives (other than Program Manager) of any of Bank's covenants, obligations, representations, warranties or undertakings under this Agreement; or violation by Bank or any of its agents or representatives (other than Program Manager) of Applicable Laws.
- (b) Program Manager agrees to indemnify, defend and hold harmless Bank and its Affiliates and the officers, directors, employees, representatives, shareholders, agents and attorneys of such entities (the "Bank Indemnified Parties") from and against any and all Losses, that may arise from the gross negligence or willful misconduct of Program Manager or its agents or representatives in connection with its performance of its obligations under this Agreement; breach by Program Manager or its agents or representatives of any of Program Manager's covenants, obligations, representations, warranties or undertakings under this Agreement; a violation by Program Manager, its subcontractors, employees, agents, representatives or any other third-party acting on Program Manager's behalf, of any Applicable Laws; or any and all claims, demands and proceedings of any kind, related to, arising from or otherwise concerning prior issuing relationships or intellectual property use before the Effective Date.
- (c) The Program Manager Indemnified Parties and the Bank Indemnified Parties are sometimes referred to herein as the "Indemnified Parties," and Program Manager or Bank, as an indemnitor hereunder, is sometimes referred to herein as the "Indemnifying Party."
- (d) Any Indemnified Party seeking indemnification hereunder shall promptly notify the Indemnifying Party, in writing, of any notice of the assertion by any third party of any claim or of the commencement by any third party of any legal or regulatory proceeding, arbitration or action, or if the Indemnified Party determines the existence of any such claim or the commencement by any third party of any such legal or regulatory proceeding, arbitration or action, whether or not the same shall have been asserted or initiated, in any case with respect to which the Indemnifying Party is or may be obligated to provide indemnification (an "Indemnifiable Claim"), specifying in reasonable detail the nature of the Loss, and, if known, the amount, or an estimate of the amount, of the Loss, provided that failure to promptly give such notice shall only limit the liability of the Indemnifying Party to the extent of the actual prejudice, if any, suffered by such Indemnifying Party as a result of such failure. The Indemnified Party shall provide to the Indemnifying Party as promptly as practicable thereafter information and documentation reasonably requested by such Indemnifying Party to defend against the claim asserted.
- (e) The Indemnifying Party shall have thirty (30) days after receipt of any notification of an Indemnifiable Claim (a "Claim Notice") to assume the defense of the Indemnifiable Claim and, through counsel of its own choosing, and at its own expense, to commence the settlement or defense thereof, and the Indemnified Party shall cooperate with the Indemnifying Party in connection therewith. The Indemnifying Party shall not settle any Indemnifiable Claim without the Indemnified Party's consent, which consent shall not be unreasonably withheld or delayed for any reason if the settlement involves only payment of money, and which consent may be withheld for any reason if the settlement involves more than the payment of money, including any admission by the Indemnified Party. The Indemnified Party shall not pay or settle such claim without the Indemnifying Party's consent, which consent shall not be unreasonably withheld or delayed.

11. Term and Termination.

- (a) This Agreement shall have an initial term beginning on the Effective Date and ending three (3) years thereafter (the "Initial Term"), and shall renew automatically for successive terms of one (1) year each (each a "Renewal Term") unless either Party provides notice of non-renewal to the other Party, at least one hundred and eighty (180) days prior to the end of the Initial Term or any Renewal Term. The Initial Term together with all Renewal Terms are referred to as the "Term."
- (b) A Party shall have a right to terminate this Agreement immediately upon written notice to the other Party in any of the following circumstances:
 - (1) any representation or warranty made by the other Party in this Agreement shall be incorrect in any material respect and shall not have been corrected within thirty (30) Business Days after written notice thereof has been given to such other Party;
 - (2) the other Party shall default in the performance of any obligation or undertaking under this Agreement and such default shall continue for thirty (30) Business Days after written notice thereof has been given to such other Party;
 - (3) the other Party shall commence a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, receivership, conservatorship or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, conservator, custodian, or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of a trustee, receiver, liquidator, conservator, custodian, or other similar official or to any

involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

- (4) an involuntary case or other proceeding, whether pursuant to banking regulations or otherwise, shall be commenced against the other Party seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency, receivership, conservatorship or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, conservator, custodian, or other similar official of it or any substantial part of its property; or an order for relief shall be entered against either Party under the federal bankruptcy laws as now or hereafter in effect;
- (c) In the event that Bank has any basis under this Agreement to terminate this Agreement:
 - (1) Bank may notify Program Manager that, in lieu of terminating this entire Agreement, Bank may terminate this Agreement only with respect to the establishment of new Loan Accounts. Any such notice must be in writing and must be included in the written notice of termination provided by Bank to Program Manager.
 - (2) Program Manager may request that, in lieu of terminating this entire Agreement, Bank terminate this Agreement only with respect to the establishment of new Loan Accounts. Program Manager shall make any such request in writing within a reasonable period of time after receiving written notice of termination from Bank. Bank shall give reasonable consideration to Program Manager's request.
 - (3) If, pursuant to Section 11(d)(1) or 11(d)(2) the Parties agree to terminate this Agreement only with respect to the establishment of new Loan Accounts, this Agreement, and all services necessary for the continued performance of the Program, shall remain in full force and effect with respect to all Loan Accounts established prior to such agreement to terminate, including, but not limited to, processing services made under such Loan Accounts after such agreement to terminate.
 - (d) The expiration or termination of this Agreement and any Transition Period either in part or in whole shall not discharge any Party from any obligation incurred prior to such expiration or termination.
 - (e) Bank's obligation to operate the Program, establish Loan Accounts or make advances on any Loan Accounts subsequent to a notice of termination or termination of this Agreement shall in all cases be subject to Applicable Laws and/or regulatory requirements.
 - (f) Sections 10, 11(d), 11(f), 12, 13, 14(b), 19, 20, 21, 24, 25, 26, 27, 29, of this Agreement, shall survive expiration or termination of this Agreement.

12. Transition and Wind Down.

Program Manager and Bank shall take those actions and cooperate with one another in good faith as reasonably required to wind-down the Program and transition such Party's specific tasks, rights and obligations to third parties.

13. Confidentiality.

- (a) Each Party agrees that Confidential Information of the other Party shall be used by such Party solely in the performance of its obligations and exercise of its rights pursuant to the terms hereof. Except as required by Applicable Laws or legal process, neither Party (the "Restricted Party") shall disclose Confidential Information of the other Party to third parties; provided, however, that the Restricted Party may disclose Confidential Information of the other Party to the Restricted Party's Affiliates, agents, representatives or subcontractors for the sole purpose of fulfilling the Restricted Party's obligations under this Agreement (as long as the Restricted Party exercises reasonable efforts to prohibit any further disclosure by its Affiliates, agents, representatives or subcontractors), provided that in all events, the Restricted Party shall be responsible for any breach of the confidentiality obligations hereunder by any of its Affiliates, agents, representatives or subcontractors, to the Restricted Party's auditors, accountants and other professional advisors, or to a Regulatory Authority or to any other third party as mutually agreed by the Parties.
- (b) Confidential Information that consists of Borrower Data shall only be used or disclosed as permitted by Applicable Laws, and then only by Program Manager to fulfill its obligations pursuant to this Agreement and to perform those tasks listed on Exhibit I.
- (c) A Party's Confidential Information shall not include information that:
 - (1) is generally available to the public;
 - (2) has become publicly known, without fault on the part of the Party who now seeks to disclose such information (the "Disclosing Party"), subsequent to the Disclosing Party acquiring the information;

- (3) was otherwise known by, or available to, the Disclosing Party prior to entering into this Agreement; or
 - (4) becomes available to the Disclosing Party on a non-confidential basis from a Person, other than a Party to this Agreement, who is not known by the Disclosing Party after reasonable inquiry to be bound by a confidentiality agreement with the non-Disclosing Party or otherwise prohibited from transmitting the information to the Disclosing Party.
- (d) Upon written request or upon the expiration or termination of this Agreement and any Transition Period, each Party shall, within thirty (30) days, return to the other Party all Confidential Information of the other Party in its possession that is in written form, including by way of example, but not limited to, reports, plans, and manuals; provided, however, that either Party may maintain in its possession all such Confidential Information of the other Party required to be maintained under Applicable Laws relating to the retention of records for the period of time required thereunder.
 - (e) Each Party shall require its subcontractors having access to Confidential Information of the other Party to agree in writing to be bound by provisions materially similar to this Section 13 prior to disclosure of any such Confidential Information to such subcontractors.
 - (f) In the event that a Restricted Party is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information of the other Party, the Restricted Party will provide the other Party with prompt notice of such request(s) so that the other Party may seek an appropriate protective order or other appropriate remedy and/or waive the Restricted Party's compliance with the provisions of this Agreement. In the event that the other Party does not seek such a protective order or other remedy, or such protective order or other remedy is not obtained, or the other Party grants a waiver hereunder, the Restricted Party may furnish that portion (and only that portion) of the Confidential Information of the other Party which the Restricted Party is legally compelled to disclose and will exercise such efforts to obtain reasonable assurance that confidential treatment will be accorded any Confidential Information of the other Party so furnished as the Restricted Party would exercise in assuring the confidentiality of any of its own confidential information.

14. Licensing of Proprietary Material.

- (a) Each Party ("Licensing Party") hereby provides the other Party ("Licensee") with a non-exclusive right and license to use and reproduce the Licensing Party's name, logo, registered trademarks, service marks and, where Licensing Party is Program Manager, the Brand (collectively, "Proprietary Material") on the Applications, Loan Account Agreements, Promotional Materials, and otherwise in connection with the fulfillment of Licensee's obligations under this Agreement; provided, however, that Licensee shall at all times comply with written instructions provided by Licensing Party regarding the use of its Proprietary Material, and Licensee acknowledges that, except as specifically provided in this Agreement, it will acquire no interest in Licensing Party's Proprietary Material. Upon expiration or termination of this Agreement and any Transition Period, Licensee will cease using Licensing Party's Proprietary Material.
- (b) Program Manager does hereby grant to Bank a non-exclusive license in and to Program Manager's Platform to be used for the Program. Such license shall be used only for the Program and for no other purpose, and only for so long as this Agreement is in force and effect, and has not expired or been terminated by either Party for any reason whatsoever.
- (c) With the exception of Bank's Proprietary Material, all material and branding created or generated by Program Manager in connection with this Agreement or the Program, including, but not limited to, all URLs, IP Addresses and program names, shall be the property of Program Manager, and Program Manager shall retain all rights in and to such material, including all intellectual property rights in such material.

15. Relationship of Parties.

Except for the services or functions performed for or on behalf of or in the name of Bank by Program Manager under this Agreement, the Parties agree that in performing their separate responsibilities and for purposes of internal corporate operations and governance, they are in the position of independent contractors. This Agreement is not intended to create, nor does it create and shall not be construed to create, a relationship of partner or joint venturer or any association for profit between Bank and Program Manager.

16. Expenses.

- (a) Except as set forth herein, each Party shall bear the costs and expenses of performing its obligations under this Agreement.
- (b) Each Party shall be responsible for payment of any federal, state, or local taxes or assessments associated with the performance of its obligations under this Agreement and for compliance with all filing, registration and other requirements with regard thereto.

17. Examination. Program Manager agrees to timely submit to any examination that may be required by a Regulatory Authority having jurisdiction over Bank, during regular business hours and upon reasonable prior notice, and to otherwise provide reasonable cooperation to Bank in responding to such Regulatory Authorities' inquiries and requests relating to the Program.

18. Inspection; Reports.

- (a) Program Manager, upon reasonable prior notice from Bank, agrees to submit to a timely and prompt inspection of its books, records, accounts, and facilities relevant to the Program, from time to time, during regular business hours subject in each case, to any requirements under Applicable Laws, for the purpose of auditing Program Manager's compliance with this Agreement.
- (b) Program Manager shall store all documentation and electronic data relevant and material to its performance under this Agreement and shall make such documentation and data available during any inspection by Bank or its designee. With such frequency and in such manner as mutually agreed by the Parties, Program Manager shall timely report to Bank regarding the performance of its obligations. Program Manager shall provide Bank on-line access to the systems used to service the Loan Accounts.

19. Governing Law.

This Agreement shall be interpreted and construed in accordance with the laws of the State of Missouri, without giving effect to the rules, policies, or principles thereof with respect to conflicts of laws.

20. Jurisdiction; Venue.

The Parties consent to the personal jurisdiction and venue of the federal and state courts in Missouri, for any court action or proceeding.

21. Severability.

Any provision of this Agreement which is deemed invalid, illegal or unenforceable in any jurisdiction, shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining portions hereof in such jurisdiction or rendering such provision or any other provision of this Agreement invalid, illegal, or unenforceable in any other jurisdiction.

22. Assignment.

This Agreement and the rights and obligations created under it shall be binding upon and inure solely to the benefit of the Parties and their respective successors, and permitted assigns. Neither Party shall be entitled to assign or transfer any interest under this Agreement without the prior written consent of the other Party.

23. Subcontractors.

Program Manager may use subcontractors in the performance of its obligations in accordance with the terms of this Agreement upon written notice and approval by Bank which shall not be unreasonably withheld or delayed. Program Manager shall be permitted, solely with notice to Bank, to delegate any of its obligations under this Agreement to its Affiliates. Program Manager agrees to be fully responsible for the acts and omissions of all subcontractors, including the subcontractors' and Program Manager's Affiliates compliance with the terms of this Agreement and all Applicable Laws.

24. Third-Party Beneficiaries.

Nothing contained herein shall be construed as creating a third-party beneficiary relationship between either Party and any other Person.

25. Notices.

All notices and other communications that are required or may be given in connection with this Agreement shall be in writing and shall be deemed received on the day delivered, if delivered by hand; on the day transmitted, if transmitted by facsimile or e-mail with receipt confirmed; or three (3) business days after the date of mailing to the other Party, if mailed first-class postage prepaid, at the following address, or such other address as either Party shall specify in a notice to the other:

To Bank:

Mid America Bank & Trust Company
216 West 2nd Street
Dixon, MO 65459
Attn: Greg Luehmann

To Program Manager:

Five Concourse Parkway
Suite 300
Atlanta, Georgia 30328
Attn: Chief Risk Officer

With a copy to:

Five Concourse Parkway
Suite 300
Atlanta, GA 30328
Attn: General Counsel

26. Amendment and Waiver.

This Agreement may be amended only by a written instrument signed by each of the Parties. The failure of a Party to require the performance of any term of this Agreement or the waiver by a Party of any default under this Agreement shall not prevent a subsequent enforcement of such term and shall not be deemed a waiver of any subsequent breach. All waivers must be in writing and signed by the Party against whom the waiver is to be enforced.

27. Entire Agreement.

This Agreement including schedules and exhibits, constitutes the entire agreement between the Parties with respect to the subject matter hereof, and supersedes any prior or contemporaneous negotiations or oral or written agreements with regard to the same subject matter.

28. Counterparts.

This Agreement may be executed and delivered by the Parties in any number of counterparts, and by different parties on separate counterparts, each of which counterpart shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same instrument.

29. Interpretation.

The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments thereto, and the same shall be construed neither for nor against either Party, but shall be given a reasonable interpretation in accordance with the plain meaning of its terms and the intent of the Parties.

30. Insurance.

Program Manager agrees to maintain insurance coverages on the terms and conditions specified in **Exhibit G** at all times during the term of this Agreement, and to notify Bank promptly of any cancellation or lapse of any such insurance coverage. Program Manager further agrees to provide such evidence confirming the agreed insurance policies are in force and effecting, including a true and correct copies of all policies and declaration pages.

31. Notice of Regulatory Matters.

Each Party shall notify the other Party if it becomes aware of any investigations or proceedings by any governmental authority relating to any aspect of the Program upon becoming aware of such investigation or proceeding, and each Party shall provide the other Party with all related documentation thereof, subject to any legal prohibitions on disclosure of such investigation or proceeding. Each Party shall maintain a log of any Borrower complaints and shall share that log with the other Party at least monthly.

32. Headings.

Captions and headings in this Agreement are for convenience only, and are not to be deemed part of this Agreement.

33. Manner of Payments.

Unless the manner of payment is expressly provided herein, all payments under this Agreement shall be made by ACH transfer to the bank accounts designated by the respective Parties. Notwithstanding anything to the contrary contained herein, neither Party shall fail to make any payment required of it under this Agreement as a result of a breach or alleged breach by the other Party of any of its obligations under this Agreement or any other agreement, provided that the making of any payment hereunder shall not constitute a waiver by the Party making the payment of any rights it may have under this Agreement or by law.

34. Referrals.

Neither Party has agreed to pay any fee or commission to any agent, broker, finder, or other person for or on account of such person's services rendered in connection with this Agreement that would give rise to any valid claim against the other Party for any commission, finder's fee or like payment.

35. Audited Financial Statements.

Within ninety (90) days following the end of Program Manager's fiscal year, Program Manager shall deliver to Bank a copy of the audited financial statements of Program Manager, if available, and if not, then Program Manager's parent, Atlanticus Holdings Corporation, prepared by an independent certified public accountant in accordance with generally accepted accounting principles consistently applied, to the extent publicly available. Program Manager also agrees to deliver to Bank a copy of Program Manager's unaudited financial statements on a quarterly basis within forty-five (45) days of the completion of each applicable quarter.

Signature block on next page

IN WITNESS WHEREOF, the Parties have entered into this Agreement on the date set forth above.

MID AMERICA BANK & TRUST COMPANY

By: /s/Gregory J. Luehmann
Name: Gregory J. Luehmann
Title: President/CEO
Date: 4-1-17

ATLANTICUS SERVICES CORPORATION

By: /s/Jeffrey A. Howard
Name: Jeffrey A. Howard
Title: President
Date: 4-1-17

Exhibit Index

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Schedule 1

Definitions

- (a) “ACH” means the Automated Clearinghouse.
- (b) “Affiliate” means, with respect to a Party, a Person who directly or indirectly controls, is controlled by or is under common control with the Party. For the purpose of this definition, the term “control” (including with correlative meanings, the terms controlling, controlled by and under common control with) means the power to direct the management or policies of such Person, directly or indirectly, through the ownership of twenty-five percent (25%) or more of a class of voting securities of such Person.
- (c) “Applicable Laws” means all federal, state and local laws, statutes, regulations and orders applicable to a Party or relating to or affecting any aspect of the Program including, without limitation, the Loan Accounts, the Promotional Materials and the Consumer Finance Materials, all requirements of any Regulatory Authority having jurisdiction over a Party, as any such laws, statutes, regulations, orders and requirements may be amended and in effect from time to time during the term of this Agreement.
- (d) “Applicant” means an individual who is a consumer who requests a Loan Account from Bank as part of the Program.
- (e) “Application” means any request from an Applicant for a Loan Account in the form required by Bank as part of the Program.
- (f) “Approved Subcontractors” shall have the meaning set forth in Section 4(c).
- (g) “Authorization Request” means a request by a Borrower for an advance on a Loan Account.
- (h) “Bank” shall have the meaning set forth in the introductory paragraph of this Agreement.
- (i) “Bank Indemnified Parties” shall have the meaning set forth in Section 10(b).
- (j) “Borrower” means an Applicant or other Person to whom Bank has established a Loan Account and/or who is liable, jointly or severally, for amounts owing with respect to a Loan Account.
- (k) “Borrower Data” means information that is provided to or obtained by a Party in the performance of its obligations under this Agreement or otherwise regarding Applicants and Borrowers, including, but not limited to name, postal address, social security number, email address, telephone number, date of birth, Account number, security codes, valid to and from dates, as well as information and demographic data, data generated and/or created in connection with Account processing and maintenance activities, Account statementing and customer service, telephone logs and records and other documents and information necessary for the processing and maintenance of Accounts, and all “Nonpublic Personal Information” and “Personally Identifiable Financial Information” (as defined in 12 C.F.R. §§ 40.3(n) and (o), respectively).
- (l) “Brand” means any combination of a name, logo, mark or other distinguishing feature that Program Manager develops or obtains for the Bank’s use as provided in the Agreement, including the Fortiva Brand.
- (m) “Business Day” means any day, other than a Saturday or Sunday, or a day on which banking institutions in the State of Missouri are authorized or obligated by law or executive order to be closed.
- (n) “Claim Notice” shall have the meaning set forth in Section 10(e).
- (o) “Confidential Information” means the terms and conditions of this Agreement, and any proprietary information or non-public information of a Party, including a Party’s proprietary marketing plans and objectives, the Merchants and the terms of the agreement between Merchants and Program Manager, that is furnished to the other Party in connection with this Agreement.
- (p) “Consumer Finance Materials” shall have the meaning set forth in Section 2(c).
- (q) “Credit Policy” means Bank’s credit criteria that Bank uses to approve or deny an Application, establish a Loan Account, and to authorize or decline a Loan Account Advance or modify any terms of a Loan Account (e.g. a credit line adjustment), as set forth in Exhibit B hereto.
- (r) “Disclosing Party” shall have the meaning set forth in Section 13(c)(2).
- (s) “Disclosures” shall have the meaning set forth in Section 2(b).
- (t) “Effective Date” shall have the meaning set forth in the introductory paragraph of this Agreement.

- (u) "Fortiva Brand" shall mean the "Fortiva" trademark and corresponding intellectual property rights associated with that trademark.
- (v) "Funding Account" means the banking account to be used for receipt of the applicable Funding Amount, as initially identified on Exhibit F attached hereto.

- (w) “Funding Amount” means the aggregate amount of all Loan Account Advance proceeds, less any discount or fee pursuant to agreements between Program Manager and any Merchant or third parties, adjusted by debits and credits pursuant to such agreements, and less any initial fees assessed to a Borrower in connection with a Loan Account, to be disbursed by Bank to Program Manager or, at Program Manager’s direction, to Merchant or a Borrower, on each Funding Date, as listed on a Funding Statement.
- (x) “Funding Date” means the Business Day on which any new Loan Account Advance proceeds are disbursed by Bank to a Merchant or Borrower.
- (y) “Funding Institution” means the depository institution at which the Funding Account is established, which shall initially be Mid America Bank & Trust and may be changed by Bank upon ten (10) days prior written notice to Program Manager.
- (z) “Funding Statement” means the statement prepared by Program Manager on a Business Day that contains the computation of the Funding Amount, and all information necessary for the transfer of Loan Account Advance proceeds to the Funding Account and such other information as shall be reasonably requested by Bank and mutually agreed by the Parties in writing.
- (aa) “Indemnifiable Claim” shall have the meaning set forth in Section 10(d).
- (bb) “Indemnified Parties” shall have the meaning set forth in Section 10(c).
- (cc) “Indemnifying Party” shall have the meaning set forth in Section 10(c).
- (dd) “Initial Term” shall have the meaning set forth in Section 11(a).
- (ee) “Insolvent” means the failure to pay debts in the ordinary course of business, the inability to pay its debts as they come due or the condition whereby the sum of an entity’s debts is greater than the sum of its assets.
- (ff) “IP Address” means an Internet protocol address.
- (gg) “Licensee” shall have the meaning set forth in Section 14(a).
- (hh) “Licensing Party” shall have the meaning set forth in Section 14(a).
- (ii) “Loan Account” means an open- or close-ended loan account established by Bank pursuant to this Agreement.
- (jj) “Loan Account Advance” means a draw down on a line of credit or installment loan established by Bank to Borrower pursuant to the Program.
- (kk) “Loan Account Agreement” means the document containing the terms and conditions of a Loan Account including all disclosures required by Applicable Laws.
- (ll) “Losses” shall have the meaning set forth in Section 10(a).
- (mm) “Merchant” shall mean a person, firm or entity providing goods and/or services to a Borrower in connection with a Loan Account.
- (nn) “Party” means either Program Manager or Bank and “Parties” means Program Manager and Bank.
- (oo) “Person” means any legal person, including any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, governmental entity, or other entity of similar nature.

- (pp) “Platform” means the technology, systems, interfaces, analytics, criteria, scoring, data attributes and processes used and applied to Applications and Loan Accounts to decision, service or otherwise manage them in accordance with the Bank’s Procedures.
- (qq) “Procedures” means the policies and procedures for the solicitation and receipt of Applications, the underwriting of Loan Accounts and processing of Applications, the provision of adverse action notices and Loan Account Agreements to Applicants and the servicing and collection of Loan Accounts, including Loan Accounts that have been charged off in accordance with those policies and procedures.
- (rr) “Program” means the loan program pursuant to which Bank will establish Loan Accounts; and make Loan Account Advances to Borrowers pursuant to the terms of this Agreement, initially as described in Exhibit A attached hereto.
- (ss) “Program Management Fee” shall have the meaning set forth in Section 9(a).
- (tt) “Program Manager Indemnified Parties” shall have the meaning set forth in Section 10(a).
- (uu) “Program Materials” shall have the meaning set forth in Section 2(b).
- (vv) “Promotional Materials” shall have the meaning set forth in Section 2(b).
- (ww) “Proprietary Material” shall have the meaning set forth in Section 14(a).
- (xx) “Regulatory Authority” means any federal, state or local regulatory agency or other governmental agency or authority having jurisdiction over a Party or any aspect of the Program.
- (yy) “Restricted Party” shall have the meaning set forth in Section 13(a).
- (zz) “Term” shall have the meaning set forth in Section 11(a).
- (aaa) “URL” means a uniform resource locator.

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Section 3: EX-10.2A (EXHIBIT 10.2(A))

CERTAIN INFORMATION, IDENTIFIED BY [*****], HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

Exhibit 10.2(a)

AMENDED AND RESTATED RECEIVABLE SALES AGREEMENT

THIS AMENDED AND RESTATED RECEIVABLE SALES AGREEMENT (this “Agreement”), dated as of April 1, 2017 (“Effective Date”), is made by and between MID AMERICA BANK & TRUST COMPANY, a Missouri state-chartered bank, having its principal location in Dixon, MO (“Bank”), Fortiva Funding, LLC a Georgia limited liability company (“Receivables Purchaser”), having its principal location in Atlanta, Georgia. The Agreement amends, restates and replaces the original agreement between the parties dated February 29, 2012, as amended on September 2, 2016.

WHEREAS, Bank is in the business of issuing various types of loans to consumers; and

WHEREAS, Bank desires to fund additional loans by selling to Receivables Purchaser or its designee, and Receivables Purchaser or such designee desires to purchase from Bank, interests in the receivables arising from loan accounts marketed and originated by Bank under certain Brands (such interests in the receivables, the “Receivables”).

NOW, THEREFORE, in consideration of the foregoing and the terms, conditions and mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Receivables Purchaser agree as follows:

1. Definitions.

The capitalized terms used in this Agreement shall have the meaning set forth in Schedule 1.

2. Purchase of Receivables; Payment to Bank; Reporting to Bank.

- (a) Bank hereby agrees to sell, transfer, assign, set-over, and otherwise convey to Fortiva, without recourse (except as expressly provided herein) and with servicing released, one hundred percent (100%) of the Receivables generated by Bank and funded by Bank during the Term, on the second Business Day after the day on which such Receivables were originated by Bank. The parties intend “Receivables” to include any and all amounts owing from time to time with respect to a Loan Account whether or not billed,

including, without limitation, any unpaid balance, finance charges, and fees as applicable. All of the foregoing shall be in accordance with the procedures set forth in this Section 2. In consideration for Bank's agreement to sell, transfer, assign, set-over and convey to Fortiva one-hundred percent (100%) of the Receivables during the Term, Fortiva agrees to purchase such Receivables from Bank, and Fortiva shall pay to Bank the Purchase Price on each Closing Date in accordance with Section 2(b) below.

- (b) Bank shall prepare and deliver, or cause to be prepared and delivered, to Receivables Purchaser, by e-mail or as otherwise mutually agreed by the Parties in writing, a Daily Purchase Statement, in a form to be agreed to by the Parties in writing, no later than 3pm CST on each Business Day, which statement shall relate to the Receivables Bank is selling to Receivables Purchaser on such Business Day consistent with Section 2(a) of this Agreement. No later than 4pm CST on the same Business Day that the Daily Purchase Statement is provided, Receivables Purchaser shall effect payment to Bank of the Purchase Price as described on the applicable Daily Purchase Statement. The payment of the Purchase Price shall be made by wire or other transfer in immediately available funds to an account designated by Bank (the "Purchase Price Account"). Prior to the first Closing Date, Bank shall provide to Receivables Purchaser the designated Purchase Price Account name and number. Failure to strictly adhere to the times referenced in this paragraph, provided that payment is made on the same Business Day, shall not constitute a breach of this Agreement.
- (c) In the event Receivables Purchaser does not pay the Purchase Price on any given Closing Date, Bank shall have the right to withdraw from the Collateral Account an amount equal to the Purchase Price. In the event of a withdrawal from the Collateral Account, Receivables Purchaser shall replenish, or cause to be replenished, all amounts withdrawn from the Collateral Account within the cure provisions set forth in Section 10(c) below.

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- (d) Upon Receivables Purchaser's request, Bank agrees to cause to be delivered to Receivables Purchaser, at Receivables Purchaser's cost, loan files on all Receivables purchased by Receivables Purchaser pursuant to this Agreement. Such loan files may include the Application for the Loan Account, the Loan Account Agreement, confirmation of delivery of the Loan Account Agreement to the Borrower, and such other materials as Receivables Purchaser may reasonably require (all of which may be in electronic form).
- (e) The parties hereto intend that the conveyances to Receivables Purchaser by Bank of Receivables pursuant to this Agreement shall constitute a sale and not a secured borrowing. Without detracting from that intent in any way, Bank hereby grants to Receivables Purchaser a first priority security interest in all of Bank's right, title, and interest, if any and whether now owned or hereafter acquired, in, to and under all Receivables purchased by Receivables Purchaser pursuant to this Agreement and the proceeds thereof, to secure the obligations of Bank under this Agreement.
- (f) Both parties agree to meet on a regular basis to discuss the Program and its performance and to discuss any desired changes to this Agreement. The purchase and sale of Receivables pursuant to the terms hereof is referred to herein as the "Receivables Funding Program."

3. Ownership of Loan Accounts and Receivables.

- (a) Receivables Purchaser acknowledges and agrees that Bank shall retain ownership of, and title to, the Loan Accounts, and shall remain as the issuer and creditor under the Loan Account Agreement. Bank does not assume and shall not have any liability to Receivables Purchaser for the repayment of any Receivable; provided that Bank shall make the payments, in respect of the Receivables received by it, as provided in Section 4(c).
- (b) On and after each Closing Date, Receivables Purchaser shall be the sole owner for all purposes (*e.g.*, tax, accounting and legal) of the Receivables purchased from Bank on such date. Bank and Receivables Purchaser intend that each transfer of Receivables satisfy the conditions for sale accounting treatment under generally accepted accounting principles. Bank agrees to make entries on its books and records to clearly indicate the sale of the Receivables to Receivables Purchaser as of each Closing Date. Receivables Purchaser agrees to make entries on its books and records to clearly indicate the purchase of the Receivables as of each Closing Date.
- (c) Bank and Receivables Purchaser each intend the transfer of the Receivables under this Agreement to be a true sale by Bank to Receivables Purchaser that is absolute and irrevocable. At any time and from time-to-time, Bank will promptly and duly execute and deliver or will promptly cause to be executed and delivered, such further instruments and documents and take such further actions as are reasonably requested by Receivables Purchaser to confirm the sale of the Receivables and/or for the purpose of obtaining or preserving the full benefits of this Agreement, including, the filing of any financing or continuation statements under the UCC or other Applicable Law in effect in any jurisdiction with respect to the transfer of ownership of the Receivables. Further, Bank will promptly and duly execute and deliver or will promptly cause to be executed or delivered, such further instruments and documents and take such further actions as are reasonably requested by Receivables Purchaser to effect the servicing of the Loan Accounts and Receivables. At any time and from time-to-time, Receivables Purchaser will promptly and duly execute and deliver or will promptly cause to be executed or delivered, such further instruments and documents and take such further actions as are reasonably requested by Bank for the purpose of obtaining or preserving the full benefits of this Agreement.

4. Covenants of Bank. Bank hereby covenants that:

- (a) Bank will take no action to cause any Loan Account or Receivable to be evidenced by any "instrument" (as defined in the UCC as in effect in any relevant jurisdiction). Bank will take all actions reasonably requested by Receivables Purchaser for the purpose of ensuring that each Loan Account will not be classified as anything other than an "account," a "general intangible" or a "payment intangible" (as those terms are defined in the UCC as in effect in any relevant jurisdiction).
- (b) With the exception of a termination of this Agreement arising out of Section 10(b)-(d) below, Bank shall not sell, pledge, assign or transfer to any Person, any Loan Account, or any interest therein without the consent of Receivables Purchaser.

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- (c) If Bank receives or collects any funds in repayment of a Receivable sold hereunder, Bank shall promptly send an e-mail notice of any such receipt to Receivables Purchaser and simultaneously send such funds by wire transfer (or other means as agreed to by Parties) to a bank account designated for this purpose by Receivables Purchaser. Bank hereby agrees and acknowledges that any payments so collected by Bank shall be held in trust for Receivables Purchaser and shall be delivered immediately to Receivables Purchaser.
- (d) Bank shall be responsible for establishing and maintaining an information security program that meets the objectives of the interagency Guidelines Establishing Information Security Standards and that is designed to (i) ensure the security and confidentiality of Borrower Data, (ii) protect against unauthorized access to or use of Borrower Data that could result in substantial harm or inconvenience to Customer or any of its customers, and (iii) ensure the proper disposal of Borrower Data. Bank will (1) take appropriate action to address any incident of unauthorized access to Borrower Data and (2) notify Receivables Purchaser as soon as possible of any incident of unauthorized access to Borrower Data Information and any other breach in Customer's security that materially affects Receivables Purchaser or confidential customer information.
- (e) Except as necessary to carry out its rights and responsibilities under this Agreement, Bank shall not use Borrower Data and shall not provide or disclose any Borrower Data to any Person, except to the extent required to do so under Applicable Law or legal process; provided, however:
 - (1) Bank may make solicitations for goods and services to the public, which may include one or more Applicants or Borrowers; provided that Bank shall not, directly or indirectly, market or provide to any Borrower, whose corresponding Receivable has been purchased by Receivables Purchaser and has not been paid in full, any product or services that is competitive with the corresponding Loan Account; and further provided that, for the avoidance of doubt, nothing in Section 4(e) shall restrict or prohibit Bank from soliciting and issuing loans to a Borrower through open-channel marketing; and
 - (2) Bank shall not be obligated to redact the names of Applicants and/or Borrowers from marketing lists acquired from third parties (e.g., subscription lists) that Bank uses for solicitations.
- (f) Other than as is required by Applicable Law, Bank shall not without 30 days prior written notice to Receivables Purchaser (i) make any change to its Credit Policy, decisioning criteria, pricing terms or other criteria used by Bank to underwrite any Loan Account all or any portion of the Receivables of which have been or will be sold to the Receivables Purchaser or (ii) make any change to its servicing policies with respect to any Loan Account all or any portion of the Receivables of which have been or will be sold to the Receivables Purchaser in each case where the effect of which is reasonably likely to change the timing or amount of payments made by applicable borrowers under such Loan Accounts or the collectability of the Receivables.
- (g) Bank shall maintain in good standing its membership in, and comply with the Operating Rules applicable to, the card association or associations of which it is a member for the issuance of any Loan Account.

5. General Representations and Warranties of Bank.

- (a) Bank hereby represents and warrants as of the Effective Date of this Agreement that:
 - (1) Bank is duly organized and validly existing under the laws of Missouri;
 - (2) Bank is a federally insured, Missouri state-chartered, Federal Reserve member bank that accepts insured deposits from affiliated and non-affiliated companies, and is a federally insured state-chartered depository institution for the purposes of section 521 of the Depository Institutions Deregulation and Monetary Control Act of 1980, 12 U.S.C. § 1831(d);
 - (3) Bank has full corporate power and authority to execute, deliver, and perform its obligations under this Agreement; the execution, delivery and performance of this Agreement and the transfer of the Receivables have been and will continue to be duly authorized and are not and will not be in conflict with and do not violate the terms of the charter or bylaws of Bank and will not result in a material breach of or constitute a default under, or require any consent under, any indenture, loan or agreement to which Bank is a party;
 - (4) All approvals, authorizations, licenses, registrations, consents, and other actions by notices to, and filings with, any Person that may be required in connection with the execution, delivery, and performance of this Agreement by Bank, have been obtained (other than those required to be made to or received from Borrowers and Applicants);

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- (5) This Agreement constitutes a legal, valid, and binding obligation of Bank, enforceable against Bank in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, receivership, conservatorship or other similar laws now or hereafter in effect, including the rights and obligations of receivers and conservators under 12 U.S.C. §§ 1821(d) and (e) which may affect the enforcement of creditors rights in general, and as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity);
 - (6) There are no proceedings or investigations pending or, to the best knowledge of Bank, threatened against Bank asserting the invalidity of this Agreement, seeking to prevent the consummation of any of the transactions contemplated by this Agreement, seeking any determination or ruling that, in the reasonable judgment of Bank, would materially and adversely affect the performance by Bank of its obligations under this Agreement, seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement or would have a materially adverse financial effect on Bank or its operations if resolved adversely to it;
 - (7) Bank is, and shall remain throughout the Term, adequately capitalized;
 - (8) Bank is not Insolvent;
 - (9) The Receivables were originated, and continue to exist, pursuant to the Bank Credit Policy, and the Bank Credit Policy has not been modified in any material manner; and
 - (10) The execution, delivery and performance of this Agreement by Bank shall comply with all Applicable Laws.
- (b) With the exception of those representations and warranties contained in Section 5(a)(6), the representations and warranties set forth in this Section 5 shall be made continuously throughout the Term. In the event that any investigation or proceeding of the nature described in Section 5(a)(6) is instituted or threatened against Bank, Bank shall promptly notify Receivables Purchaser of such pending or threatened investigation or proceeding.

6. Additional Representations and Warranties of Bank.

- (a) Bank hereby represents and warrants that, as of the Effective Date or such other date as specified below in a specific representation:
- (1) As of each Closing Date, each Receivable conveyed to Receivables Purchaser on such date was originated by Bank and such conveyance constitutes a valid sale, transfer, assignment, set-over and conveyance to Receivables Purchaser of all of Bank's right, title, and interest in and to such Receivable;
 - (2) As of each Closing Date, Bank was the legal and beneficial owner of all right, title and interest in and to each Receivable conveyed to Receivables Purchaser on such date, and no Receivable was subject to an encumbrance, immediately prior to the transfer of the Receivable to Receivables Purchaser pursuant hereto;
 - (3) As of the Effective Date and each Closing Date, Bank was adequately capitalized;
 - (4) There are no proceedings or investigations pending or, to the best knowledge of Bank, threatened against Bank asserting the invalidity of this Agreement, seeking to prevent the consummation of any of the transactions contemplated by the parties pursuant to this Agreement, seeking any determination or ruling that, in the reasonable judgment of Bank, would materially and adversely affect Bank's ability to perform this Agreement, seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement, or would have a materially adverse financial effect on Bank or its operations if resolved adversely to it;
 - (5) Bank shall maintain its membership in, and be in compliance with the Operating Rules applicable to, the card association or associations of which it is a member for the issuance of any Loan Account;
 - (6) Bank shall maintain its records in a manner to clearly and unambiguously reflect the ownership of Receivables Purchaser in each of the Receivables transferred hereunder; and
 - (7) As of the Closing Date, with respect to each Receivable: Bank has done nothing that would alter the terms and conditions or the amount of the Receivable or impair its enforceability; and there is no limit on Bank's authority to assign the Receivable.

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- (b) With the exception of those representations and warranties contained in Section 6(a)(4), the representations and warranties set forth in this Section 6 shall be made continuously throughout the Term of this Agreement. In the event that any investigation or proceeding of the nature described in Section 6 is instituted or threatened against Receivables Purchaser, Receivables Purchaser shall promptly notify Bank of such pending or threatened investigation or proceeding.

7. Representations, Warranties and Covenants of Receivables Purchaser.

- (a) Receivables Purchaser hereby represents and warrants to Bank, as of the Effective Date that:
- (1) Receivables Purchaser is a limited liability company, duly organized and validly existing in good standing under the laws of Georgia, and has full power and authority to execute, deliver, and perform its obligations under this Agreement; the execution, delivery, and performance of this Agreement have been duly authorized, and are not in conflict with and do not violate the terms of the Receivables Purchaser's operating agreement or other organizational documents and will not result in a material breach of or constitute a default under or require any consent under any indenture, loan, or agreement to which Receivables Purchaser is a party;
 - (2) All approvals, authorizations, consents, and other actions by, notices to, and filings with any Person required to be obtained for the execution, delivery, and performance of this Agreement by Receivables Purchaser, have been obtained or will be acquired prior to engaging in the activity or activities under this Agreement giving rise to the need for such approvals, authorizations or consents;
 - (3) This Agreement constitutes a legal, valid, and binding obligation of Receivables Purchaser, enforceable against Receivables Purchaser in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect, which may affect the enforcement of creditors' rights in general, and as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity);
 - (4) There are no proceedings or investigations pending or, to the best knowledge of Receivables Purchaser, threatened against Receivables Purchaser asserting the invalidity of this Agreement, seeking to prevent the consummation of any of the transactions contemplated by the parties pursuant to this Agreement, seeking any determination or ruling that, in the reasonable judgment of Receivables Purchaser, would materially and adversely affect Receivables Purchaser's ability to perform this Agreement, seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement, or would have a materially adverse financial effect on Receivables Purchaser or its operations if resolved adversely to it;
 - (5) Receivables Purchaser is not Insolvent; and
 - (6) The execution, delivery and performance of this Agreement by Receivables Purchaser, shall comply with Applicable Laws.
- (b) With the exception of those representations and warranties contained in Section 7(a)(4), the representations and warranties set forth in this Section 7 shall be made continuously throughout the Term. In the event that any investigation or proceeding of the nature described in Section 7(a)(4) is instituted or threatened against Receivables Purchaser, Receivables Purchaser shall promptly notify Bank of such pending or threatened investigation or proceeding.

8. Conditions Precedent to the Obligations of Receivables Purchaser.

The obligations of Receivables Purchaser under this Agreement are subject to the satisfaction of the following conditions precedent on or prior to each Closing Date:

- (a) As of each Closing Date, no action or proceeding shall have been instituted or threatened against Receivables Purchaser or Bank to prevent or restrain the consummation of the transactions contemplated hereby, and, on each Closing Date, there shall be no injunction, decree, or similar restraint preventing or restraining such consummation;
- (b) The representations and warranties of Bank set forth in Sections 5 and 6 shall be true and correct in all material respects on each Closing Date as though made on and as of such date;
- (c) The obligations of Bank set forth in this Agreement to be performed on or before each Closing Date shall have been performed in all material respects as of such date by Bank; and
- (d) Bank shall be in compliance with Section 4(f), Bank shall not have made any changes described in that Subsection nor given the notice described in that Subsection; provided, however, that Receivables Purchaser shall be permitted to waive Bank's obligations in Section 4(f).

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9. Conditions Precedent to the Obligations of Bank.

The obligations of Bank in this Agreement are subject to the satisfaction of the following conditions precedent on or prior to each Closing Date:

- (a) As of each Closing Date, no action or proceeding shall have been instituted or threatened against Receivables Purchaser or Bank to prevent or restrain the consummation of the purchase or other transactions contemplated hereby, and, on each Closing Date, there shall be no injunction, decree, or similar restraint preventing or restraining such consummation;
- (b) The representations and warranties of Receivables Purchaser set forth in this Agreement shall be true and correct in all material respects on each Closing Date as though made on and as of such date; and
- (c) The obligations of Receivables Purchaser set forth in this Agreement to be performed on or before each Closing Date shall have been performed in all material respects as of such date by Receivables Purchaser.

10. Term and Termination; Transition and Wind-Down.

- (a) This Agreement shall have an initial term beginning on the Effective Date and ending three (3) years thereafter (the "Initial Term"), and shall renew automatically for successive terms of one (1) year each (each a "Renewal Term") unless either Party provides notice of non-renewal to the other Party, at least one hundred and eighty (180) days prior to the end of the Initial Term or any Renewal Term. The Initial Term together with all Renewal Terms are referred to as the "Term."
- (b) A Party shall have the right to terminate this Agreement immediately upon written notice to the other Party in any of the following circumstances:
 - (1) any representation or warranty made by the other Party in this Agreement shall be incorrect in any material respect and shall not have been corrected within thirty (30) Business Days after written notice thereof has been given to such other Party;
 - (2) the other Party shall default in the performance of any material obligation or undertaking under this Agreement and such default shall continue for thirty (30) Business Days after written notice thereof has been given to such other Party;
 - (3) the other Party shall commence a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, receivership, conservatorship or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, conservator, custodian, or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of a trustee, receiver, liquidator, conservator, custodian, or other similar official or to any involuntary case or such proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;
 - (4) an involuntary case or other proceeding, whether pursuant to banking regulations or otherwise, shall be commenced against the other Party seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency, receivership, conservatorship or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, conservator, custodian, or other similar official of it or any substantial part of its property or an order for relief shall be entered against either Party under the federal bankruptcy laws as now or hereafter in effect.
- (c) In addition to the foregoing termination rights, Bank may terminate this Agreement: immediately if Receivables Purchaser defaults on its obligation to make a payment to Bank as provided in Section 2 hereof and fails to cure such default within two Business Days of receiving notice of such default from Bank; or immediately upon written notice to Receivables Purchaser if Receivables Purchaser (A) fails to maintain the Required Balance in the Collateral Account as required by Section 34 hereof; or (B) defaults on its obligation to make a payment to Bank as provided in Section 2 hereof on more than three Business Days in any two week period or five or more Business Days during any six month period, notwithstanding, in each case, that such defaults may be cured by Receivables Purchaser on the next Business Day.
- (d) Either Party may terminate this Agreement as provided in Section 20(a)(3) or 20(b)(3).
- (e) The expiration or termination of this Agreement and of any post-termination transition period under Section 10(g) shall not discharge any Party from any obligation incurred prior to such expiration or termination, including any obligation with respect to Receivables sold prior to such expiration or termination.
- (f) Following the expiration or termination of this Agreement and of any post-termination transition period under Section 10(g), Receivables Purchaser shall purchase any Receivables arising in Active Loan Accounts originated by Bank prior to and on the date of the expiration or termination of this Agreement and any Transition Period that have not already been purchased by

(g) Transition and Wind-Down.

(i) General Obligations. Upon the expiration or termination of this Agreement, A) Receivables Purchaser may require Bank to transfer the Loan Accounts to a Person designated by Receivables Purchaser (any such Person, a “Successor”) in accordance with Applicable Law and pursuant to Section 10 (g) (iv) or B) the Program shall be wound down in accordance with Applicable Law and pursuant to Section 10 (g) (v).

(ii) Transition Period.

- A. Unless this Agreement terminates upon notice from Bank under Sections 10 (b) (1), 10 (b) (2), 10 (b) (3) or 10 (b) (4), upon termination or expiration of the Agreement, there shall be a post-termination transition period established pursuant to this Section 10 (the “Transition Period”). In the case of any termination of this Agreement upon notice from Bank under Sections 10 (b) (1), 10 (b) (2), 10 (b) (3) or 10 (b) (4), Bank may suspend or terminate Loan Accounts and cease funding Loan Accounts immediately except to the extent Applicable Law requires prior notice to the related Borrowers, in which case such Loan Accounts shall be wound down in accordance herewith as soon as possible under such Applicable Law.
- B. Each Party acknowledges that the goals of the Transition Period include benefitting the Borrowers by minimizing any possible burdens or confusion, and protecting and enhancing the names and reputations of Bank, the Receivables Purchaser Brand and other Program-specific features.

(iii) Transition Process. Within fifteen (15) Business Days following expiration of this Agreement or receipt or delivery of a termination notice, other than termination for by Bank under Sections 10 (b) (1), 10 (b) (2), 10 (b) (3) or 10 (b) (4), Receivables Purchaser shall provide to Bank in writing a proposed transition plan, detailing A) whether the Loan Accounts should be transferred to a Successor; and B) a proposed Transition Period, which shall designate a date as of which the Loan Accounts shall be transferred from Bank to a Successor (“Switchover Date”). The Parties shall meet promptly thereafter to finalize a mutually agreed transition plan and Switchover Date. The Transition Period shall not exceed one-hundred and eighty (180) days after expiration of this Agreement or the date the termination notice is received; provided, however, that the Transition Period may be extended as required under Applicable Law.

(iv) Transfer. In the event that Receivables Purchaser elects to require Bank to transfer the Loan Accounts to a Successor, Bank’s obligations with respect to such transfer shall be limited to executing and delivering an account transfer agreement to transfer the Loan Accounts to a Successor without recourse to Bank. Upon the execution of the transfer agreement, and in consideration of the Bank’s transfer of the Loan Accounts to a Successor, Receivables Purchaser will (i) pay to Bank an amount that is the lesser of either (y) the product of \$[*****] multiplied by the number of Active Loan Accounts in existence as of the date of the transfer agreement, or (z) [*****]; and (ii) reimburse bank for all costs and expenses incurred in transferring the Loan Accounts, including reimbursement of attorneys fees incurred in reviewing and executing a suitable transfer agreement.

(v) No Transfer. If Receivables Purchaser elects not to require Bank to transfer the Loan Accounts to a Successor, or if a Successor previously identified as provided herein is unable to acquire the Loan Accounts by the Switchover Date, Receivables Purchase acknowledges and agrees that Bank may close any open Loan Accounts as soon as permitted under Applicable Law.

(vi) Press Releases. In no event shall a Party make any public statement or customer communication regarding the termination, any actual or potential transfer of the Loan Accounts to a Successor, or wind-down of this Agreement without the express prior written approval of the other Party, which approval shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, A) each Party may communicate the termination or expiration of this Agreement or of the applicable Transition Period of this Agreement to (1) any third party with which it has contracted to provide services for the Loan Accounts and (2) any Regulatory Authority, and to any Person to the extent required by Applicable Laws or the directions of a Regulatory Authority, and B) Receivables Purchaser may communicate the termination or expiration of this Agreement or of the applicable Transition Period to any third party with which it desires to negotiate to serve as the Successor for the Loan Accounts.

(vii) Further Assurances. Each Party shall A) give such further assurances to the Successor and shall execute, acknowledge and deliver all such acknowledgments, assignments and other instruments and take such further action as may be reasonably necessary and appropriate to effectively vest in the Successor the full legal and equitable title to the Loan Accounts acquired by the Successor in the transition of the Program and B) make commercially reasonable efforts to assist the Successor in the orderly transition of the operations being acquired by the Successor. The Parties agree to work in good faith to assure a smooth transition of the Program and continuity of operations with respect to the Program.

(h) Sections 5, 6, 7, 10(g), 11, 12, 15, 17, 18, 19, 24, 25, 28, 29, 30, 31, and 32 of this Agreement shall survive the expiration or termination of this Agreement and any post-termination transition period under Section 10(g).

11. Confidentiality.

- (a) Each Party agrees that Confidential Information of the other Party shall be used by such Party solely in the performance of its obligations and exercise of its rights pursuant to this Agreement. Except as required by Applicable Laws or legal process, neither Party (the "Restricted Party") shall disclose Confidential Information of the other Party to third parties; provided, however, that the Restricted Party may disclose Confidential Information of the other Party to the Restricted Party's Affiliates, agents, representatives or subcontractors for the sole purpose of fulfilling the Restricted Party's obligations under this Agreement (as long as the Restricted Party exercises reasonable efforts to prohibit any further disclosure by its Affiliates, agents, representatives or subcontractors), provided that in all events, the Restricted Party shall be responsible for any breach of the confidentiality obligations hereunder by and of its Affiliates, agents (other than Receivables Purchaser as agent for Bank), representatives or subcontractors, to the Restricted Party's auditors, accountants and other professional advisors, or to a Regulatory Authority, or to any other third party as mutually agreed by the Parties.

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- (b) A Party's Confidential Information shall not include information that:
- (1) is generally available to the public;
 - (2) has become publicly known, without fault on the part of the Party who now seeks to disclose such information (the "Disclosing Party"), subsequent to the Disclosing Party acquiring the information;
 - (3) was otherwise known by, or available to, the Disclosing Party prior to entering into this Agreement; or
 - (4) becomes available to the Disclosing Party on a non-confidential basis from a Person, other than a Party to this Agreement, who is not known by the Disclosing Party after reasonable inquiry to be bound by a confidentiality agreement with the non-Disclosing Party or otherwise prohibited from transmitting the information to the Disclosing Party.
- (c) Upon written request or upon the expiration or termination of this Agreement and of any post-termination transition period under Section 10(g), each Party shall return to the other Party all Confidential Information of the other Party in its possession that is in written form, including by way of example, but not limited to, reports, plans, and manuals; provided, however, that either Party may maintain in its possession all such Confidential Information of the other Party required to be maintained under Applicable Laws relating to the retention of records for the period of time required thereunder.
- (d) In the event that a Restricted Party is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information of the other Party, the Restricted Party will provide the other Party with prompt notice of such request(s) so that the other Party may seek an appropriate protective order or other appropriate remedy and/or waive the Restricted Party's compliance with the provisions of this Agreement. In the event that the other Party does not seek such a protective order or other remedy, or such protective order or other remedy is not obtained, or the other Party grants a waiver hereunder, the Restricted Party may furnish that portion (and only that portion) of the Confidential Information of the other Party which the Restricted Party is legally compelled to disclose and will exercise such efforts to obtain reasonable assurance that confidential treatment will be accorded any Confidential Information of the other Party so furnished as the Restricted Party would exercise in assuring the confidentiality of any of its own confidential information.

12. Indemnification.

- (a) Bank agrees to indemnify, defend and hold harmless Receivables Purchaser and its Affiliates, and the officers, directors, employees, representatives, shareholders, agents and attorneys of such entities (the "Receivables Purchaser Indemnified Parties") from and against any and all third-party claims or actions and related liability, judgments, damages, costs and expenses, including reasonable attorneys' fees ("Losses"), that may arise from the gross negligence or willful misconduct of Bank or its agents or representatives; the breach by Bank or its agents or representatives of any of Bank's covenants, obligations, representations, warranties or undertakings under this Agreement; or violation by Bank or any of its agents or representatives of Applicable Law.
- (b) Receivables Purchaser agrees to indemnify, defend and hold harmless Bank and its Affiliates and the officers, directors, employees, representatives, shareholders, agents and attorneys of such entities (the "Bank Indemnified Parties") from and against any and all Losses, that may arise from the gross negligence or willful misconduct of Receivables Purchaser or its agents or representatives in connection with its performance of its obligations under this Agreement; breach by Receivables Purchaser or its agents or representatives of any of Receivables Purchaser covenants, obligations, representations, warranties or undertakings under this Agreement; or a violation by Receivables Purchaser or its agents or representatives or any other third-party acting on Receivables Purchaser's behalf, of any Applicable Laws.
- (c) The Receivables Purchaser Indemnified Parties and the Bank Indemnified Parties are sometimes referred to herein as the "Indemnified Parties," and Receivables Purchaser or Bank, as indemnitor hereunder, is sometimes referred to herein as the "Indemnifying Party."
- (d) Any Indemnified Party seeking indemnification hereunder shall promptly notify the Indemnifying Party, in writing, of any notice of the assertion by any third party of any claim or of the commencement by any third party of any legal or regulatory proceeding, arbitration or action, or if the Indemnified Party determines the existence of any such claim or the commencement by any third party of any such legal or regulatory proceeding, arbitration or action, whether or not the same shall have been asserted or initiated, in any case with respect to which the Indemnifying Party is or may be obligated to provide indemnification (an "Indemnifiable Claim"), specifying in reasonable detail the nature of the Loss, and, if known, the amount, or an estimate of the amount, of the Loss, provided that failure to promptly give such notice shall only limit the liability of the Indemnifying Party to the extent of the actual prejudice, if any, suffered by such Indemnifying Party as a result of such failure. The Indemnified Party shall provide to the Indemnifying Party as promptly as practicable thereafter information and documentation reasonably requested by such Indemnifying Party to defend against the claim asserted.
- (e) The Indemnifying Party shall have thirty (30) days after receipt of any notification of an Indemnifiable Claim (a "Claim Notice") to assume the defense of the Indemnifiable Claim and, through counsel of its own choosing, and at its own expense, to commence the settlement or defense thereof, and the Indemnified Party shall cooperate with the Indemnifying Party in connection therewith.

The Indemnifying Party shall not settle any Indemnifiable Claim without the Indemnified Party's consent, which consent shall not be unreasonably withheld or delayed for any reason if the settlement involves only payment of money, and which consent may be withheld for any reason if the settlement involves more than the payment of money, including any admission by the Indemnified Party. The Indemnified Party shall not pay or settle such claim without the Indemnifying Party's consent, which consent shall not be unreasonably withheld or delayed.

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13. Assignment.

This Agreement and the rights and obligations created under it shall be binding upon and inure solely to the benefit of the Parties and their respective successors, and permitted assigns. Neither Party shall not be entitled to assign or transfer any rights or obligations under this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. For the avoidance of doubt, nothing in this Agreement shall affect Receivables Purchaser right to sell or otherwise transfer Receivables purchased by Receivables Purchaser under this Agreement to any other Person.

14. Servicing.

- (a) During the Term and the Transition Period, Bank shall service and collect Active Loan Accounts in accordance with Bank's usual standards for servicing and collecting Bank loan accounts. Bank shall not be obligated to use separate servicing procedures, offices, employees or accounts for servicing the Receivables from the servicing procedures, offices, employees and accounts used by Bank in connection with servicing other loan accounts originated by Bank.
- (b) Bank may at any time delegate its servicing obligations hereunder with respect to the Active Loan Accounts in the ordinary course of business.
- (c) Within ten (10) days of the end of each calendar month, Receivables Purchaser shall pay Bank the Servicing Fees as defined and set forth in Schedule 2 hereto.

15. Third-Party Beneficiaries.

Nothing contained herein shall be construed as creating a third-party beneficiary relationship between either Party and any other Person.

16. [Reserved]

17. Notices.

All notices and other communications that are required or may be given in connection with this Agreement shall be in writing and shall be deemed received on the day delivered, if delivered by hand; or the day transmitted, if transmitted by facsimile or e-mail with receipt confirmed; or three (3) Business Days after the date of mailing to the other party, if mailed first-class mail postage prepaid, at the following address, or such other address as either party shall specify in a notice to the other:

To Bank:
Mid America Bank & Trust Company
216 West 2nd Street
Dixon, MO 65459
Attn: Greg Luehmann

To Receivables Purchaser:
Five Concourse Parkway
Suite 300
Atlanta, Georgia 30328
Attn: Brian Stone

18. Relationship of Parties.

Bank and Receivables Purchaser agree that in performing their responsibilities pursuant to this Agreement, they are in the position of independent contractors. This Agreement is not intended to create, nor does it create and shall not be construed to create, a relationship of partner or joint venture or any association for profit between and among Bank and Receivables Purchaser

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19. Retention of Records.

Any Records with respect to Receivables purchased by Receivables Purchaser pursuant hereto retained by Bank shall be held as custodian for the benefit of Bank and of Receivables Purchaser as owner of the Receivables. Bank shall provide copies of Records to Receivables Purchaser upon reasonable request of Receivables Purchaser.

20. Agreement Subject to Applicable Laws.

(a) Determination by Regulatory Authority.

- (1) If either Party receives a request of any Regulatory Authority having jurisdiction over such Party, including any letter or directive of any kind from any such Regulatory Authority, that prohibits or restricts such Party from carrying out its obligations under this Agreement: the Party receiving such request shall promptly notify the other Party; and the Parties shall meet and consider in good faith any modifications, changes or additions to the Program or this Agreement that may be necessary to eliminate such result.
- (2) During the period that the Parties are engaged in the discussions required under Section 20(a)(1)(B), either Party may suspend performance of the obligations that are prohibited or restricted as a result of the request from the Regulatory Authority, by providing the other Party with advance written notice of such suspension.
- (3) If the Parties are unable to reach agreement regarding modifications, changes or additions to the Program or this Agreement to eliminate the prohibition or restrictions resulting from the request from the Regulatory Authority within twenty (20) Business Days after the Parties initially meet, either Party may terminate this Agreement upon ten (10) Business Days' prior written notice to the other Party.

(b) Advice of a Party's Counsel.

- (1) If either Party has been advised in writing by legal counsel of a change in Applicable Laws or any judicial decision of a court having jurisdiction over such Party or any interpretation of a Regulatory Authority that, in the view of such legal counsel, would have a materially adverse effect on the rights or obligations of such Party under this Agreement or the financial condition of such Party, or either Party has been advised in writing by legal counsel that there is a material risk that such Party's or the other Party's continued performance under this Agreement would violate Applicable Laws, the Party receiving such written advice shall promptly notify the other Party and provide such written communication to the other party.
- (2) The Parties shall meet and discuss in good faith whether they mutually agree with such advice and any modifications, changes or additions to the Program or this Agreement that may be necessary to eliminate the result contemplated by such advice.
- (3) If both Parties agree with the advice described in Section 20(b)(1), but are unable to reach agreement regarding the modifications, changes or additions to the Program or this Agreement described in Section 20(b)(2)(B) within twenty (20) Business Days after the Parties initially meet, either Party may terminate this Agreement upon ten (10) Business Days' prior written notice to the other Party.

21. Expenses.

Each Party shall be responsible for payment of any federal, state, or local taxes or assessments associated with the performance of its obligations under this Agreement. Unless expressly provided herein otherwise, each Party shall bear the costs and expenses of performing its obligations under this Agreement.

22. Examination.

Each Party agrees to timely submit to any examination that may be required by a Regulatory Authority having jurisdiction over the other Party, during regular business hours and upon reasonable prior notice, and to otherwise provide reasonable cooperation to the other Party in responding to such Regulatory Authorities' inquiries and requests relating to the Program.

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23. Inspection; Reports.

- (a) Each Party, upon reasonable prior notice from the other Party, agrees to promptly and timely submit to an inspection of its books, records, accounts, and facilities relevant to the Program, from time to time, during regular business hours subject, in the case of Bank, to the duty of confidentiality it owes to its customers and banking secrecy and confidentiality requirements otherwise applicable under Applicable Laws, for the limited purpose of auditing the other Party's compliance with this Agreement. All expenses of inspection shall be borne by the Party conducting the inspection.
- (b) Receivables Purchaser shall provide to Bank relevant financial statement data reasonably requested by Bank, including all quarterly financial statements. Receivables Purchaser will provide such quarterly financial statements to Bank within 45 days of the completion of each applicable quarter.

24. Governing Law.

Except as preempted or controlled by federal law, this Agreement shall be interpreted and construed in accordance with the laws of the State of Missouri, without giving effect to the rules, policies, or principles thereof with respect to conflicts of laws.

25. Jurisdiction; Venue.

The Parties consent to the personal jurisdiction and venue of the federal and state courts in Missouri for any court action or proceeding.

26. Manner of Payments.

Unless the manner of payment is expressly provided herein, all payments under this Agreement shall be made by ACH transfer to the bank accounts designated by the respective Parties. The parties agree that ACH entries will be governed by the NACHA Operating Rules. Notwithstanding anything to the contrary contained herein, neither Party shall be excused from making any payment required of it under this Agreement as a result of a breach or alleged breach by the other Party of any of its obligations under this Agreement or any other agreement, provided that the making of any payment hereunder shall not constitute a waiver by the Party making the payment of any rights it may have under this Agreement or by law.

27. Brokers.

Neither Party has agreed to pay any fee or commission to any agent, broker, finder, or other person for or on account of services rendered as a broker or finder in connection with this Agreement or the transactions contemplated hereby that would give rise to any valid claim against the other Party for any brokerage commission or finder's fee or like payment.

28. Entire Agreement.

This Agreement, including schedules and exhibits, constitute the entire agreement between the Parties with respect to the subject matter hereof, and supersedes any prior or contemporaneous negotiations or oral or written agreements with regard to the same subject matter.

29. Amendment and Waiver.

This Agreement may not be amended orally, but only by a written instrument signed by all Parties. The failure of any Party to require the performance of any term of this Agreement or the waiver by any Party of any default under this Agreement shall not prevent a subsequent enforcement of such term and shall not be deemed a waiver of any subsequent breach. All waivers must be in writing and signed by the Party against whom the waiver is to be enforced.

30. Severability.

Any provision of this Agreement which is deemed invalid, illegal or unenforceable in any jurisdiction, shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining portions hereof in such jurisdiction or rendering such provision or any other provision of this Agreement invalid, illegal, or unenforceable in any other jurisdiction.

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31. Interpretation.

The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments thereto, and the same shall be construed neither for nor against either Party, but shall be given a reasonable interpretation in accordance with the plain meaning of its terms and the intent of the Parties.

32. Headings.

Captions and headings in this Agreement are for convenience only and are not to be deemed part of this Agreement.

33. Counterparts.

This Agreement may be executed and delivered by the Parties in any number of counterparts, and by different parties on separate counterparts, each of which counterpart shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same instrument.

34. Collateral Account.

- (a) Establishment of Collateral Account. On the Effective Date, Receivables Purchaser shall provide Bank with an amount estimated by Bank to be equal to [*****] to be as agreed to between the parties as cash collateral for Receivables Purchaser's obligations under this Agreement. Bank shall deposit such amount in a deposit account ("Collateral Account") at Bank. The Collateral Account shall be a segregated deposit account that shall hold only the funds provided by Receivables Purchaser to Bank as collateral. Beginning after the first full calendar month following the Effective Date, Receivables Purchaser shall maintain funds in the Collateral Account equal to [*****] (the "Required Balance"). In the event the actual balance in the Collateral Account is less than the Required Balance, Receivables Purchaser shall, within one (1) Business Day following notice of such deficiency, make a payment into the Collateral Account in an amount equal to the difference between the Required Balance and the actual balance in the Collateral Account.
- (b) Security Interest. Receivables Purchaser hereby grants Bank a security interest in the funds to be delivered to the Collateral Account, and any rights of Receivables Purchaser in the Collateral Account and the funds therein, and agrees to take such steps as Bank may reasonably require to perfect or protect the first position priority of such collateral for Receivables Purchaser's obligations to Bank under this Agreement. Bank shall have all of the rights and remedies of a secured party under Applicable Laws with respect to the Collateral Account and the funds therein, and shall be entitled to exercise those rights and remedies in its discretion. Subject to maintaining its security interest in the Collateral Account, Bank agrees, that said security interest in the Collateral Account shall not restrict nor impair Receivables Purchaser's right to securitize the Receivables.
- (c) Withdrawals.
- (1) Bank shall have the right to withdraw amounts from the Collateral Account to fulfill any payment obligations of Receivables Purchaser under this Agreement on which Receivables Purchaser has defaulted, either during the Term or following expiration or termination of this Agreement and any post-termination transition period under Section 10 (g).
 - (2) Receivables Purchaser shall not have any right to withdraw amounts from the Collateral Account.
 - (3) In the event the actual balance in the Collateral Account is more than the Required Balance, then, within one (1) Business Day, at Receivables Purchaser's option, Receivables Purchaser may provide to Bank a report setting forth the calculation for the Required Balance and the extent to which the actual amount held in the Collateral Account at such time exceeds the Required Balance. Within two (2) Business Days after receipt of such a report from Receivables Purchaser, Bank shall withdraw from the Collateral Account any amount held therein that exceeds the Required Balance as of the date of such report and pay such amount to an account designated by Receivables Purchaser.
- (d) Termination of Collateral Account. Bank shall release any funds remaining in the Collateral Account [*****] after the expiration or termination of this Agreement and any post-termination transition period under Section 10(g).

CERTAIN INFORMATION, IDENTIFIED BY [*****], HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

MID AMERICA BANK & TRUST COMPANY

By: /s/Gregory J. Luehmann
Name: Gregory J. Luehmann
Title: President/CEO
Date: 4-1-17

FORTIVA FUNDING, LLC

By: /s/Bettie Lass
Name: Bettie Lass
Title: Treasurer
Date: 4-1-17

CERTAIN INFORMATION, IDENTIFIED BY [*****], HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

Exhibit Index

Schedule 1 Definitions
Schedule 2 Servicing Fees

Schedule 1

Definitions

- (a) "ACH" means Automated Clearinghouse.
- (b) "Active Loan Account" means any Loan Account [*****].
- (c) "Affiliate" means, with respect to a Party, a Person who directly or indirectly controls, is controlled by or is under common control with the Party. For the purpose of this definition, the term "control" (including with correlative meanings, the terms controlling, controlled by and under common control with) means the power to direct the management or policies of such Person, directly or indirectly, through the ownership of twenty-five percent (25%) or more of a class of voting securities of such Person.
- (d) "Agreement" means this Amended and Restated Receivables Sale Agreement.
- (e) "Applicable Laws" means all federal, state and local laws, statutes, regulations and orders applicable to a Party or relating to or affecting any aspect of the Receivables Funding Program including, without limitation, the Loan Accounts and Receivables, all requirements of any Regulatory Authority having jurisdiction over a Party, as any such laws, statutes, regulations, orders and requirements may be amended and in effect from time to time during the term of this Agreement.
- (f) "Applicant" means an individual who is a consumer who requests a Loan Account from Bank as part of the Program.
- (g) "Bank Indemnified Parties" shall have the meaning set forth in Section 12(b).
- (h) "Borrower" means a Person for whom Bank has established or taken assignment of a Loan Account and/or who is liable, jointly or severally, for amounts owing with respect to a Loan Account.
- (i) "Borrower Data" means information that is provided to or obtained by Bank in the Program or otherwise regarding Applicants and Borrowers, including, but not limited to name, postal address, social security number, email address, telephone number, date of birth, Account number, security codes, valid to and from dates, as well as information and demographic data, data generated and/or created in connection with Account processing and maintenance activities, Account statementing and customer service, telephone logs and records and other documents and information necessary for the processing and maintenance of Accounts, and all "Nonpublic Personal Information" and "Personally Identifiable Financial Information" (as defined in 12 C.F.R. §§ 1016.3(p) and (q)).
- (j) "Brand" means the Fortiva Brand or other brand adopted by the Bank for the Loan Accounts.
- (k) "Business Day" means any day, other than a Saturday or Sunday, or a day on which banking institutions in the State of Missouri are authorized or obligated by law or executive order to be closed.
- (l) "Claim Notice" shall have the meaning set forth in Section 12(e).
- (m) "Closing Date" means each date on which Receivables Purchaser pays Bank the Purchase Price for a Receivable and, pursuant to Section 2 hereof, acquires such Receivable from Bank.
- (n) "Collateral Account" has the meaning set forth in Section 34(a).
- (o) "Confidential Information" means the terms and conditions of this Agreement, and any proprietary information or non-public information of a Party, including a Party's proprietary analytical strategies, that is furnished to the other Party in connection with this Agreement.
- (p) "Credit Policy" means Bank's credit criteria that Bank uses to approve or deny an Application, establish a Loan Account, and to authorize or decline a Loan Account Advance or modify any terms of a Loan Account (e.g. a credit line adjustment).

CERTAIN INFORMATION, IDENTIFIED BY [*****], HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

- (q) “Daily Purchase Statement” means the statement prepared by Receivables Purchaser each Business Day that contains the computation of the Purchase Price to be forwarded by Receivables Purchaser to Bank.
- (r) “Disclosing Party” shall have the meaning set forth in Section 11(b)(2).
- (s) “Effective Date” shall have the meaning set forth in the introductory paragraph of this Agreement.
- (t) “Indemnifiable Claim” shall have the meaning set forth in Section 12(d).
- (u) “Indemnified Parties” shall have the meaning set forth in Section 12(c).
- (v) “Indemnifying Party” shall have the meaning set forth in Section 12(c).
- (w) “Initial Term” shall have the meaning set forth in Section 10(a).
- (x) “Insolvent” means the failure to pay debts in the ordinary course of business, the inability to pay its debts as they come due or the condition whereby the sum of an entity’s debts is greater than the sum of its assets.
- (y) “IP Address” means an Internet protocol address.
- (z) “Loan Account” means an open- or close-ended loan account established by Bank, for which all or a portion of the Receivables have been conveyed by Bank to Receivables Purchaser pursuant to the terms hereof.
- (aa) “Loan Account Agreement” means the document containing the terms and conditions of a Loan Account including all disclosures required by Applicable Law.
- (bb) “Losses” shall have the meaning set forth in Section 12(a).
- (cc) “Operating Rules” means the by-laws, rules and regulations of Visa U.S.A., Inc. and MasterCard International Incorporated, and any other credit card association or credit card sponsoring entity whose credit cards are included in the Program.
- (dd) “Party” means either Receivables Purchaser or Bank and “Parties” means Receivables Purchaser and Bank.
- (ee) “Person” means any legal person, including any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, governmental entity, or other entity of similar nature.
- (ff) “Purchase Price” means as to each Closing Date and as to each Receivable, the principal amount of such Receivable which remains outstanding in accordance with the terms of the related Loan Agreement less any up-front fees, any third party fees and any discounts in respect of such outstanding principal amount.
- (gg) “Purchase Price Account” shall have the meaning set forth in Section 2(c).

CERTAIN INFORMATION, IDENTIFIED BY [*****], HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

- (hh) “Receivable” shall have the meaning set forth in the second “Whereas” clause.
- (ii) “Receivables Funding Program” shall have the meaning set forth in Section 2(f).
- (jj) “Receivables Purchaser Indemnified Parties” shall have the meaning set forth in Section 12(a).
- (kk) “Records” means any Loan Account Agreements, applications, change-of-terms notices, credit files, credit bureau reports, transaction data, records, or other documentation (including computer tapes, magnetic files, and information in any other format).
- (ll) “Regulatory Authority” means any federal, state or local regulatory agency or other governmental agency or authority having jurisdiction over a Party or any Loan Account or any other aspect of this Agreement.
- (mm) “Required Balance” shall have the meaning set forth in Section 34(a).
- (nn) “Restricted Party” shall have the meaning set forth in Section 11 (a).
- (oo) “Servicing Fees” shall have the meaning set forth in Schedule 2.
- (pp) “Successor” shall have the meaning set forth in Section 10 (g).
- (qq) “Term” shall have the meaning set forth in Section 10(a).
- (rr) “Transition Period” has the meaning set forth in Section 10 (g).
- (ss) “URL” means a uniform resource locator.

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Section 4: EX-10.2B (EXHIBIT 10.2(B))

Exhibit 10.2(b)

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (“Assignment”) is made by and between MID AMERICA BANK & TRUST COMPANY, a Missouri state-chartered bank, having its principal location in Dixon, Missouri (“Bank”), Atlanticus Services Corporation (“Atlanticus”), a Georgia Corporation, and THE BANK OF MISSOURI, a Missouri state-chartered bank having its principal location in Perryville, Missouri, (“Assignee”)

WHEREAS, Assignee has purchased and otherwise acquired Bank, and Bank is thereafter expected to dissolve its charter as of March 23, 2018 (the “Acquisition”);

WHEREAS, Bank has ongoing contractual relationships with Atlanticus in the form of a Program Management Agreement entered on or about April 1, 2017 and all prior versions thereto (collectively the “Agreements”);

WHEREAS, Assignee, as part of the Acquisition, desires to accept the assignment of the Agreements and to assume the Bank’s obligations under the Agreements;

WHEREAS, Atlanticus, Bank and Assignee, desire to execute a writing approving and otherwise confirming the acceptance, assignment and assumption of the Agreements;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows:

1. Effective as of 12:01 a.m., Central Standard Time March 24, 2018 (the “Effective Date”), Bank assigns to Assignee all of its right, title and interest in and to the Agreements and Atlanticus accepts assignment and assumption of the Agreements.

2. Bank covenants, warrants and represents that:

- (a) The Agreements are in full force and effect;
- (b) Bank has full right and power to execute this Assignment; and
- (c) The Agreements have not been modified, supplemented or amended, except as provided herein.

3. Atlanticus covenants, warrants and represents that:

- (a) The Agreements are in full force and effect;
- (b) Atlanticus has full right and power to execute this Assignment; and
- (c) The Agreements have not been modified, supplemented or amended, except as provided herein.

4. Bank hereby surrenders and assigns to Assignee and Assignee hereby accepts the surrender and assignment from Bank, all of Bank's right, title and interest in, to and under the Agreements.

5. Assignee hereby assumes and agrees to be bound by all, terms, covenants and conditions which, pursuant to the Agreements, are to be observed, kept and/or performed by the Bank, as of the Effective Date.

6. Atlanticus consents to the aforesaid Assignment by Bank to Assignee.

7. Nothing in this Assignment shall be deemed to authorize any Assignment or other transfer in whole or in part of the interest of the Assignee in violation of any provision of the Agreements.

8. This Assignment shall be binding and shall inure to the benefit of the parties hereto and their successors and permitted assigns.

9. This Assignment may be executed in counterparts.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed as of the Effective Date indicated above.

MID AMERICA BANK & TRUST COMPANY

By: /s/Gregory J. Luehmann
Name: Gregory J. Luehmann
Title: President/CEO-Mid America Bank and Trust Co.
Date: 3-23-18

ATLANTICUS SERVICES CORPORATION

By: /s/Rosalind T. Drakeford
Name: Rosalind T. Drakeford
Title: Secretary
Date: 3-29-18

BANK OF MISSOURI

By: /s/Martha J. Rollet
Name: Martha J. Rollet
Title: Executive Vice President
Date: 3-23-18

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Section 5: EX-10.2C (EXHIBIT 10.2(C))

Exhibit 10.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (“Assignment”) is made by and between MID AMERICA BANK & TRUST COMPANY, a Missouri state-chartered bank, having its principal location in Dixon, Missouri (“Bank”), FORTIVA FUNDING, LLC, (“FORTIVA”), a Georgia limited liability company, and THE BANK OF MISSOURI, a Missouri state-chartered bank having its principal location in Perryville, Missouri, (“Assignee”)

WHEREAS, Assignee has purchased and otherwise acquired Bank, and Bank is thereafter expected to dissolve its charter as of March 23, 2018 (the “Acquisition”);

WHEREAS, Bank has ongoing contractual relationships with Fortiva in the form of an Receivables Sale Agreement and an Amended and Restated Receivables Sale Agreement executed on or about April 1, 2017 (collectively the “Agreements”);

WHEREAS, Assignee, as part of the Acquisition, desires to accept the assignment of the Agreements and to assume the Bank’s obligations under the Agreements;

WHEREAS, Fortiva, Bank and Assignee, desire to execute a writing approving and otherwise confirming the acceptance, assignment and assumption of the Agreements;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows:

1. Effective as of 12:01 a.m., Central Standard Time March 24, 2018 (the “Effective Date”), Bank assigns to Assignee all of its right, title and interest in and to the Agreements and Fortiva accepts assignment and assumption of the Agreements.

2. Bank covenants, warrants and represents that:

(a) The Agreements are in full force and effect;

- (b) Bank has full right and power to execute this Assignment; and
- (c) The Agreements have not been modified, supplemented or amended, except as provided herein.

3. Fortiva covenants, warrants and represents that:

- (a) The Agreements are in full force and effect;
- (b) Fortiva has full right and power to execute this Assignment; and
- (c) The Agreements have not been modified, supplemented or amended, except as provided herein.

4. Bank hereby surrenders and assigns to Assignee and Assignee hereby accepts the surrender and assignment from Bank, all of Bank's right, title and interest in, to and under the Agreements.

5. Assignee hereby assumes and agrees to be bound by all, terms, covenants and conditions which, pursuant to the Agreements, are to be observed, kept and/or performed by the Bank, as of the Effective Date.

6. Fortiva consents to the aforesaid Assignment by Bank to Assignee.

7. Nothing in this Assignment shall be deemed to authorize any Assignment or other transfer in whole or in part of the interest of the Assignee in violation of any provision of the Agreements.

8. This Assignment shall be binding and shall inure to the benefit of the parties hereto and their successors and permitted assigns.

9. This Assignment may be executed in counterparts.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed as of the Effective Date indicated above.
MID AMERICA BANK & TRUST COMPANY

By: /s/Gregory J. Luehmann
Name: Gregory J. Luehmann
Title: President/CEO-Mid America Bank and Trust Co.
Date: 3-21-18

FORTIVA FUNDING, LLC

By: /s/ Brian Stone
Name: Brian Stone
Title: Chief Risk Officer
Date: 3-30-18

BANK OF MISSOURI

By: /s/Adrian O. Breen
Name: Adrian O. Breen
Title: CEO
Date: 3-22-18

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Section 6: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATIONS

I, David G. Hanna, certify that:

1. I have reviewed this report on Form 10-Q of Atlanticus Holdings Corporation;
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 periods covered by this report; and
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 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 subsidiaries, 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 fourth fiscal period 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;

5. The registrant's other certifying officer 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 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.

Date: May 14, 2019

/s/ DAVID G. HANNA
David G. Hanna
Chief Executive Officer and Chairman of the Board

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Section 7: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATIONS

I, William R. McCamey, certify that:

1. I have reviewed this Report on Form 10-Q of Atlanticus Holdings Corporation;
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 periods covered by this report; and
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 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 subsidiaries, 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 fourth fiscal period 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;
5. The registrant's other certifying officer 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 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.

Date: May 14, 2019

/s/ WILLIAM R. McCAMEY
William R. McCamey
Chief Financial Officer

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Section 8: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

CERTIFICATION

The undersigned, as the Chief Executive Officer and Chairman of the Board, and as the Chief Financial Officer, respectively, of Atlanticus Holdings Corporation, certify that, to the best of their knowledge and belief, the Quarterly Report on Form 10-Q for the period ended March 31, 2019, which accompanies this certification fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of Atlanticus Holdings Corporation at the dates and for the periods indicated. The foregoing certifications are made pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) and shall not be relied upon for any other purpose.

This 14th day of May, 2019.

/s/ DAVID G. HANNA
David G. Hanna
*Chief Executive Officer and
Chairman of the Board*

/s/ WILLIAM R. McCAMEY
William R. McCamey
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Atlanticus Holdings Corporation and will be retained by Atlanticus Holdings Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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