QC HOLDINGS, INC.

2023 Consolidated Financial Statements

QC Holdings, Inc. and Subsidiaries

Index to Consolidated Financial Statements

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
QC Holdings, Inc.

Opinion
We have audited the consolidated financial statements of QC Holdings, Inc. (a Kansas corporation) and subsidiaries (collectively the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of QC Holdings, Inc. and subsidiaries as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion
We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a

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material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The QCFS East, Inc. consolidated supplemental balance sheet as of December 31, 2023, and the related consolidated supplemental statement of operations, supplemental statement of changes in stockholders' equity, and supplemental statement of cash flows for the year ended December 31, 2023, are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

Kansas City, Missouri
April 25, 2024

QC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,184	$ 15,918
Restricted cash	817	971
Loans receivable, less allowance for credit losses of $11,780 and $14,169 at December 31, 2023 and 2022, respectively	61,466	65,823
Prepaid expenses and other current assets	5,398	3,336
Total current assets	81,865	86,048
Non-current loans receivable, less allowance for credit losses of $715 and $558 at December 31, 2023 and 2022, respectively	3,777	3,047
Property and equipment, net	9,186	7,193
Right-of-use asset, net	25,507	25,607
Goodwill and intangible assets, net	21,153	19,579
Deferred income taxes	753	1,152
Other assets, net	287	2,083
Total assets	$ 142,528	$ 144,709
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,460	$ 1,025
Accrued expenses and other current liabilities	3,121	6,539
Accrued compensation and benefits	7,130	5,440
Deferred revenue	1,113	1,002
Lease liability	7,056	6,189
Debt due within one year	1,655	2,287
Total current liabilities	21,535	22,482
Lease liability	23,608	22,217
Long-term debt, less current portion	69,919	68,790
Total liabilities	115,062	113,489
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock, $0.01 par value: 75,000,000 shares authorized; 20,700,250 shares issued, 17,300,473 outstanding and 3,399,777 in treasury at December 31, 2023 and 2022	207	207
Additional paid-in capital	59,272	59,251
Accumulated deficit	(5,817)	(1,960)
Treasury stock, at cost	(26,223)	(26,224)
Accumulated other comprehensive income (loss)	27	(54)
Total stockholders' equity	27,466	31,220
Total liabilities and stockholders' equity	$ 142,528	$ 144,709

See accompanying notes to these consolidated financial statements.

QC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Revenues:		
Consumer loan interest and fees	$ 158,562	$ 140,856
Other	9,852	11,967
Total revenues	168,414	152,823
Operating expenses:		
Salaries and benefits	34,344	31,313
Provision for losses	59,145	53,266
Occupancy	17,470	16,680
Marketing	7,598	6,305
Depreciation and amortization	2,829	2,670
Other	9,942	8,634
Total operating expenses	131,328	118,868
Gross profit	37,086	33,955
Regional expenses	7,028	5,952
Corporate expenses	18,365	19,637
Depreciation and amortization	1,616	1,306
Interest expense	12,548	9,065
Other expense, net	825	888
Loss before income taxes	(3,296)	(2,893)
Provision (benefit) for income taxes	561	(44)
Net loss	$ (3,857)	$ (2,849)
Weighted average number of common shares outstanding:		
Basic	17,300	17,323
Diluted	17,322	17,323
Loss per share:		
Basic:		
Net loss	$ (0.22)	$ (0.16)
Diluted:		
Net loss	$ (0.22)	$ (0.16)

See accompanying notes to these consolidated financial statements.

QC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net loss	$ (3,857)	$ (2,849)
Other comprehensive income (loss):		
Foreign currency translation	81	(129)
Total comprehensive loss	$ (3,776)	$ (2,978)

See accompanying notes to these consolidated financial statements.

QC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2023 and 2022
(*in thousands*)

	Outstanding shares	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Treasury stock	Accumulated other comprehensive income (loss)	Total stockholders' equity
December 31, 2021	17,721	$ 207	$ 59,251	$ 1,754	$ (25,542)	$ 75	$ 35,745
Net loss	-	-	-	(2,849)	-	-	(2,849)
Vesting of restricted shares	337	-	-	-	-	-	-
Stock repurchases........................	(758)	-	-	-	(682)	-	(682)
Dividends	-	-	-	(865)	-	-	(865)
Foreign currency translation	-	-	-	-	-	(129)	(129)
December 31, 2022	17,300	207	59,251	(1,960)	(26,224)	(54)	31,220
Net loss	-	-	-	(3,857)	-	-	(3,857)
Stock-based compensation	-	-	21	-	1	-	22
Foreign currency translation	-	-	-	-	-	81	81
December 31, 2023	17,300	$ 207	$ 59,272	$ (5,817)	$ (26,223)	$ 27	$ 27,466

See accompanying notes to these consolidated financial statements.

QC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Cash flows from operating activities:		
Net loss	$ (3,857)	$ (2,849)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,445	3,976
Provision for losses	59,145	53,266
Deferred income taxes	420	(887)
Non-cash interest expense	856	712
Foreign currency exchange loss	741	649
Loss on earn-out settlement	-	159
Loss on disposal of property and equipment	67	84
Stock-based compensation	22	-
Changes in operating assets and liabilities, net of effects of acquisitions:		
Fees and service charges on loans receivable	1,448	(3,083)
Prepaid expenses and other current assets	(1,197)	371
Other assets	12	(380)
Accounts payable	433	574
Accrued expenses, other liabilities, accrued compensation and benefits and deferred revenue	(2,664)	(54)
Income taxes	(144)	-
Net operating	59,727	52,538
Cash flows from investing activities:		
Loans receivable originated	(364,064)	(327,589)
Loans receivable repaid	304,725	268,468
Purchase of property and equipment	(1,991)	(2,007)
Acquisitions and investments, net of cash	-	(29,055)
Net investing	(61,330)	(90,183)
Cash flows from financing activities:		
Borrowings under credit facility	16,650	39,150
Repayments of credit facility	(10,100)	(500)
Borrowings on subordinated debt	1,000	3,500
Repayments of subordinated debt	(7,495)	(921)
Debt issuance costs	(435)	(150)
Repurchase of common stock	-	(682)
Dividends	-	(865)
Net financing	(380)	39,532
Effect of exchange rate changes on cash, cash equivalents and restricted cash	95	(268)
Cash, cash equivalents and restricted cash:		
Net increase (decrease)	(1,888)	1,619
At beginning of year	16,889	15,270
At end of year	$ 15,001	$ 16,889

See accompanying notes to these consolidated financial statements.

NOTE 1 – DESCRIPTION OF THE BUSINESS

QC Holdings, Inc. and its subsidiaries (the Company) provide consumer loans and other various financial services through its retail branches and online lending operations. The Company's consumer loans include installment, title, single-pay and open-end credit loans. The Company also provides other financial products and services, such as credit services, check cashing services, prepaid debit cards and business invoice factoring.

All the Company's loans and other financial products and services offered in the United States are subject to state regulation, which vary from state to state, as well as to the Consumer Financial Protection Bureau (CFPB) and other federal and local regulation, where applicable. On December 31, 2023, the Company operated 331 branches in the United States with locations in Alabama, Idaho, Kansas, Kentucky, Mississippi, Missouri, Nevada, Oklahoma, Tennessee, Texas, Utah and Wisconsin.

The Company's installment loans are structured to allow customers to repay the loan in installments (principal plus interest) over a period of months, yet on a frequency that coincides with their pay cycle. Loan terms typically range from four months to 24 months, and all loans may be prepaid at any time without penalty. The fee for the installment loan varies based on the type of installment loan, amount borrowed and the term of the loan. Generally, the amount that the Company advances under an installment loan ranges from $100 to $4,000. The loans are collateralized by checks, authorizations for payment through the Automated Clearing House (ACH) network or a debit card from the customer.

The Company offers installment and single-pay title loans to customers in various states, whereby the customer provides a clear title or security interest in his or her vehicle as collateral for the loan. Single payment title loans typically are due 30 days from origination. Installment title loans require periodic payments of principal and interest with a fixed payment amount due each period during the term of the loan. Payments are scheduled to coincide with the customer's pay cycle. Loan terms range from one month to 36 months, and all loans may be prepaid at any time without penalty. Title loan fees vary based on the amount borrowed, the term of the loan and the underlying state laws and regulations. Depending on the state, the amount that the Company advances under a title loan generally ranges from $100 up to $10,000.

The Company offers single-pay loans with principal values that range from $50 to $1,000. Single-pay loans provide customers with cash in exchange for a promissory note with a maturity of generally two to four weeks. The loans are collateralized (for the principal amount of the loan plus a specified fee) by a check, an authorization for payment through the ACH network or a debit card from the customer. The fee charged on single-pay loans varies by state, but typically ranges from $15 to $25 per $100 borrowed.

In Kansas and Tennessee, the Company offers open-end loans that are a line of credit without a specified maturity date. The open-end credit product allows a customer to borrow up to their approved maximum level at any time as long as the customer does not exceed the maximum set forth in their open-end credit agreement. The borrower is required to make a monthly payment based on the outstanding balance under the loan. The loans are collateralized by an authorization for payment through the ACH network, a debit card from the customer or a clear title or security interest in the customer's vehicle. The amount that the Company advances under an open-end loan ranges from $100 to $4,000. The Company earns interest on the outstanding balance.

The Company offers short-term consumer loans and other financial services in 20 branches across the provinces of British Columbia, Alberta, Saskatchewan and Nova Scotia, as well as an online offering in various provinces and territories across Canada.

The Company offers invoice factoring and other lending services to small business clients. The Company provides its business clients with working capital by purchasing their accounts receivable invoices at a discount or through a general line of credit arrangement. In a factoring transaction, the Company purchases the invoice and advances a percentage of the face value of the invoice (usually 80% to 90%) to the client at an agreed upon rate. The Company becomes the legal owner of the invoice and collects on it. On December 31, 2023 and 2022, the balance of business receivables (net of allowance for credit losses) was $1.4 million and $4.5 million, respectively. For the years ended December 31, 2023 and 2022, revenues from the Company's business lending services were approximately $247,000 and $1.4 million, respectively.

On May 1, 2022, QC acquired 100% of the outstanding capital stock and membership interests of Hutcheson Enterprises, Inc. and subsidiaries (HE), a network of more than 200 consumer lending stores across Alabama, Mississippi, Tennessee, Missouri, Kansas, Idaho and New Mexico. HE, founded in 1994, is widely respected as a premier title lender. The HE acquisition expanded the Company's presence across the United States by building on its strategy to diversify the product offerings and distribution into additional states. See additional information in Note 4.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates. In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to allowance for credit losses, fair value measurements used in goodwill impairment tests, long-lived assets, income taxes, contingencies and litigation. Management bases its estimates on historical experience, empirical data and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates.

Revenue Recognition. The components of consumer loan interest and fees as reported in the Consolidated Statements of Operations are as follows *(in thousands)*:

	Year Ended December 31,	
	2023	**2022**
Installment loan interest and fees	$ 87,135	$ 78,363
Title loan fees	31,108	26,442
Single-pay loan fees	26,708	26,570
Open-end credit loan fees	13,611	9,481
Total consumer loan interest and fees	$ 158,562	$ 140,856

The Company records revenues from installment and title loans using a simple interest basis.

The Company records revenue from single-pay loans upon issuance. The term of a loan is generally two to four weeks for a single-pay loan. At the end of each month, the Company records unearned revenue, which results in revenues being recognized on a constant-yield basis ratably over the term of each loan.

The Company records revenue from open-end loans using an average daily balance method.

The components of "Other" revenues as reported in the Consolidated Statements of Operations are as follows *(in thousands)*:

	Year Ended December 31,	
	2023	2022
Credit service fees	$ 5,750	$ 6,713
Check cashing fees	2,852	2,979
Other fees	1,250	2,275
Total other revenues	$ 9,852	$ 11,967

With respect to the Company's credit service organization (CSO) in Texas, the Company earns a CSO fee by arranging for an unrelated third-party to make a loan to the consumer and by providing related services to the consumer, including a guarantee of the consumer's obligation to the third-party lender. The Company also services the loan for the lender. The CSO fee is recognized ratably over the term of the loan. See additional information in Note 13.

The Company recognizes revenues for its other consumer financial products and services, which includes check cashing, money transfers and money orders, at the time those services are rendered to the customer, which is generally at the point of sale. With respect to the invoice factoring business, the Company recognizes revenues based on the applicable factoring fee rate and the length of the time the receivable balance is outstanding.

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less. The carrying amount of cash and cash equivalents approximates the estimated fair value at December 31, 2023 and 2022. Substantially all cash balances exceed federal deposit insurance limits.

Restricted Cash. Restricted cash includes cash in certain money market accounts and certificates of deposit. The carrying amount of restricted cash approximates the estimated fair value at December 31, 2023 and 2022. The cash balances are restricted primarily due to licensing requirements in certain states and other contractual obligations.

Loans Receivable, Provision for Losses and Allowance for Credit Losses. When the Company originates an installment loan with a customer, the Company records a loan receivable for the amount delivered to the customer. At each period end, the Company records as a receivable, any accrued fees and interest which vary from state to state based on applicable regulations.

The Company records a provision for losses associated with uncollectible loans. With respect to installment, title and open-end loans, no additional fees or interest are charged after the loan has defaulted, which occurs after the third missed payment for a customer that pays bi-weekly or after the second missed payment for a customer that pays monthly. Accordingly, the receivable balances for these products at any given point in time are typically not more than 30 days past due. For single-pay loans, all accrued fees, interest and outstanding principal are charged off on the date the Company receives a returned check, a rejected ACH or denied debit card submission, generally within 14 days after the due date of the loan. Accordingly, single-pay loans included in the receivable balance at any given point in time are typically not older than 30 days. Loan charge-offs and defaults are recorded as expense through the provision for losses. Any recoveries on losses previously charged to expense are recorded as a reduction to the provision for losses in the period recovered.

With respect to the loans receivable at the end of each reporting period, the Company maintains an aggregate allowance for credit losses (including fees and interest) for installment loans, single-pay loans, title loans and open-end loans at levels estimated to be adequate to absorb estimated incurred losses in the respective outstanding loan portfolios. The Company does not specifically reserve for any individual consumer loan.

The Company maintains an allowance for installment, title and open-end credit loans at a level it considers sufficient to cover estimated losses in the collection of these products. This allowance calculation is based upon historical charge-off experience (using a trailing average of charge-offs to total volume that approximates the average term of the underlying type of loan) and qualitative factors, such as the impact of new loan products, changes to underwriting criteria or lending policies, new store development or entrance into new markets, changes in jurisdictional regulations or laws, recent credit trends and general economic conditions. Any recoveries on loans previously charged to the allowance are credited to the allowance when collected.

The methodology for estimating the allowance for single-pay loan losses utilizes an approach that considers the short-term nature of the loan portfolio at each period-end based on charge-offs to loan volumes during a given period, adjusting for the historical collection experience in the month following each reporting period-end and evaluating for various qualitative factors, such as the impact of new loan products, changes to underwriting criteria or lending policies, new store development or entrance into new markets, changes in jurisdictional regulations or laws, recent credit trends and general economic conditions.

The Company records an allowance for other receivables based upon an analysis that considers payment recency, delinquency levels and other general economic conditions.

Based on the information discussed above, the Company records an adjustment to the allowance for credit losses through the provision for losses. The overall allowance represents the Company’s best estimate of probable losses inherent in the outstanding loan portfolio at the end of each reporting period.

On occasion, the Company will sell certain loans receivable (that the Company had previously charged off) to third parties for cash. The sales are recorded as a credit to the overall loss provision, which is consistent with the Company’s policy for recording recoveries. Cash received from the sale of certain consumer loans receivable totaled $613,000 and $537,000 during December 31, 2023 and 2022, respectively.

Operating Expenses. The direct costs incurred in operating the Company’s business units have been classified as operating expenses. Operating expenses include salaries and benefits of branch and central collections employees, rent and other occupancy costs, depreciation and amortization of branch property and equipment, armored car and security costs, advertising costs and other costs incurred by the business units. The provision for losses is also a component of operating expenses.

Property and Equipment. Property and equipment are recorded at cost. Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term (including renewal options that are reasonably assured), which generally ranges from one to 15 years, or the estimated useful life of the related asset. Furniture and equipment, including data processing equipment, data processing software and other equipment are generally depreciated from one to seven years. Repair and maintenance expenditures that do not significantly extend asset lives are charged to operating expense as incurred. The cost and related accumulated depreciation of assets sold or disposed of are removed from the accounts, and the resulting gain or loss is included in income.

Software. Purchased software is recorded at cost and is amortized on a straight-line basis over the estimated useful life, which ranges from one to five years. The Company capitalizes costs for the development of internal use software, including coding and software configuration costs and costs of upgrades and enhancements. Computer software and development costs incurred in the preliminary project stage, as well as training and maintenance costs, are expensed as incurred. When a software application is placed in service, the Company begins amortizing the related capitalized software costs using the straight-line method over the estimated useful lives, which currently range from one to five years. Costs for the development of internal use software totaled approximately $1.2 million and $808,000 for the years ending December 31, 2023 and 2022, respectively. The Company assesses the recoverability of the carrying amount of capitalized software when events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable.

Advertising Costs. Advertising costs, including related printing, postage, referral fees, coupons and digital marketing, are charged to operations when incurred. Advertising expense was $7.6 million and $6.3 million for the years ended December 31, 2023 and 2022, respectively.

Goodwill and Intangible Assets. Goodwill represents the excess of consideration over the fair value of net tangible and identified intangible assets and liabilities assumed of acquired businesses using the acquisition method of accounting. The Company performs its goodwill impairment assessment annually as of December 31, and between annual assessments if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company assesses goodwill for impairment at a reporting unit level by first assessing a range of qualitative factors, including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for the Company's products and services, regulatory and political developments, entity specific factors (such as strategy and changes in key personnel) and overall financial performance. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company proceeds to the quantitative assessment. On December 31, 2023 and 2022, the Company determined there was no impairment of goodwill.

Intangible assets consist of customer relationships, trade names and other intangible assets. Customer relationships and other intangible assets are amortized using the straight-line method over their weighted average useful lives. The amount recorded for trade names is considered an indefinite life intangible and not subject to amortization, unless the Company is contractually restricted from utilizing the name after a determined period (in which case, the trade name would be an intangible asset subject to amortization). On December 31, 2023 and 2022, the Company determined there was no impairment of intangible assets.

Earnings per Share. The Company computes basic and diluted earnings per share using a two-class method because the Company has issued participating securities in the form of unvested share-based payment awards with rights to receive non-forfeitable dividends. Basic and diluted earnings per share are computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share gives effect to all dilutive potential common shares that were outstanding during the year. The effect of unvested restricted stock represents the only potential differences between the weighted average shares used for the basic earnings per share computation compared to the diluted earnings per share computation for each period presented. See additional information in Note 15.

Stock-Based Compensation. The Company recognizes compensation cost relating to stock-based payment transactions in its financial statements. Any stock-based compensation expense is recognized as expense over the requisite service period, which is the vesting period. See additional information in Note 16.

Income Taxes. Deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. Income tax expense represents the tax payable for the current period and the change during the period in deferred tax assets and liabilities.

From time to time, the Company enters transactions for which the tax treatment under the Internal Revenue Code or applicable state tax laws is uncertain. The Company provides federal and/or state income taxes on such transactions, together with related interest, net of income tax benefit, and any applicable penalties in accordance with accounting guidance for income tax uncertainties. The Company records income tax uncertainties that are estimated to take longer than 12 months to resolve as non-current. Interest and penalties related to unrecognized tax benefits, if any, are recorded in income tax expense. See additional information in Note 11.

Treasury Stock. The Company's Board of Directors (Board) periodically authorizes the repurchase of the Company's common stock. Repurchases of common stock are recorded as treasury stock and result in a reduction of stockholders' equity. The shares held in treasury stock may be used for corporate purposes, including shares issued to employees as part of the Company's stock-based compensation programs. When treasury shares are reissued, the Company uses the average cost method. The Company had 3.4 million shares of common stock held in treasury at December 31, 2023 and 2022.

Fair Value of Financial Instruments. The fair value of short-term installment, single-pay and title loans receivable, open-end credit receivables, borrowings under the credit facility, accounts payable and certain other current liabilities that are short-term in nature approximates carrying value. If measured at fair value in the financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy.

The Company estimates the fair value of long-term debt based upon borrowing rates available at the reporting date for indebtedness with similar terms and average maturities. Debt is reported at its carrying amount in the Consolidated Balance Sheets. On December 31, 2023 and 2022, the fair value of the Company's outstanding indebtedness approximated the carrying value.

Foreign Currency Translations. The functional currency for the Company's subsidiaries that serve residents of Canada is the Canadian dollar. The assets and liabilities of these subsidiaries are translated into U.S. dollars at the exchange rates in effect at each balance sheet date. Revenue and expenses are translated at the monthly average exchange rates each reporting period. Net translation gains and losses are excluded from income and recorded in "Accumulated other comprehensive income (loss)" as a separate component of stockholders' equity.

Closure of Branches. Periodically, the Company closes, consolidates or relocates branches. Typical charges associated with these activities include lease termination costs, severance for employees and losses for the disposition of fixed assets. When ceasing operations in branches under operating leases, the Company incurs certain lease contract termination costs. Accordingly, in cases where the lease contract specifies a termination fee due to the landlord, the Company records such expense at the time written notice is given to the landlord. Closures during 2023 and 2022 were not material individually or in the aggregate.

NOTE 3 – NEW ACCOUNTING PRONOUNCEMENTS

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which, in an effort to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have the contractual right to receive cash. The Company adopted the provisions of this standard as of January 1, 2023, with no significant impact to the Company's financial statements.

NOTE 4 – SIGNIFICANT BUSINESS TRANSACTIONS

Acquisition of HE. On May 1, 2022, the Company acquired HE, a network of more than 200 consumer lending stores across Alabama, Mississippi, Tennessee, Missouri, Kansas, Idaho and New Mexico. HE is widely respected as a premier title lender, with more than 70% of its approximately $29 million in gross receivables (as of the acquisition date) originated as title loans. The Company paid $34.0 million, comprised of $27.5 million in cash and $6.5 million in seller subordinated debt. To complete the transaction, the Company amended, and increased the capacity of, its credit facility, as well as borrowed $2.5 million of additional subordinated debt (see Note 10 below). In connection with the acquisition, the Company recorded a preliminary purchase price allocation of $9.1 million to goodwill. During 2023, the Company recorded a $3.0 million adjustment to goodwill in connection with finalizing the valuation and purchase price allocation related to the allowance for credit losses and accrued expenses and other current liabilities.

The following table summarizes the estimated fair values of the assets acquired at the date of acquisition *(in thousands)*:

Fair value of consideration transferred:	
Cash	$ 27,237
Seller subordinate notes (a)	5,248
Total	$ 32,485
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Current assets (b)	$ 21,314
Property and other long-term assets (c)	3,284
Goodwill (d)	12,095
Customer relationships	3,150
Total identifiable assets acquired	39,843
Current liabilities assumed	(4,249)
Non-current liabilities (c)	(3,109)
Net assets acquired	$ 32,485

(a) The gross amount of seller subordinated notes is $6.5 million – see Note 10.
(b) Includes cash acquired of approximately $2.6 million.
(c) Includes right-of-use asset and related liability.
(d) The goodwill is assigned to an existing reporting unit for goodwill testing purposes. The goodwill recognized is attributable primarily to the expected corporate synergies, the assembled workforce of HE and other factors. The goodwill is expected to be deductible for income tax purposes.

The operating results of the acquisition are included in the Company's consolidated statements of operations as of the date of acquisition.

Missouri and Wisconsin Branch Acquisition. On February 21, 2022, the Company acquired ten branches in Missouri and four branches in Wisconsin that offer short-term loan products and other financial services. Funded through its existing credit facility, the Company paid $4.5 million for the assets, which included more than $4.0 million in gross receivables, operating cash, property and equipment and various lease and utility deposits. The Company evaluated the fair value of the contingent consideration and the assets acquired and liabilities assumed. The contingent consideration and the estimated fair values of intangible assets acquired are fair value estimates based on the information that was available to the Company as of the acquisition date. The operating results of the acquisition are included in the Company's consolidated statements of operations as of the date of acquisition.

The following table summarizes the estimated fair values of the assets acquired at the date of acquisition *(in thousands)*:

Fair value of consideration transferred:	
Cash	$ 4,500
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Current assets (a)	$ 1,499
Property and other long-term assets (b)	1,842
Goodwill (c)	2,558
Customer relationships	537
Total identifiable assets acquired	6,436
Current liabilities assumed	(174)
Non-current liabilities (b)	(1,762)
Net assets acquired	$ 4,500

(a) Includes cash acquired of approximately $72,000.
(b) Includes right-of-use asset and related liability.
(c) The goodwill is assigned to an existing reporting unit for goodwill testing purposes. The goodwill recognized is attributable primarily to the expected corporate synergies, the assembled workforce and other factors. The goodwill is expected to be deductible for income tax purposes.

For the year ended December 31, 2022, the costs incurred for the acquisition of these branches were expensed as incurred and these costs were not material to the Company's consolidated financial statements.

Investment in Virinchi Capital. In June 2021, the Company invested $2.0 million in convertible debentures of Virinchi Capital Private Limited (Virinchi Capital), an India-based financial services technology start-up venture. This investment is included in "Other Assets, net" in the December 31, 2022 Consolidated Balance Sheet and included in "Prepaid expenses and other current assets" in the December 31, 2023 Consolidated Balance Sheet. The fair value measurement of this investment for 2022 and 2023 was based on significant inputs not observable in the market and thus represents a Level 3 measurement (see Note 5).

NOTE 5 – FAIR VALUE MEASUREMENTS

Accounting guidance on fair value measurements establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As discussed in Note 4, the Company's investment in Virinchi Capital is a Level 3 measurement. The fair value of the asset was determined based on consideration of the performance of the underlying business, provisions in the original agreement with respect to allocation of losses from non-performing loans and Virinchi Capital's strategic position in the broader Indian financial services market. The fair value of Virinchi Capital investment as December 31, 2022 and 2023 was $1.8 million and $900,000, respectively.

The Company also measures the fair value of certain assets on a non-recurring basis when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Non-financial assets such as property, equipment and land are subject to non-recurring fair value measurements if they are deemed to be impaired. The impairment models used for non-financial assets depend on the type of asset. When the carrying amount of these assets cannot be recovered by the undiscounted net cash flow they will generate, impairment is recognized in an amount by which the carrying amount of the assets exceeds the fair value.

NOTE 6 – CUSTOMER RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

The current portion of loans receivable consisted of the following *(in thousands)*:

	December 31, 2023	**December 31, 2022**
Current portion:		
Installment loans	$ 35,733	$ 33,154
Title loans	13,756	21,562
Single-pay loans	13,446	14,192
Open-end loans	8,161	5,799
Business and factoring receivables	2,150	5,285
Loans receivable	73,246	79,992
Less: Allowance for credit losses	(11,780)	(14,169)
Loans receivable, less allowance for credit losses	$ 61,466	$ 65,823

On December 31, 2023 and 2022, non-current loans receivable consisted of installment and title loans.

Credit Quality Information. To manage the portfolios of consumer loans effectively, the Company utilizes a variety of proprietary underwriting criteria, monitors the performance of the portfolio and maintains either an allowance or accrual for losses on consumer loans (including fees and interest) at a level estimated to be adequate to absorb credit losses inherent in the portfolio – see Note 2 for additional information. The portfolio includes balances outstanding from all consumer loans, including installment, single-pay, title and open-end loans. The allowance for credit losses on the loan portfolio offsets the outstanding loan amounts in the Consolidated Balance Sheets.

The Company had approximately $22.1 million in consumer loans receivable that were past due as of December 31, 2023, representing approximately 29% of total consumer receivables, of which $1.8 million was more than 60 days past due. The Company had approximately $24.0 million in consumer loans receivable that were past due as of December 31, 2022, representing approximately 31% of total consumer receivables, of which $6.4 million was more than 60 days past due.

Allowance for Credit Losses. The following table summarizes the activity in the allowance for credit losses *(in thousands)*:

	Year Ended December 31,	
	2023	2022
Balance, beginning of year	$ 14,727	$ 6,847
Charge-offs	(81,629)	(64,875)
Recoveries	20,187	12,457
Acquisitions (see Note 4)	2,500	10,545
Provision for losses	56,710	49,753
Balance, end of year	$ 12,495	$ 14,727

The provision for losses in the Consolidated Statements of Operations also includes losses associated with the CSO (see Note 2 and Note 13 for additional information).

The following tables summarize the activity in the allowance for credit losses by product *(in thousands)*:

	Year Ended December 31, 2023						
	Installment loans	Title loans	Single-pay loans	Open-end loans	Factoring receivables	Other	Total
Balance, beginning of year	$ 6,656	$ 3,935	$ 2,085	$ 1,306	$ 745	$ -	$ 14,727
Charge-offs	(41,367)	(16,513)	(15,309)	(7,586)	-	(854)	(81,629)
Recoveries	8,062	3,369	6,391	1,815	103	447	20,187
Acquisitions (a)	-	2,500	-	-	-	-	2,500
Provision for losses	32,959	8,851	8,562	6,034	(103)	407	56,710
Balance, end of year	$ 6,310	$ 2,142	$ 1,729	$ 1,569	$ 745	$ -	$ 12,495

(a) During 2023, the Company recorded a $2.5 million adjustment to the allowance for credit losses in connection with finalizing the HE acquisition valuation and purchase price allocation.

The provision for losses in the “Other” component for the year ended December 31, 2023 includes losses from returned items for check cashing of approximately $274,000.

	Year Ended December 31, 2022						
	Installment loans	Title loans	Single-pay loans	Open-end loans	Factoring receivables	Other	Total
Balance, beginning of year .	$ 4,290	$ 181	$ 1,175	$ 820	$ 381	$ -	$ 6,847
Charge-offs	(35,726)	(9,543)	(12,287)	(5,990)	-	(1,329)	(64,875)
Recoveries	6,451	690	3,447	1,289	109	471	12,457
Acquisitions	2,988	5,896	1,661	-	-	-	10,545
Provision for losses	28,653	6,711	8,089	5,187	255	858	49,753
Balance, end of year	$ 6,656	$3,935	$ 2,085	$ 1,306	$ 745	$ -	$ 14,727

The provision for losses in the "Other" component for the year ended December 31, 2022 includes losses from returned items for check cashing of approximately $208,000.

NOTE 7 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following *(in thousands)*:

	December 31, 2023	December 31, 2022
Furniture, software and equipment	$ 18,049	$ 16,905
Leasehold improvements	14,939	15,293
Finance leases (see Note 8)	4,207	1,110
Gross property and equipment	37,195	33,308
Less: Accumulated depreciation and amortization	(28,009)	(26,115)
Total property and equipment, net	$ 9,186	$ 7,193

In October 2017, the Company entered a seven-year lease for a new corporate headquarters (in Lenexa, Kansas) with a limited liability company organized by the Company's Chairman of the Board, President and Chief Executive Officer, and another stockholder who was elected as a director of the Company in February 2021. As part of the lease agreement, the Company received tenant allowances from the landlord for leasehold improvements totaling approximately $1.8 million, which are being amortized over the life of the lease. The tenant allowances are reflected as a reduction in the operating lease right-of-use asset (see Note 8). In June 2020, the lease was extended with a new seven-year term.

Depreciation and amortization expense for property and equipment totaled $3.0 million and $2.9 million for the years ended December 31, 2023 and 2022, respectively.

NOTE 8 – LEASES

The Company leases its locations and various types of equipment primarily under operating leases. Operating lease costs for lease payments are recognized on a straight-line basis over the lease term and are included as "Occupancy" in the Consolidated Statements of Operations. In addition to rent, the Company pays taxes, insurance, and maintenance expenses under certain leases. The Company has elected to account for each separate lease component of a contract and these associated non-lease components as a single lease component for its leases.

Leased facilities are generally leased for a term of one to five years, with one or more options to renew for an additional one to five years, typically at the Company's sole discretion. In addition, most of these leases can be terminated early upon an adverse change in law that negatively affects branch profitability. The Company regularly evaluates renewal and termination options to determine if the Company is reasonably certain to exercise the option and excludes these options from the lease term included in the recognition of the operating lease right-of-use asset and lease liability until such certainty exists. The weighted-average remaining lease term for operating leases as of December 31, 2023 and December 31, 2022 was approximately 3.4 years and 4.3 years, respectively.

The Company's leases do not provide an implicit rate. As a result, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. The Company utilizes a portfolio approach for determining the incremental borrowing rate to apply to groups of leases with similar characteristics. The weighted-average discount rate used to measure the lease liability as of December 31, 2023 and December 31, 2022 was 16.5% and 17.7%, respectively.

The operating lease right-of-use asset and lease liability are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The Company's lease liability was $27.3 million on December 31, 2023. The lease assets were $25.5 million on December 31, 2023.

Lease expense totaled approximately $13.3 million during the year ended December 31, 2023, which included approximately $2.9 million related to taxes, insurance, and maintenance costs. Lease expense totaled approximately $12.8 million during the year ended December 31, 2022, which included approximately $2.6 million related to taxes, insurance, and maintenance costs.

The following table details the maturity of lease liabilities for all operating leases as of December 31, 2023 *(in thousands)*:

2024	$ 9,840
2025	7,231
2026	6,183
2027	5,073
2028	3,905
Thereafter	12,330
Total	44,562
Less amount of lease payments representing interest	17,312
Total present value of lease payments	$ 27,250

For the year ended December 31, 2023, the Company paid cash for amounts included in the measurement of lease liabilities of $10.4 million. In addition, right-of-use assets obtained in exchange for new and renewed operating lease liabilities totaled $10.2 million during 2023.

During 2023 and 2022, the Company utilized finance leases for various equipment and signage totaling approximately $3.1 million and $1.1 million, respectively. At December 31, 2023 and 2022, the Company had approximately $3.4 million and $1.0 million in finance lease liabilities, respectively.

NOTE 9 – GOODWILL AND INTANGIBLE ASSETS, NET

The following table summarizes goodwill and intangible assets, net *(in thousands)*:

	December 31,	
	2023	**2022**
Non-amortized goodwill and intangible assets:		
Goodwill	$ 19,294	$ 16,336
Trade name	225	225
Total non-amortized goodwill and intangible assets	19,519	16,561
Amortized intangible assets:		
Customer relationships	4,284	4,284
Less: Accumulated amortization	(2,549)	(1,137)
Total amortized intangible assets	1,735	3,147
Effect of foreign currency translation	(101)	(129)
Total goodwill and intangible assets, net	$ 21,153	$ 19,579

The amortization of any definite lived intangible assets for customer relationships, trade names and other intangible assets is recorded as amortization expense. The Company amortized $1.4 million related to customer relationships during the year ended December 31, 2023 and $1.0 million during the year ended December 31, 2022. Estimated annual amortization expense for intangible assets is $1.3 million and $380,000 in 2024 and 2025, respectively.

NOTE 10 – DEBT

The following table summarizes debt *(in thousands)*:

	Year Ended December 31,	
	2023	**2022**
Credit facility	$ 58,900	$ 52,350
Debt issuance costs	(438)	(104)
Credit facility, net of debt issuance costs	58,462	52,246
Seller subordinated notes	4,698	7,667
Discount on notes	(686)	(995)
Seller subordinated notes, net of discount	4,012	6,672
Senior subordinated notes	9,100	12,159
Total Debt	71,574	71,077
Less current portion of debt	1,655	2,287
Long-term Debt	$ 69,919	$ 68,790

The following table summarizes future principal payments of debt at December 31, 2023 *(in thousands)*:

2024	$ 1,785
2025	10,198
2026	895
2027	234
2028	58,462
Total	$ 71,574

Credit Facility. On September 16, 2018, the Company's wholly owned subsidiary, QC SPV, LLC (SPV), entered a Loan Participation, Security and Services Agreement (Loan Facility), as amended, with a private lender to provide capital for operating, growth and seasonal borrowing needs.

During 2022, the Company and the existing lender amended the Loan Facility to accommodate the HE acquisition (see Note 4 above) to increase the maximum borrowing to $60 million and extend the term to June 30, 2024. Additionally, the lender agreed to provide borrowing capacity to the SPV to the extent that 80% of the principal balance of the eligible loans (as defined in the agreement) held by SPV and its guarantors exceeds the desired borrowing amount (up to the maximum). Pursuant to the amendment, the loans were subject to a variable interest rate, ranging from a minimum of 15.825% to a maximum of 18.325%, depending on the Prime Rate. The amended Loan Facility contains a financial covenant that requires the Company to maintain a minimum fixed charge coverage ratio. Subsequent amendments during 2022 increased the borrowing capacity from 80% to 84% of the principal balance of eligible loans, as well as revised the interest rates to a minimum of 18.825% and a maximum of 20.325%. The Company incurred $150,000 in debt issuance costs associated with the 2022 amendments.

In March 2023, the Company and the existing lender amended the Loan Facility to extend the maturity to March 31, 2028. In connection with the amendment, a maximum borrowing amount was eliminated, and the borrowing capacity was increased to the extent that 85% of the principal balance of the eligible loans (as defined in the agreement) held by SPV and its guarantors exceeds the desired borrowing amount. In addition, the loans are subject to a variable interest rate, ranging from a minimum of 15.00% to a maximum of 20.00%, depending on the Prime Rate. The amended facility continues to contain a financial covenant that requires the Company to maintain a minimum fixed charge coverage ratio. The Company incurred $435,000 in debt issuance costs associated with the 2023 amendments.

The weighted average interest rate for borrowings under the various credit facilities was 19.2% and 17.1% during each of the years ended December 31, 2023 and 2022. On December 31, 2023 and 2022, the Company was in compliance with all covenants under the facilities.

Seller Subordinated Notes. On July 1, 2021, the Company acquired 100% of the outstanding stock of Amaranth Financial Services, Inc. (Amaranth), a Canadian-based provider of short-term consumer loans and other financial services. In July 2022, the computation for the acquisition earn-out totaled $1.3 million. In lieu of the Company paying cash, the sellers entered a subordinated note with the Company for this amount in addition to the escrow amount (approximately $800,000) included in the acquisition agreement. The note is payable on February 28, 2024 and earns interest at 12% per annum, payable quarterly.

In connection with the HE acquisition discussed in Note 4 above, the Company issued two amortizing seller subordinated notes payable totaling $6.5 million. One note, for $1.5 million, has a term of 18 months, with quarterly principal payments and interest at 6% per annum. The other note, for $5.0 million, has a term of five years, with quarterly principal payments and interest at 6% per annum. Based on the Company's senior facility interest rate, a discount was computed for the seller notes to estimate fair value. This discount is reflected as a reduction to the seller subordinated notes and is being amortized over the respective terms of the notes.

Senior Subordinated Debt. Since 2011, the Company has carried subordinated debt (Senior Subordinated Notes) at various times with, among others, the Chairman of the Board, the Vice Chairman of the Board, the President and Chief Executive Officer and a Board member/major stockholder. Nearing the first scheduled maturity of the Senior Subordinated Notes in 2015, the term was extended for a year. Thereafter, absent any repayments, the maturity has always been extended. Consistent with past practice, the subordinated holders have agreed to extend the maturity to at least September 30, 2025 and the debt is reflected as long-term in the Consolidated Balance Sheets.

The Senior Subordinated Notes bear interest at the rate of 16% per annum, some of which are payable monthly and others quarterly, 75% of which is payable in cash and 25% of which is payable-in-kind (PIK) through the issuance of additional senior subordinated PIK notes. The Senior Subordinated Notes are subject to prepayment at the option of the Company, a portion of which would require a 1% premium on the outstanding principal of the notes and the majority of which is without penalty or premium. The Senior Subordinated Notes are subject to mandatory prepayment, without premium, upon a change of control (as defined in the subordination agreement).

The Company was in compliance with the terms of the Senior Subordinated Notes throughout 2022 and 2023. The Senior Subordinated Notes provide that upon occurrence of an event of default on the subordinated notes, the Company may not declare or pay any cash dividend or distribution of cash or other property (other than equity securities of the Company) on its capital stock.

NOTE 11 – INCOME TAXES

The Company's provision (benefit) for income taxes is summarized as follows *(in thousands)*:

	Year Ended December 31,	
	2023	**2022**
Current:		
Federal	$ -	$ -
State	170	171
Foreign	(29)	672
Total Current	141	843
Deferred:		
Federal	539	372
State	(539)	(372)
Foreign	420	(887)
Total Deferred	420	(887)
Total provision (benefit) for income taxes	$ 561	$ (44)
Income (loss) from operations:		
Domestic	$ (4,915)	$ (4,661)
Foreign	1,619	1,768
Income (loss) before income taxes	$ (3,296)	$ (2,893)

The sources of deferred income tax assets (liabilities) are summarized as follows *(in thousands)*:

	December 31,	
	2023	**2022**
Deferred tax assets related to:		
Allowance for loan losses	$ 2,368	$ 2,629
Net operating loss carryforward and tax credits	4,461	5,884
Lease obligations	6,929	6,658
Accrued expenses	798	1,080
Accrued interest	4,546	2,290
Foreign net operating loss carryforward	14	538
Deferred compensation and other employee benefits	512	391
Property and equipment	235	-
Other	1,880	1,290
Gross deferred tax assets	21,743	20,760
Less: valuation allowance	(11,716)	(10,215)
Net deferred tax assets	10,027	10,545
Deferred tax liabilities related to:		
Loans receivable, tax value	(1,860)	(2,425)
Goodwill and Intangibles	(171)	(221)
Leased assets	(6,819)	(6,305)
Property and equipment	-	(183)
Prepaid assets	(424)	(259)
Gross deferred tax liabilities	(9,274)	(9,393)
Net deferred tax asset	$ 753	$ 1,152

The Company generated domestic taxable income of approximately $5.6 million and $3.8 million for the years ended December 31, 2023 and 2022, respectively. This income will be fully absorbed against the Company's existing net operating loss carryforwards resulting in no current tax due. In addition, under the CARES Act, the Company was allowed to carry back a portion of its previously generated net operating losses for a period of five years, resulting in a tax benefit of approximately $1.6 million. The Company received approximately $900,000 of this benefit as of December 31, 2022 and the remaining $700,000 in an earlier reporting period. As of December 31, 2023, the Company has a remaining federal net operating loss carryforward of $12.1 million. Of this amount, $4.1 million is available to carryforward for 13 years with the balance to be carried forward indefinitely. The deferred tax benefits associated with federal and state tax credits and loss carryforwards are approximately $4.5 million and $5.9 million as of December 31, 2023 and 2022, respectively.

In addition, the Company has recorded net deferred tax benefits related to other domestic deferred taxes of $7.3 million and $4.3 million at December 31, 2023 and December 31, 2022, respectively. Due to the cumulative net pretax operating loss incurred through the year ended December 31, 2023, the Company has determined that it is more likely than not these carryforwards and deferred tax assets will not be recognized. Accordingly, a valuation allowance in the amount of $11.7 million and $10.2 million was established at December 31, 2023 and 2022, respectively.

The Company also has gross foreign net operating loss carryforwards of approximately $53,000 that generally expire in 7 to 20 years. The deferred tax benefit associated with these carryforwards is approximately $14,000 as of December 31, 2023. In addition, the Company has recorded deferred tax benefits on other net foreign deferred tax assets of $739,000 at December 31, 2023. During the year ending December 31, 2022, the company amalgamated its foreign subsidiaries into a single entity, Amaranth. As a result of the amalgamation, it is more likely than not that there is sufficient pretax income to utilize its existing net operating loss carryforward and future deferred tax assets. Accordingly, no valuation allowance has been maintained for those deferred tax assets.

Differences between the Company's effective income tax rate computed for income (loss) from continuing operations and the statutory federal income tax rate are as follows *(in thousands)*:

	Year Ended December 31,	
	2023	**2022**
Income tax benefit using the statutory federal rate in effect	$ (692)	$ (607)
Tax effect of:		
State and local income taxes, net	(292)	(215)
Valuation allowance	1,826	1,092
Other	(281)	(314)
Total provision (benefit) for income taxes	$ 561	$ (44)
Effective tax rate	(17.0%)	1.5%
Statutory federal tax rate	21.0%	21.0%

The effective tax rates reflect the effect of establishing valuation allowances for the net deferred tax assets of domestic entities and the reversal of the valuation allowance for certain foreign subsidiaries as described above.

The Company did not have any unrecognized tax benefits, or associated interest or penalties, for the years ended December 31, 2023 and 2022.

The Company is subject to income taxes in the U.S. federal jurisdiction and various state and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. In the ordinary course of business, transactions occur for which the ultimate tax outcome is uncertain. In addition, respective tax authorities periodically audit the Company's income tax returns. These audits examine the Company's significant tax filing positions, including the timing and amounts of deductions and the allocation of income among tax jurisdictions. The following table outlines the tax years that generally remain subject to examination as of December 31, 2023:

	Federal	State and Foreign
Statute remains open	2020-2023	2019-2023
Tax years currently under examination	None	None

NOTE 12 – EMPLOYEE BENEFIT PLANS

The Company has established a defined-contribution 401(k) benefit plan that covers substantially all its full-time employees. For the years ended December 31, 2023 and 2022, the Company paid matching contributions to the plan (and administrative expenses) of approximately $213,000 and $100,000, respectively.

NOTE 13 – CREDIT SERVICES ORGANIZATION

For the Company's locations in Texas, the Company began operating as a CSO through one of its subsidiaries in September 2005. As a CSO, the Company acts as a credit services organization on behalf of consumers in accordance with Texas laws. The Company charges the consumer a fee for arranging for an unrelated third-party to make a loan to the consumer and for providing related services to the consumer, including a guarantee of the consumer's obligation to the third-party lender. The Company also services the loan for the lender. The CSO fee is recognized ratably over the term of the loan. The Company is not involved in the loan approval process or in determining the loan approval procedures or criteria. As a result, loans made by the lender are not included in the Company's loans receivable balance and are not reflected in the Consolidated Balance Sheets. As noted above, however, the Company absorbs all risk of loss through its guarantee of the consumer's loan from the lender.

On December 31, 2023 and 2022, consumers had total loans outstanding with the lender of approximately $1.9 million and $1.7 million, respectively. Because of the economic exposure for potential losses related to the guarantee of these loans, the Company records a payable to reflect the anticipated losses related to uncollected loans. The balance of the liability for estimated losses reported in accrued liabilities was approximately $420,000 as of December 31, 2023 and $480,000 as of December 31, 2022.

The following table summarizes the activity in the liability for CSO loan losses during the years ended December 31, 2023 and 2022 *(in thousands)*:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Balance, beginning of year	$ 480	$ 320
Charge-offs	(2,833)	(3,719)
Recoveries	338	366
Provision for losses	2,435	3,513
Balance, end of year	$ 420	$ 480

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Operating Leases. The Company leases certain equipment and buildings under non-cancelable operating leases as discussed in Note 8.

Other. The Company is self-insured for certain elements of its employee benefits. Self-insurance liabilities are based on claims filed and estimates of claims incurred but not reported.

Under the terms of the Company's agreement with its third-party lender in Texas, the Company is contractually obligated to reimburse the lender for the full amount of the loans and certain related fees that are not collected from the customers. See additional information in Note 13.

Litigation. The Company is subject to various asserted and unasserted claims during the course of business. Due to the uncertainty surrounding the litigation process, the Company is unable to reasonably estimate the range of loss, if any, in connection with the asserted and unasserted legal actions against it. Although the outcome of many of these matters is currently not determinable, the Company believes that it has meritorious defenses and that the ultimate cost to resolve these matters will not have a material adverse effect on the Company's consolidated financial statements.

The Company assesses the materiality of litigation by reviewing a range of qualitative and quantitative factors. These factors include the size of the potential claims, the merits of the Company's defenses and the likelihood of plaintiffs' success on the merits, the regulatory environment that could impact such claims and the potential impact of the litigation on its business. The Company evaluates the likelihood of an unfavorable outcome of the legal or regulatory proceedings to which it is a party in accordance with accounting guidance. This assessment is subjective based on the status of the legal proceedings and is based on consultation with in-house and external legal counsel. The actual outcomes of these proceedings may differ from the Company's assessments.

Other Legal Matters. The Company is also involved in ordinary, routine litigation and administrative proceedings incidental to its business, including customer bankruptcies, lease disputes, premises liability and employment-related matters from time to time. The Company believes the likely outcome of any other pending cases and proceedings will not be material to its business or its financial condition.

NOTE 15 – STOCKHOLDERS' EQUITY

Earnings (Loss) Per Share. The following table presents the computations of basic and diluted earnings (loss) per share for the periods presented *(in thousands, except per share data)*:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Loss available to common stockholders	$ (3,857)	$ (2,849)
Weighted average basic common shares outstanding	17,300	17,323
Incremental shares from assumed conversion of unvested restricted shares	22	-
Weighted average diluted common shares outstanding	17,322	17,323
Loss per share:		
Basic		
Net loss	$ (0.22)	$ (0.16)
Diluted		
Net loss	$ (0.22)	$ (0.16)

The Company has approximately 17.3 million shares at December 31, 2023 and 2022. There were 75,000 unvested restricted shares for the year ended December 31, 2023 and no unvested restricted shares for the year ended December 31, 2022. Unvested restricted shares are excluded from the determination of average common shares outstanding used in the calculation of basic earnings per share in the above table for the year ended December 31, 2023.

Anti-Dilutive Securities. There were no outstanding options at December 31, 2023.

Stock Repurchases. The board of directors has periodically authorized the Company to repurchase its common stock in the open market and through private purchases. The acquired shares may be used for corporate purposes, including shares issued to employees in stock-based compensation programs. The Company did not repurchase any shares during 2023. On January 13, 2022, the Company repurchased 757,561 shares of its common stock in a privately negotiated transaction for approximately $682,000.

Dividends. From time to time and to the extent not prohibited by existing credit arrangements, the Company has paid dividends to stockholders. The Company paid a special dividend of $0.05 per share in the first quarter of 2022.

NOTE 16 – STOCK-BASED AND LONG-TERM INCENTIVE COMPENSATION

Long-Term Incentive Plans. During 2023 and 2022, the Company's stock-based compensation plans include the 1999 Stock Option Plan and the 2015 Equity Incentive Plan (2015 Equity Plan). The 2015 Equity Plan permits the issuance of up to 3,000,000 shares of the Company's common stock pursuant to awards granted under the 2015 Equity Plan, such as stock options, restricted stock awards and performance-based share awards, as well as other awards such as stock appreciation rights, which may be payable in the form of common stock or cash.

Any grants that terminate by expiration, forfeiture, cancellation or otherwise without the issuance of shares of common stock, are settled in cash in lieu of common stock, or are exchanged in the board of director's discretion for grants not involving common stock, are available again for grant under the 2015 Equity Plan, so long as the holder of any such grant received no benefits of common stock ownership (including dividends) from the shares of common stock related to such grant.

As of December 31, 2023, there are 2,200,000 shares of common stock available for future issuance under the 2015 Equity Plan. During 2023 and 2020, the Company issued 75,000 and 775,000 shares of restricted stock, respectively, to employees as part of the Company's long-term equity incentive compensation program. During 2021, 50,000 shares of the 2020 grant were cancelled. Prior to the 2020 grant of restricted shares, the Company had not issued any stock options or restricted stock to its employees since 2014.

In accordance with the Company's stock-based compensation plans, the exercise price of a stock option is equal to the market price of the stock on the date of the grant and the option awards typically vest over four years in 25% increments on the anniversary of the grant date. Generally, options granted will expire 10 years from the date of grant.

Restricted stock awards and performance-based share awards are valued on the date of grant and have no purchase price. Restricted stock awards typically vest over a defined period of years in equal increments on each anniversary of the grant date. The vesting period for performance-based share awards is implicitly stated as the time period it will take for the performance condition to be met. Under the 2015 Equity Plan, unvested shares of restricted stock and unvested performance-based share awards may be forfeited upon the termination of employment with the Company, dependent upon the circumstances of termination. Except for restrictions placed on the transferability of restricted stock, holders of unvested restricted stock and holders of unvested performance-based share awards have full stockholder's rights, including voting rights and the right to receive cash dividends.

During 2022, the Company implemented a long-term incentive plan (with a potential payout of approximately $2.4 million) for various employees that vests based on achieving certain performance metrics as defined by the Company's board of directors. The plan provides three years over which the performance metrics may be achieved, at which point a cash incentive would be paid to the various employees (if still employed by the Company). During 2023 and 2022, the Company accrued approximately $583,000 and $697,000 based on probability of achieving these performance metrics during the three-year period.

Stock Options. The Company did not grant stock options during 2023 and 2022 and there are no outstanding or exercisable options as of December 31, 2023.

Restricted Stock Grants. During 2020, the Company granted 775,000 shares of restricted stock to various employees under the 2015 Equity Plan pursuant to restricted stock agreements. The shares vested 50% on January 2, 2021 and the remaining 50% vested on January 2, 2022. .

During 2023, the Company granted 75,000 shares of restricted stock to an employee under the 2015 Equity Plan pursuant to restricted stock agreements. The shares vest 50% on January 2, 2024 and the remaining 50% vest on January 2, 2025. The Company estimated that the fair market value of these restricted stock grants was approximately $41,250, of which $20,625 was recognized as stock-based compensation expense in 2023.

NOTE 17 – SEGMENT INFORMATION

The Company's operating business units offer various financial services. The Company has elected to organize and report on its business units as two reportable segments – US Operations and Canadian Operations. The US Operations segment includes branch and online lending activities in the United States, as well as the Company's business invoice factoring group. The Canadian Operations segment includes the branch and online lending operations in Canada. The Company evaluates the performance of its segments based on, among other things, gross profit, income from operations before income taxes and return on invested capital.

The following tables present summarized financial information for the Company's segments *(in thousands)*:

	Year Ended December 31, 2023		
	US Operations	Canadian Operations	Consolidated Total
Total revenues	$ 155,836	$ 12,578	$ 168,414
Provision for losses	55,085	4,060	59,145
Other operating expenses	66,997	5,186	72,183
Gross profit	33,754	3,332	37,086
Other, net (a)	(38,669)	(1,713)	(40,382)
Income (loss) before income taxes	$ (4,915)	$ 1,619	$ (3,296)

	Year Ended December 31, 2022		
	US Operations	Canadian Operations	Consolidated Total
Total revenues	$ 141,248	$ 11,575	$ 152,823
Provision for losses	50,902	2,364	53,266
Other operating expenses	60,657	4,945	65,602
Gross profit	29,689	4,266	33,955
Other, net (a)	(32,203)	(4,645)	(36,848)
Income (loss) before income taxes	$ (2,514)	$ (379)	$ (2,893)

(a) Represents expenses not associated directly with operations, which includes regional expenses, corporate expenses, depreciation and amortization, interest, other income and other expenses. For segment accounting purposes, corporate expenses are allocated based on each reporting segment's percentage of revenues.

Information concerning total assets by reporting segment is as follows *(in thousands)*:

	December 31,	
	2023	2022
US Operations	$ 129,515	$ 132,512
Canadian Operations	13,013	12,197
Total assets at end of year	$ 142,528	$ 144,709

QC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 – REGULATORY ENVIRONMENT AND CERTAIN CONCENTRATIONS OF RISK

The Company currently operates in 12 states throughout the United States and is engaged in consumer online lending in those states in the United States and certain Canadian provinces and territories. The Company is subject to regulations by federal, state and local governments in the United States that affect the products and services provided by the Company. The level and type of regulation of consumer loans varies greatly from state to state, ranging from states with no regulations or legislation to other states with very strict guidelines and requirements. From a United States federal perspective, the Company is under the purview of the CFPB, among others, which has broad supervisory powers over providers of consumer credit products in the United States such as those offered by the Company. The CFPB has the power to create rules and regulations that specifically apply to consumer lending.

On October 6, 2017, the CFPB issued its Final Rule on Payday, Vehicle Title, and Certain High-Cost Installment Loans (2017 Payday Lending Rule). The 2017 Payday Lending Rule would have imposed significant limitations on all short-term loans and longer-term loans with balloon payments. Over the last several years, there have been various challenges, lawsuits and proposed legislation to address the 2017 Payday Lending Rule.

As a result of these activities, the only outstanding issues relate to required notices and limitations regarding payments (Payment Provisions). The Payment Provisions provide, among other things, that (i) if two consecutive attempts to collect money from a particular account of the borrower, made through any channel (e.g., paper check, ACH, debit card), are returned for insufficient funds, the lender cannot make any further attempts to collect from such account unless the borrower has provided a new and specific authorization for additional payment transfers; and (ii) a lender generally must give the consumer at least three business days advance notice before attempting to collect payment by accessing a consumer’s checking, savings or debit account. The Payment Provisions continue to be stayed indefinitely by the US Fifth Circuit.

On October 19, 2022, a three-judge panel of the Fifth Circuit U.S. Circuit Court of Appeals ruled that the funding structure of the CFPB is unconstitutional and vacated the 2017 Payday Lending Rule. On November 14, 2022, the CFPB filed a Petition for Writ of Certiorari (cert petition) with the U.S. Supreme Court to review the Fifth Circuit ruling.

On February 27, 2023, the U.S. Supreme Court granted the CFPB’s cert petition, electing to review the Fifth Circuit decision. On October 3, 2023, the U.S. Supreme Court heard oral arguments, considering solely whether the CFPB’s funding scheme, which receives funding directly from the Federal Reserve, violates the Appropriations Clause. The U.S. Supreme Court has not issued its ruling on this matter.

In light of the ongoing legal challenges to the 2017 Payday Lending Rule, the Company cannot predict whether the Payment Provisions will go into effect and, if so, whether and how they might be further modified. As a result, the Company is unable to quantify the potential effect on the results of operations and financial condition.

The CFPB also has the power to examine consumer lending organizations and has an active examination process of consumer lenders. The CFPB is changing consumer lending practices through the examination process and is likely to continue to effect informal rulemaking through examination and enforcement efforts.

Company branches located in the states of Missouri, Alabama and Mississippi represented approximately 32%, 11% and 9%, respectively, of total Company revenues for the year ended December 31, 2023.

To the extent that laws and regulations are passed that affect the Company's ability to offer loans or the manner by which the Company offers its loans in any one of those states, the Company's financial position, results of operations and cash flows could be adversely affected. In past years, the Company has experienced several negative effects resulting from law changes that impacted the relative significance of a given state from year to year. For example, during 2022, the New Mexico legislature passed laws that preclude the Company's lending products which led to the Company closing all its branches during the first half of 2023. Further, historically when customer usage restrictions have been introduced with new legislation that does not preclude the Company's lending products, the Company experienced a 30% to 60% decline in annual revenues in that state and a more significant decline in gross profit for the state, depending on the types of alternative products that competitors offered within the state. In addition, efforts have been launched in some states (e.g., Missouri, Nebraska and Colorado) to have voter initiatives on statewide ballots with the intent to preclude any lending in the state with an annual rate over 36%.

The Company is subject to foreign regulation in Canada where certain provinces have implemented, and other provinces have proposed, substantive regulation of the consumer loan industry. The *Budget Implementation Act, 2023, No. 1,* amended section 347 of the Criminal Code to lower the criminal interest rate to 35% APR. The amendments will come into force on a day or days to be fixed by order of the Governor in Council, following a comment period that has closed. As of March 31, 2024, such amendments have not been finalized and have not gone into effect. The criminal interest rate applies to all lending arrangements in Canada, except for certain payday loans, provided certain conditions are met. The payday loans offered by the Company in Canada fall within the exception to the criminal interest rate.

Additionally, the proposed Canadian regulations would impose a new federal limit on the cost of borrowing for payday loans of $14 per $100 borrowed in all provinces that have an approved payday loan regime. Lenders in provinces that currently have higher limits on the cost of borrowing would need to lend at the $14 per $100 rate to comply with the Criminal Code.

NOTE 19 – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

The following table sets forth certain cash activities for the years ended December 31, 2023 and 2022 *(in thousands)*:

	Year Ended December 31,	
	2023	**2022**
Cash paid (received) during the year for:		
Income taxes received	$ 281	$ (207)
Interest	11,628	8,222

NOTE 20 – SUBSEQUENT EVENTS

Debt. In March 2024, the Company and the existing lender amended the Loan Facility to reduce the minimum fixed charge coverage ratio.

The Company evaluated all events and transactions subsequent to the balance sheet date through April 25, 2024,which represent the date these financial statements were available to be issued.

SUPPLEMENTAL SCHEDULE

QCFS EAST, INC.
SUPPLEMENTAL CONSOLIDATED BALANCE SHEET
December 31, 2023
(in thousands)

	QCFS East, Inc.	All Other Companies	Consolidated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,567	$ 12,617	$ 14,184
Restricted cash	-	817	817
Loans receivable, less allowance for credit losses	18,316	43,150	61,466
Prepaid expenses and other current assets	376	5,022	5,398
Total current assets	20,259	61,606	81,865
Non-current loans receivable, less allowance for credit losses	-	3,777	3,777
Property and equipment, net	64	9,122	9,186
Right-of-use asset, net	-	25,507	25,507
Goodwill and intangible assets, net	-	21,153	21,153
Deferred income taxes	(198)	951	753
Other assets, net	10	277	287
Total assets	$ 20,135	$ 122,393	$ 142,528
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 22	$ 1,438	$ 1,460
Accrued expenses and other current liabilities	15,151	(12,030)	3,121
Accrued compensation and benefits	1,453	5,677	7,130
Deferred revenue	658	455	1,113
Lease liability	-	7,056	7,056
Debt due within one year	-	1,655	1,655
Total current liabilities	17,284	4,251	21,535
Lease liability	-	23,608	23,608
Long-term debt, less current portion	-	69,919	69,919
Total liabilities	17,284	97,778	115,062
Commitments and contingencies			
Stockholders' equity:			
Common stock	1	206	207
Additional paid-in capital	2,249	57,023	59,272
Retained earnings (accumulated deficit)	601	(6,418)	(5,817)
Treasury stock, at cost	-	(26,223)	(26,223)
Accumulated other comprehensive income	-	27	27
Total stockholders' equity	2,851	24,615	27,466
Total liabilities and stockholders' equity	$ 20,135	$ 122,393	$ 142,528

QCFS EAST, INC.
SUPPLEMENTAL CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2023
(in thousands)

	QCFS East, Inc.	All Other Companies	Consolidated
Revenues:			
Consumer loan interest and fees	$ 18,648	$ 139,914	$ 158,562
Other	4,844	5,008	9,852
Total revenues	23,492	144,922	168,414
Operating expenses:			
Salaries and benefits	4,822	29,522	34,344
Provision for losses	11,103	48,042	59,145
Occupancy	1,826	15,644	17,470
Marketing	1,077	6,521	7,598
Depreciation and amortization	50	2,779	2,829
Other	1,437	8,505	9,942
Total operating expenses	20,315	111,013	131,328
Gross profit	3,177	33,909	37,086
Regional expenses	788	6,240	7,028
Corporate expenses	559	17,806	18,365
Depreciation and amortization	10	1,606	1,616
Interest expense	1,135	11,413	12,548
Other expense, net	-	825	825
Income (loss) before income taxes	685	(3,981)	(3,296)
Provision for income taxes	193	368	561
Net income (loss)	$ 492	$ (4,349)	$ (3,857)

QCFS EAST, INC.
SUPPLEMENTAL CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the Year Ended December 31, 2023
(in thousands)

	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Treasury stock	Accumulated other comprehensive income (loss)	Total stockholders' equity
QCFS East, Inc.						
December 31, 2022	$ 1	$ 2,249	$ 109	$ -	$ -	$ 2,359
Net income	-	-	492	-	-	492
December 31, 2023	$ 1	$ 2,249	$ 601	$ -	$ -	$ 2,851
ALL OTHER COMPANIES						
December 31, 2022	$ 206	$ 57,002	$ (2,069)	$ (26,224)	$ (54)	$ 28,861
Net loss	-	-	(4,349)	-	-	(4,349)
Stock-based compensation	-	21	-	-	-	21
Foreign currency translation	-	-	-	-	81	81
December 31, 2023	$ 206	$ 57,023	$ (6,418)	$ (26,224)	$ 27	$ 24,614
CONSOLIDATED						
December 31, 2022	$ 207	$ 59,251	$ (1,960)	$ (26,224)	$ (54)	$ 31,220
Net loss	-	-	(3,857)	-	-	(3,857)
Stock-based compensation	-	21	-	1	-	22
Foreign currency translation	-	-	-	-	81	81
December 31, 2023	$ 207	$ 59,272	$ (5,817)	$ (26,223)	$ 27	$ 27,466

QCFS EAST, INC.
SUPPLEMENTAL CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023
(in thousands)

	QCFS East, Inc.	All Other Companies	Consolidated
Cash flows from operating activities:			
Net income (loss)	$ 492	$ (4,349)	$ (3,857)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	60	4,385	4,445
Provision for losses	11,103	48,042	59,145
Deferred income taxes	140	280	420
Non-cash interest expense	-	856	856
Foreign currency exchange loss	-	741	741
Loss on disposal of property and equipment	-	67	67
Stock-based compensation	-	22	22
Changes in operating assets and liabilities, net of effects of acquisitions:			
Fees and service charges on loans receivable	(2,954)	4,402	1,448
Prepaid expenses and other current assets	(312)	(885)	(1,197)
Other assets	(10)	22	12
Accounts payable	(54)	487	433
Accrued expenses, other liabilities, accrued compensation and benefits and deferred revenue	15,417	(18,081)	(2,664)
Income taxes	134	(278)	(144)
Net operating	24,016	35,711	59,727
Cash flows from investing activities:			
Loans receivable originated	(84,790)	(279,274)	(364,064)
Loans receivable repaid	62,028	242,697	304,725
Purchase of property and equipment	(124)	(1,867)	(1,991)
Net investing	(22,886)	(38,444)	(61,330)
Cash flows from financing activities:			
Borrowings under credit facility	-	16,650	16,650
Repayments of credit facility	-	(10,100)	(10,100)
Borrowings on subordinate debt	-	1,000	1,000
Repayments of subordinated debt	-	(7,495)	(7,495)
Debt issuance costs	-	(435)	(435)
Net financing	-	(380)	(380)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	-	95	95
Cash, cash equivalents and restricted cash:			
Net increase (decrease)	1,130	(3,018)	(1,888)
At beginning of year	437	16,452	16,889
At end of year	$ 1,567	$ 13,434	$ 15,001