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

FORM 10-K

(Mark One)

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

For the fiscal year ended March 31, 2024

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 0-26680

NICHOLAS FINANCIAL, INC.
(Exact name of Registrant as specified in its Charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**59-2506879** **(I.R.S. Employer Identification No.)**
26133 US Hwy 19 North, Suite 300 Clearwater, Florida **(Address of principal executive offices)**	**33763** **(Zip Code)**

Registrant's telephone number, including area code: (727) 726-0763

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	NICK	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES ☐ NO ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The NASDAQ Stock Market on September 30, 2023, was approximately $34.8 million.

The number of shares of Registrant's Common Stock outstanding as of June 28, 2024 was approximately 12.7 million shares, $0.01 par value per share (of which approximately 5.4 million shares were held by the Registrant's principal operating subsidiary and pursuant to applicable law, not entitled to vote and approximately 7.3 million shares were entitled to vote).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement and Information Circular for the 2024 Annual General Meeting of Shareholders are incorporated by reference into Part III, Items 10 through 14, of this Annual Report on Form 10-K.

NICHOLAS FINANCIAL, INC.

FORM 10-K ANNUAL REPORT

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Forward-Looking Information

This Annual Report on Form 10-K (this "Report" or "Annual Report") contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such statements are based on management's current beliefs and assumptions, as well as information currently available to management. When used in this document, the words "anticipate," "estimate," "expect," "will," "may," "plan," "believe," "intend" and similar expressions are intended to identify forward-looking statements. Although Nicholas Financial, Inc. and its subsidiaries (collectively the "Company," "we," "us," or "our") believes that the expectations reflected or implied in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. As a result, actual results could differ materially from those indicated in these forward-looking statements. Forward-looking statements in this Annual Report may include, without limitation: (1) projections of revenue, income, and other items relating to our financial position and results of operations, (2) statements of our capital allocation plans, particularly alternatives for future use of excess equity capital, (3) statements of other plans, objectives, strategies, goals and intentions, (4) statements regarding the capabilities, capacities, market position and expected development of our business operations, and (5) statements of expected industry and general economic trends. These statements are subject to certain risks, uncertainties and assumptions that may cause results to differ materially from those expressed or implied in forward-looking statements, including without limitation:

- legal and tax complexities surrounding our former corporate structure as a British Columbia company with primarily U.S. shareholders and exclusively U.S. operations;
- availability of capital (including the ability to access bank financing);
- recently enacted, proposed or future legislation and the manner in which it is implemented, including tax legislation initiatives or challenges to our tax positions and/or interpretations, and state sales tax rules and regulations;
- fluctuations in the economy;
- the degree and nature of competition and its effects on the Company's financial results;
- fluctuations in interest rates;
- effectiveness of our risk management processes and procedures, including the effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures;
- our ability to successfully develop and explore new business opportunities;
- the sufficiency of our valuation allowance for finance receivables held for sale and the accuracy of the assumptions or estimates used in preparing our financial statements;
- increases in the default rates experienced on automobile finance installment contracts ("Contracts");
- regulation, supervision, examination and enforcement of our business by governmental authorities, and adverse regulatory changes in the Company's existing and future markets, including the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and other legislative and regulatory developments, including regulations relating to privacy, information security and data protection and the impact of the Consumer Financial Protection Bureau's (the "CFPB") regulation of our business;
- fraudulent activity;
- failure of third parties to provide various services that are important to our operations, including without limitation the collection services being provided by a new third-party service provider;
- alleged infringement of intellectual property rights of others and our ability to protect our intellectual property;
- litigation and regulatory actions;
- our ability to attract, retain and motivate key officers and employees;
- use of third-party vendors and ongoing third-party business relationships;
- cyber-attacks or other security breaches;
- disruptions in the operations of our computer systems and data centers;

- our ability to realize our intentions regarding strategic alternatives; and
- the risk factors discussed herein under “Item 1A – Risk Factors.”

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected. All forward-looking statements included in this Report are based on information available to the Company as the date of filing of this Annual Report, and the Company assumes no obligation to update any such forward-looking statement. Prospective investors should also consult the risk factors described from time to time in the Company’s other filings made with the U.S. Securities and Exchange Commission (“SEC”), including its reports on Forms 10-Q and 8-K and its annual reports to shareholders.

PART I

Item 1. Business

General

Nicholas Financial, Inc. ("Nicholas Financial Parent") started as a Canadian holding company incorporated under the laws of British Columbia in 1986. The business activities of Nicholas Financial Parent are currently conducted exclusively through its wholly-owned indirect subsidiary, Nicholas Financial, Inc., a Florida corporation ("Nicholas Financial"). Nicholas Financial has been a specialized consumer finance company engaged primarily in acquiring and servicing automobile finance installment contracts ("Contracts") for purchases of used and new automobiles and light trucks. Additionally, Nicholas Financial, prior to the end of the third fiscal quarter of the fiscal year 2024, sold consumer-finance related products and, prior to the end of the third fiscal quarter of the fiscal year ended March 31, 2023, Nicholas Financial originated direct consumer loans ("Direct Loans"). Nicholas Data Services, Inc. ("NDS"), is a second Florida subsidiary of Nicholas Financial Parent and it serves as the intermediate holding company for Nicholas Financial. NF Funding I, LLC ("NF Funding I"), was a wholly-owned, special purpose financing subsidiary of Nicholas Financial, but that subsidiary no longer served any purpose and, as a result, it was dissolved prior to the end of the fiscal year ended March 31, 2023.

Nicholas Financial Parent, Nicholas Financial, and NDS are hereafter collectively referred to as the "Company".

On April 18, 2024, Nicholas Financial Parent filed its Certificate of Corporate Domestication and Certificate of Incorporation in the State of Delaware in order to complete its continuation and domestication from a company incorporated under the laws of British Columbia to a corporation incorporated under the laws of the State of Delaware, as further described and set forth in its Registration Statement on Form S-4 (File No. 333-275704), as amended, filed with the SEC on January 29, 2024, and its Proxy Circular/Prospectus (File No. 333-275704) filed with the SEC on March 19,2024.

On April 26, 2024, Nicholas Financial Parent closed upon the sale of substantially of the assets of Nicholas Financial Parent and Nicholas Financial to Westlake Services, LLC dba Westlake Financial, a California limited liability company ("Westlake Services"), as further described and set forth in its Current Report on Form 8-K filed with the SEC on May 1, 2024 (collectively, the "Loan Portfolio Sale").

On June 15, 2024, Nicholas Financial Parent closed upon the acquisition of approximately 56.5% of the issued and outstanding securities of Amplex Electric, Inc., an Ohio corporation ("Amplex") that is a broadband service provider serving northwestern Ohio with fiber and fixed wireless broadband solutions, as further described and set forth in its Current Report on Form 8-K filed with the SEC on June 21, 2024 (collectively, the "Amplex Acquisition").

As a result of the Loan Portfolio Sale and the recent Amplex Acquisition, the Company's business is expected to consist primarily of the operations conducted through Amplex, which includes the business of providing broadband and related services.

All financial information herein is designated in United States dollars. References to "fiscal 2024" are to the fiscal year ended March 31, 2024 and references to "fiscal 2023" are to the fiscal year ended March 31, 2023.

The Company's principal executive offices are located at 26133 US HWY 19 North, Suite 300, Clearwater, Florida 33763, and its telephone number is (727) 726-0763.

Available Information

The Company's filings with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, definitive proxy statements on Schedule 14A, Current Reports on Form 8-K, and any amendments to those reports filed pursuant to Sections 13, 14 or 15(d) of the Exchange Act, are made available free of charge through the Investor Center section of the Company's Internet website at http://www.nicholasfinancial.com as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC. The Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this Report. Copies of any materials the Company files with the SEC can also be obtained free of charge through the SEC's website at http://www.sec.gov.

Restructuring and Change in Operating Strategy

The Company announced on its Current Report on Form 8-K filed on November 3, 2022 a change in its operating strategy and restructuring plan with the goal of reducing operating expenses and freeing up capital. As part of this plan, the Company entered into a loan servicing agreement (the "Servicing Agreement") on November 3, 2022 with Westlake Portfolio Management, LLC, a California limited liability company ("WPM", and, collectively with its affiliate, Westlake Capital Finance, LLC, "Westlake"). Also an affiliate of Westlake, Westlake Services, is the beneficial owner of approximately 6.8% of the common stock of Nicholas Financial Parent.

The Company does not intend to continue any Contract purchase and origination activities, and its servicing, collections and recovery operations have been outsourced to Westlake. The Company has also ceased all originations of Direct Loans.

The Company anticipates that execution of its evolving restructuring plan will free up capital and permit the Company to allocate excess capital to increase shareholder returns, whether by acquiring loan portfolios or businesses or by investing outside of the Company's traditional business, such as the Company's investment in the Amplex Acquisition. The overall timeframe and structure of the Company's restructuring remains uncertain.

The Company no longer employs the branch-based model, and its business remained focused on servicing its core product of financing primary transportation to and from work for the subprime borrower during fiscal 2024, which historically had been conducted through the local independent automobile dealership. The Company's strategy prior to the Loan Portfolio Sale included risk-based pricing (rate, yield, advance, term, collateral value) and a commitment to the underwriting discipline required for optimal portfolio performance. The Company's principal goals are to increase its profitability and its long-term shareholder value through identifying new business opportunities for the Company to evaluate and pursue.

In fiscal 2023, the Company also restructured and consolidated its operations by closing all of its brick-and-mortar branch locations in 18 states — Alabama, Florida, Georgia, Idaho, Illinois, Indiana, Kentucky, Michigan, Missouri, North Carolina, Nevada, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Utah, and Wisconsin. As a result, as of December 31, 2023, the Company only had two offices in two states – its headquarters in Florida and its central business operations hub in South Carolina.

Although the Company had been licensed to provide Direct Loans in 14 states — Alabama, Florida, Georgia (over $3,000), Illinois, Indiana, Kansas, Kentucky, Michigan, Missouri, North Carolina, Ohio, Pennsylvania, South Carolina, and Tennessee — during fiscal 2024 the Company cancelled, did not renew, or otherwise terminated all of such Direct Loan licenses.

Consequently, the Company has not originated any new Direct Loans since the end of the third quarter of fiscal 2023 through all of fiscal 2024, and the Company does not intend to originate any new Direct Loans going forward.

On November 13, 2023, Nicholas Financial Parent and Nicholas Financial entered into a Master Asset Purchase Agreement (the "Purchase Agreement") with Westlake Services pursuant to which Nicholas Financial Parent and Nicholas Financial agreed to sell, and Westlake Services agreed to purchase from Nicholas Financial Parent and Nicholas Financial, substantially all of the assets of Nicholas Financial Parent and Nicholas Financial, consisting of Nicholas Financial's motor vehicle retail installment sale contracts and unsecured consumer loan contracts (collectively, the "Contracts") and the accounts receivable related to such Contracts (collectively, the "Receivables"). Nicholas Financial Parent sought and obtained shareholder approval for the closing of the transaction contemplated by the Purchase Agreement.

Westlake Services is an affiliate of WPM, and Nicholas Financial entered into the Servicing Agreement with WPM on November 3, 2022, pursuant to which WPM commenced servicing of the Receivables under the Contracts in December 2022 and has continued such servicing to date. In connection with entering into the Purchase Agreement, the Company has ceased new loans originations, and WPM continued to service such Receivables for Nicholas Financial until the closing of the transaction under the Purchase Agreement. In addition to other customary closing conditions, the closing under the Purchase Agreement was subject to the approval of the shareholders of the Company. After the closing of the transaction contemplated by the Purchase Agreement, the Company intends to explore strategic alternatives for the use of the remaining net proceeds of the Loan Portfolio Sale, in addition to the Amplex Acquisition, and to seek to maximize the value of deferred tax assets available to the Company.

During fiscal 2024, the Company did not have any completed bulk portfolio purchases.

The Company also has cancelled, not renewed, or otherwise terminated all of its Contract purchasing and Direct Loan licenses. Consequently, the Company has not purchased Contracts and has not originated any new Direct Loans since the end of the third quarter of fiscal 2024 and 2023, respectively, and the Company does not intend to originate any new Contracts and Direct Loans going forward.

Following the restructuring and consolidation of the Company's operations, the Company does not expect to expand its consumer finance business in either its current markets or any new markets.

Automobile Finance Business – Contracts

Prior to the Loan Portfolio Sale and the Amplex Acquisition, the Company has been engaged in the business of providing financing programs, primarily to purchasers of used cars and light trucks who met the Company's credit standards but who did not meet the credit standards of traditional lenders, such as banks and credit unions, because of the customer's credit history, job instability, the age of the vehicle being financed, or some other factor(s). Unlike lenders that look primarily to the credit history of the borrower in making lending decisions, typically financing new automobiles, the Company was willing to purchase Contracts for purchases made by borrowers who did not have a good credit history and for older model and high-mileage automobiles. In making decisions regarding the purchase of a particular Contract, the Company considered the following factors related to the borrower: current income; credit history; history in making installment payments for automobiles; current and prior job status; and place and length of residence. In addition, the Company examined its prior experience with Contracts purchased from the dealer from which the Company was purchasing the Contract, and the value of the automobile in relation to the purchase price and the term of the Contract.

As of the date of this Annual Report, the number of states in which the Company's automobile finance programs have been conducted has been reduced to none from 19 states during fiscal 2023 - Alabama, Arizona, Florida, Georgia, Idaho, Illinois, Indiana, Kentucky, Michigan, Missouri, North Carolina, Nevada, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Utah, and Wisconsin - to just six of such states continuing - Florida, Indiana, Kentucky, North Carolina, Ohio, and South Carolina. The Company acquired Contracts in these states through its originators who worked from home in the states of Florida, Indiana, Kentucky, North Carolina, Ohio and South Carolina. As of March 31, 2024, the Company had no agreements with any dealers that were active for the purchase of individual Contracts that met the Company's financing criteria. The Company considers a dealer agreement to be active if a loan contract is complete and executed. Each dealer agreement had required the dealer to originate Contracts in accordance with the Company's guidelines. Once a Contract was purchased by the Company, the dealer was no longer involved in the relationship between the Company and the borrower, other than through the existence of limited representations and warranties of the dealer in favor of the Company.

A customer under a Contract typically made a down payment, in the form of cash and/or trade-in, ranging from 5% to 35% of the sale price of the vehicle financed. The balance of the purchase price of the vehicle plus taxes, title fees and, if applicable, premiums for extended service contracts, GAP waiver coverage, roadside assistance plans, credit disability insurance and/or credit life insurance were generally financed over a period of 12 to 60 months. At approximately the time of origination, the Company purchased a Contract from an automobile dealer at a negotiated price that is less than the original principal amount being financed by the purchaser of the automobile. The Company refers to the difference between the negotiated price and the original principal amount being financed as the dealer discount. The amount of the dealer discount depended upon factors such as the age and value of the automobile and the creditworthiness of the customer. The Company had been committed to maintaining pricing discipline and therefore placed less emphasis on competition when pricing the discount. Generally, the Company would pay more (i.e., purchase the Contract at a smaller discount from the original principal amount) for Contracts as the credit risk of the customer improves. To date, the Contracts purchased by the Company have been purchased at discounts that range from 1% to 15% of the original principal amount of each Contract, with the typical average discount being between 6% and 8%. As of March 31, 2024, the Company's indirect loan portfolio consisted of Contracts purchased from a dealer or acquired through a bulk acquisition. Such Contracts are purchased without recourse to the dealer, however each dealer remains potentially liable to the Company for breaches of certain representations and warranties made by the dealer with respect to compliance with applicable federal and state laws and valid title to the vehicle. The Company's policy was to only purchase a Contract after the dealer had provided the Company with the requisite proof that (a) the Company had a first priority lien on the financed vehicle (or the Company had, in fact, perfected such first priority lien), (b) the customer had obtained the required collision insurance naming the Company as loss payee with a deductible of not more than $1,000 and (c) the Contract had been fully and accurately completed and validly executed. Once the Company received and approved all required documents, it paid the dealer for the Contract and servicing of the Contract commenced.

Contract Procurement

The Company purchased Contracts in the states listed in the table below during the periods indicated. The Contracts purchased by the Company are predominantly for used vehicles; for the periods shown below, less than 1% were for new vehicles. The average model year collateralizing the portfolio as of March 31, 2024 was a 2012 vehicle. The dollar amounts shown in the table below represent the Company's finance receivables on Contracts purchased within the respective fiscal year:

State	Maximum allowable interest rate (1)	Number of Branches on March 31, 2024	Fiscal year ended March 31, (In thousands)	
			2024	2023
Alabama	18-36%(2)	-	$ -	$ 2,919
Arizona	(2)	-	**-**	128
Florida	18-30%(3)	-	**1,048**	10,410
Georgia	18-30%(3)	-	**-**	5,103
Idaho	(2)	-	**-**	343
Illinois	(2)	-	**-**	1,109
Indiana	25%	-	**105**	2,363
Kansas	(2)	-	**-**	75
Kentucky	18-25%(3)	-	**740**	2,887
Michigan	25%	-	**-**	549
Missouri	(2)	-	**-**	2,841
Nevada	(2)	-	**-**	1,150
North Carolina	18-29%(3)	-	**237**	3,989
Ohio	25%	-	**2,929**	7,345
Pennsylvania	18-21%(3)	-	**-**	1,139
South Carolina	(2)	-	**456**	2,932
Tennessee	(2)	-	**-**	1,203
Texas	18-23%(3)	-	**-**	594
Utah	(2)	-	**-**	102
Wisconsin	(2)	-	**-**	344
Total		$ -	**$ 5,515**	$ 47,526

(1) The maximum allowable interest rates are subject to change and vary based on the laws of the individual states.

(2) None of these states currently impose a maximum allowable interest rate with respect to the types and sizes of Contracts the Company purchases. The maximum rate which the Company will typically charge any customer in each of these states is 36% per annum.

(3) The maximum allowable interest rate in each of these states varies depending upon the model year of the vehicle being financed. In addition, Georgia does not currently impose a maximum allowable interest rate with respect to Contracts over $5,000.

The following table presents selected information on Contracts purchased by the Company:

Contracts	Fiscal year ended March 31, (Purchases in thousands)	
	2024	2023
Purchases	**$ 5,515**	$ 47,526
Average APR	**22.1%**	22.5%
Average dealer discount	**6.3%**	6.5%
Average term (months)	**50**	48
Average loan	**$ 12,396**	$ 11,932
Number of Contracts purchased	**448**	4,040

Direct Loans

Effective during the third quarter of fiscal 2023, the Company no longer originates any Direct Loans. Previous to that time, the Company originated Direct Loans in Alabama, Florida, Georgia (over $3,000), Illinois, Indiana, Kansas, Kentucky, Michigan, Missouri, North Carolina, Ohio, Pennsylvania, South Carolina, and Tennessee. Direct Loans were loans originated directly between the Company and the consumer. These loans were typically for amounts ranging from $500 to $11,000 and are generally secured by a lien on an automobile, watercraft or other permissible tangible personal property. The average loan made during fiscal 2023 by the Company had an initial principal balance of approximately $4,300. Most of the Direct Loans were originated with current or former customers under the Company's automobile financing program. The typical Direct Loan represented a better credit risk than our typical Contract due to the customer's payment history with the Company, as well as their established relationship with the local branch staff. The size of the loan and maximum interest rate that may be (and is) charged varies from state to state. The Company considered the individual's income, credit history, job stability, and the value of the collateral offered by the borrower to secure the loan as the primary factors in determining whether an applicant would receive an approval for such loan. Additionally, because most of the Direct Loans made by the Company have been made to borrowers under Contracts previously purchased by the Company, the collection experience of the borrower under the Contract was a significant factor in making the underwriting decision. The Company's Direct Loan program was implemented in April 1995 and accounted for approximately 13% and 16% of the Company's annual consolidated revenues during fiscal 2023 and fiscal 2024, respectively.

In connection with its Direct Loan program, the Company also made available credit disability insurance, credit life insurance, and involuntary unemployment insurance coverage to customers through unaffiliated third-party insurance carriers. Approximately 60% of the Direct Loans outstanding as of March 31, 2024 elected to purchase third-party insurance coverage made available by the Company. The cost of this insurance to the customer, which included a commission for the Company, was included in the amount financed by the customer.

The following table presents selected information on Direct Loans originated by the Company:

	Fiscal year ended March 31, (Originations in thousands)	
Direct Loans	**2024**	**2023**
Originations	$ -	$ 15,822
Average APR	**0.0%**	30.4%
Average term (months)	-	26
Average loan	$ -	$ 4,277
Number of contracts originated	-	3,662

Underwriting Guidelines

The Company's typical customer in its consumer finance business has a credit history that fails to meet the lending standards of most banks and credit unions. Some of the credit problems experienced by the Company's customers that resulted in a poor credit history include but are not limited to: prior automobile account repossessions, unpaid revolving credit card obligations, unpaid medical bills, unpaid student loans, prior bankruptcy, and evictions for nonpayment of rent. The Company believes that its customer profile is similar to that of its direct competitors.

The Company's process to approve the purchase of a Contract began with the Company receiving a standardized credit application completed by the consumer which contained information relating to the consumer's background, employment, and credit history. The Company also obtained credit reports from Equifax and/or TransUnion, which are independent credit reporting services. The Company verified the consumer's employment history, income, and residence. In most cases, consumers were interviewed via telephone by a Company application processor (usually the Branch Manager or Assistant Branch Manager when the Company employed its branch-based model, and the originators in the Company's regionalized business model after the branches were closed). The Company also considered the customer's prior payment history with the Company, if any, as well as the collateral value of the vehicle being financed.

The Company had established internal underwriting guidelines that were used by its Branch Managers and internal underwriters when Contracts were purchased by the Company prior to the restructuring of its operations. The Company had adopted updated guidelines consistent with its post-restructuring operations, which guidelines were to be used by the Company's originators and internal underwriters when purchasing Contracts in the Company's

regionalized business model. Any Contract that did not meet these guidelines were to be approved by the senior management of the Company. In addition to a variety of administrative duties, the Company's management was responsible for monitoring compliance with the Company's underwriting guidelines as well as approving underwriting exceptions.

When the Company was originating Direct Loans, the Company used similar criteria in analyzing a Direct Loan as it did in analyzing the purchase of a Contract. Lending decisions regarding Direct Loans were made based upon a review of the customer's loan application, income, credit history, job stability, and the value of the collateral offered by the borrower to secure the loan. Since the majority of the Company's Direct Loans have been made to individuals whose automobiles have been financed by the Company, the customer's payment history under his or her existing or past Contract was a significant factor in the lending decision.

After reviewing the information included in the Contract or, when applicable, Direct Loan application and taking the other factors into account, the Company's loan origination system categorized the customer using internally developed credit classifications from "1," indicating higher creditworthiness, through "4," indicating lower creditworthiness. Contracts were financed for individuals who fell within all four acceptable rating categories utilized, "1" through "4". Usually a customer who fell within the two highest categories (i.e., "1" or "2") was purchasing a two to five-year old, lower mileage used automobile, while a customer in any of the two lowest categories (i.e., "3," or "4") usually was purchasing an older, higher mileage automobile from an independent used automobile dealer.

Prior to the closure of the Company's branches, the Company performed audits of its branches' compliance with Company underwriting guidelines. The Company audited branches on a schedule that was variable depending on the size of the branch, length of time a branch had been open, then current tenure of the Branch Manager, previous branch audit score, and then current and historical branch profitability. Additionally, field supervisions and audits were conducted by District Managers, Divisional Vice Presidents and Divisional Administrative Assistants to try to ensure operational and underwriting compliance throughout the former branch network.

Monitoring and Enforcement of Contracts

On November 3, 2022, the Company entered into the Servicing Agreement with Westlake. Under the Servicing Agreement, the Company originated and acquired receivables and Westlake performs the servicing duties with respect to such receivables, including without limitation that Westlake manages, services, administers and makes collections on the receivables, including with respect to any repossession of any financed vehicle securing a receivable under which it is determined that payments thereunder are not likely to be resumed. Unless earlier terminated in accordance with its provisions, the Servicing Agreement shall expire upon the earliest to occur of (i) the date on which the Company sells, transfers or assigns all outstanding receivables to a third party (including Westlake), (ii) the date on which the last receivable is repaid or otherwise terminated, or (iii) three years from the closing date of the Servicing Agreement.

The Company required each customer under a Contract to obtain and maintain collision insurance covering damage to the vehicle. Failure to maintain such insurance constitutes a default under the Contract that would permit the repossession of the vehicle. To reduce potential loss due to insurance lapse, the Company had the contractual right to obtain collateral protection insurance through a third-party, which covered loss due to physical damage to a vehicle not covered by any insurance policy of the customer.

The servicer monitors compliance by the Company's customers with their obligations under Contracts and Direct Loans made by the Company and the servicer provided reports to the Company on such activity. These reports may be accessed throughout the Company by management personnel at computer terminals that were located in the Company's offices. These reports included delinquency reports, customer promise reports, vehicle information reports, purchase reports, dealer analysis reports, static pool reports, and repossession reports.

A delinquency report is an aging report that provided basic information regarding each customer account and indicated accounts that were past due. The report included information such as the account number, address of the customer, phone numbers of the customer, original term of the Contract, number of remaining payments, outstanding balance, due dates, date of last payment, number of days past due, scheduled payment amount, amount of last payment, total past due, and special payment arrangements or agreements.

When an account became delinquent, the customer was promptly contacted to determine the reason for the delinquency and to determine if appropriate arrangements for payment could be made. If acceptable payment arrangements could be made, the information was entered into a database and was used to generate a customer promises report, which was utilized for account follow up.

The servicer prepared a repossession report that provided information regarding repossessed vehicles and aided in disposing of repossessed vehicles. In addition to information regarding the customer, this report provided information regarding the date of repossession, date the vehicle was sold, number of days it was held in inventory prior to sale, year, make and model of the vehicle, mileage, payoff amount on the Contract, NADA book value, Black Book value, suggested sale price, location of the vehicle, original dealer and condition of the vehicle, as well as notes and other information that could have been helpful.

If an account was 121 days delinquent and the related vehicle had not yet been repossessed, the account was charged-off and transferred to the servicer's loss prevention and recovery department. Once a vehicle had been repossessed, the related loan balance no longer appeared on the delinquency report. Instead, the vehicle appeared on the servicer's repossession report and was generally sold at auction.

The servicer also prepared a dealer report that provided information regarding each dealer from which the Company purchased Contracts. This report allowed the Company to analyze the volume of business done with each dealer, the terms on which it had purchased Contracts from such dealer, as well as the overall portfolio performance of Contracts purchased from the dealer.

The Company was subject to seasonal variations within the subprime marketplace. While the APR, discount, and term remained consistent across quarters, write-offs and delinquencies tended to be lower while purchases tended to be higher in the fourth and first quarters of the fiscal year. The second and third quarters of the fiscal year tended to have higher write-offs and delinquencies, and a lower level of purchases.

Marketing and Advertising

The Company’s Contract marketing efforts were directed primarily toward automobile dealers. The Company attempted to meet dealers’ needs by offering highly responsive, cost-competitive, and service-oriented financing programs. The Company relied on its staff of originators to solicit agreements for the purchase of Contracts with automobile dealers based within the regions located in the seven states in which the Company then conducted operations. The Company provided dealers with information regarding itself and the general terms upon which the Company was willing to purchase Contracts. The Company used web advertising, social media and print ads in dealer association publications for marketing purposes. The Company was a member and corporate sponsor of the National Independent Auto Dealers Association, which also gave it access to state-level associations. Its representatives attended conferences and events for both state and national associations to market its products directly to dealers in attendance.

When the Company was originating Direct Loans, the Company solicited customers under its Direct Loan program primarily through direct mailings, followed by telephone calls to individuals who had a good credit history with the Company in connection with Contracts purchased by the Company. It also relied on other forms of electronic messaging and in-store advertising.

Computerized Information System

All Company personnel are provided with real-time access to information. The Company has purchased or otherwise has access through its servicer to the specialized programs to monitor the Contracts and Direct Loans from inception. The Company’s computer network encompasses its corporate headquarters. See “Monitoring and Enforcement of Contracts” above for a summary of the different reports available to the Company.

Competition

The consumer finance industry is highly fragmented and highly competitive. Due to various factors, the competitiveness of the industry continues to increase as new competitors continue to enter the market and certain existing competitors continue to expand their operations. There are numerous financial service companies that provide consumer credit in the markets that were served by the Company, including banks, credit unions, other

consumer finance companies, and captive finance companies owned by automobile manufacturers and retailers. Increased competition for the purchase of Contracts enables automobile dealers to shop for the best price, which can result in an erosion in the dealer discounts from the initial principal amounts at which the Company was willing to purchase Contracts and higher advance rates. However, the Company instead focused on purchasing Contracts that were priced to reflect the inherent risk level of the Contract, and sacrificed loan volume, if necessary, to maintain that pricing discipline. For the fiscal year ended March 31, 2024, the Company's average dealer discount on Contracts purchased decreased to 6.3%, compared to 6.5% for the fiscal year ended March 31, 2023. The table below shows the number and principal amount of Contracts purchased, average amount financed, average term, and average APR and discount for the periods presented:

Key Performance Indicators on Contracts Purchased
(Purchases in thousands)

Fiscal Year /Quarter	Number of Contracts Purchased	Principal Amount Purchased#	Average Amount Financed*^	Average APR*	Average Discount%*	Average Term*
2024	**448**	**$ 5,515**	**$ 12,396**	**22.1 %**	**6.3 %**	**50**
4	-	-	-	0.0 %	0.0 %	-
3	20	252	12,600	21.9 %	6.6 %	51
2	209	2,543	12,167	22.3 %	6.3 %	49
1	219	2,720	12,420	22.0 %	6.0 %	50
2023	**4,040**	**$ 47,526**	**$ 11,932**	**22.5 %**	**6.5 %**	**48**
4	127	1,579	12,433	22.2 %	6.2 %	49
3	383	4,511	11,778	22.4 %	6.8 %	48
2	1,595	19,082	11,964	22.7 %	6.4 %	48
1	1,935	22,354	11,552	22.9 %	6.6 %	48

Key Performance Indicators on Direct Loans Originated
(Originations in thousands)

Fiscal Year /Quarter	Number of Contracts Originated	Principal Amount Originated#	Average Amount Financed*^	Average APR*	Average Term*
2024	**$ -**	**$ -**	**$ -**	**0.0 %**	**-**
4	-	-	-	0.0 %	-
3	-	-	-	0.0 %	-
2	-	-	-	0.0 %	-
1	-	-	-	0.0 %	-
2023	**3,662**	**$ 15,822**	**$ 4,277**	**30.4 %**	**26**
4	-	-	-	0.0 %	-
3	245	1,080	4,128	29.6 %	27
2	1,427	6,527	4,574	30.3 %	25
1	1,990	8,215	4,128	31.2 %	25
2022	**6,770**	**$ 28,740**	**$ 4,307**	**30.5 %**	**26**
4	1,584	7,458	4,708	30.0 %	27
3	2,282	8,505	3,727	31.8 %	24
2	1,588	7,040	4,433	30.0 %	26
1	1,316	5,737	4,359	30.1 %	25

*Each average included in the tables is calculated as a simple average.
^Average amount financed is calculated as a single loan amount.
#Bulk portfolio purchase excluded for period-over-period comparability.

The Company's ability to compete effectively with other companies offering similar financing arrangements depended in part upon the Company maintaining close business relationships with dealers of used and new vehicles. No single dealer with which the Company had active contractual relationships represented a significant amount of the Company's business volume for either of the fiscal years ended March 31, 2024 or 2023.

Regulation

As we enter the broadband business following the recently completed Amplex Acquisition, many but not all of Amplex's services and networks will be regulated by the Federal Communications Commission (the "FCC") and by state and local governments. Whether Amplex's networks or services are regulated or unregulated depends on numerous factors, including but not limited to whether Amplex offers telecommunications service, as defined in state and federal laws, or cable service. The construction and maintenance of Amplex's fiber optic networks may face local regulation that can adversely impact the timing or deployment of services. Certain of Amplex's services that are provided via wireless transmission require FCC licenses and local video and other services often require local government franchises. The local government franchises often impose certain obligations to build out the network and require payment of fees to the local government, which fees are often are based on a percentage of gross revenues. In private communities and mobile home parks, Amplex may be required to obtain the consent of the homeowners' association or other property owners to provide services, and Amplex may have to pay a fee to obtain access to the property and provide its services. Finally, to deploy Amplex's networks, it frequently must obtain agreements from local power utilities to use their poles and in some cases easements from landowners. Our historical consumer finance business is subject to numerous federal and state consumer protection laws and related regulations that impose substantial requirements upon creditors and servicers involved in consumer finance. These laws include the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Federal Trade Commission Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Gramm-Leach-Bliley Act, the Servicemembers Civil Relief Act, the Telephone Consumer Protection Act, state adaptations of the National Consumer Act and of the Uniform Consumer Credit Code and state lending acts, motor vehicle retail installment acts and other similar laws. Also, the laws of certain states impose finance charge ceilings and other restrictions on consumer transactions and require contract disclosures in addition to those required under federal law. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. In some cases, this liability could affect the ability of an assignee such as the Company to enforce consumer finance contracts such as the Contracts.

The Company's financing operations are subject to regulation, supervision and licensing under many federal, state and local statutes, regulations and ordinances. In addition, the Company and its service providers must comply with certain federal and state requirements in connection with the servicing and collection on Direct Loans and Contracts, and the repossession of vehicles securing Direct Loans and Contracts in the states in which the Company does business. The Company and its third-party service providers must comply with federal, state and local regulatory regimes, including those applicable to consumer credit transactions. In particular, the Company may be subject to laws such as:

- *State consumer statutory and regulatory requirements.* Pursuant to state laws and regulations, on-site or off-site examinations can be conducted for any of our locations. Examinations monitor compliance with applicable regulations. These laws and regulations include, but are not limited to: licensure requirements, requirements for maintenance of proper records, fee requirements, maximum interest rates that may be charged on loans to finance used vehicles, and proper disclosure to customers regarding financing terms. These may also include state laws and regulations that impose requirements related to data privacy, credit discrimination, credit reporting, debt servicing and collection, and unfair or deceptive business practices.
- *State licensing requirements.* The Company must comply with state licensing requirements and varying compliance requirements in all the states in which it operates. The Company files a notification or obtains a license to acquire Contracts in each state in which it acquires Contracts. Furthermore, some states require dealers to maintain a Retail Installment Seller's License, and where applicable, the Company only conducts business with dealers who hold such a license. For Direct Loan activities, the Company obtained licenses, where required, from each state in which it offered consumer loans.
- *Fair Debt Collection Practices Act.* The federal Fair Debt Collection Practices Act ("FDCPA") provides guidelines and limitations on the conduct of third-party debt collectors and debt buyers when collecting consumer debt. While the FDCPA generally does not apply to first-party creditors collecting their own debts or to servicers when collecting debts that were current when servicing began, the Company uses the FDCPA as a guideline for all collections. The Company requires all vendors and third-party service providers that provide collection services on the Company's behalf to comply with the FDCPA to the extent applicable. The Company also complies with state and local laws that apply to creditors and provide guidance and limitations similar to the FDCPA.

- *Truth in Lending Act.* The Truth in Lending Act ("TILA") requires the Company and the dealers it does business with to make certain disclosures to customers, including the terms of repayment, the total finance charge and the annual percentage rate charged on each Contract or Direct Loan.
- *Equal Credit Opportunity Act.* The Equal Credit Opportunity Act ("ECOA") prohibits creditors from discriminating against loan applicants on the basis of race, color, sex, age or marital status. Pursuant to Regulation B promulgated under the ECOA, creditors are required to make certain disclosures regarding consumer rights and advise consumers whose credit applications are not approved of the reasons for the rejection.
- *Electronic Signatures in Global and National Commerce Act.* The Electronic Signatures in Global and National Commerce Act requires the Company to provide consumers with clear and conspicuous disclosures before the consumer gives consent to authorize the use of electronic signatures, electronic contracts, and electronic records.
- *Fair Credit Reporting Act.* The Fair Credit Reporting Act ("FCRA") and similar state laws regulate the use of consumer reports and the reporting of information to credit reporting agencies. Specifically, the FCRA establishes requirements that apply to the use of "consumer reports" and similar data, including certain notifications to consumers, including when an adverse action, such as a loan declination, is based on information contained in a consumer report.
- *Gramm-Leach-Bliley Act.* The Gramm-Leach-Bliley Act ("GLBA") requires the Company to maintain privacy with respect to certain consumer data in its possession and to periodically communicate with consumers on privacy matters.
- Federal Trade Commission Act. Section 5 of the Federal Trade Commission Act (the "FTC Act") prohibits unfair and deceptive acts or practices in or affecting commerce.
- *Servicemembers Civil Relief Act.* The Servicemembers Civil Relief Act ("SCRA") requires the Company to reduce the interest rate charged on each loan to customers who have subsequently joined, enlisted, been inducted or called to active military duty and places limitations on collection and repossession activity. Under the terms of the SCRA, an obligor who enters the military service after the origination of that obligor's Direct Loan or Contract (including an obligor who is a member of the National Guard or is in reserve status at the time of the origination of the obligor's Direct Loan or Contract and is later called to active duty) is entitled to have the interest rate reduced and capped at 6% per annum for the duration of the military service, may be entitled to a stay of proceedings on foreclosures and similar actions and may have the maturity of the loan or retail installment sale contract extended or the payments lowered and the payment schedule adjusted. In addition, pursuant to the laws of various states, under certain circumstances residents thereof called into active duty with the National Guard or the reserves can apply to a court to delay payments on loans or retail installment sale contracts such as the Direct Loans and the Contracts.
- *Military Lending Act.* The Military Lending Act requires the Company to limit the military annual percentage rate that the Company may charge to a maximum of 36 percent, requires certain disclosures to military consumers, and provides other substantive consumer protections on credit extended to Servicemembers and their families.
- *Electronic Funds Transfer Act.* The Electronic Funds Transfer Act ("EFTA") prohibits the Company from requiring its customers to repay a loan or other credit by electronic funds transfer ("EFT"), except in limited situations which do not apply to the Company. The Company is also required to provide certain documentation to its customers when an EFT is initiated and to provide certain notifications to its customers with regard to preauthorized payments.
- *Telephone Consumer Protection Act.* The Telephone Consumer Protection Act governs the Company's practice of contacting customers by certain means (i.e., auto-dialers, pre-recorded or artificial voice calls on customers' land lines, fax machines and cell phones, including text messages).
- *Bankruptcy.* Federal bankruptcy and related state laws may interfere with or affect the Company's ability to recover collateral or enforce a deficiency judgment. For example, in a Chapter 13 proceeding under the Bankruptcy Code, a court may prevent a creditor from repossessing a motor vehicle and, as part of the rehabilitation plan, reduce the amount of the secured indebtedness to the market value of the motor vehicle at the time of bankruptcy, as determined by the court, leaving the party providing financing as a general unsecured creditor for the remainder of the indebtedness. A bankruptcy court may also reduce the monthly

payments due under the related contract or change the rate of interest and time of repayment of the indebtedness.

- *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act").* Title X of the Dodd-Frank Act created the Consumer Financial Protection Bureau ("CFPB"), which has the authority to issue and enforce regulations under the federal "enumerated consumer laws," including (subject to certain statutory limitations) FDCPA, TILA, ECOA, FCRA, GLBA and EFTA. The CFPB has rulemaking and enforcement authority over certain non-depository institutions, including the Company. The CFPB is specifically authorized, among other things, to take actions to prevent companies providing consumer financial products or services and their service providers from engaging in unfair, deceptive or abusive acts or practices in connection with consumer financial products and services, and to issue rules requiring enhanced disclosures for consumer financial products or services. Under the Dodd-Frank Act, the CFPB also may restrict the use of pre-dispute mandatory arbitration clauses in contracts between covered persons and consumers for a consumer financial product or service. The CFPB also has authority to interpret, enforce, and issue regulations implementing enumerated consumer laws, including certain laws that apply to the Company's business. The CFPB issued rules regarding the supervision and examination of non-depository "larger participants" in the automobile finance business. At this time, the Company is not deemed a larger participant.
- Holder Rule. The Federal Trade Commission's (the "FTC") so-called "Holder-in-Due-Course Rule" (the "Holder Rule"), and equivalent state laws, make the Company or any other holder of a consumer credit contract include the required notice and become subject to all claims and defenses that a borrower could assert against the seller of goods or services.

Failure to comply with these laws or regulations could have a material adverse effect on the Company by, among other things, limiting the jurisdictions in which the Company may operate, restricting the Company's or its service provider's ability to realize the value of the collateral securing the Contracts, and making it more costly or burdensome to do business or resulting in potential liability. The volume of new or modified laws and regulations and the activity of agencies enforcing such law have increased in recent years in response to issues arising with respect to consumer lending. From time to time, legislation and regulations are enacted which increase the cost of doing business, limit or expand permissible activities or affect the competitive balance among financial services providers. Proposals to change the laws and regulations governing the operations and taxation of financial institutions and financial services providers are frequently made in the U.S. Congress, in the state legislatures and by various regulatory agencies. This legislation may change the Company's operating environment in substantial and unpredictable ways and may have a material adverse effect on the Company's business.

In addition to the CFPB, other state and federal agencies have the ability to regulate aspects of the Company's business. For example, the Dodd-Frank Act provides a mechanism for state Attorneys General to investigate the Company. Additionally, the FTC has jurisdiction to investigate aspects of the Company's business. The Company expects that regulatory investigation by both state and federal agencies will continue and that the results of these investigations could have a material adverse impact on the Company.

The Holder Rule of the FTC has the effect of subjecting a seller, and certain related lenders and their assignees, in a consumer credit transaction to all claims and defenses which the obligor in the transaction could assert against the seller of the goods. Liability under the Holder Rule is limited to the amounts paid by the obligor under the contract, and the holder of the contract may also be unable to collect any balance remaining due thereunder from the obligor. The Holder Rule is generally duplicated by the Uniform Consumer Credit Code, other state statutes or the common law in certain states. Most of the Contracts will be subject to the requirements of the Holder Rule. Accordingly, the Company, as holder of the Contracts, will be subject to any claims or defenses that the purchaser of a financed vehicle may assert against the seller of the financed vehicle. Such claims are limited to a maximum liability equal to the amounts paid by the obligor on the Contract.

Dealers with which the Company does business must also comply with credit and trade practice statutes and regulations. Failure of these dealers to comply with such statutes and regulations could result in customers having rights of rescission and other remedies that could have a material adverse effect on the Company.

The sale of vehicle service contracts and other ancillary products by dealers in connection with Contracts assigned to the Company from dealers is also subject to state laws and regulations. Although these laws and regulations may not significantly affect the Company's business, there can be no assurance that insurance or other regulatory authorities

in the jurisdictions in which these products are offered by dealers will not seek to regulate or restrict the operation of the Company's business in these jurisdictions. Any regulation or restriction of the Company's business in these jurisdictions could materially adversely affect the income received from these products.

The Company's management believes that the Company maintains all requisite licenses and permits and is in material compliance with applicable local, state and federal laws and regulations. The Company periodically reviews its practices in an effort to ensure such compliance. Although compliance with existing laws and regulations has not had a material adverse effect on the Company's operations to date, given the increasingly complex regulatory environment, the increasing costs of complying with such laws and regulations, and the increasing risk of penalties, fines or other liabilities associated therewith, no assurances can be given that the Company is in material compliance with all of such laws or regulations or that the costs of such compliance, or the failure to be in such compliance, will not have a material adverse effect on the Company's business, financial condition or results of operations.

For more information, please refer to the risk factors titled "Federal or state regulatory reform could have an adverse impact on the Company", "On October 5, 2017, the CFPB released the final rule Payday, Vehicle Title and Certain High-Cost Installment Loans under the Dodd Frank Act, which as adopted could potentially have a material adverse effect on our operations and financial performance", "The CFPB has broad authority to pursue administrative proceedings and litigation for violations of federal consumer financing laws", "Pursuant to the authority granted to it under the Dodd-Frank Act, the CFPB adopted rules that subject larger nonbank automobile finance companies to supervision and examination by the CFPB. Any such examination by the CFPB likely would have a material adverse effect on our operations and financial performance", "Our use of vendors and our other ongoing third-party business relationships is subject to increasing regulatory requirements and attention", and "We are subject to many other laws and governmental regulations, and any material violations of or changes in these laws or regulations could have a material adverse effect on our financial condition and business operations", all of which are incorporated herein by reference.

Human Capital Resources

The Company's management and various support functions are centralized at the Company's corporate headquarters in Clearwater, Florida. In connection with the closure of all of the Company's brick-and-mortar branch locations in 18 states, the Company's staff was significantly downsized during fiscal 2023 and 2024, both as a result of layoffs and other voluntary and involuntary terminations. As a result, as of March 31, 2024, the Company employed a total of seven persons, of which five persons were employed at the Company's Clearwater Corporate office. None of the Company's employees are subject to a collective bargaining agreement, and the Company considers its relations with its employees generally to be good.

We are also committed to fostering, cultivating, and preserving a culture of diversity, equity, and inclusion ("DE&I"). We believe that the collective sum of the individual differences, life experiences, knowledge, inventiveness, self-expression, unique capabilities, and talent that our employees invest in their work represent a significant part of our culture, reputation, and achievement. We believe that an emphasis on DE&I drives value for our employees, customers, and shareholders, and that our DE&I commitment enables us to better serve our communities.

We also offer our employees a variety of training and development opportunities. Employees complete a comprehensive training curriculum that focuses on the Company- and position-specific competencies needed to be successful. The training includes a blended approach utilizing eLearning modules, hands-on exercises, webinars, and assessments. Training content is focused on our operating policies and procedures, as well as several key compliance areas.

Item 1A. Risk Factors

The following factors, as well as other factors not set forth below, may adversely affect the business, operations, financial condition or results of operations of the Company (sometimes referred to in this section as "we" "us" or "our").

Risks Relating to the Loan Portfolio Sale

The net proceeds of the closing of the Loan Portfolio Sale may not be used successfully to fully implement our proposed restructuring plan.

We intend to use net proceeds from the Loan Portfolio Sale to either acquire or invest in businesses outside of the Company's traditional business, such as Amplex. The board of directors intends to explore acquisitions of businesses in industries with respect to which they have familiarity based on their other business and investment activities; however, the board does not intend to limit its acquisition and investment activities to those businesses and industries. The overall timeframe for potential acquisitions and investments beyond the Amplex Acquisition remains uncertain. Even though the Loan Portfolio Sale has closed, the restructuring plan may not be implemented at all or, if implemented, may not be successful in achieving its intended goals. We may not be successful in identifying other businesses beyond Amplex to acquire or invest in and, if we do, we may not be able to make such acquisitions or investments on terms favorable to us, if at all. There can be no assurance that if such acquisitions or investments are made that the value to shareholders over time will exceed the amount, if any, they would receive in a liquidation. There can be no assurance that the restructuring plan will result in greater shareholder value than the liquidation and dissolution of the Company.

We may not be able to use our net operating loss carryforwards as a result of the Loan Portfolio Sale or otherwise, which could adversely affect our restructuring plan.

Our ability to preserve and use our net operating loss ("NOL") carryforwards and certain other tax attributes as part of our restructuring plan, or otherwise, may be limited or may not be available for use at all. As of March 31, 2024, we maintained a deferred income tax valuation allowance of $14.0 million, the remaining state gross NOL was $59.4 million, and the remaining U.S. gross NOL amounted to $38.8 million. The U.S. NOL generated beginning in 2022 and later will carry forward indefinitely, while some state NOLs begin to expire March 31, 2039. Realization of these NOL carryforwards depends on future income and if we do not generate future income our existing carryforwards would be unavailable to offset future income tax liabilities, which could materially and adversely affect our results of operations. Additionally, under Section 382 of the Internal Revenue Code, if a corporation undergoes an "ownership change," generally defined as a greater than 50% change (by value) in its equity ownership over a rolling three-year period, the corporation's ability to use its pre-change NOL carryforwards and other pre-change tax attributes to offset its post-change income may be limited. Similar rules may apply under state tax laws. We do not believe that we will experience an ownership change as a result of the domestication or the Loan Portfolio Sale. However, we may experience ownership changes in the future as a result of future transactions in, or issuances of, our stock, some of which may be outside our control. If a "change in ownership" occurs and if we earn net taxable income, our ability to use our pre-change NOL carryforwards, or other pre-change tax attributes, to offset U.S. and state taxable income may be subject to significant limitations or may not be available at all. Limitations on the use of our pre-change NOL carryforwards or other pre-change tax attributes or our inability to use them could adversely affect our restructuring plan by delaying or preventing its implementation.

We may be deemed to be a shell company as a result of the Loan Portfolio Sale or otherwise, which could adversely affect your ability to sell your shares of Company stock.

If we become a shell company as defined in Rule 405 promulgated under the Securities Act and Rule 12b-2 of the Exchange Act, your ability to resell your common shares could be limited. A shell company is a company that has: (a) no or nominal operations and (b) either no or nominal assets, assets consisting solely of cash and cash equivalents or assets consisting of any amount of cash and cash equivalents and nominal other assets. Your common shares may only be sold pursuant to an effective registration statement or an exemption from registration, if available, such as Rule 144 promulgated under the Securities Act or another exemption. Currently, there is no effective registration statement for you to resell your common shares. Rule 144 provides a potential registration exemption for resales of your common shares if all of the requirements of the rule are met. The registration exemption provided by Rule 144 is not available for resales of securities issued by a company that has been at any

time a shell company, with an exception. Under this exemption, Rule 144 may be available for a company that is at any time a shell company if all of the following conditions are met: (i) the issuer of the securities that was formerly a shell company has ceased to be a shell company; (ii) the issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act; (iii) the issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding twelve months (or such shorter period that the issuer was required to file such reports and materials), other than Current Reports on Form 8-K; and (iv) at least one year has elapsed from the time that the issuer filed current Form 10 type information with the SEC reflecting its status as an entity that is not a shell company. At the present time, the Company is not classified as a "shell company" under Rule 405 of the Securities Act or Rule 12b-2 of the Exchange Act. To the extent the Company is designated a shell company you would be unable to resell your common shares under Rule 144, unless the conditions of the exemption in Rule 144 are satisfied.

Risks Related to Our Business and Industry

We face intense competition, including competition from companies with significantly greater resources than us, and if we are unable to compete effectively with these companies, our market share may decline and our business could be harmed.

The broadband services to be offered through Amplex will compete with other technologies, including traditional cable services as well as satellite services. These markets are highly competitive, and many traditional providers of cable and wireless services have greater financial, marketing, and human resources than we do and may be able to offer additional products and services to our customers. In addition, new technologies may be developed which would provide an alternative to our fiber-to-the-home services we currently provide. As we seek to expand our broadband services, we may face incumbent service providers which would be able to retain a significant customer base in the communities in which we may seek to enter, making it difficult to achieve a share of the market needed to provide our services profitably. Our inability to compete effectively or expand our customer base could have a material adverse effect on our financial position, liquidity and results of operations.

Our success has been dependent on our ability to forecast the performance of our remaining Contracts and remaining Direct Loans.

We have in the past experienced and may in the future experience high delinquency and loss rates in our portfolios. This has in the past reduced and may continue to reduce our profitability. In addition, our inability to accurately forecast and estimate the amount and timing of future collections could have a material adverse effect on our financial position, liquidity and results of operations.

Our consolidated net loss for the year ended March 31, 2024 was $20.8 million as compared to net loss of $34.1 million for the year ended March 31, 2023. Although our significant net loss during fiscal 2023 was largely attributable to our previously announced change in operating strategy and restructuring plan, our profitability usually depends, to a material extent, on the performance of Contracts that we purchase. Historically, we have experienced higher delinquency rates than traditional financial institutions because substantially all of our Contracts and remaining Direct Loans are to non-prime borrowers, who are unable to obtain financing from traditional sources due primarily to their credit history. Contracts and Direct Loans made to these individuals generally entail a higher risk of delinquency, default, repossession, and higher losses than loans made to consumers with better credit.

Our underwriting standards and collection procedures may not offer adequate protection against the risk of default, especially in periods of economic uncertainty. In the event of a default, the collateral value of the financed vehicle usually would not cover the outstanding Contract or Direct Loan balance and costs of recovery.
Our ability to accurately forecast performance and determine an appropriate provision and allowance for credit losses was critical to our business and financial results. The allowance for credit losses is established through a provision for credit losses based on management's evaluation of the risk inherent in the portfolio, the composition of the portfolio, specific impaired Contracts and Direct Loans, and current economic conditions. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates" in Item 7 of this Form 10-K, which is incorporated herein by reference.

There can be no assurance that our performance forecasts will be accurate. In periods with changing economic conditions, such as is the case currently, accurately forecasting the performance of Contract and Direct Loans is more difficult. Our allowance for credit losses is an estimate, and if actual Contract and Direct Loan losses are

materially greater than our allowance for credit losses, or more generally, if our forecasts are not accurate, our financial position, liquidity and results of operations could be materially adversely affected.

We have operated in an increasingly competitive market.

The non-prime consumer-finance industry has been highly competitive, and the competitiveness of the market has continued to increase as new competitors continue to enter the market and certain existing competitors continue to expand their operations and become more aggressive in offering competitive terms. There are numerous financial service companies that provide consumer credit in the markets we have served, including banks, credit unions, other consumer finance companies and captive finance companies owned by automobile manufacturers and retailers. Many of these competitors have substantially greater financial resources than us. In addition, some of these competitors often provided financing on terms more favorable to automobile purchasers or dealers than we were able to offer. Many of these competitors also have long-standing relationships with automobile dealerships and may have offered dealerships, or their customers, other forms of financing including dealer floor-plan financing and leasing, which we were not able to provide. Providers of non-prime consumer financing have traditionally competed primarily on the basis of:

- interest rates charged;
- the quality of credit accepted;
- dealer discount;
- amount paid to dealers relative to the wholesale book value;
- the flexibility of Contract and Direct Loan terms offered; and
- the quality of service provided.

We are heavily reliant upon our executive management team.

We depend heavily on the efforts and services of our executive officers and other members of our management team to manage our operations. The unexpected loss or unavailability of key members of management may have a material adverse effect on our business, financial condition, results of operations, or prospects. Although our executive officers devote most of their business time to us and are highly active in our management, they may expend part of their time on other business ventures. If any key executive officers are unable to dedicate adequate time to our businesses and operations, we could experience an adverse effect on our operations due to the demands placed on our management team by other professional obligations.

Risks Related to COVID-19

The extent to which COVID-19 and measures taken in response thereto impact our business, results of operations and financial condition will continue to depend on factors outside of our control. COVID-19 has had and is likely to continue to have a material impact on our results of operations and financial condition and heightens many of our known risks.

The outbreak of the global pandemic of COVID-19 and resultant economic effects of preventative measures taken across the United States and worldwide have been weighing on the macroeconomic environment, negatively impacting consumer confidence, employment rates and other economic indicators that contribute to consumer spending behavior and demand for credit. The extent to which COVID-19 impacts our business, results of operations and financial condition will continue to depend on factors outside of our control, which are highly uncertain and difficult to predict, including, but not limited to, the duration and spread of the outbreak in light of different levels of vaccination across the globe and new variants of the virus or additional waves of cases, its severity, actions to contain the virus or treat its impact, and whether the recently observable resumption of pre-pandemic economic and operating conditions in the United States can continue in light of inflationary pressure and higher insurance costs. For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

In addition, the spread of COVID-19 has caused us to modify our business practices (including restricting employee travel, developing social distancing plans for our employees and cancelling physical participation in meetings,

events and conferences), and we may take further actions as may be required by government authorities or as we determine is in the best interests of our employees, partners and customers. The outbreak has adversely impacted and may further adversely impact our workforce and operations and the operations of our partners, customers, suppliers and third-party vendors, throughout the time period during which the spread of COVID-19 continues and related restrictions remain in place, and even after the COVID-19 outbreak has subsided.

Even after the COVID-19 outbreak has subsided and despite the formal declaration of the end of the COVID-19 global health emergency by the World Health Organization in May 2023, our business may continue to experience materially adverse impacts as a result of the virus's economic impact, including the availability and cost of funding and any recession that has occurred or may occur in the future. There are no comparable recent events that provide guidance as to the effect COVID-19 as a global pandemic may have, and, as a result, the ultimate impact of the outbreak is highly uncertain and subject to change.

Additionally, many of the other risk factors described below are heightened by the effects of the COVID-19 pandemic and related economic conditions, which in turn could materially adversely affect our business, financial condition, results of operations, access to financing and liquidity.

Risks Related to Our Business and Industry

Our success has dependent on our ability to forecast the performance of our Contracts and remaining Direct Loans.

We have in the past experienced and may in the future experience high delinquency and loss rates in our portfolios. This has in the past reduced and may continue to reduce our profitability. In addition, our inability to accurately forecast and estimate the amount and timing of future collections could have a material adverse effect on our financial position, liquidity and results of operations.

Our consolidated net loss for the year ended March 31, 2024 was $20.8 million as compared to net income of $34.1 million for the year ended March 31, 2023. Although our significant net loss during fiscal 2023 was largely attributable to our previously announced change in operating strategy and restructuring plan, our profitability usually depends, to a material extent, on the performance of Contracts that we purchase. Historically, we have experienced higher delinquency rates than traditional financial institutions because substantially all of our Contracts and remaining Direct Loans are to non-prime borrowers, who are unable to obtain financing from traditional sources due primarily to their credit history. Contracts and Direct Loans made to these individuals generally entail a higher risk of delinquency, default, repossession, and higher losses than loans made to consumers with better credit.

Our underwriting standards and collection procedures may not offer adequate protection against the risk of default, especially in periods of economic uncertainty. In the event of a default, the collateral value of the financed vehicle usually does not cover the outstanding Contract or Direct Loan balance and costs of recovery.

Our ability to accurately forecast performance and determine an appropriate provision and allowance for credit losses is critical to our business and financial results. The allowance for credit losses is established through a provision for credit losses based on management's evaluation of the risk inherent in the portfolio, the composition of the portfolio, specific impaired Contracts and Direct Loans, and current economic conditions. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates" in Item 7 of this Form 10-K, which is incorporated herein by reference.

There can be no assurance that our performance forecasts will be accurate. In periods with changing economic conditions, such as is the case currently, accurately forecasting the performance of Contract and Direct Loans is more difficult. Our allowance for credit losses is an estimate, and if actual Contract and Direct Loan losses are materially greater than our allowance for credit losses, or more generally, if our forecasts are not accurate, our financial position, liquidity and results of operations could be materially adversely affected. For example, uncertainty surrounding the continuing economic impact of COVID-19 and the indirect effects of the conflict between Russia and Ukraine, whether through increases in the price of gasoline and other consumer goods or otherwise, on our customers has made historical information on credit losses slightly less reliable in the current environment, and there can be no assurances that we have accurately estimated loan losses.

Other than limited representations and warranties made by dealers in favor of the Company, Contracts are purchased from the dealers without recourse, and we are therefore only able to look to the borrowers for repayment.

Our level of indebtedness could adversely affect our financial health, ability to obtain financing in the future, ability to react to changes in our business and ability to fulfill our obligations under such indebtedness.

As of March 31, 2024, we had no outstanding indebtedness under our Credit Facility compared to $29.1 million under our predecessor facility as of March 31, 2023. Any material increase in our level of indebtedness could:

- Make it more difficult for us to satisfy our obligations with respect to our outstanding notes and other indebtedness, resulting in possible defaults on and acceleration of such indebtedness;
- Require us to dedicate a substantial portion of our cash flow from operations to the payment of principal and interest on our indebtedness, thereby reducing the availability of such cash flows to fund working capital, acquisitions, capital expenditures and other general corporate purposes;
- Limit our ability to obtain additional financing for working capital, acquisitions, capital expenditures, debt service requirements and other general corporate purposes;
- Limit our ability to refinance indebtedness or cause the associated costs of such refinancing to increase;
- Increase our vulnerability to general adverse economic and industry conditions, including interest rate fluctuations (because our borrowings would be at variable rates of interest); and
- Place us at a competitive disadvantage compared to our competitors with proportionately less debt or comparable debt at more favorable interest rates which, as a result, may be better positioned to withstand economic downturns.

Any of the foregoing impacts of our level of indebtedness then in effect could have a material adverse effect on us.

We are heavily reliant upon our executive management team.

We depend heavily on the efforts and services of our executive officers and other members of our management team to manage our operations. The unexpected loss or unavailability of key members of management may have a material adverse effect on our business, financial condition, results of operations, or prospects. Although our executive officers devote most of their business time to us and are highly active in our management, they may expend part of their time on other business ventures. If any key executive officers are unable to dedicate adequate time to our businesses and operations, we could experience an adverse effect on our operations due to the demands placed on our management team by other professional obligations.

We are subject to risks associated with litigation.

As a consumer finance company, we are subject to various consumer claims and litigation seeking damages and statutory penalties, based upon, among other things:

- usury laws;
- disclosure inaccuracies;
- wrongful repossession;
- violations of bankruptcy stay provisions;
- certificate of title disputes;
- fraud;
- breach of contract; and
- discriminatory treatment of credit applicants.

Some litigation against us could take the form of class action complaints by consumers. As the assignee of Contracts originated by dealers, we may also be named as a co-defendant in lawsuits filed by consumers principally against dealers. The damages and penalties claimed by consumers in these types of actions can be substantial. The relief requested by the plaintiffs varies but may include requests for compensatory, statutory, and punitive damages. We also are periodically subject to other kinds of litigation typically experienced by businesses such as ours, including employment disputes and breach of contract claims. No assurances can be given that we will not experience material financial losses in the future as a result of litigation or other legal proceedings.

Our business is highly dependent upon general economic conditions.

We have been subject to changes in general economic conditions that are beyond our control. During periods of economic uncertainty, such as has existed for much of the past years, delinquencies, defaults, repossessions, and losses generally increase, absent offsetting factors. These periods also may be accompanied by decreased consumer demand for automobiles and declining values of automobiles securing outstanding loans, which weakens collateral coverage on our loans and increases the amount of a loss we would experience in the event of default. Because we focused on non-prime borrowers, the actual rates of delinquencies, defaults, repossessions, and losses on these loans were higher than those experienced in the general automobile finance industry and could be more dramatically affected by a general economic downturn. In addition, during an economic slowdown or recession, our servicing costs may have increased without a corresponding increase in our servicing income. No assurances can be given that our underwriting criteria and collection methods to manage the higher risk inherent in loans made to non-prime borrowers have afforded adequate protection against these risks. Any sustained period of increased delinquencies, defaults, repossessions, or losses, or increased servicing costs could have a material adverse effect on our business and financial condition.

The auction proceeds received from the sale of repossessed vehicles and other recoveries are subject to fluctuation due to economic and other factors beyond our control.

If a vehicle securing a Contract, is repossessed, it will typically be transported to an automobile auction for sale. Auction proceeds from the sale of repossessed vehicles and other recoveries are usually not sufficient to cover the outstanding balance of the Contract, and the resulting deficiency is charged off. In addition, there is, on average, approximately a 30-day lapse between the time of repossession of a vehicle and the time it is sold. The proceeds received from such sales under our servicing agreement depend upon various factors, including the supply of, and demand for, used vehicles at the time of sale. Such supply and demand are dependent on many factors. For example, during periods of economic uncertainty, the demand for used cars may soften, resulting in decreased auction proceeds from the sale of repossessed automobiles. Furthermore, depressed wholesale prices for used automobiles may result from significant liquidations of rental or fleet inventories, and from increased volume of trade-ins due to promotional financing programs offered by new vehicle manufacturers. Newer, more expensive vehicles securing larger dollar loans are more susceptible to wholesale pricing fluctuations than are older vehicles and also experience depreciation at a much greater rate. Ultimately, softer auction activity and reduced vehicle values could have a material adverse effect on our business, financial condition and results of operations.

We partially rely on third parties to deliver services, and failure by those parties to provide these services or meet contractual requirements could have a material adverse effect on our business, financial condition and results of operations.

We have depended on third-party service providers for many aspects of our business operations, including loan origination, loan servicing, title processing, and online payments, which increased our operational complexity and decreased our control. We relied on these service providers to provide a high level of service and support, which subjected us to risks associated with inadequate or untimely service. If a service provider failed to provide the services that we required or expected, or failed to meet contractual requirements, such as service levels or compliance with applicable laws, a failure could negatively impact our business by adversely affecting our ability to process customers' transactions in a timely and accurate manner, otherwise hampering our ability to service our customers, or subjecting us to litigation or regulatory risk for poor vendor oversight. We may be unable to replace or be delayed in replacing these sources and there is a risk that we would be unable to enter into a similar agreement with an alternate provider on terms that we consider favorable or in a timely manner. Such a failure could have a material adverse effect on our business, financial condition, and results of operations.

The success of our business depends upon our ability to retain and attract a sufficient number of qualified employees.

Although we believe that we can attract and retain qualified and experienced personnel needed to conduct our business operations, no assurance can be given that we will be successful in doing so. Competition to hire personnel possessing the skills and experience required by us could contribute to an increase in our employee turnover rate. High turnover or an inability to attract and retain qualified personnel could have an adverse effect on our, financial condition and results of operations.

Natural disasters, acts of war, terrorist attacks and threats, or the escalation of military activity in response to these attacks or otherwise may negatively affect our business, financial condition, and results of operations.

Natural disasters (such as hurricanes), acts of war, terrorist attacks and the escalation of military activity in response to these attacks or otherwise may have negative and significant effects, such as disruptions in our operations, imposition of increased security measures, changes in applicable laws, market disruptions and job losses. Our headquarters are located in Clearwater, Florida and much of our revenue is generated in Florida. Florida is particularly susceptible to hurricanes. These events may have an adverse effect on the economy in general. Moreover, the potential for future terrorist attacks and the national and international responses to these threats could affect the business in ways that cannot be predicted. The effect of any of these events or threats could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Regulation

Federal or state regulatory reform could have an adverse impact on the Company. The Dodd-Frank Act is extensive legislation that impacts financial institutions and other non-bank financial companies, such as the Company. In addition, the Dodd-Frank Act impacts the offering, marketing and regulation of consumer financial products and services. Many of the implementing regulations have been finalized, but in some cases, additional rulemaking has not yet been finalized. Until all of the implementing regulations have been issued, there can be no assurance that any new requirements will not have an adverse impact on the servicing of the Direct Loans and the Contracts or on the regulation and supervision of the Company.

The Dodd-Frank Act established the CFPB with broad authority over federal consumer financial laws and regulations (“Consumer Financial Laws”). In December 2020, the CFPB issued a final rule governing the activities of third-party debt collectors. The final rule was effective on November 30, 2021. While the final rule did not address first-party debt collectors, the CFPB has previously indicated that it would address this activity in a later rulemaking. It is unclear what effect, if any, the final rule or any subsequent changes may have on Direct Loans and Contracts or the servicer’s practices, procedures and other servicing activities relating to Direct Loans and Contracts in ways that could reduce the associated recoveries.

The CFPB also issued a Compliance Bulletin in February 2022 stating its position that automobile loan holders and servicers are responsible for ensuring that their repossession-related practices, and the practices of their service providers do not violate applicable law, and the CFPB also described its intention to hold loan holders and servicers liable for unfair, deceptive, or abusive acts or practices related to the repossession of automobiles. In its Supervisory Highlights for Spring and Fall of 2022, the CFPB also identified certain auto loan servicing concerns, including the failure to ensure customers received add-on product refunds after events such as repossession or early payoff of the account. It is possible that the CFPB may bring enforcement actions against holders of automobile loans, such as the Company, and servicers, such as Westlake, in the future.

In addition, the FTC and state attorneys general have recently increased their scrutiny of motor vehicle dealers and auto lending, particularly with respect to antidiscrimination and deception concerns related to the prices of and fees charged in connection with automobile financing, including add-on products such as GAP insurance and extended warranties. Also, on June 23, 2022 the FTC issued a proposed rule that would (i) prohibit motor vehicle dealers from making certain misrepresentations in the course of selling, leasing, or arranging financing for motor vehicles, (ii) require accurate pricing disclosures in dealers’ advertising and sales discussions, (iii) require dealers to obtain consumers’ express, informed consent for charges, (iv) prohibit the sale of any add-on product or service that confers no benefit to the consumer, and (v) require dealers to keep records of advertisements and customer

transactions. At this stage, it is unknown whether a final rule will be issued, the exact requirements of any final rule if issued or if any final rule would have a broader potential impact on auto lending practices See “Item 1. Business – Regulation” for additional information.

The CFPB has broad authority to pursue administrative proceedings and litigation for violations of federal consumer financing laws.

The CFPB has the authority to obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties ranging from over $6,300 per day for minor violations of Consumer Financial Laws (including the CFPB’s own rules) to more than $31,600 per day for reckless violations and more than $1,264,600 per day for knowing violations. If we are subject to such administrative proceedings, litigation, orders or monetary penalties in the future, this could have a material adverse effect on our operations and financial performance. Also, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations under Title X, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions for the kind of cease-and-desist orders available to the CFPB (but not for civil penalties). If the CFPB or one or more state officials believe we have violated the foregoing laws, they could exercise their enforcement powers in ways that would have a material adverse effect on us. See “Item 1. Business – Regulation” for additional information.

Our use of vendors and our other ongoing third-party business relationships are subject to increasing regulatory requirements and attention.

We have regularly used vendors and subcontractors as part of our business. We also depended on our substantial ongoing business relationships with our dealers, merchants, and other third parties. These types of third-party relationships, particularly with our dealer partners and our third-party servicing and collection vendors, are subject to increasingly demanding regulatory requirements and oversight by regulators. Regulators may expect certain non-bank entities to maintain an effective process for managing risks associated with vendor relationships, including compliance-related risks. In connection with this vendor risk management process, we may be expected to perform due diligence reviews of potential vendors, review their policies and procedures and internal training materials to confirm compliance-related focus, include enforceable consequences in contracts with vendors regarding failure to comply with consumer protection requirements, and take prompt action, including terminating the relationship, in the event that any vendor fails to meet our expectations.

Regulators may hold us responsible for deficiencies in our oversight and control of third-party relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over vendors and subcontractors or other ongoing third-party business relationships or that such third parties have not performed appropriately, we could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines, as well as requirements for consumer remediation, any of which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to many other laws and governmental regulations, and any material violations of or changes in these laws or regulations could have a material adverse effect on our financial condition and business operations.

As a provider of consumer financial services, the Company has operated in a highly regulated environment. The Company is subject to state licensing requirements and state and federal laws and regulations. In addition, the Company may be subject to governmental and regulatory examinations, information gathering requests, and investigations from time to time at the state and federal levels. Compliance with applicable law is costly and can affect the Company's results of operations. Compliance requires forms, processes, procedures, controls and the infrastructure to support these requirements. Compliance may create operational constraints and place limits on pricing, as the laws and regulations in the financial services industry are designed primarily for the protection of consumers. Changes in laws and regulations could restrict the Company's ability to operate its business as currently operated, could impose substantial additional costs or require it to implement new processes, which could adversely affect the Company's business, prospects, financial performance or financial condition. The failure to comply with applicable laws and regulations could result in significant statutory civil and criminal fines, penalties, monetary damages, attorney or legal fees and costs, restrictions on the Company's ability to operate its business, possible revocation of licenses and damage to the Company's reputation, brand and valued customer relationships. Any such costs, restrictions, revocations or damage could adversely affect the Company's business, prospects, results of operations or financial condition. See "Item 1. Business – Regulation" for additional information.

The CFPB and the FTC may investigate the products, services and operations of credit providers, including banks and other finance companies engaged in auto finance activities. As a result of such investigations, the CFPB and the FTC have announced various enforcement actions against lenders in the past few years involving significant penalties, consent orders, cease and desist orders and similar remedies that, if applicable to the Company or the products, services and operations the Company has offered, may require the Company to cease or alter certain business practices, which could have a material adverse effect on the Company's results of operations, financial condition, and liquidity. Supervision and investigations by these agencies may result in monetary penalties, increase the Company's compliance costs, require changes in its business practices, affect its competitiveness, impair its profitability, harm its reputation or otherwise adversely affect its business.

Our financing operations are subject to regulation, supervision, and licensing under various other federal, state and local statutes and ordinances. In addition, the Company and its service providers must comply with certain federal and state requirements in connection with the servicing and collection on Direct Loans and Contracts, and the repossession of vehicles securing Direct Loans and Contracts in the states in which the Company has done business. The various federal, state and local statutes, regulations, and ordinances applicable to our business govern, among other things:

- licensing requirements;
- requirements for maintenance of proper records;
- payment of required fees to certain states;
- maximum interest rates that may be charged on loans to finance used and new vehicles;
- debt collection practices;
- proper disclosure to customers regarding financing terms;
- privacy regarding certain customer data;
- interest rates on loans to customers;
- late fees and insufficient fees charged;
- telephone solicitation of Direct Loan customers; and
- collection of debts from loan customers who have filed bankruptcy.

We believe that we have maintained all material licenses and permits required to conduct our consumer financial services and are in substantial compliance with all applicable local, state and federal regulations. Our failure, or the failure by dealers who originate the Contracts we have purchased, or the failure by our service providers, to maintain all requisite licenses and permits, and to comply with other regulatory requirements, could result in consumers

having rights of rescission and other remedies that could have a material adverse effect on our financial condition. Furthermore, any changes in applicable laws, rules and regulations, such as the passage of the Dodd-Frank Act and the creation of the CFPB, may make our compliance therewith more difficult or expensive or otherwise materially adversely affect our business and financial condition.

Some litigation against us could take the form of class action complaints by consumers. As the assignee of contracts originated by dealers, we may also be named as a co-defendant in lawsuits filed by consumers principally against dealers. The damages and penalties claimed by consumers in these types of actions can be substantial. The relief requested by the plaintiffs varies but may include requests for compensatory, statutory, and punitive damages. We also are periodically subject to other kinds of litigation typically experienced by businesses such as ours, including employment disputes and breach of contract claims. No assurances can be given that we will not experience material financial losses in the future as a result of litigation or other legal proceedings.

Risks Related to Privacy and Cybersecurity

Failure to properly safeguard confidential customer information could subject us to liability, decrease our profitability, and damage our reputation.

In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and personally identifiable information of our customers, on our computer networks, and share such data with third parties, including our service providers. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy.

Any failure, interruption, or breach in our cybersecurity, including through employee misconduct or any failure of our back-up systems or failure to maintain adequate security surrounding customer information, could result in reputational harm, disruption in the management of our customer relationships, or the inability to originate, process and service our products. Further, any of these cybersecurity and operational risks could result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to lawsuits by customers for identity theft or other damages resulting from the misuse of their personal information and possible financial liability, any of which could have a material adverse effect on our results of operations, financial condition and liquidity. In addition, regulators may impose penalties or require remedial action if they identify weaknesses in our security systems, and we may be required to incur significant costs to increase our cybersecurity to address any vulnerabilities that may be discovered or to remediate the harm caused by any security breaches. As part of our business, we may share confidential customer information and proprietary information with clients, vendors, service providers, and business partners. The information systems of these third parties may be vulnerable to security breaches and we may not be able to ensure that these third parties have appropriate security controls in place to protect the information we share with them. If our confidential information is intercepted, stolen, misused, or mishandled while in possession of a third party, it could result in reputational harm to us, loss of customer business, and additional regulatory scrutiny, and it could expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our results of operations, financial condition, and liquidity. If any vendor fails to provide the services we require, fails to meet contractual requirements (including compliance with applicable laws and regulations), fails to maintain adequate data privacy controls and electronic security systems, or suffers a cyber-attack or other security breach, we could be subject to CFPB, FTC and other regulatory enforcement actions, claims from third parties, including our consumers, and suffer economic and reputational harm that could have an adverse effect on our business. Further, we may incur significant costs to resolve any such disruptions in service, which could adversely affect our business.

Providers of consumer financial services are subject to specific requirements to protect consumer data. In 2021, the FTC updated its Safeguards Rule implementing Section 501(b) of GLBA, to set forth specific criteria relating to the safeguards that certain nonbank financial institutions must implement as a part of their information security programs. These safeguards, among other things, limit who can access customer information, require the use of encryption to secure such information, and require the designation of a single qualified individual to oversee an institution's information security program and report at least annually to the institution's board of directors or equivalent governing body. The CFPB recently issued Consumer Financial Protection Circular 2022-04, which warned that data security shortcomings could subject financial services companies to unfairness claims under the Consumer Financial Protection Act—even if those firms comply with the GLBA Safeguards Rule, the primary data security regulation for non-bank financial institutions.

We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to secure online transmission of confidential customer information. Advances in computer

capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the algorithms that we use to protect sensitive customer data. A party who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may be required to expend capital and other resources to protect against, or alleviate problems caused by, security breaches or other cybersecurity incidents. Although we have not experienced any material cybersecurity incidents to dates, there can be no assurance that a cyber-attack, security breach or other cybersecurity incident will not have a material adverse effect on our business, financial condition or results of operations in the future. Our security measures are designed to protect against security breaches, but our failure to prevent security breaches could subject us to liability, decrease our profitability and damage our reputation.

Risks Related to our Common Stock

Our stock is thinly traded, which may limit your ability to resell your shares.

The average daily trading volume of our common shares on the NASDAQ Global Select Market for the fiscal year ended March 31, 2024 was approximately 7,573 shares, which makes ours a thinly traded stock. Thinly traded stocks pose several risks for investors because they have wider spreads and less displayed size than other stocks that trade in higher volumes or an active trading market. Other risks posed by thinly traded stocks include difficulty selling the stock, challenges attracting market makers to make markets in the stock, and difficulty with financings. Our financial results, the introduction of new products and services by us or our competitors, and various factors affecting the industries in which we operate generally may also have a significant impact on the market price of our common shares. In recent years, the stock market has experienced a high level of price and volume volatility, and market prices for the stocks of many companies, including ours, have experienced wide price fluctuations that have not necessarily been related to their operating performance. These risks could affect a shareholder’s ability to sell their shares at the volumes, prices, or times that they desire.

We currently do not have any analysts covering our stock which could negatively impact both the stock price and trading volume of our stock.

The trading market for our common stock will likely be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. We do not currently have, and may never obtain, research coverage by financial analysts. If no or few analysts commence coverage of us, the trading price of our stock may not increase. Even if we do obtain analyst coverage, if one or more of the analysts covering our business downgrade their evaluation of our stock, the price of our stock could decline. If one or more of these analysts cease to cover our stock, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline. Furthermore, if our operating results fail to meet analysts’ expectations our stock price would likely decline.

Some provisions of our Articles may deter third parties from acquiring us and diminish the value of our common stock.

Our Articles provide for, among other things:

- division of our board of directors into three classes of directors serving staggered three-year terms;
- our ability to issue additional shares of common stock and to issue preferred stock with terms that our board of directors may determine, in each case without shareholder approval (unless required by law); and
- the absence of cumulative voting in the election of directors.

These provisions may discourage, delay or prevent a transaction involving a change in control of our Company that is in the best interest of our shareholders. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging future takeover attempts. These provisions could also make it more difficult for shareholders to nominate directors for election to our board of directors and take other corporate actions.

We are a "smaller reporting company" as defined in SEC regulations, and the reduced disclosure requirements applicable to smaller reporting companies may make our common stock less attractive to investors.

We are a "smaller reporting company" as defined under SEC regulations and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not smaller reporting companies including, among other things, reduced financial disclosure requirements, including being permitted to provide only two years of audited financial statements and reduced disclosure obligations regarding executive compensation. As a result, our shareholders may not have access to certain information that they may deem important. We could remain a smaller reporting company indefinitely. As a smaller reporting company, investors may deem our stock less attractive and, as a result, there may be less active trading of our common stock, and our stock price may be more volatile.

Our common shares may be delisted from the NASDAQ Global Select Market, which could adversely affect the price of such common shares and your ability to sell or purchase shares.

Our failure to meet NASDAQ's continued listing requirements could result in a delisting of our common shares from the NASDAQ Global Select Market. If we fail to satisfy NASDAQ's continued listing requirements NASDAQ may take steps to delist our common shares. A delisting would likely have a negative effect on the price of our common shares and would impair your ability to sell or purchase our securities when you wish to do so. In the event of a delisting, we can provide no assurance that any action taken by us to restore compliance with listing requirements would allow our securities to become listed again, stabilize the market price or improve the liquidity of our securities or prevent future non-compliance with NASDAQ's listing requirements. At the present time, the Company meets NASDAQ's continued listing requirements.

General Risk Factors

Epidemics, pandemics, and other outbreaks (including the coronavirus (COVID-19) pandemic) can disrupt the Company's operations and adversely affect its business, financial condition, results of operations, and cash flows.

Epidemics, pandemics, and other outbreaks of an illness, disease, or virus, including novel coronavirus disease ("COVID-19"), have adversely affected, and could adversely affect in the future, workforces, customers, economies, and financial markets globally, potentially leading to economic downturns. The significance of the impact on the Company's operations of an epidemic, pandemic, or other outbreak depends on numerous factors that the Company may not be able to accurately predict or effectively respond to, including without limitation: the duration and scope of the outbreak (including the extent of surges, mutations, or strains of the outbreak and the efficacy of vaccination and other efforts to contain the outbreak or treat its effects); actions taken by governments, businesses, and individuals in response to the outbreak; the effect on economic activity and actions taken in response; the effect on customers and their demand for the Company's products and services; the effect on the health, wellness, and productivity of the Company's employees; and the Company's ability to sell, and service its products, including without limitation as a result of supply chain challenges, facility closures, social distancing, restrictions on travel, fear or anxiety by the populace, and shelter in place orders. These and other factors relating to or arising from an epidemic, pandemic or other outbreak could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows, as well as the trading price of the Company's securities. Additionally, many of the other risk factors described herein may be exacerbated by the effects of an epidemic, pandemic, or other outbreak and related economic conditions, which in turn could materially adversely affect our business, financial condition, results of operations, cash flows, access to financing and liquidity.

We have in the past had material weaknesses in our internal control over financial reporting. Failure to maintain an effective system of internal control over financial reporting and disclosure controls and procedures could lead to a loss of investor confidence in our financial statements and have an adverse effect on our stock price.

We may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, regardless of how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no

evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements. If that were to happen, investors could lose confidence in our reported financial information, which could lead to a decline in the market price of our common stock and we could be subject to sanctions or investigations by the stock exchange on which our common stock is listed, the SEC or other regulatory authorities.

Additionally, the existence of any material weakness could require management to devote significant time and incur significant expense to remediate any such material weakness and management may not be able to remediate any such material weakness in a timely manner. The existence of any material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations and cause the holders of our common stock to lose confidence in our reported financial information, all of which could materially adversely affect our business and share price.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Risk Management and Strategy

We are committed to maintaining the confidentiality, integrity, and availability of our information systems and data. As part of this commitment, we have implemented a comprehensive cybersecurity program to protect against unauthorized access, use, disclosure, modification, or destruction of our information assets. We are committed to ensuring the security and protection of our Company’s information assets and the personal information of our employees, customers, and stakeholders.

We recognize that cybersecurity threats are constantly evolving and have the potential to cause significant harm to our Company and our stakeholders. In order to address these risks, we have established a cybersecurity risk management framework that is aligned with industry best practices and regulatory requirements.

Our program includes regular risk assessments, vulnerability management, access controls, incident response planning, and employee training and awareness programs. We also work closely with third-party service providers to ensure that they are meeting our cybersecurity standards.

There can be no assurance that our cybersecurity program will prevent all incidents. In the event of a cybersecurity incident, we have established procedures for prompt investigation, containment, and remediation to minimize the impact on our operations and stakeholders. We believe that our cybersecurity program is robust and effective, and we will continue to invest in and improve our capabilities to address evolving threats. We are committed to transparency and will provide updates on any material cybersecurity incidents that may impact our Company or our stakeholders.

During the fiscal year ended March 31, 2024, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats, or provide assurances that we have not experienced undetected cybersecurity incidents. For additional information about these risks, see Part I, Item 1A, “Risk Factors” in this Annual Report on Form 10-K.

Governance

Our board of directors addresses the Company's cybersecurity risk management as part of its general oversight function. The board of directors' audit committee is responsible for overseeing Company's cybersecurity risk management processes, including oversight and mitigation of risks from cybersecurity threats.

Our cybersecurity risk assessment and management processes are implemented and maintained by certain Company personnel. Our IT staff has over 30 years of experience in roles that include oversight of cybersecurity risk management programs. In addition, the IT staff is consulted by an external agency with long term expertise in cybersecurity.

Our IT staff is responsible for helping to integrate cybersecurity risk considerations into the Company's overall risk management strategy, communicating key priorities to relevant personnel, helping prepare for cybersecurity incidents, approving cybersecurity processes, and reviewing security assessments and other security-related reports.

Our cybersecurity incident response processes are designed to escalate certain cybersecurity incidents to members of management depending on the circumstances, including the CEO, who help the Company mitigate and remediate cybersecurity incidents of which they are notified. In addition, the Company's incident response processes include reporting to the audit committee for certain cybersecurity incidents.

The audit committee will receive periodic reports from our management concerning cybersecurity issues, including certain threats and risks and the processes the Company has implemented to address them, as applicable. The audit committee also has access to various reports, summaries or presentations related to cybersecurity threats, risk, and mitigation.

Item 2. Properties

The Company leases its corporate headquarters and branch office facilities. The Company's headquarters, located at 26133 US HWY 19 North, Suite 300, in Clearwater, Florida, consist of approximately 1,769 square feet of office space leased at an annual rate of approximately $18.50 per square foot. The current lease relating to this space was entered into effective February 1, 2023 and expires on January 31, 2026. The Company's central business operations hub, which was located at 452 Lakeshore Parkway, Suite 115, Rock Hill, South Carolina, consisted of approximately 1,990 square feet of office space leased at an annual rate of approximately $16.08 per square foot. The lease relating to this space was terminated effective January 31, 2024.

As of March 31, 2023, the Company has closed each of its 47 branch offices located in Alabama, Florida, Georgia, Idaho, Illinois, Indiana, Kentucky, Michigan, Missouri, Nevada, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Utah, and Wisconsin. The Company previously acquired Contracts in Idaho and Texas through its virtual expansion office operations based in the Charlotte, North Carolina corporate location.

Item 3. Legal Proceedings

In the ordinary course of its business operations, the Company is involved, from time to time, in ordinary routine litigation and other legal proceedings incidental to its business. No such current litigation or proceedings, individually or in the aggregate, are expected to have a material effect on the business or financial condition of the Company, other than the specific litigation involving Jeremiah Gross, which is disclosed as part of Note 11, Commitments and Contingencies, to the Company's consolidated financial statements.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Common Stock

The Company’s common shares are traded on the NASDAQ Global Select Market under the symbol “NICK.”

Holders of Record of Common Stock

As of June 28, 2024, there were approximately 108 holders of record of the Company’s common shares.

Dividends

The Company has not declared and paid cash dividends on its common shares in the recent past and has no current plans to declare or pay any cash dividends in the foreseeable future. During the Company’s time as a corporation incorporated under the laws of British Columbia, Canada, there were no Canadian foreign exchange controls or laws that would affect the remittance of dividends or other payments to the Company’s non-Canadian resident shareholders. There are no Canadian laws that restrict the export or import of capital, other than the Investment Canada Act (Canada), which requires the notification or review of certain investments by non-Canadians to establish or acquire control of a Canadian business. The Company is not a Canadian business as defined under the Investment Canada Act because it has no place of business in Canada, has no individuals employed in Canada in connection with its business, and has no assets in Canada used in carrying on its business.

Canada and the United States of America are signatories to the Convention Between the United States of America and Canada With Respect to Taxes on Income and on Capital (the “Tax Treaty”). The Tax Treaty contains provisions governing the tax treatment of interest, dividends, gains, and royalties paid to or received by a person residing in the United States. The Tax Treaty also contains provisions to prevent the occurrence of double taxation, essentially by permitting the taxpayer to claim a tax credit for taxes paid in the foreign jurisdiction.

Earnings from U.S. subsidiaries are permanently invested in the U.S. The Company has not provided any Canadian income tax or U.S. withholding tax on unremitted earnings. If a dividend had been paid to the Company as a British Columbia corporation from the current or accumulated earnings and profits of the U.S. subsidiary, the dividend would have been subject to a U.S. withholding tax of 5%. The gross dividend (i.e., before payment of the withholding tax) would generally have been included in the Company's Canadian taxable income. However, under certain circumstances, the Company may have been allowed to deduct the dividends in the calculation of its Canadian taxable income. If the Company had no other foreign (i.e., non-Canadian) non-business income, no relief would have been available in that case to recover the withholding taxes previously paid.

A 15% Canadian withholding tax would have applied to dividends paid by the Company as a British Columbia corporation to a U.S. shareholder (including those that own less than 10% of the Company’s voting shares) that is an individual. The U.S. shareholder would have had to include the gross amount of the dividends in the shareholder’s net income to be taxed at the regular rates. In general, a U.S. shareholder can obtain a foreign tax credit for U.S. federal income tax purposes with respect to the Canadian withholding tax on such dividends, but the amount of such credit is subject to a limitation that depends, in part, on the amount of the shareholder’s income and losses from other sources. A U.S. shareholder that is an individual also can elect to claim a deduction (rather than a foreign tax credit) for all non-U.S. income taxes paid by the shareholder during the particular year. The benefit of any deduction for foreign taxes may be negatively impacted by the overall limitation on deducting income and other taxes. U.S. shareholders are urged to consult their own tax advisors regarding the U.S. federal income tax treatment of any Canadian withholding tax imposed on dividends from the Company.

Purchases of Equity Securities by the Company and Affiliated Purchasers

In May 2019, the Company’s Board of Directors (“Board”) authorized a stock repurchase program allowing for the repurchase of up to $8.0 million of the Company’s outstanding shares of common stock in open market purchases, privately negotiated transactions, or through other structures in accordance with applicable federal securities laws. The authorization was effective immediately.

The timing and actual number of sharers will depend on a variety of factors, including stock price, corporate and regulatory requirements and other market and economic conditions. The Company’s stock repurchase program may be suspended or discontinued at any time.

In August 2019, the Company’s Board authorized additional repurchase of up to $1.0 million of the Company’s outstanding shares.

There were no shares of our Common Stock repurchased by or on behalf of the Company or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Exchange Act) during the final three months of the fiscal year ended March 31, 2024.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Nicholas Financial Parent started as a Canadian holding company incorporated under the laws of British Columbia in 1986. Nicholas Financial Parent conducted its business activities exclusively through a wholly-owned indirect Florida subsidiary, Nicholas Financial, during the fiscal years ended March 31, 2024 and 2023. Nicholas Financial has been a specialized consumer finance company engaged primarily in servicing automobile finance installment contracts ("Contracts") for purchases of used and new automobiles and light trucks. To a lesser extent, prior to the end of the third fiscal quarter of the fiscal year ended March 31, 2024, Nicholas Financial also originated Contracts, and prior to the end of the third fiscal quarter of the fiscal year ended March 31, 2023, direct consumer loans ("Direct Loans") and sold consumer-finance related products. Nicholas Financial's financing activities represent a primary source of consolidated revenue for the fiscal years ended March 31, 2024 and 2023. A second Florida subsidiary, NDS, serves as an intermediate holding company for Nicholas Financial.

Nicholas Financial Parent, Nicholas Financial, and NDS are collectively referred to herein as the "Company".

Introduction

The Company's consolidated revenues decreased from $44.3 million for the fiscal year ended March 31, 2023 to $22.2 million for the fiscal year ended March 31, 2024. The Company's net loss per share decreased from $4.65 per share for the fiscal year ended March 31, 2023 to a net loss of $2.86 per share for the fiscal year ended March 31, 2024. The Company's loss before income tax decreased from $32.7 million for the year ended March 31, 2023 to a loss before income tax of $20.8 million for the year ended March 31, 2024. The decrease in profitability was primarily driven by a decrease in average finance receivables from $165.4 million to $88.2 million for the years ended March 31, 2023 and 2024, respectively.

The Company's consolidated net loss decreased from $34.1 million for the fiscal year ended March 31, 2023 to a net loss of $20.8 million for the fiscal year ended March 31, 2024.

The gross portfolio yield of the portfolio for the fiscal years ended March 31, 2024 and 2023 was 33.6% and 26.8%, respectively. For the fiscal years ended March 31, 2023 and 2024, the average dealer discount decreased from 6.5% to 6.3%, primarily as a result of market conditions in the 2024 fiscal year. The APR (and therefore overall yield) on new purchases declined in fiscal 2024 and fiscal 2023 to 22.1% from 22.5%, which was primarily driven by the Company's continuing commitment to its core principles of disciplined underwriting and risk-based pricing.

Operating expenses as presented include restructuring costs of $1.2 million for the twelve months ended March 31, 2024 and $4.8 million for the twelve months ended March 31, 2023.

Portfolio Summary	Fiscal Year ended March 31, (In thousands) 2024	2023
Average finance receivables (1)	$ 88,285	$ 165,412
Average indebtedness (2)	$ 8,020	$ 54,214
Interest and fee income on finance receivables	22,237	44,270
Interest expense	929	3,931
Net interest and fee income on finance receivables	$ 21,308	$ 40,339
Gross portfolio yield (3)	25.19%	26.76%
Net charge-off percentage (4)	30.63%	15.86%

(1) Average finance receivables represent the average of finance receivables throughout the period.

(2) Average indebtedness represents the average outstanding borrowings under the Credit Facility throughout the period. Average indebtedness does not include a loan obtained by the Company on May 27, 2020 in the amount of $3,243,900 from Fifth Third Bank in connection with the U.S. Small Business Administration's Paycheck Protection Program (the "PPP Loan").

(3) Gross portfolio yield represents interest and fee income on finance receivables as a percentage of average finance receivables.

(4) Net charge-off percentage represents net charge-offs (charge-offs less recoveries) divided by average finance receivables, outstanding during the period.

Critical Accounting Estimates

A critical accounting estimate is an estimate that: (i) is made in accordance with generally accepted accounting principles, (ii) involves a significant level of estimation uncertainty and (iii) has had or is reasonably likely to have a material impact on the Company's financial condition or results of operations.

The Company's critical accounting estimates (i.e., that involves a significant level of estimation uncertainty and has or is reasonably likely to have a material impact on the Company's financial condition or results of operations) relates to the determination of the fair value of finance receivables held for sale which determines the held for sale valuation allowance necessary to carry finance receivables held for sale at the lower of amortized cost or fair value.

There have been changes in our critical accounting policies from those disclosed in our 2023 Annual Report on Form 10-K related to the following:

- On April 1, 2023, the Company adopted of ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, and subsequent amendments to the guidance: ASU 2018-19 in November 2018, ASU 2019-04 in April 2019, ASU 2019-05 in May 2019, ASU 2019-10 and ASU 2019-11 in November 2019, ASU 2020-02 in February 2020 and ASU 2022-02 in March 2022, and ASC 326 was applicable for the period from April 1, 2023 to October 31, 2023.
- Upon the Company's decision on November 1, 2023, to sell the portfolio, the Company reclassified its finance receivables to held for sale, which are carried at the lower of amortized cost or fair value. As a result of this reclassification, the Company eliminated the allowance for credit losses established under Accounting Standards Codification ("ASC") 326 which resulted in a reversal of previously recorded provisions for credit losses for the period from April 1, 2023 through October 31, 2023.

Fair Value of Finance Receivables Held for Sale

Finance receivables held for sale are carried at the lower of amortized cost basis or fair value which generally established a new held for sale valuation allowance through earnings in the same reporting period. The Company compared the fair value and amortized cost of finance receivables held for sale and recorded a held for sale valuation allowance through earnings to reduce the amortized cost basis to fair value as of March 31, 2024. The Company estimates the fair value of finance receivables held for sale utilizing a discounted cash flow approach which includes an evaluation of the collateral and underlying loan characteristics, as well as assumptions to determine the discount rate such as credit loss and prepayment forecasts. In determining the appropriate discount rate, prepayment and credit assumptions, the Company monitors other capital markets activity for similar collateral being traded and /or interest rates currently being offered for similar products. Significant increases (decreases) in assumptions in isolation could result in a significantly lower (higher) fair value measurement. Changes in the held for sale valuation allowance are recorded through earnings along with charge offs and recoveries as "Fair value and other adjustments, net" in the Consolidated Statements of Operations.

Fiscal 2024 Compared to Fiscal 2023

Interest and Fee Income on Finance Receivables

Interest and fee income on finance receivables, predominantly finance charge income, decreased to $22.2 million in fiscal 2024 as compared to $44.3 million in fiscal 2023. The average finance receivables totaled $88.3 million for the fiscal year ended March 31, 2024, a decrease of 46.6% from $165.4 million for the fiscal year ended March 31, 2023. Specifically, origination of direct loans decreased to $0 in fiscal year 2024 compared to $15.8 million in fiscal year end 2023, and Contract purchases decreased to $5.5 million in fiscal year 2024 compared to $47.5 million in fiscal year 2023.Purchasing volume decreased to $5.5 million in fiscal 2024 from $47.5 million in fiscal 2023. Purchasing volume decreased from fiscal 2023 primarily as a result of implementation of our restructuring strategy.

Competition continued to affect the Company's ability to acquire Contracts at desired yields. The average APR on new Contract purchases was 22.1% for fiscal 2024 and 22.5% for fiscal 2023. Concurrently, the dealer discount on new Contract purchases decreased from 6.5% for fiscal 2023 to 6.3% for fiscal 2024, primarily as a result of competitive pressures. Overall, the Company maintains its strategy focused on risk-based pricing (rate, yield, advance, term, etc.) and a commitment to the underwriting discipline required for optimal portfolio performance.

The gross portfolio yield decreased to 25.19% for the fiscal year ended March 31, 2024 as compared to 26.76% for the fiscal year ended March 31, 2023. The gross portfolio yield decreased primarily as a result of the decrease in average finance receivables.

Operating Expenses

Our operating expenses consisted primarily of servicing expenses, payroll and employee benefits, administrative expenses, and other miscellaneous expenses. Operating expenses decreased to $15.5 million for the fiscal year ended March 31, 2024 compared to $32.4 million for the fiscal year ended March 31, 2023 as a result of restructuring initiatives undertaken by the Company.

Interest Expense

Interest expense decreased to $0.9 million for the fiscal year ended March 31, 2024, as compared to $3.9 million for the fiscal year ended March 31, 2023, due to a decrease in average outstanding debt, which was partially offset by a higher interest rate. The average outstanding debt during the year ended March 31, 2024 decreased to $8.0 million from $54.2 million during the year ended March 31, 2023. The following table summarizes the Company's average cost of borrowed funds for the fiscal years ended March 31:

	2024	2023
Variable interest under the line of credit and credit facility	5.05%	2.70%
Credit spread under the line of credit and credit facility	3.35%	3.27%
Average cost of borrowed funds	8.40%	5.97%

Analysis of Credit Losses

The following table sets forth a reconciliation of the changes in the allowance for credit losses on Contracts and Direct Loans under ASC 326 and the impact of adoption of ASU 2016-13 for the fiscal years ended March 31. 2024 and a reconciliation of the changes in the allowance for credit losses on Contracts and Direct Loans under the incurred loss model for the fiscal year ended March 31, 2023:

	For the year ended March 31, 2024 (In thousands)		
	Indirect	Direct	Total
Balance at beginning of year, prior to adoption of ASU 2016-13	$ 16,265	$ 1,131	$ 17,396
Impact of adoption of ASU 2016-13	(562)	772	210
Provision for credit losses (1)	12,713	2,110	14,823
Charge-offs(2)	(21,337)	(3,495)	(24,832)
Recoveries(2)	4,210	446	4,656
Reversal of allowance for credit losses (1)	(11,289)	(964)	(12,253)
Balance at end of year	$ —	$ —	$ —

(1) Provision for credit losses and reversal of allowance for credit losses is presented net as "Provision for credit losses" in the Consolidated Statements of Operations.

(2) Amounts shown represents charge-off and recoveries through October 31, 2023. Since November 1, 2023 charge-offs and recoveries are included in "Fair value and other adjustment, net" in the Consolidated Statements of Operations.

	For the year ended March 31, 2023 (In thousands)		
	Indirect	Direct	Total
Balance at beginning of year	$ 1,961	$ 988	$ 2,949
Provision for credit losses	37,125	3,533	40,658
Charge-offs	(28,391)	(3,621)	(32,012)
Recoveries	5,570	231	5,801
Balance at end of year	$ 16,265	$ 1,131	$ 17,396

Implementation of ASU 2016-13

On April 1, 2023 the Company adopted ASU 2016-13, as further described in "Significant Accounting Policies" to the Consolidated Financial Statements. Upon implementation of ASU 2016-13, the Company recognized a decrease to its opening retained earnings balance of approximately $0.2 million, which reflects an increase to the allowance for credit losses (ACL) of approximately $0.2 million.

ASU 2016-13 introduced a new accounting model to measure credit losses for financial assets measured at amortized costs. In contrast to the previous incurred loss model, ASU 2016-13 requires credit losses for financial assets measured at amortized cost to be determined based on the total current expected credit losses over the life of those financial assets or group of assets.

For the period from April 1, 2023 through October 31, 2023, preceding the decision to sell the portfolio, our process for determining the ACL considered a customer's willingness and ability to pay along with other risk characteristics, including loan size, effective interest rate, loan term, geographic location, expected loss patterns, loan modification programs and other macroeconomic factors. In addition to our quantitative ACL, we also incorporated qualitative adjustments that may relate to risks and changes in current economic conditions that may not be reflected in quantitatively derived results.

On November 1, 2023, concurrent with the decision to sell the portfolio, the Company reclassified its finance receivables to held for sale, which are carried at the lower of amortized cost or fair value. As a result of this reclassification, the Company eliminated the allowance for credit losses under ASC 326, which resulted in a reversal of previously recorded provisions for credit losses for the period from April 1, 2023 through October 31, 2023. The Company compared the fair value and amortized cost of finance receivables to held for sale and recorded a held for sale valuation allowance through earnings to reduce the amortized cost basis to fair value as of March 31, 2024.

Beginning on November 1, 2023, the Company estimates the fair value of these finance receivables held for sale utilizing a discounted cash flow approach which includes an evaluation of the collateral and underlying loan characteristics, as well as assumptions to determine the discount rate such as credit loss and prepayment forecasts. In determining the appropriate discount rate, prepayment and credit assumptions, the Company monitors other capital markets activity for similar collateral being traded and/or interest rates currently being offered for similar products. Discussions related to the fair value of these finance receivables held for sale are held between Company management and external valuation specialists to review the key assumptions used in arriving at the final estimates. As such, these finance receivables are therefore classified within Level 3 of the valuation hierarchy.

Prior to adoption of ASU 2016-13 the Company used a trailing twelve-month charge-off analysis to calculate the allowance for credit losses and took into consideration the composition of the portfolio, current economic conditions, estimated net realizable value of the underlying collateral, historical loan loss experience, delinquency, non-performing assets, and bankrupt accounts when determining management’s estimate of probable credit losses and adequacy of the allowance for credit losses. By including recent trends such as delinquency, non-performing assets, and bankruptcy in its determination, management believed that the allowance for credit losses reflected the current trends of incurred losses within the portfolio and was aligned with the portfolio’s performance indicators.

If the allowance for credit losses was determined to be inadequate, then an additional charge to the provision was recorded to maintain adequate reserves based on management’s evaluation of the risk inherent in the loan portfolio. Conversely, the Company could identify abnormalities in the composition of the portfolio, which would indicate the calculation is overstated and management's judgment may be required to determine the allowance of credit losses for both Contracts and Direct Loans.

Non-performing assets are defined as accounts that are contractually delinquent for 61 or more days past due or Chapter 13 bankruptcy accounts. For these accounts, the accrual of interest income is suspended, and any previously accrued interest is reversed. Upon notification of a bankruptcy, an account is monitored for collection with other Chapter 13 accounts. In the event the debtors' balance is reduced by the bankruptcy court, the Company will record a loss equal to the amount of principal balance reduction. The remaining balance will be reduced as payments are received by the bankruptcy court. In the event an account is dismissed from bankruptcy, the Company will decide based on several factors, whether to begin repossession proceedings or allow the customer to begin making regularly scheduled payments.

Beginning March 31, 2018, the Company allocated a specific reserve for the Chapter 13 bankruptcy accounts using a look back method to calculate the estimated losses. Based on this look back, management calculated a specific reserve of approximately $381 thousand for these accounts as of October 31, 2023.

Prior to April 1, 2023, the Company recorded losses based on the trailing twelve-month charge-offs and applied this calculated percentage to ending finance receivables to calculate estimated probable credit losses for purposes of determining the allowance for credit losses. Upon adoption of ASC 326 on April 1, 2023, expected credit losses were determined by comparing the amortized cost of finance receivables with the present value of the estimated future principal and interest cash flows. The current period provision reflects the change in the difference between the amortized cost basis and the present value of the expected cash flows of finance receivables.

The net charge-off percentage increased to 30.6% for the year ended March 31, 2024, from 15.9% for year ended March 31, 2023. (See the Portfolio Summary table in the "Introduction" above for the definition of net charge-off percentage.) Management attributes these increased delinquencies and loan defaults primarily to the fact that the beneficial impact of the government's prior COVID-19-related assistance to the Company's customers had subsided at a time when those customers began facing increased inflationary pressures affecting their cost of living, and expects that the net charge-off percentage will remain, for the foreseeable future, at levels higher than those experienced in prior years for the same reasons.

The delinquency percentage for Contracts more than 29 days past due, excluding Chapter 13 bankruptcy accounts, as of March 31, 2024 was 16.9%, an increase from 15.7% as of March 31, 2023. The delinquency percentage for Direct Loans more than 29 days past due, excluding Chapter 13 bankruptcy accounts, as of March 31, 2024 was 16.1%, a decrease from 17.0% as of March 31, 2023. While delinquency percentage declined for Direct Loans, the customers continue experiencing market and economic pressure and its adverse impact on the consumers.

In accordance with our policies and procedures, certain borrowers qualify for, and the Company offers, one-month principal payment deferrals on Contracts and Direct Loans.

Income Taxes

The Company recorded a tax expense of approximately $0 during fiscal 2024 compared to a tax expense of approximately $1.4 million during fiscal 2023. The Company's effective tax rate in fiscal 2024 was 0.0% compared to (4.3)% in fiscal 2023. For further discussion regarding income taxes see *"Note 7 – Income Taxes"*.

Liquidity and Capital Resources

The Company's cash flows are summarized as follows:

	Fiscal Year ended March 31, (In thousands)	
	2024	2023
Cash provided by (used in):		
Operating activities	$ 1,827	$ (2,182)
Investing activities	45,801	29,894
Financing activities	(29,100)	(32,033)
Net increase (decrease) in cash	$ 18,528	$ (4,321)

Our major source of liquidity and capital is cash generated from our operations and our subsequent disposition of substantially all of our finance receivables and repossessed assets in April 2024.

We believe that our current cash balance, together with the future cash generated from operations, will be sufficient to satisfy our requirements and plans for cash for the next 12 months. We also believe that future cash generated from operations and our subsequent disposition of substantially all of our finance receivables and repossessed assets in April 2024 will be sufficient to satisfy our requirements and plans for cash beyond the next 12 months. Our access to, and the availability of, financing on acceptable terms in the future will be affected by many factors including overall liquidity in the capital or credit markets, the state of the economy and our credit strength as viewed by potential lenders. We cannot provide assurances that we will have future access to the capital or credit markets on acceptable terms.

On January 26, 2024 the Company terminated the Credit Facility. The Company did not incur any termination fees or penalties in connection with the termination of the Credit Facility.

The Company is currently evaluating its capital allocation goals and may in the future decide to change its mix of capital resources in an effort to achieve a higher dollar value of receivables for every dollar of equity capital invested. To do so, the Company may, distribute future excess profits generated at its subsidiaries to the Company, or reinvest excess equity capital into its subsidiaries when opportunities warrant. In addition, the Company may determine to continue its share repurchases at a higher volume than previously and/or acquire businesses or assets that are related or unrelated to its current business, including securities in publicly-held companies. However, the Company is not limited to these alternatives. In addition, the Company may determine not to pursue these or any other alternatives to change its capital allocation.

Impact of Inflation

The Company is affected by inflation primarily through increased operating costs and expenses including increases in interest rates. Inflationary pressures on operating costs and expenses historically have been largely offset by the Company's continued emphasis on stringent operating and cost controls, although no assurances can be given regarding the Company's ability to offset the effects of inflation in the future. Management believes the rise in inflation can impact the subprime borrower due to rising cost of housing, consumer goods, gas prices, etc. and believes it could have an impact on the performance and collectability of the portfolio.

Subsequent Events

On April 18, 2024, the Company completed its continuation and domestication from British Columbia to the State of Delaware by filing its Certificate of Corporate Domestication and Certificate of Incorporation in the State of Delaware. The Company has estimated a potential tax liability due to Canada ranging between $1.7 million and $2.6 million. In June 2024, the Company made an estimated payment of $1.7 million to Canada and the Company expects to file for the stub period created from the domestication in October 2024.

On April 26, 2024, the Company completed the closing under the master asset purchase agreement with Westlake Services, LLC dba Westlake Financial, a California limited liability company ("Westlake"), to sell substantially all of the Company's assets, consisting of the Company's motor vehicle retail installment sale contracts and unsecured consumer loan contracts (collectively, the "Contracts") and the accounts receivable related to such Contracts (collectively, the "Receivables"). The transaction closed with an aggregate purchase price of $65.6 million pursuant to the terms of the master asset purchase agreement. After adjustments to the gross aggregate purchase price, the Company received net cash proceeds of $40.6 million and retained $25.9 million in principal and interest cash payments collected by the Company prior to the closing that otherwise would have been paid to Westlake.

Pursuant to the terms of the Purchase Agreement, Westlake was due to make additional payments to the Company based on a percentage of cash collections received over a predetermined threshold on the loan portfolio from September 30, 2023 through the closing of the disposition. Pursuant to the terms of the Purchase Agreement, Westlake made a $40.6 million payment to the Company at the closing of the disposition on April 26, 2024. The Company and Westlake subsequently determined that Westlake overpaid the Company approximately $2.6 million at the closing. The final determination of the amount to be repaid to Westlake is still being negotiated and has not been finalized as of the date of this filing. As such, the Company is not able to finalize the accounting related to the disposition at this time. The Company expects the ongoing negotiations with Westlake will be finalized in the second quarter of this fiscal year at which time the amount to be repaid and the calculation of the gain or loss from the disposition will be determined.

On June 15, 2024, the Company completed the closing under the Share Purchase Agreement to acquire Amplex Electric, Inc., an Ohio corporation ("Amplex"), from the sellers (the "Sellers"), pursuant to which the Sellers have agreed to sell, and the Company has agreed to purchase 51% of the issued and outstanding common shares, no par value per share, of Amplex and the Company has agreed to make payment to holders of options for Amplex's common shares in consideration of cancellation of such options for preliminary purchase consideration of $11.6 million, which was paid in cash on the date of closing. The acquisition will be accounted for using the acquisition method and the results of the acquired business will be included in the Company's results of operations from the acquisition date. Based on the timing of the acquisition and lack of available information, the Company determined it was impractical to disclose a preliminary purchase price allocation at this time. The Company is currently in the process of completing the accounting for the transaction and expect to have our preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed in the first quarter of the current fiscal year.

As of March 31,2024, the Company has extended $300 thousand in Term Loan Advances to Amplex. Between April 1, 2024 and June 1, 2024, the Company made Term Loan Advances to Amplex in the aggregate amount of $450 thousand. The Term Loan Advances were to be repaid at the earlier of a) the closing of the Share Purchase Agreement and b) the first anniversary of the initial term loan advance date if the negotiations of the Share Purchase Agreement are terminated. In conjunction with the closing of the Share Purchase Agreement, the Term Loan Advances with a total outstanding principal and accrued interest of $754 thousand was converted into 421 shares of Amplex common stock at the share purchase price of $1,792.55 per share.

In conjunction with the closing of the Share Purchase Agreement, the Company purchased 1,674 shares of Amplex common stock at the share purchase price of $1,792.55 per share for an aggregate purchase price of $3 million. Upon the completion of all of the foregoing transactions with Amplex, the Company acquired an aggregate of 56.5% of the issued and outstanding shares of Amplex.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

The following financial statements are filed as part of this Report:

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Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors, and Audit Committee
Nicholas Financial, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Nicholas Financial, Inc. and Subsidiaries (the "Company") as of March 31, 2024 and 2023, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the two-year period ended March 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended March 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Finance Receivables Held for Sale

As discussed in Note 2 to the financial statements, subsequent to the adoption of Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instrument*, on November 1, 2023, the Company decided to sell its finance receivable portfolio which resulted in a reclassification of finance receivables from held for investment, at amortized cost, to held for sale, at the lower of amortized cost or fair value. As discussed in Note 14 to the financial statements, subsequent to March 31, 2024, the Company sold substantially all of its finance receivables.

Share Purchase Agreement

As discussed in Note 14 to the financial statements, subsequent to March 31, 2024, the Company entered into a share purchase agreement to acquire a majority ownership interest in Amplex Electric, Inc.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters

below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Finance Receivables Held for Sale

On November 1, 2023, concurrent with the decision to sell the finance receivable portfolio, the Company reclassified its finance receivables to held for sale, which are carried at the lower of amortized cost or fair value. As further described in Notes 2 and 6 to the financial statements, the Company estimates the fair value of the finance receivable portfolio, which is $38.8 million at March 31, 2024 and is less than the amortized cost basis of the finance receivables held for sale, by utilizing a discounted cash flow approach which includes an evaluation of the collateral and underlying loan characteristics, as well as assumptions to determine the discount rate such as credit loss and prepayment forecasts.

We identified the Company's fair value estimate of finance receivables held for sale as a critical audit matter. The principal considerations for that determination were the degree of subjectivity required to audit management's estimate of fair value including the selection of assumptions, such as the discount rate, and our use of an auditor's specialist. This required a higher degree of auditor effort and judgment.

The primary procedures we performed to address this critical audit matter included the following:

- We obtained an understanding of the Company's process for estimating the fair value of the finance receivables held for sale, including the selection of assumptions used in the estimate.
- We tested the completeness and accuracy of the data used by the Company to calculate the fair value.
- We evaluated the sensitivity of the fair value estimate to changes in the discount rate.
- We involved our internal valuation specialists to assist in:
  - Evaluating the appropriateness of the methodology and assumptions, such as the discount rate, and;
  - Testing the design of the model calculation through a re-performance of the discounted cash flow on a sample basis.

/s/ Forvis Mazars, LLP

We have served as the Company's auditor since 2022.

Atlanta, Georgia

July 1, 2024

Nicholas Financial, Inc. and Subsidiaries

Consolidated Balance Sheets
(In thousands)

	March 31,			
		2024		2023
Assets				
Cash and cash equivalents	**$**	**18,982**	$	454
Finance receivables held for sale, at a lower of amortized cost or fair value		**38,773**		-
Finance receivables held for investment, net		**-**		106,919
Repossessed assets held for sale, at lower of carrying value or fair value less cost to sell		**668**		1,491
Prepaid expenses and other assets		**438**		316
Income taxes receivable		**902**		946
Property and equipment, net		**75**		222
Total assets	**$**	**59,838**	$	110,348
Liabilities and shareholders' equity				
Credit facility, net of debt issuance costs	**$**	**-**	$	28,936
Accounts payable, accrued expenses, and other liabilities		**996**		1,603
Total liabilities		**996**		30,539
Commitments and contingencies (see Note 11)				
Shareholders' equity:				
Preferred stock, no par: 5,000 shares authorized; none issued		**—**		—
Common stock, no par: 50,000 shares authorized; 12,657 shares issued and 7,289 shares outstanding as of the end of both reporting periods		**35,267**		35,223
Treasury stock: 5,368 common shares, at cost, as of the end of both reporting periods		**(76,794)**		(76,794)
Retained earnings		**100,369**		121,380
Total shareholders' equity		**58,842**		79,809
Total liabilities and shareholders' equity	**$**	**59,838**	$	110,348

See accompanying notes to the Consolidated Financial Statements.

Nicholas Financial, Inc. and Subsidiaries

Consolidated Statements of Operations
(In thousands, except per share amounts)

	Fiscal Year ended March 31,	
	2024	**2023**
Interest and fee income on finance receivables	**$ 22,237**	$ 44,270
Expenses:		
Operating expenses	**15,520**	32,449
Provision for credit losses	**2,570**	40,658
Fair value and other adjustments, net	**24,164**	-
Interest expense	**929**	3,931
Total expenses	**43,183**	77,038
Income from securities:		
Net gain on equity investments	**-**	66
Income from cash equivalents	**145**	-
Total income from securities	**145**	66
Loss before income taxes	**(20,801)**	(32,702)
Income tax expense	**-**	1,417
Net loss	**$ (20,801)**	$ (34,119)
Loss per share:		
Basic	**$ (2.86)**	$ (4.65)
Diluted	**$ (2.86)**	$ (4.65)

See accompanying notes to the Consolidated Financial Statements.

Nicholas Financial, Inc. and Subsidiaries

Consolidated Statements of Shareholders’ Equity
(In thousands)

	Common Stock				
	Shares	**Amount**	**Treasury Stock**	**Retained Earnings**	**Total Shareholders' Equity**
Balance at March 31, 2022	7,546	$ 35,292	$ (74,405)	$ 155,499	$ 116,386
Net loss	—	—	—	(34,119)	(34,119)
Issuance of restricted stock awards	11	—	—	—	—
Restricted stock cancellations	(27)	(175)	—	—	(175)
Treasury stock repurchases	(241)	—	(2,389)	—	(2,389)
Share-based compensation	-	106	—	—	106
Balance at March 31, 2023	7,289	$ 35,223	$ (76,794)	$ 121,380	$ 79,809
Cumulative effect of adoption of ASC 326	—	—	—	(210)	(210)
Net loss	—	—	—	(20,801)	(20,801)
Share-based compensation	—	44	—	—	44
Balance at March 31, 2024	7,289	$ 35,267	$ (76,794)	$ 100,369	$ 58,842

See accompanying notes to the Consolidated Financial Statements.

Nicholas Financial, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(In thousands)

	Fiscal Year ended March 31,	
	2024	**2023**
Cash flows from operating activities:		
Net loss	**$ (20,801)**	$ (34,119)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization of intangibles	**84**	390
Amortization of debt issuance costs	**164**	523
Non-cash lease expense	**59**	1,632
Net loss on disposal of property and equipment	**89**	1,090
Net gain on equity investments	**—**	(66)
Fair value and other adjustments, net	**24,164**	—
Provision for credit losses	**2,570**	40,658
Accretion of dealer discounts	**(3,182)**	(5,902)
Accretion of insurance and fee commissions	**(1,953)**	(3,512)
Accretion of purchase price discount	**(62)**	(130)
Deferred income taxes	**—**	1,385
Cancellations of restricted stock awards	**—**	(175)
Principal reduction on operating lease liabilities	**(46)**	(1,663)
Share-based compensation	**44**	106
Changes in operating assets and liabilities:		
Accrued interest receivable	**1,108**	(12)
Prepaid expenses and other assets	**54**	860
Accounts payable, accrued expenses, and other liabilities	**(509)**	(3,290)
Income taxes receivable	**44**	43
Net cash used in operating activities	**1,827**	(2,182)
Cash flows from investing activities:		
Purchase and origination of finance receivables	**(5,515)**	(63,348)
Principal payments received and proceeds from repossessed assets held for sale	**51,629**	93,095
Advancements on Term loan to Amplex	**(300)**	—
Purchases of equity investments	**—**	(7,237)
Proceeds from sale of equity investments	**—**	7,303
Proceeds from sale of property and equipment	**—**	140
Payments for property and equipment	**(13)**	(59)
Net cash provided by investing activities	**45,801**	29,894
Cash flows from financing activities:		
Repayments on credit facilities	**(29,100)**	(43,700)
Proceeds from credit facilities	**—**	17,800
Payment of loan originations fees	**—**	(500)
Repayment of PPP Loan	**—**	(3,244)
Repurchases of treasury stock	**—**	(2,389)
Net cash used in financing activities	**(29,100)**	(32,033)
Net increase (decrease) in cash	**18,528**	(4,321)
Cash, beginning of year	**454**	4,775
Cash, end of year	**$ 18,982**	$ 454
Supplemental Disclosures:		
Interest paid	**$ 997**	$ 3,351
Income taxes paid	**—**	27

See accompanying notes to the Consolidated Financial Statements.

1. Organization and Basis of Presentation

Nicholas Financial, Inc. ("Nicholas Financial – Canada") is a Canadian holding company incorporated under the laws of British Columbia with two wholly owned United States subsidiaries, Nicholas Data Services, Inc. ("NDS") and Nicholas Financial, Inc. ("NFI"). NDS historically was engaged in supporting and updating industry-specific computer application software for small businesses located primarily in the Southeastern United States. NDS has ceased its operations; however, it continues as the interim holding company for Nicholas Financial. NFI is a specialized consumer finance company engaged primarily in acquiring and servicing automobile finance installment contracts ("Contracts") for purchases of used and new automobiles and light trucks. NFI has also offered direct consumer loans ("Direct Loans") and sells consumer-finance related products. NFI has and NDS are based in Florida, U.S.A.

During the year ended March 31, 2024, the Company first shifted from a decentralized business model to a regionalized business model in which each of its originators focuses on a specific region in the Company's smaller target market footprint with an expectation that Contract purchase and origination activities will proceed on a much smaller scale.

On November 13, 2023, the Company entered into a Master Asset Purchase Agreement (the "Purchase Agreement") with Westlake Services, LLC dba Westlake Financial, a California limited liability company ("Westlake Financial"), pursuant to which the Company have agreed to sell substantially all of the Company's assets. In connection with the entering into the Purchase Agreement, the Company has ceased new loan originations of Contracts and Direct Loans. As part of a restructuring plan (see Note 12) the Company has outsourced servicing, collections and recovery activities.

The goal of the strategy and related restructuring is to free up capital and permit the Company to allocate excess capital to increase shareholder returns, whether by acquiring loan portfolios or businesses or by investing outside of the Company's traditional business.

The accompanying consolidated financial statements are stated in U.S. dollars and are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Canadian income taxes are not reported as they are immaterial. On April 18, 2024, the Company completed its continuation and domestication from British Columbia to the State of Delaware by filing its Certificate of Corporate Domestication and Certificate of Incorporation in the State of Delaware. See Note 14 for additional details.

2. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of Nicholas Financial – Canada and its wholly owned subsidiaries, NDS, and NFI, collectively referred to as the "Company". All intercompany transactions and balances have been eliminated.

Segment Reporting

The Company reports operating segments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 280, *Segment Reporting*. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assesses performance. FASB ASC Topic 280 requires that a public enterprise report a measure of segment profit or loss, certain specific revenue and expense items, segment assets, information about the way the operating segments where determined and other items.

The Company has one reportable segment, which is the consumer finance company.

Cash Equivalents

Short-term highly liquid investments with a maturity date that was 3 months or less at the time of purchase are treated as cash equivalents. Amounts earned from cash equivalents are presented separately in the Consolidated Statements of Operations.

Advertising

Advertising costs are expensed as incurred. Advertising cost were $0.1 million and $1.2 million for the fiscal years ended March 31, 2024 and 2023, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the fair value of finance receivables held for sale.

Allowance for Credit Losses

The Company adopted ASU 2016-13 for measurement of current expected credit losses on April 1, 2023. An impairment model required by ASU 2016-13 is not prescriptive in the methodology used to determine the expected credit loss estimate. Therefore, management has flexibility in selecting the methodology. However, the expected credit losses must be estimated over a financial asset's remaining expected life, adjusted for prepayments, utilizing quantitative and qualitative factors. The estimate of current expected credit losses is based on relevant information about past events, current conditions, and reasonable and supportable economic forecasts that affect the collectability of the reported amounts. Historical loss experience is the starting point for estimating expected credit losses. Adjustments are made to historical loss experience to reflect differences in asset-specific risk characteristics, such as underwriting standards, portfolio mix or asset terms, and differences in economic conditions - both current conditions and reasonable and supportable forecasts. When the Company is not able to make or obtain reasonable and supportable forecasts for the entire life of the financial asset, it has estimated expected credit losses for the remaining life after the forecasted period using an approach that reverts to historical credit loss information.

Prior to adoption of ASU 2016-13 the Company used a trailing twelve-month charge-off analysis to calculate the allowance for credit losses and took into consideration the composition of the portfolio, current economic conditions, estimated net realizable value of the underlying collateral, historical loan loss experience, delinquency, non-performing assets, and bankrupt accounts when determining management's estimate of probable credit losses and adequacy of the allowance for credit losses. By including recent trends such as delinquency, non-performing assets, and bankruptcy in its determination, management believed that the allowance for credit losses reflected the current trends of incurred losses within the portfolio and was aligned with the portfolio's performance indicators.

If the allowance for credit losses was determined to be inadequate, then an additional charge to the provision was recorded to maintain adequate reserves based on management's evaluation of the risk inherent in the loan portfolio. Conversely, the Company could identify abnormalities in the composition of the portfolio, which would indicate the calculation is overstated and management judgment may be required to determine the allowance of credit losses for both Contracts and Direct Loans.

On November 1, 2023, concurrent with the decision to sell the portfolio, the Company reclassified its finance receivables to held for sale, which are carried at the lower of amortized cost or fair value, and this resulted in the Company reversing the allowance for credit losses as of November 1, 2023 through the provision for credit losses in the Consolidated Statement of Operations.

Finance Receivables

On November 1, 2023, concurrent with the decision to sell the portfolio, the Company reclassified its finance receivables to held for sale, which are carried at the lower of amortized cost or fair value.

Finance Receivables are reclassified to held for sale at the point the criteria for changing classification is met (when the Company decides to sell finance receivables that were originally classified as held for investment). The previously recorded allowance for credit losses, under Topic 326, associated with the reclassified finance receivables (after applying the write off policy) is released and an offsetting entry recorded to the provision for credit losses. This has had the effect of reversing the pre-transfer held for investment allowance for credit losses through the provision. Finance receivables held for sale are carried at the lower of amortized cost basis or fair value which generally established a new held for sale valuation allowance through earnings in the same reporting period. Changes in the held for sale valuation allowance are recorded through earnings along with charge offs and recoveries as "Fair value and other adjustments net" in the Consolidated Statements of Operations.

The Company estimates the fair value of these finance receivables held for sale utilizing a discounted cash flow approach which includes an evaluation of the collateral and underlying loan characteristics, as well as assumptions to determine the discount rate such as credit loss and prepayment forecasts. In determining the appropriate discount rate, prepayment and credit assumptions, the Company monitors other capital markets activity for similar collateral being traded and/or interest rates currently being offered for similar products. Discussions related to the fair value of these finance receivables held for sale are held between Company management and external valuation specialists to review the key assumptions used in arriving at the final estimates. As such these finance receivables are therefore classified within Level 3 of the valuation hierarchy.

Prior to November 1, 2023, finance receivables were carried at amortized cost, net of unearned dealer discounts, unearned insurance and commissions (see “Revenue Recognition”), and the allowance for credit losses (see Note 3).

Repossessed Assets

Repossessed assets are measured at the lower of carrying value or fair value less cost to sell. When the fair value less cost to sell of the repossessed assets is less than the carrying value, the Company records a valuation allowance which is a non-recurring fair value measurement.

Repossessed assets consist primarily of automobiles that have been repossessed by the Company and are awaiting final disposition. Costs associated with repossession, transport, and auction preparation expenses are reported as expenses in the period in which they are incurred.

Property and Equipment

Property and equipment is recorded at cost, net of accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 years
Furniture and fixtures	7 years
Software	7 years
Leasehold improvements	Lesser of lease term or useful life (generally 6 - 7 years)

Investments in Debt Securities

The Company and Amplex Electric, Inc. (“Amplex” or the “Borrower”) entered into a Term Loan Agreement (the “Term Loan Agreement”) entered into on February 15, 2024, as amended by the First Amendment dated April 26, 2024 and later amended by the Second Amendment dated June 15, 2024, pursuant to which the Company agreed to make one or more term loan advances (“Term Loan Advances” or “Term Loans”) to Amplex in an aggregate principal amount not to exceed $900 thousand. The Borrower agrees to make monthly payments of interest on each Term Loan Advance, commencing on March 1, 2024 and on the first day of each month thereafter. No payments of principal are due until the earlier of a) closing of a share purchase agreement (the “Transaction Closing Date”) or b) in the event of terminating the negotiation of a share purchase agreement (“Triggering Event”), the first anniversary of the date of initial Term Loan Advance (the “Term Loan Maturity Date”). All unpaid principal and accrued and unpaid interest on the Term Loan Advances is due and payable in cash on the Term Loan Maturity Date. Amounts may be prepaid

without penalty by giving five days written notice to the Lender. Interest is accrued on Term Loan Advances at an interest rate of 12.5% per annum.

Per the amended terms of the Term Loan Agreement, at the Transaction Closing Date, the outstanding debt from the Term Loan Advances relating to MR Seller shall automatically be converted into the number of common shares of Amplex determined by dividing the outstanding debt from the Term Loan Advances by the Share Purchase Price (the "Converted Shares"). The Term Loans were converted upon the Transaction Closing Date of June 15, 2024 at the share purchase price of $1,792.55 per share into 421 shares of Amplex common stock.

The Term Loan Advance receivable is accounted for as an available-for-sale debt security and fair valued using "Level 3" inputs, which consist of unobservable inputs and reflect management's estimates of assumptions that market participants would use in pricing the asset. The Company subsequently remeasures the Term Loan Advances at each reporting period with any unrealized gains and losses on these available-for-sale securities included in other comprehensive income. The Company's Term Loan Advances were determined to be an available-for-sale debt securities under Accounting Standards Codification ("ASC") 320, *Investments - Debt Securities*. The Company estimates the fair value of the Term Loan Advances using a probability-weighted scenario-based model, which uses as inputs the estimated fair value of the Borrower's common stock, the estimated volatility of the Borrower's common stock, the time to expiration of the Term Loan Advances, the discount rate, the stated interest rate compared to the current market rate, and the risk-free interest rate for a period that approximates the time to expiration. The estimated fair value of the Borrower's common stock is based on the estimated closing price of the Amplex shares to the Company at the time of issuance. The estimated volatility of the Borrower's common stock is based on the observed volatility range of comparable publicly traded companies. The time to expiration is based on the probability of conversion prior to the contractual maturity date. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of measurement for time periods approximately equal to the time to expiration.

As of March 31, 2024, the Company recognized the Term Loan Advances based on its fair value on the issuance date of $300 thousand and is included within prepaid expenses and other assets on the Consolidated Balance Sheets. During the year ending March 31, 2024, the Company did not recognize a gain or loss given there was only an immaterial change in fair value of the Term Loan Advance receivable during the reporting period.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases along with operating loss and tax credit carryforwards, if any. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date.

The Company recognizes tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from any such position would be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. It is the Company's policy to recognize interest and penalties accrued on any uncertain tax benefits as a component of income tax expense. There were no uncertain tax positions as of March 31, 2024 or 2023.

The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and Canada.

The effect on deferred taxes of a change in tax rates is recognized in income tax expense in the period that includes the enactment date.

Revenue Recognition

Interest income on finance receivables is recognized using the interest method. Accrual of interest income on finance receivables is suspended when a loan is contractually delinquent for 61 days or more, or the collateral is repossessed, whichever is earlier. The Company reverses the accrual of interest income when the loan is contractually delinquent 61 days or more.

The Company defines a non-performing asset as one that is 60 or more days past due, a Chapter 7 bankruptcy account, or a Chapter 13 bankruptcy account that has not been confirmed by the courts, for which the accrual of interest income is suspended. Upon receiving notice that a Chapter 13 bankruptcy trustee's plan (BK13) was not confirmed, the account is immediately charged-off. Upon notification of a Chapter 7 bankruptcy, an account is monitored for collectability. In the event the debtors' balance is reduced by the bankruptcy court, the Company records a loss equal to the amount of principal balance reduction. The remaining balance is reduced as payments are received. In the event an account is dismissed from bankruptcy, the Company will decide whether to begin repossession proceedings or to allow the customer to make regularly scheduled payments (see Note 3).

A dealer discount represents the difference between the finance receivable of a Contract, and the amount of money the Company actually pays for the Contract. The discount negotiated by the Company is a function of the lender, the wholesale value of the vehicle, and competition in any given market. In making decisions regarding the purchase of a particular Contract, the Company considers the following factors related to the borrower: place and length of residence; current and prior job status; history in making installment payments for automobiles; current income; and credit history. In addition, the Company examines its prior experience with Contracts purchased from the dealer from which the Company is purchasing the Contract, and the value of the automobile in relation to the purchase price and the term of the Contract. The dealer discount is amortized as an adjustment to yield using the interest method over the life of the loan. The average dealer discount, as a percent of the amount financed, associated with new volume for the fiscal years ended March 31, 2024 and 2023, were 6.3% and 6.5%, respectively.

Unearned insurance and fee commissions consist primarily of commissions received from the sale of ancillary products. These products include automobile warranties, roadside assistance programs, accident and health insurance, credit life insurance, involuntary unemployment insurance, and forced placed automobile insurance. These commissions are amortized over the life of the Contract using the interest method.

Origination and processing fees are an upfront fee charged by the Company to process a new loan application. These are recognized over the life of the loan using the interest method.

Non-sufficient funds fees and late fees are recognized when collected.

Earnings Per Share

The Company has granted stock compensation awards with nonforfeitable dividend rights which are considered participating securities. Earnings per share is calculated using the two-class method, as such awards are more dilutive under this method than the treasury stock method. Ordinarily, basic earnings per share is calculated by dividing net income allocated to common shareholders by the weighted average number of common shares outstanding during the period, which excludes the participating securities. The Company's participating securities are non-vested restricted shares which are not required to share losses, and accordingly, are not allocated losses in periods of net loss. Dilutive earnings per share are calculated by dividing net income allocated to common shareholders by the weighted average number of common shares outstanding during the period which includes the dilutive effect of additional potential common shares from stock compensation awards. For the years ended March 31, 2024 and 2023, the Company experienced net loss. In a period of loss, the weighted-average number of common shares outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive. For the years ended March 31, 2024 and 2023, potentially dilutive securities that were not included in the diluted per share calculation because they would be anti-dilutive comprise 10,000 shares from options to purchase common shares. Loss and income per share has been computed based on the following weighted average number of common shares outstanding:

	Fiscal Year ended March 31, (In thousands, except earnings per share numbers)	
	2024	**2023**
Numerator:		
Net loss per consolidated statements of operations	**$ (20,801)**	$ (34,119)
Percentage allocated to shareholders *	**100.0%**	100.0%
Numerator for basic and diluted loss per share	**(20,801)**	(34,119)
Denominator:		
Denominator for basic loss per share - weighted-average shares outstanding	**7,283**	7,330
Dilutive effect of stock options	—	—
Denominator for diluted loss per share	**7,283**	7,330
Per share loss from continuing operations		
Basic	**$ (2.86)**	$ (4.65)
Diluted	**$ (2.86)**	$ (4.65)
**Basic weighted-average shares outstanding*	***7,283***	*7,330*
Basic weighted-average shares outstanding and unvested restricted stock units expected to vest	***7,283***	*7,330*
Percentage allocated to shareholders	***100.0%***	*100.0%*

Share-Based Payments

The grant date fair value of share awards is recognized in earnings over the requisite service period (presumptively, the vesting period). The Company estimates the fair value of option awards using the Black-Scholes option pricing model. The risk-free interest rate is based upon a U.S. Treasury instrument with a life that is similar to the expected term of the options. Expected volatility is based upon the historical volatility for the previous period equal to the expected term of the options. The expected term is based upon the average life of previously issued options. The expected dividend yield is based upon the yield expected on the date of grant to occur over the term of the option.

The fair value of non-vested restricted shares and performance units are measured at the market price of a share on a grant date. Restricted shares have a three-year service period. Performance units include a performance period (generally ending at the end of the fiscal year in which the units were granted) followed by a two-year service period. At the end of the performance period, these units effectively become restricted shares for the remaining two-year service period at which time they become vested.

Fair Value Measurements

The Company measures specific assets and liabilities at fair value, which is an exit price, representing the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. When applicable, the Company utilizes market data or assumptions that market participants would use in pricing the asset or liability under 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 about which little or no market data exists, therefore requiring an entity to develop its own assumptions (see Note 6).

Financial Instruments and Concentrations

The Company's financial instruments consist of cash, cash equivalents, Term loan to Amplex, finance receivables (accrued interest receivable is a part of finance receivables), and a Credit Facility. Financial instruments that are exposed to concentrations of credit risk are primarily finance receivables, cash, and cash equivalents

During the year ended, March 31, 2024, the Company operated in four states through its virtual outreach. Of the aggregate finance receivables as of March 31, 2024, Ohio represented 53%, Kentucky represented 13%, Florida represented 19%, and South Carolina represented 8%. The Company provided credit during the normal course of business and performed ongoing credit evaluations of its customers.

The combined account balances that the Company maintains at financial institutions typically exceed federally insured limits, and there is a concentration of credit risk related to accounts on deposit in excess of federally insured limits. The Company has not experienced any losses in such accounts and believes this risk of loss is not significant.

Reclassifications

Certain prior-period amounts have been reclassified to conform to the current presentation. Such reclassifications had no impact on previously reported net loss or shareholders' equity.

Recent Accounting Pronouncements

Allowance for Credit Losses (ACL)

In June 2016, the Financial Accounting Standard Board (FASB) issued the Accounting Standards Update (ASU) 2016-13 Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.

Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The ASU also requires additional disclosures related to estimates and judgments used to measure all expected credit losses.

The Company adopted this standard effective April 1, 2023. The initial impact of adoption was a $0.2 million decrease to retained earnings ($0.2 million increase to the allowance for credit losses (ACL)). As of April 1, 2023, there is a full valuation allowance recorded against the deferred tax assets (DTA). Therefore, a net increase of $0.1 million recorded to the DTA was offset by an increase of the same amount to the valuation allowance. The ACL reflects the difference between the amortized cost basis and the present value of the expected cash flows.

In March 2022, the FASB issued ASU 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures, which removes the accounting guidance for troubled debt restructurings and requires entities to evaluate whether a modification provided to a customer results in a new loan or continuation of an existing loan. The amendments enhance existing disclosures and require new disclosures for receivables when there has been a modification in contractual cash flows due to a customer experiencing financial difficulties.

Additionally, the amendments require public business entities to disclose gross charge-off information by year of origination in the vintage disclosures. This ASU became effective for us on April 1, 2023. We adopted this guidance

in the first quarter of fiscal 2024 using the modified retrospective method. Adoption of this standard did not have a material impact on the Company's Consolidated Financial Statements.

Segment Reporting

In November 2023, the FASB issued ASU No. 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"). ASU 2023-07 improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in this standard will be effective for the Company for the fiscal year ended March 31, 2025 and subsequent interim periods. The amendments will be applied retrospectively to all prior periods in the consolidated financial statements. The Company is currently evaluating the impact the amendments will have on the consolidated financial statements and related disclosures.

Income Taxes

In December 2023, the FASB issued ASU No. 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"). ASU 2023-09 requires enhanced income tax disclosures primarily related to the rate reconciliation and income taxes paid information to provide more transparency by requiring (i) consistent categories and greater disaggregation of information in the rate reconciliation table and (ii) income taxes paid, net of refunds, to be disaggregated by jurisdiction based on an established threshold. The amendments in this standard will be effective for the Company on April 1, 2025. The Company is currently evaluating the impact the amendments will have the consolidated financial statements and related disclosures.

The Company does not believe there are any other recently issued accounting standards that have not yet been adopted that will have a material impact on the Company's consolidated financial statements.

3. Finance Receivables

Finance receivables consist of Contracts and Direct Loans, each of which comprise a portfolio segment.

The Company purchased individual Contracts from used and new automobile dealers in its markets. There is no relationship between the Company and the dealer with respect to a given Contract once the assignment of that Contract is complete. The dealer has no vested interest in the performance of any Contract the Company purchases. The Company's charge off policy is 121 days past due. In addition, Chapter 13 Bankruptcies, once the Company is notified of such, is notated on the customer's account of the bankruptcy status. When the Company receives notice that a Chapter 13 Bankruptcy plan is not confirmed by the courts or the loan is 121 days past due, the loan is charged off. This policy is in line with industry standards, considering the sub-prime nature of our customers. In the event of repossession, the charge-off will occur after standard collection practices by the Company, as determined by the residency state of a customer. This practice is consistent with the sub-prime industry.

Contracts and Direct Loans included in finance receivables are detailed as follows as of fiscal years ended March 31:

	(In thousands)	
	2024	2023
Finance receivables	$ -	$ 128,170
Accrued interest receivable	-	1,932
Unearned dealer discounts	-	(4,286)
Unearned purchase price discounts	-	(82)
Unearned insurance and fee commissions	-	(1,419)
Finance receivables, net of unearned	-	124,315
Allowance for credit losses	-	(17,396)
Finance receivables, net	$ -	$ 106,919

Finance receivables held for sale consist of Contracts and Direct Loans and are detailed as follows:

	(In thousands)	
	March 31, 2024	March 31, 2023
Finance receivables held for sale at amortized cost	$ 56,108	-
Held for sale allowance	(17,335)	-
Finance receivables held for sale at fair value	$ 38,773	$ -

Contracts

The Company purchases Contracts from automobile dealers at a negotiated price that is less than the original principal amount being financed by the purchaser of the automobile. The Contracts are predominantly for used vehicles. As of March 31, 2024, the average model year of vehicles collateralizing the portfolio was a 2012 vehicle. The terms of the Contracts range from 12 to 84 months and bear an average contractual interest rate of 22.1% and 22.2% as of March 31, 2024 and 2023, respectively.

In connection with the decision to sell the portfolio, the Company has cancelled, not renewed, or otherwise terminated all of its Contracts loan licenses, except in Florida, during the fourth quarter of fiscal 2024. Consequently, the Company has not originated any new Contracts since the end of the third quarter of fiscal 2024 and the Company does not intend to originate any new Contracts going forward. However, the Company expects its third-party service provider to continue to service the Company's existing portfolio through the date of sale. The Company expects its total Contracts portfolio to be reduced over time as such Contracts are paid off or otherwise liquidated until there are no Contracts in the Company's portfolio, which at the current rate of such activity, is expected to occur sometime during the fiscal year ending March 31, 2027.

Direct Loans

Direct Loans are typically for amounts ranging from $1 thousand to $15 thousand and are generally secured by a lien on an automobile, watercraft or other permissible tangible personal property. The majority of Direct Loans are originated with current or former customers under the Company's automobile financing program. The typical Direct Loan represents a better credit risk than Contracts due to the customer's historical payment history with the Company; however, the underlying collateral is less valuable. In deciding whether or not to make a loan, the Company considers the individual's credit history, job stability, income, and impressions created during a personal interview with a Company loan officer. Additionally, because most of the Direct Loans made by the Company to date have been made to borrowers under Contracts previously purchased by the Company, the payment history of the borrower under the Contract is a significant factor in making the loan decision.

During fiscal 2023, the Company has cancelled, not renewed, or otherwise terminated all of its Direct Loan licenses. Consequently, the Company has not originated any new Direct Loans since the end of the third quarter of fiscal 2023 and the Company does not intend to originate any new Direct Loans going forward. However, the Company expects its third-party service provider to continue to service the Company's existing Direct Loans through the day of sale. Direct Loans constituted approximately 11% of the aggregate principal amount of the Company's loan portfolio as of March 31, 2024, and 15% of the aggregate principal amount of the Company's loan portfolio as of March 31, 2023. The terms of the Direct Loans range from 6 to 72 months and bear an average contractual interest rate of 0.0% and 30.4% originated during the fiscal years ended March 31, 2024 and 2023, respectively. The Company expects its total Direct Loans portfolio to be reduced over time as such Direct Loans are paid off or otherwise liquidated until there are no Direct Loans in the Company's portfolio, which at the current rate of such activity, is expected to occur sometime during the fiscal year ending March 31, 2027.

Allowance for Credit Losses (ACL) and Held for Sale Allowance

The Company adopted ASU 2016-13 on April 1, 2023, and consequently utilized the current expected credit losses model through October 31, 2023, by applying a Discounted Cash Flow (DCF) methodology to its financial assets, measured at amortized cost, over the life of those financial assets. Beginning on November 1, 2023, the Company is carrying its loan portfolio at the lower of amortized cost or fair value.

For the period from April 1, 2023 through October 31, 2023, the ACL reflects the difference between the amortized cost basis and the present value of the expected cash flows of finance receivables. Provisions for credit losses were recorded in amounts sufficient to maintain an ACL at an adequate level to provide for estimated losses over the lives of the finance receivables. Portfolio segments are comprised of homogeneous loans sharing common risk factors. Accordingly, loans are not individually evaluated for collectability. Consistent with the application during prior reporting years, the Company continued charging credit losses against the allowance when the account reached 120 days contractually delinquent and any recoveries on finance receivables previously charged to the ACL were credited to the ACL when collected.

The Company used a DCF model to forecast expected credit losses. Historical information about losses generally provided a basis for the estimate of expected credit losses. The Company has utilized its own historical data as well as its peer group companies' data from FFIEC Call Report filings. This data was used to produce regression analyses designed to quantify the impact of reasonable and supportable forecasts in projective models.

The Company also considered the need to adjust historical information to reflect the extent to which conditions differed from the conditions that existed for the period over which historical information was evaluated. These adjustments to historical loss information may be qualitative or quantitative in nature. The Company considered changes in international, national, regional and local conditions, changes in the volume and severity of past due loans, portfolio bankruptcy trends, maturity terms extensions, changes in the value of underlying collateral for collateral dependent loans, the effect of other external factors, such as competition, legal and regulatory requirements on the level of estimated credit losses, the existence and effect of any concentrations of credit and changes in the levels of such concentrations, changes in the nature and volume of the portfolio and terms of loans, changes in the quality of the loan review system, changes in the experience, depth, and ability of lending management, and reasonable and supportable economic forecasts, which covered the lives of the finance receivables.

The Company discounted expected cash flows at the financial asset’s effective interest rate. The effective interest rate is defined in ASC 326 as the contractual interest rate adjusted for any net deferred fees or costs, premium, or discount existing at the origination or acquisition of the financial assets. For the Company, this was calculated using adjusted contractual cash flows relative to the amortized cost. The Company also considered prepayment and curtailment effects in calculation of its effective interest rate.

According to ASC 326-20-30-9, estimating expected credit losses is highly judgmental and requires management to produce reasonable and supportable forecasts of expected credit losses. The Company elected to forecast the first four quarters of the credit loss estimate and revert to a long-run average of each considered economic factor as permitted in ASC 326-20-30-9. Based on the final values in the forecast and the uncertainty of a post-pandemic recovery, management elected to revert over four quarters. The Company also used information provided by the Federal Open Market Committee (FOMC) to obtain various forecasts for unemployment rate and gross domestic product, as well as other economic factors that were considered as part of its ACL calculations.

The Company elected not to measure an allowance on accrued interest which is included as a component of amortized cost and limited to performing accounts, defined as an account that is less than 61 days past due. Accrual of interest income on finance receivables is suspended when a loan was contractually delinquent for 61 days or more, or the collateral is repossessed, whichever is earlier. Consistent with the application in the prior reporting periods, the Company continued timely reversing of the accrual of interest income when the loan was contractually delinquent 61 days or more. All of these accounts were accounted for in the calculation for allowance for credit losses.

The Company defines a non-performing asset as one that is 61 or more days past due, a Chapter 7 bankruptcy account, or a Chapter 13 bankruptcy account that has not been confirmed by the courts, for which the accrual of interest income is suspended. Upon confirmation of a Chapter 13 bankruptcy account, the account is immediately charged-off. Upon notification of a Chapter 7 bankruptcy, an account is monitored for collectability. In the event the debtors’ balance is reduced by the bankruptcy court, the Company records a loss equal to the amount of principal

balance reduction. The remaining balance is reduced as payments are received. In the event an account is dismissed from bankruptcy, the Company will decide whether to begin repossession proceedings or to allow the customer to make regularly scheduled payments.

Prior to adoption of ASU 2016-13 the Company was periodically evaluating the composition of the portfolio, current economic conditions, the estimated net realizable value of the underlying collateral, historical loan loss experience, delinquency, non-performing assets, and bankrupt accounts when determining management's estimate of probable credit losses and the adequacy of the allowance for credit losses. Management utilized significant judgment in determining probable incurred losses and in identifying and evaluating qualitative factors. This approach aligned with the Company's lending policies and underwriting standards. If the allowance for credit losses is determined to be inadequate, then an additional charge to the provision is recorded to maintain adequate reserves based on management's evaluation of the risk inherent in the loan portfolio.

The Company used a trailing twelve-month net charge-off as a percentage of average finance receivables, and applied this percentage to ending finance receivables to estimate probable credit losses. This approach reflected the current trends of incurred losses within the portfolio and closely aligns the allowance for credit losses with the portfolio's performance indicators. Estimating the allowance for credit losses using the trailing twelve-month charge-off analysis reflected portfolio performance adjusted for seasonality. Management evaluated qualitative factors to support its allowance for credit losses. The Company examined the impact of macro-economic factors, such as year-over-year inflation, as well as portfolio performance characteristics, such as changes in the value of underlying collateral, level of nonperforming accounts, delinquency trends, and accounts with extended terms.

As of November 1, 2023, concurrent with the decision to sell the portfolio, the Company reclassified its finance receivables to held for sale, which are carried at the lower of amortized cost or fair value. As a result of this reclassification, the Company eliminated the allowance for credit losses established under ASC 326 which resulted in a reversal of previously recorded provisions for credit losses for the period from April 1, 2023 through October 31, 2023. The Company compared the fair value and amortized cost of finance receivables held for sale and recorded a held for sale valuation allowance of $17.3 million through earnings to reduce the amortized cost basis to fair value as of March 31, 2024.

The following presents the activity in our allowance for credit losses:

	For the year ended March 31, 2024 (In thousands)		
	Indirect	**Direct**	**Total**
Balance at beginning of year, prior to adoption of ASU 2016-13	**$ 16,265**	**$ 1,131**	**$ 17,396**
Impact of adoption of ASU 2016-13	**(562)**	**772**	**210**
Provision for credit losses [1]	**12,713**	**2,110**	**14,823**
Charge-offs[2]	**(21,337)**	**(3,495)**	**(24,832)**
Recoveries[2]	**4,210**	**446**	**4,656**
Reversal of allowance for credit losses [1]	**(11,289)**	**(964)**	**(12,253)**
Balance at end of year	**$ —**	**$ —**	**$ —**

(1)Provision for credit losses and reversal of allowance for credit losses is presented net as "Provision for credit losses" in the Consolidated Statements of Operations.

(2)Amounts shown represents charge-offs and recoveries through October 31, 2023. Since November 1, 2023 charge-offs and recoveries are included in "Fair value and other adjustment, net" in the Consolidated Statements of Operations.

	For the year ended March 31, 2023 (In thousands)		
	Indirect	**Direct**	**Total**
Balance at beginning of year	$ 1,961	$ 988	$ 2,949
Provision for credit losses	37,125	3,533	40,658
Charge-offs	(28,391)	(3,621)	(32,012)
Recoveries	5,570	231	5,801
Balance at end of year	$ 16,265	$ 1,131	$ 17,396

The following table presents gross charge-offs and recoveries by receivable origination year for total portfolio:

	(In thousands) 2024		
	Gross Charge-offs	Gross Recoveries	Net Charge-offs
2024	**$ 113**	**$ —**	**$ 113**
2023	10,061	1,122	8,939
2022	9,448	1,496	7,952
2021	2,776	547	2,229
2020	1,209	506	703
Prior	1,225	985	240
Total	**$ 24,832**	**$ 4,656**	**$ 20,176**

The following table presents gross charge-offs and recoveries by receivable origination year for Contract segment of portfolio:

	(In thousands) 2024		
	Gross Charge-offs	Gross Recoveries	Net Charge-offs
2024	**$ 113**	**$ —**	**$ 113**
2023	7,950	907	7,043
2022	8,127	1,320	6,807
2021	2,722	521	2,201
2020	1,201	489	712
Prior	1,224	973	251
Total	**$ 21,337**	**$ 4,210**	**$ 17,127**

The following table presents gross charge-offs and recoveries by receivable origination year for Direct segment of portfolio:

	(In thousands) 2024		
	Gross Charge-offs	Gross Recoveries	Net Charge-offs
2024	$ —	$ —	$ —
2023	2,111	215	1,896
2022	1,321	176	1,145
2021	54	26	28
2020	8	17	(9)
Prior	1	12	(11)
Total	**$ 3,495**	**$ 446**	**$ 3,049**

A performing account is defined as an account that is less than 60 days past due. The Company defines an automobile contract as delinquent when more than 25% of payments contractually due by a certain date has not been paid by the immediately following due date, which date may have been extended within limits specified in the servicing agreements or as a result of a deferral. The period of delinquency is based on the number of days payments are contractually past due, as extended where applicable.

In certain circumstances, the Company will grant obligors one-month payment extensions. The only modification of terms in those circumstances is to advance the obligor's next due date by one month and extend the maturity date of the receivable. There are no other concessions, such as a reduction in interest rate, forgiveness of principal or of accrued interest. Accordingly, the Company considers such extensions to be insignificant delays in payments rather than troubled debt restructurings.

A non-performing account is defined as an account that is contractually delinquent for 60 days or more or is a Chapter 13 bankruptcy account, and the accrual of interest income is suspended. The Company's charge-off policy for contractually delinquent is 121 days. The Company's charge-off policy aligns with practices within the subprime auto financing segment.

In the event an account is dismissed from bankruptcy, the Company will decide, based on several factors, to begin repossession proceedings or to allow the customer to begin making regularly scheduled payments.

The following table is an assessment of the credit quality by creditworthiness as of March 31:

	(In thousands)					
	2024			2023		
	Contracts	Direct Loans	Total	Contracts	Direct Loans	Total
Performing accounts	—	—	$ —	$ 101,856	$ 16,926	$ 118,782
Non-performing accounts	—	—	-	6,972	1,728	8,700
Total	—	—	-	108,828	18,654	127,482
Chapter 13 bankruptcy	—	—	-	590	98	688
Finance receivables	—	—	$ -	$ 109,418	$ 18,752	$ 128,170

The following tables present certain information regarding the delinquency rates experienced by the Company with respect to Contracts and Direct Loans, excluding any Chapter 13 bankruptcy accounts:

	(In thousands)					
Contracts	Balance Outstanding	30 – 59 days	60 –89 days	90-119 days	120+ days	Total
March 31, 2023	$ 108,828	$ 10,083	$ 3,274	$ 3,698	$ -	$ 17,055
		9.27%	3.01%	3.40%	0.00%	15.67%

Direct Loans	Balance Outstanding	30 – 59 days	60 –89 days	90-119 days	120+ days	Total
March 31, 2023	$ 18,654	$ 1,448	$ 654	$ 1,074	$ -	$ 3,176
		7.76%	3.51%	5.76%	0.00%	17.03%

4. Property and Equipment

Property and equipment as of March 31, 2024 and 2023 is summarized as follows. Depreciation expense was $81 thousand compared to $390 thousand for fiscal years end March 31, 2024 and 2023 respectively.

	(In thousands)		
	Cost	Accumulated Depreciation	Net Carrying Value
2024			
Equipment	305	232	73
Furniture and fixtures	6	6	-
Leasehold improvements	2	-	2
	$ 313	$ 238	$ 75
2023			
Software	113	36	77
Equipment	323	183	140
Furniture and fixtures	9	6	3
Leasehold improvements	2	-	2
	$ 447	$ 225	$ 222

5. Credit Facility

Westlake Credit Facility

On January 18, 2023, NFI and NDS (collectively, the “Borrowers”), two wholly-owned subsidiaries of Nicholas Financial Parent, entered into a Loan and Security Agreement (the "Loan Agreement") for a new senior secured revolving credit facility (the “Credit Facility”) with Westlake Capital Finance, LLC (the “Lender”), who is an affiliate of Westlake, the servicer of substantially all of the Company's receivables, pursuant to which the Lender is providing the Borrowers with a senior secured revolving credit facility in the principal amount of up to $50 million. The Company fully paid the outstanding indebtedness under the Credit Facility as of October 27, 2023.

The availability of funds under the Credit Facility was generally limited to an advance rate of between 70% and 85% of the value of the Borrowers’ eligible receivables. Outstanding advances under the Credit Facility accrued interest at a rate equal to the secured overnight financing rate (SOFR) plus a specified margin, subject to a specified floor interest rate. Unused availability under the Credit Facility accrued interest at a rate of 0.25%. The commitment period for advances under the Credit Facility was two years. We refer to the expiration of that time period as the “Maturity Date.”

The Loan Agreement contained customary events of default and negative covenants, including but not limited to those governing indebtedness, liens, fundamental changes, and sales of assets. The Loan Agreement also required the Borrowers to maintain (i) a minimum tangible net worth equal to the lower of $40 million and an amount equal to 60% of the outstanding balance of the Credit Facility and (ii) an excess spread ratio of less than 8.0%. Pursuant to the Loan Agreement, the Borrowers granted a security interest in substantially all of their assets as collateral for their obligations under the Credit Facility. If an event of default occurred, the Lender could have increased borrowing costs, restricted the Borrowers’ ability to obtain additional advances under the Credit Facility, accelerated all amounts outstanding under the Credit Facility, enforced their interest against collateral pledged under the Loan Agreement or enforced such other rights and remedies as they had under the loan documents or applicable law as secured lenders.

If the Borrowers prepaid the loan and terminated the Credit Facility prior to the Maturity Date, then the Borrowers would have been obligated to pay the Lender a termination fee in an amount equal to a percentage of the average outstanding principal balance of the Credit Facility during the 90-day period immediately preceding such termination. If the Borrowers were to sell their accounts receivable to a third-party prior to the Maturity Date, then the Borrowers would have been obligated to pay the Lender a fee in an amount equal to a specified percentage of the proceeds of such sale.

On January 26, 2024 the Company terminated the Credit Facility. The Company did not incur any termination fees or penalties in connection with the termination of the Credit Facility.

Wells Fargo Credit Facility

On November 5, 2021, NFI and NDS entered into a senior secured credit facility (the “Wells Fargo Credit Facility”) pursuant to a loan and security agreement by and among the Borrowers, Wells Fargo Bank, N.A., as agent, and the lenders that are party thereto (the “Credit Agreement”). The prior credit facility (the "Ares Credit Facility") pursuant to a credit agreement among the Company’s subsidiary NF Funding I, Ares Agent Services, L.P. and the lenders party thereto was paid off in connection with entering into the Wells Fargo Credit Facility. As a result, the Company recognized an acceleration of unamortized debt issuance costs (non-cash interest expense) related to the extinguishment of the Ares Credit Facility in the amount of $1.9 million as interest expense for the year ended March 31, 2022.

Pursuant to the Credit Agreement, the lenders agreed to extend to the Borrowers a line of credit of up to $175 million. The availability of funds under the Wells Fargo Credit Facility was generally limited to an advance rate of between 80% and 85% of the value of eligible receivables, and outstanding advances under the Wells Fargo Credit Facility accrued interest at a rate equal to the SOFR plus 2.25%. The commitment period for advances under the Wells Fargo Credit Facility was three years.

Pursuant to the Credit Agreement, the Borrowers granted a security interest in substantially all of the Company's assets as collateral for their obligations under the Wells Fargo Credit Facility. Furthermore, pursuant to a separate collateral pledge agreement, NDS pledged its equity interest in NFI as additional collateral.

The Credit Agreement and the other loan documents contained customary events of default and negative covenants, including but not limited to those governing indebtedness, liens, fundamental changes, investments, and sales of assets. If an event of default occurred, the lenders could have increased borrowing costs, restricted the Borrowers' ability to obtain additional advances under the Wells Fargo Credit Facility, accelerated all amounts outstanding under the Wells Fargo Credit Facility, enforced their interest against collateral pledged under the Wells Fargo Credit Facility or enforced such other rights and remedies as they had under the loan documents or applicable law as secured lenders.

As previously announced on Form 8-K filed on October 27, 2022, the Company received a letter from the agent of its lenders, notifying the Company that it was in default and instituting the default rate of interest effective as of August 31, 2022. In the letter, the lenders expressly reserved all rights and remedies available under the credit agreement. Among those rights and remedies was the ability of the lenders to accelerate all of the Company's obligations under the loan. The Company subsequently announced on Form 8-K filed on December 12, 2022 that it entered into an amendment to the Wells Fargo Credit Agreement. Pursuant to the amendment, the lenders waived the event of default and the default rate of interest ceased being applicable as of December 6, 2022.

The amendment furthermore reduced the maximum amount available under the Wells Fargo Credit Facility from $175 million to $60 million, and also reduced the availability of funds under the credit facility from an advance rate of between 80% and 85% of the value of eligible receivables to an advance rate of 50% of the value of eligible receivables, and changed the maturity date of the Wells Fargo Credit Facility from November 5, 2024 to May 31, 2023. The Company incurred overall costs associated with the restructuring in the amount of $0.3 million.

As of March 31, 2024, the Company had no aggregate outstanding indebtedness under the Wells Fargo Credit Facility compared to $29.1 million outstanding amount as of March 31, 2023.

6. Fair Value Disclosures

The Company's financial instruments consist of cash and cash equivalents, the Term loan advance to Amplex, finance receivables, and the WL Credit Facility. Finance receivables held for sale are measured at the lower of amortized cost or fair value. When the fair value of the finance receivables is less than the amortized cost basis, the Company records a valuation allowance which is a non-recurring fair value measurement. Repossessed assets are measured at the lower of carrying value or fair value less cost to sell. When the fair value less cost to sell of the repossessed assets is less than the carrying value, the Company records a valuation allowance which is a non-recurring fair value measurement.

The Term Loan Advance receivable is accounted for as an available-for-sale debt security and fair valued using "Level 3" inputs, which consist of unobservable inputs and reflect management's estimates of assumptions that market participants would use in pricing the asset. The Company subsequently remeasures the Term Loan Advance at each reporting period with any unrealized gains and losses on these available-for-sale securities included in other comprehensive income.

The Company estimates the fair value of repossessed assets held for sale utilizing auction recoveries statistics, resulting in a classification within Level 3 of the valuation hierarchy, as further described below.

The Company estimates the fair value of finance receivables held for sale utilizing a discounted cash flow approach, which includes an evaluation of the underlying loan characteristics, as well as assumptions to determine the discount rate, credit mark, and prepayment forecasts. In determining the appropriate discount rate, prepayment and credit assumptions, the Company utilized its historical defaults and auction recoveries statistics, as well as publicly reported data for selected peers. Given the unobservable nature of these key inputs, these loans are therefore classified within Level 3 of the valuation hierarchy, as further described below. Significant increases (decreases) in the discount rate, in isolation, could result in a significantly lower (higher) fair value measurement.

Fair value is defined in FASB ASC Topic 820-10-20 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." Fair value also assumes that the reporting entity would sell the asset or transfer the liability in the principal or most advantageous

market. Market participants are defined as buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics: 1) an unrelated party; 2) knowledgeable (having a reasonable understanding about the asset or liability and the transaction based on all available information, including information that might be obtained through due diligence efforts that are usual or customary); 3) able to transact; and 4) willing to transact (motivated but not forced or otherwise compelled to do so).

The FASB states that "valuation techniques that are appropriate in the circumstances and for which sufficient data are available shall be used to measure fair value." The valuation techniques for measuring fair value are consistent with the three traditional approaches to value: the market approach, the income approach, and the cost or asset approach. The application of valuation techniques requires the use of common sense, informed judgment, and reasonableness based on the relevant facts and circumstances surrounding the analysis. There are relevant inputs (both observable and unobservable) that can be used in valuation based on the facts and circumstances. The FASB has defined a fair value hierarchy for these inputs which prioritizes the inputs into three broad levels:

•Level 1 inputs are defined as quoted prices (unadjusted) in active markets for identical assets or liabilities.

•Level 2 inputs are defined as inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

•Level 3 inputs are defined as unobservable inputs for the asset or liability.

Unobservable inputs should be used only to the extent that relevant observable inputs are not available; this allows for situations where there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs should reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The fair value of the Credit Facility as of March 31, 2024 was zero. The fair value of the Credit Facility, which was entered late in the prior year, was estimated to be equal to the book value at March 31, 2023 as the interest rate was a variable rate based on SOFR pricing options. The carrying value of cash and cash equivalents approximates fair value.

	Fair Value Measurement Using (In thousands)				
Description	**Level 1**	**Level 2**	**Level 3**	**Fair Value**	**Carrying Value**
Cash:					
March 31, 2024	**$ 994**	**$ —**	**$ —**	**$ 994**	**$ 994**
March 31, 2023	$ 454	$ —	$ —	$ 454	$ 454
Cash equivalents:					
March 31, 2024	**$ 17,988**	**$ —**	**$ —**	**$ 17,988**	**$ 17,988**
March 31, 2023	$ —	$ —	$ —	$ —	$ —
Term loan advance to Amplex:					
March 31, 2024	**$ —**	**$ —**	**$ 300**	**$ 300**	**$ 300**
March 31, 2023	$ —	$ —	$ —	$ —	$ —
Finance receivables:					
March 31, 2024	**$ —**	**$ —**	**$ 38,773**	**$ 38,773**	**$ 38,773**
March 31, 2023	$ —	$ —	$ 105,971	$ 105,971	$ 106,919
Repossessed assets:					
March 31, 2024	**$ —**	**$ —**	**$ 668**	**$ 668**	**$ 668**
March 31, 2023	$ —	$ —	$ 1,491	$ 1,491	$ 1,491
Credit facility:					
March 31, 2024	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
March 31, 2023	$ —	$ —	$ 29,100	$ 29,100	$ 29,100

Level 3 Assets with Significant Unobservable Inputs	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average [(1)]
Non-recurring fair value					
Finance receivables held for sale	**$ 38,773**	Discounted Cash Flows	Discount Rate	16.4% - 17.6%	17.3%
Repossessed assets held for sale	**668**	Discounted Cash Flows	Discount Rate	16.4% - 17.6%	17.3%

(1) Weighted averages are determined by the relative fair value of the instruments or the relative contribution to the instruments fair value.

7. Income Taxes

Income tax expense consists of the following for the years ended March 31:

	(In thousands)	
	2024	2023
Current:		
Federal	$ -	$ 22
State	-	10
Total current	-	32
Deferred:		
Federal	-	708
State	-	677
Total deferred	-	1,385
Income tax expense	$ -	$ 1,417

The net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes are reflected in deferred income taxes. Significant components of the Company's deferred tax assets consist of the following as of March 31:

	(In thousands)	
Deferred Tax Assets	**2024**	**2023**
Allowance for credit losses not currently deductible for tax purposes	**$ -**	$ 4,538
Unrealized fair value adjustment	**4,162**	-
Share-based compensation	**30**	20
Federal and state net operating loss carryforwards	**9,816**	4,812
Right of use liability	**15**	43
Other items	**50**	87
Valuation allowance	**(14,047)**	(9,457)
Total deferred tax assets	**26**	43
Deferred tax liabilities		
Right of use asset	**15**	43
Other items	**11**	-
Total deferred tax liabilities	**26**	43
Deferred income taxes	**$ -**	$ -

Income tax expense reflects an effective U.S. tax rate, which differs from the corporate tax rate for the following reasons:

	(In thousands)	
	2024	2023
Income tax benefit at Federal statutory rate	$ (4,355)	$ (6,838)
Increase (decrease) resulting from:		
Change in valuation allowance	4,590	9,457
State income taxes, net of Federal benefit	(770)	(1,207)
Other	535	5
Income tax expense	$ -	$ 1,417

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of negative evidence evaluated was the cumulative pre-tax loss over the three-year period ended March 31, 2024. As of March 31, 2024, a full valuation allowance was recorded against the Company's net deferred tax asset. The federal net operating loss ("NOL") generated for the year ended March 31, 2024 will carryforward indefinitely. Generally, state NOLs begin to expire March 31, 2039.

The Company considers the earnings of the Company's U.S. subsidiaries to be indefinitely invested outside Canada on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and the Company's specific plans for reinvestment of those subsidiary earnings. The Company has not recorded a deferred tax liability related to the Canadian income taxes and U.S. withholding taxes on approximately $100.4 million of undistributed earnings of the U.S. subsidiaries indefinitely invested outside Canada. When the Company repatriates the U.S. earnings, it would need to adjust its income tax provision as the earnings will no longer be indefinitely invested outside of Canada. If the Company decided to repatriate the U.S. earnings, it would need to adjust its income tax provision in the period the Company determined that the earnings will no longer be indefinitely invested outside of Canada.

8. Leases

The Company leases its corporate headquarters, which is located in Clearwater, Florida. The current lease relating to this space was entered into effective February 1, 2023 and expires on January 31, 2026. The Company previously leased its central business operations hub, which was located in Rock Hill, South Carolina. The lease relating to this space was entered into effective March 20, 2023 and was terminated effective January 31, 2024. All of the Company's lease agreements are considered operating leases. None of the Company's lease payments are dependent on a rate or index that may change after the commencement date, other than the passage of time.

As of March 31, 2023, the Company has closed each of its 47 branch offices located in Alabama, Florida, Georgia, Idaho, Illinois, Indiana, Kentucky, Michigan, Missouri, Nevada, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Utah, and Wisconsin.

The Company's lease liability was $0.1 million as of March 31, 2024 and $0.2 million as of March 31, 2023. The lease liability was included in accrued expenses, and other liabilities in the Consolidated Balance Sheet for each reporting fiscal year. The liability is based on the present value of the remaining minimum rental payments using a discount rate that is determined based on the Company's incremental borrowing rate. The right of use asset was $0.1 million as of March 31, 2024 and $0.2 million as of March 31, 2023. The right of use asset was included in prepaid expenses and other assets in the Consolidated Balance Sheet for each reporting fiscal year.

The Company combines lease and non-lease components for its real estate leases in calculating the present value of the fixed payments. Future minimum lease payments under non-cancellable operating leases in effect as of March 31, 2024, are as follows:

in thousands		
2025	$	37
2026		31
Total future minimum lease payments		68
Present value adjustment		(3)
Operating lease liability	$	65

The following table reports information about the Company's lease cost for the twelve months ended March 31:

	(In thousands)			
	2024		2023	
Lease cost:				
Operating lease cost	$	57	$	1,425
Variable lease cost		2		297
Total lease cost	$	59	$	1,722

The following table reports other information about the Company's leases for the twelve months ended March 31:

	(In thousands)			
	2024		2023	
Other Lease Information				
Operating Lease - Operating Cash Flows (Fixed Payments)	$	46	$	1,663
Operating Lease - Operating Cash Flows (Liability Reduction)	$	111	$	1,763

The following table reports other information about the Company's leases as of March 31:

	2024	2023
Weighted Average Lease Term - Operating Leases	2.0 years	3.0 years
Weighted Average Discount Rate - Operating Leases	6.50%	6.50%

Rent expense for the fiscal years ended March 31, 2024 and 2023 was approximately $0.1 million and $1.8 million, respectively. For any new or modified lease, the Company, at the inception of the contract, determines whether a contract is or contains a lease. The Company records right-of-use ("ROU") assets and lease obligations for its operating leases, which are initially recognized based on the discounted future lease payments over the term of the lease. The Company uses its effective annual interest rate as the discount rate when evaluating leases under Topic 842.

Lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. Further, the Company has elected to not separate lease from non-lease components. Variable lease costs include expenses such as common area maintenance, utilities, and repairs and maintenance.

9. Share-Based Payments

The Company has share awards outstanding under two share-based compensation plans (the "Equity Plans"). The Company believes that such awards generally align the interests of its employees with those of its shareholders. Under the shareholder-approved 2006 Equity Incentive Plan (the "2006 Plan") the Board of Directors was authorized to grant option awards for up to approximately 1.1 million common shares. On August 13, 2015, the Company's shareholders approved the Nicholas Financial, Inc. Omnibus Incentive Plan (the "2015 Plan") for

employees and non-employee directors. Under the 2015 Plan, the Board of Directors is authorized to grant total share awards for up to 750,000 common shares. Awards under the 2006 Plan will continue to be governed by the terms of that plan. The 2015 Plan replaced the 2006 Plan; accordingly, no additional option awards may be granted under the 2006 Plan. In addition to option awards, the 2015 Plan provides for restricted stock, restricted stock units, performance shares, performance units, and other equity-based compensation.

Option awards previously granted to employees and directors under the 2006 Plan generally vested ratably based on service over a five- and three-year period, respectively, and generally have a contractual term of ten years. Vesting and contractual terms for option awards under the 2015 Plan are essentially the same as those of the 2006 Plan. Restricted stock awards generally cliff vest over a three-year period based on service conditions. Vesting of performance units generally does not commence until the attainment of Company-wide performance goals including annual revenue growth and operating income targets. There are no post-vesting restrictions for share awards.

The Company funds share awards from authorized but unissued shares and does not purchase shares to fulfill its obligations under the Equity Plans. Cash dividends, if any, are not paid on unvested performance units or unexercised options but are paid on unvested restricted stock awards.

A summary of option activity under the Equity Plans as of March 31, 2024, and changes during the year, is presented below.

	(Shares and Aggregate Intrinsic Value in thousands)			
Options	**Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Outstanding at March 31, 2022	37	$ 11.85	1.45	$ -
Granted	—	—		
Exercised	—	—		
Forfeited	(27)	11.54		
Outstanding at March 31, 2023	10	$ 12.68	0.80	$ -
Granted	—	—		
Exercised	—	—		
Forfeited	(5)	12.68		
Outstanding at March 31, 2024	5	$ 12.68	0.30	$ -
Exercisable at March 31, 2024	5	$ 12.68	0.30	$ -

As of March 31, 2024, the Company had no unrecognized compensation related to options grants. For the fiscal years ended March 31, 2024 and 2023, there was no compensation cost expense related to stock options.

A summary of the status of the Company's non-vested, service based, restricted shares under the Equity Plan is presented below

	(Shares and Aggregate Intrinsic Value in thousands)			
Restricted Share Awards	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Non-vested at March 31, 2022	37	$ 10.26	0.92	$ 377
Granted	11	8.84		
Vested	(8)	12.01		
Forfeited	(28)	9.75		
Non-vested at March 31, 2023	12	$ 8.97	0.51	$ 74
Granted	-	-		
Vested	(11)	8.97		
Forfeited	-	-		
Non-vested at March 31, 2024	1	$ 11.10	0.25	$ 5

As of March 31, 2024, the Company had $2 thousand of unrecognized compensation related to restricted shares.

For the fiscal years ended March 31, 2024 and 2023, there was $44 thousand and $(69) thousand, respectively, of unrecognized compensation cost related to non-vested restricted share awards granted under the Equity Plans.

10. Employee Benefit Plan

The Company has a 401(k)-retirement plan under which all employees are eligible to participate. Employee contributions are voluntary and subject to Internal Revenue Service limitations. The Company made a discretionary matching employee contribution for $35 thousand and $88 thousand for the year ended March 31, 2024 and 2023, respectively.

11. Commitments and Contingencies

The Company is involved in certain claims and legal proceedings in the normal course of business of which one, if decided adversely to the Company, would, in the opinion of management, have a material adverse effect on the Company's financial condition or results of operations.

Specifically, the Company has been sued together with several other defendants, in a lawsuit styled: Nicholas Financial, Inc. v. Jeremiah Gross, No. 21CY-CV02148-01, 7th Judicial Circuit, Clay County, Missouri. On March 9, 2021, the Company filed suit against Jeremiah Gross for a deficiency balance owed to the Company following the 2018 surrender and sale of his motor vehicle which secured a loan from the Company. On April 22, 2021, a default judgment for $7,984.18 was entered against Mr. Gross. On December 22, 2021, Mr. Gross filed a motion to set aside the default judgment. The Court granted his motion on March 23, 2022. In his answer he asserted a class-action counterclaim against the Company seeking to represent a nationwide class of the Company's customers who received allegedly deficient notices regarding the sale of their vehicles and whose vehicles were recovered and sold by the Company, and on behalf of Missouri customers who received allegedly deficient notices from the Company regarding the sale of their recovered vehicles and the calculation of the deficiency owed the Company. The Company filed its answer to the counterclaim on May 13, 2022. On September 9, 2022, the Company filed a motion for summary judgment as to all counts of the counterclaim and the Company's claim against Mr. Gross. The motion was argued on February 16, 2023. On March 27, 2023, the Court entered an order granting the motion in part and denying the motion in part. The Court found in favor of the Company as to the counterclaim regarding presale notices and prejudgment interest, and in Mr. Gross's favor for the counterclaim as to post-sale notices. The Court denied the Company's motion for summary judgment as to its claim for a deficiency against Mr. Gross. The remaining claim related to post-sale notices sent to Missouri customers. The parties, including the Company's insurer Gemini, settled the case and the order and judgment approving final settlement were entered during a hearing on May 15, 2024.

After the hearing on May 15, 2024, Mr. Gross filed a crossclaim within the same case against several of the Company's insurers (Zurich American Ins. Co., American Guarantee and Liability Insurance Co., and American Zurich Insurance Co. (collectively, the "Zurich Insurers")), which had intervened in the case. On June 14, 2024, the Zurich Insurers filed a motion to amend the judgment and then removed the case to federal court. They purport to have removed only part of the case to federal court but the Company is unaware of any authority for a partial removal. The Zurich Insurers have subsequently filed a declaratory judgment action against the Company and Mr. Gross in the United States District Court for the Middle District of Florida pursuant to which they seek a declaration that their policies provided no coverage to the Company, they had no duty to defend the Company, and they did not wrongfully deny coverage to the Company. On June 24, 2024, the Zurich Insurers filed a notice of appeal of the judgment that they previously moved to amend in state court.

12. Restructuring Activities

On July 18, 2022, the Company announced its plan to close eleven branches and a consolidate its workforce, impacting approximately 44 employees.

The Company then announced on a Form 8-K filed on November 3, 2022 a change in its operating strategy and restructuring plan with the goal of reducing operating expenses and freeing up capital. As part of this plan, the Company shifted from a decentralized business model to a regionalized business model and entered into a loan servicing agreement with Westlake Portfolio Management, LLC ("WPM").

While the Company intended to continue Contract purchase and origination activities, albeit on a much smaller scale, its servicing, collections and recovery operations were outsourced to WPM. As of March 31, 2024, the Company has ceased originations of Direct Loans and Contract purchases.

As part of this restructuring plan, the Company announced the closure of its branches and planned to continue operating from its corporate headquarters in Clearwater, Florida. Consistent with this significant reduction in footprint, the Company reduced its workforce to approximately 7 employees as of March 31, 2024.

The Company anticipates that execution of its evolving restructuring plan will free up capital and permit the Company to allocate excess capital to increase shareholder returns, whether by acquiring loan portfolios or businesses or by investing outside of the Company's traditional business.

On November 13, 2023, the Company and Nicholas Financial, Inc., a Florida corporation ("Nicholas") and an indirect wholly-owned subsidiary of the Company, entered into a Master Asset Purchase Agreement (the "Purchase Agreement") with Westlake Services, LLC dba Westlake Financial, a California limited liability company ("Westlake Financial"), pursuant to which the Company and Nicholas agreed to sell, and Westlake Financial agreed to purchase from the Company and Nicholas, substantially all of the Company's and Nicholas' assets, consisting of Nicholas' motor vehicle retail installment sale contracts and unsecured consumer loan contracts (collectively, the "Contracts") and the accounts receivable related to such Contracts (collectively, the "Receivables").

Westlake is an affiliate of Westlake Portfolio Management, LLC, a California limited liability company ("WPM"), and Nicholas entered into a Loan Servicing Agreement (the "Servicing Agreement") with WPM on November 3, 2022, pursuant to which WPM commenced servicing of the Receivables under the Contracts in December 2022 and has continued such servicing to date. In connection with entering into the Purchase Agreement, the Company has ceased new loans originations, and WPM is expected to continue to service such Receivables for Nicholas until the closing of the transaction contemplated by the Purchase Agreement. In addition to other customary closing conditions, the closing under the Purchase Agreement has been subject to the approval of the shareholders of the Company. The Company received shareholder approval for the closing of the transaction contemplated by the Purchase Agreement on April 15, 2024.

Following the closing of the transaction contemplated by the Purchase Agreement, the Company intends to explore strategic alternatives for the use of the net proceeds of the asset sale and to seek to maximize the value of deferred tax assets available to the Company.

Costs related to the restructuring plan are summarized as follows:

	(In thousands)			
	Total Cost Estimated	**Total Incurred as of March 31, 2024**	**Remaining cost**	**Incurred for the Fiscal Year ended March 31, 2024**
Branch Closures	$ 3,315	$ 3,315	$ —	$ 112
Severance	598	598	—	28
Cease-use of contractual services	1,047	1,047	—	298
Professional fees	1,239	1,026	213	766
Other	34	34	—	17
Total restructuring cost	$ 6,233	$ 6,020	$ 213	$ 1,221

13. Stock Plans

In May 2019, the Company's Board of Directors ("Board") authorized a stock repurchase program allowing for the repurchase of up to $8.0 million of the Company's outstanding shares of common stock in open market purchases, privately negotiated transactions, or through other structures in accordance with applicable federal securities laws. The authorization was effective immediately.

The timing and actual number of shares will depend on a variety of factors, including stock price, corporate and regulatory requirements and other market and economic conditions. The Company's stock repurchase program may be suspended or discontinued at any time.

In August 2019, the Company's Board authorized an additional repurchase of up to $1.0 million of the Company's outstanding shares.

The table below summarizes treasury share transactions under the Company's stock repurchase program.

	Twelve months ended March 31, (In thousands)			
	2024		2023	
	Number of Shares	**Amount**	Number of Shares	Amount
Treasury shares at the beginning of period	**5,368**	**$ (76,794)**	5,127	$ (74,405)
Treasury shares purchased	**-**	**-**	241	(2,389)
Treasury shares at the end of period	**5,368**	**$ (76,794)**	5,368	$ (76,794)

14. Subsequent Events

Redomestication

On April 18, 2024, the Company completed its continuation and domestication from British Columbia to the State of Delaware by filing its Certificate of Corporate Domestication and Certificate of Incorporation in the State of Delaware. The Company has estimated a potential tax liability due to Canada ranging between $1.7 million and $2.6 million. In June 2024, the Company made an estimated payment of $1.7 million to Canada and the Company expects to file a stub period created from the domestication in October 2024.

Disposition of Assets to Westlake Financial

On November 13, 2023, the Company and Nicholas entered into the Purchase Agreement with Westlake Financial, pursuant to which the Company and Nicholas agreed to sell, and Westlake agreed to purchase substantially all of the Company's and Nicholas' assets, consisting of Nicholas' motor vehicle retail installment sale contracts and unsecured consumer loan contracts (collectively, the "Contracts") and the accounts receivable related to such Contracts (collectively, the "Receivables").

As discussed in Note 12, Westlake Financial is an affiliate of WPM, and Nicholas entered into the Servicing Agreement with WPM on November 3, 2022, pursuant to which WPM commenced servicing of the Receivables under the Contracts in December 2022. In connection with entering into the Purchase Agreement, the Company ceased new originations, and WPM continued to service the Receivables for Nicholas until the closing of the transactions contemplated by the Purchase Agreement.

On April 26, 2024, the transactions contemplated by the Purchase Agreement closed with an aggregate purchase price of $65.6 million. After adjustments to the gross aggregate purchase price, the Company received net cash proceeds of $40.6 million and retained $25.9 million in principal and interest cash payments collected by the Company prior to the closing that otherwise would have been paid to Westlake.

Pursuant to the terms of the Purchase Agreement, Westlake was due to make additional payments to the Company based on a percentage of cash collections received over a predetermined threshold on the loan portfolio from September 30, 2023 through the closing of the disposition. Pursuant to the terms of the Purchase Agreement, Westlake made a $40.6 million payment to the Company at the closing of the disposition on April 26, 2024. The Company and Westlake subsequently determined that Westlake overpaid the Company approximately $2.6 million at the closing. The final determination of the amount to be repaid to Westlake is still being negotiated and has not been finalized as of the date of this filing. As such, the Company is not able to finalize the accounting related to the disposition at this time. The Company expects the ongoing negotiations with Westlake will be finalized in the second quarter of this fiscal year at which time the amount to be repaid and the calculation of the gain or loss from the disposition will be determined.

The following unaudited pro forma consolidated balance sheet as of March 31, 2024, presents the Company's consolidated balance sheet as if the sale of substantially all finance receivables and repossessed assets occurred on March 31, 2024.

	March 31, 2024	Transaction Accounting Adjustments	Note	Pro Forma Ending Balance
Assets				
Cash and cash equivalents	$ 18,982	$ 40,634	A	$ 59,616
Finance receivables held for sale, at a lower of amortized cost or fair value	38,773	(38,650)	B	123
Repossessed assets held for sale, at lower of carrying value or fair value less cost to sell	668	(668)	B	-
Prepaid expenses and other assets	438	-		438
Income taxes receivable	902	-		902
Property and equipment, net	75			75
Total assets	**$ 59,838**	$ 1,316		**$ 61,154**
Liabilities and shareholders' equity				
Contingent liability	$ -	$ 2,620	C	$ 2,620
Accounts payable, accrued expenses, and other liabilities	996	-		996
Total liabilities	996	2,620		3,616
Commitments and contingencies (see Note 11)				
Shareholders' equity:				
Preferred stock	-	-		-
Common stock	35,267	-		35,267
Treasury stock	(76,794)	-		(76,794)
Retained earnings	100,369	(1,304)	D	99,065
Total shareholders' equity	58,842	(1,304)		57,538
Total liabilities and shareholders' equity	**$ 59,838**	$ 1,316		**$ 61,154**

Notes to the Unaudited Pro Forma Financial Information

a) This adjustment represents the receipt of cash consideration at the closing of the transaction.

b) These adjustments reflect the elimination of the finance receivables and repossessed assets sold to Westlake.

c) This adjustment represents the disputed amount of contingent payments that were previously paid from Westlake to the Company that may be required to be repaid to Westlake. The negotiations on this dispute have not yet been finalized.

d) This adjustment reflects the estimated loss of $1.3 million arising from the sale of net assets to Westlake, as if the sale occurred on March 31, 2024.

Acquisition of Amplex Electric, Inc.

On June 15, 2024, the Company closed the Share Purchase Agreement to acquire Amplex Electric, Inc., an Ohio corporation ("Amplex"), from the sellers (the "Sellers"), pursuant to which the Sellers have agreed to sell, and the Company has agreed to purchase 51% of the issued and outstanding common shares, no par value per share, of Amplex and the Company has agreed to make payment to holders of options for Amplex's common shares in consideration of cancellation of such options for preliminary purchase consideration of $11.6 million, which was paid in cash on the date of closing. The acquisition will be accounted for using the acquisition method and the results of the acquired business will be included in the Company's results of operations from the acquisition date. Based on the timing of the

acquisition and lack of available information, the Company determined it was impractical to disclose a preliminary purchase price allocation at this time. The Company is currently in the process of completing the accounting for the transaction and expects to have preliminary allocations of the purchase consideration to the assets acquired and liabilities assumed in the first quarter of the current fiscal year.

In conjunction with the closing of the Share Purchase Agreement, the Company purchased an additional 1,674 shares of Amplex common stock at the share purchase price of $1,792.55 per share for an aggregate purchase price of $3 million.

Issuance and Conversion of Term Loan Advances

Between April 1, 2024 and June 1, 2024, the Company made Term Loan Advances to Amplex in the aggregate amount of $450 thousand. The Term Loan Advances were to be repaid at the earlier of a) the closing of the share purchase agreement and b) the first anniversary of the initial term loan advance date if the negotiations of the share purchase agreement are terminated. In conjunction with the closing of the Share Purchase Agreement, the Term Loan Advances with a total outstanding principal and accrued interest of $754 thousand was converted into 421 shares of Amplex common stock at the share purchase price of $1,792.55 per share.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure information required to be disclosed in its reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure. The Company’s management, including its Chief Executive Officer and Chief Financial Officer, does not expect that the Company’s disclosure controls and procedures or internal controls will prevent all possible error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

The Company’s management, including its Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of March 31, 2024. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective as of March 31, 2024.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for accounting principles. The Company's management, including its Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of March 31, 2024, the end of the fiscal year covered by this Report, based on the criteria set forth in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organization of the Treadway Commission. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of March 31, 2024.

No Attestation Report of the Independent Registered Public Accounting Firm

This Annual Report does not include an attestation report of the Company’s independent registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s independent registered public accounting firm pursuant to the rules of the Securities and Exchange Commission.

Changes in internal control over financial reporting

There has not been any change in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that has materially affected or is reasonably likely to materially affect the Company’s internal control over financial reporting.

Item 9B. Other Information

None

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The relevant information to be set forth in the definitive Proxy Statement and Information Circular for the 2024 Annual General Meeting of Shareholders of the Company (the “Proxy Statement”), is incorporated herein by reference.

Code of Ethics - The Company has adopted a written code of ethics applicable to its Chief Executive Officer, Chief Financial Officer, principal accounting officer and persons performing similar functions. A copy of the code of ethics is posted on the Company’s web site at www.nicholasfinancial.com. Anyone who wishes to receive a written copy of the code of ethics may receive one without charge by submitting a request in writing to Corporate Secretary, Nicholas Financial, Inc., 26133 US HWY 19 North, Suite 300, Clearwater, Florida 33763. The Company intends to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding amendments to, or waivers from, the code of ethics by posting such information on the Company’s web site at www.nicholasfinancial.com. The Company is not including the information contained on or available through its web site as a part of, or incorporating such information by reference into, this Report.

Item 11. Executive Compensation, Compensation Interlocks and Insider Participation

The relevant information to be set forth in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth certain information, as of March 31, 2024, with respect to compensation plans under which equity securities of the Company were authorized for issuance:

EQUITY COMPENSATION PLAN INFORMATION
(In thousands, except exercise price)

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted – Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity Compensation Plans Approved by Security Holders	5	$ 12.68	662
Equity Compensation Plans Not Approved by Security Holders	-	-	-
TOTAL	5	$ 12.68	662

The relevant information to be set forth in the Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, Director Independence and Board of Directors

The relevant information to be set forth in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The relevant information to be set forth in the Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Report:

(1) Financial Statements

See Part II, Item 8, of this Report.

(2) Financial Statement Schedules

All financial schedules are omitted as the required information is not applicable or the information is presented in the consolidated financial statements or related notes.

(3) Exhibits

Exhibit No.	Description
2.1	Master Asset Sale Agreement, dated as of November 13, 2023, between Westlake Services, LLC dba Westlake Financial and Nicholas Financial, Inc. (1)
2.2	Share Purchase Agreement, dated as of May 1, 2024, by and among Amplex Electric, Inc., Mark R. Radabaugh, Dale B. Beckman and Nicholas Financial, Inc. (2)
3.1	Certificate of Corporate Domestication of Nicholas Financial, Inc. (3)
3.2	Certificate of Incorporation of Nicholas Financial, Inc. (4)
3.3	Bylaws of Nicholas Financial, Inc. (5)
4.1	Form of Common Stock Certificate
4.2	Description of the Registrant's Securities
10.1	Loan and Security Agreement, dated as of January 18, 2023, by and between Westlake Capital Finance, LLC, as lender, and Nicholas Financial, Inc. and Nicholas Data Services, Inc., as borrowers (6)
10.2	Purchase and Sale Agreement, dated December 11, 2019, by and between Platinum Auto Finance of Tampa Bay, LLC (7)
10.3	Purchase and Sale Agreement, dated January 30, 2020, by and between Platinum Auto Finance of Tampa Bay, LLC (8)
10.4	Purchase and Sale Agreement, dated February 20, 2020, by and between Platinum Auto Finance of Tampa Bay, LLC (9)
10.5	Nicholas Financial, Inc. 2015 Omnibus Incentive Plan (10) *
10.6	Form of Nicholas Financial, Inc. 2015 Omnibus Incentive Plan Stock Option Award (11) *
10.7	Form of Nicholas Financial, Inc. 2015 Omnibus Incentive Plan Restricted Stock Award (12) *
10.8	Form of Nicholas Financial, Inc 2015 Omnibus Incentive Plan Performance Share Award (13) *
10.9	Employment Agreement between the Company and Michael Rost, dated as of August 15, 2023 (14) *
10.10	Employment Agreement between the Company and Irina Nashtatik, dated as of July 21, 2022 (15) *
10.11	Amendment to Employment Agreement by and between the Company and Irina Nashtatik, effective as of May 1, 2024 (16)*

10.12	Employment Agreement by and between the Company and Charles Krebs, dated as of June 11, 2024 (17) *
10.13	Employment Agreement, effective as of June 15, 2024, by and between Amplex Electric, Inc. and Mark Radabaugh (18)*
10.14	Separation and General Release Agreement between the Company and Douglas W. Marohn, dated as of May 9, 2022 (19)*
10.15	Form of Dealer Agreement and Schedule thereto listing dealers that are parties to such agreements (20)
21	Subsidiaries of Nicholas Financial, Inc.
23.1	Consent of Forvis Mazars, LLP
24	Powers of Attorney (included on signature page hereto)
31.1	Certification of President and Chief Executive Officer
31.2	Certification of Chief Financial Officer
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. § 1350
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. § 1350
97	Nicholas Recoupment of Incentive Compensation Policy

101.INS Inline XBRL Instance Document

101.SCH Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents

104.The cover page from the Company's Annual Report on form 10-K for the year ended March 31, 2024, has been formatted in Inline XBRL.

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* Represents a management contract or compensatory plan, contract or arrangement in which a director or named executive officer of the Company participated.

1) Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, dated November 13, 2023, as filed with the SEC on November 17, 2023.

2) Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, dated May 1, 2024, as filed with the SEC on May 6, 2024.

3) Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, dated April 18, 2024, as filed with the SEC on April 24, 2024.

4) Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, dated April 18, 2024, as filed with the SEC on April 24, 2024.

5) Incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K, dated April 18, 2024, as filed with the SEC on April 24, 2024.

6) Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2022, as filed with the SEC on February 14, 2023.

7) Incorporated by reference to Exhibit 10.22.1 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2020, as filed with the SEC on June 22, 2020.

8) Incorporated by reference to Exhibit 10.22.2 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2020, as filed with the SEC on June 22, 2020.

9) Incorporated by reference to Exhibit 10.22.3 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2020, as filed with the SEC on June 22, 2020.

10) Incorporated by reference to Appendix A to the Company's Proxy Statement and Information Circular for the 2015 Annual General Meeting of Shareholders, as filed with the SEC on July 6, 2015.
11) Incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2016, as filed with the SEC on June 14, 2016.
12) Incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2016, as filed with the SEC on June 14, 2016.
13) Incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2016, as filed with the SEC on June 14, 2016.
14) Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, dated September 14, 2022, as filed with the SEC on September 15, 2022.
15) Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, dated July 21, 2022, as filed with the SEC on July 22, 2022.
16) Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, dated May 1, 2024, as filed with the SEC on June 12, 2024.
17) Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, dated May 1, 2024, as filed with the SEC on June 12, 2024.
18) Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, dated May 15, 2024, as filed with the SEC on June 21, 2024.
19) Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, dated May 10, 2022, as filed with the SEC on May 10, 2022.
20) Incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2017, as filed with the SEC on June 14, 2017.

Item 16. Form 10-K Summary

None.

SIGNATURES

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

NICHOLAS FINANCIAL, INC.

Dated: July 1, 2024

By: /s/ Michael Rost
Michael Rost
Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS that each person whose signature appears below constitutes and appoints Jeffrey C. Royal and Michael Rost, his or her true and lawful attorney-in-fact and agent, each with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits thereto, and any other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Michael Rost Michael Rost	Chief Executive Officer (Principal Executive Officer)	July 1, 2024
/s/ Charles Krebs Charles Krebs	Chief Financial Officer (Principal Financial and Accounting Officer)	July 1, 2024
/s/ Jeffrey C. Royal Jeffrey C. Royal	Chairman of the Board of Directors	July 1, 2024
/s/ Mark Hutchins Mark Hutchins	Director	July 1, 2024
/s/ Adam K. Peterson Adam K. Peterson	Director	July 1, 2024
/s/ Jeremy Q. Zhu Jeremy Q. Zhu	Director	July 1, 2024
/s/ Brendan Keating Brendan Keating	Director	July 1, 2024

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Nicholas Financial Inc.

A DELAWARE CORPORATION

Shares

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THIS CERTIFIES THAT

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CUSIP 65373A109

ISIN US65373A1097

IS THE REGISTERED HOLDER OF

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SEE REVERSE FOR CERTAIN DEFINITIONS

FULLY PAID AND NON-ASSESSABLE COMMON SHARES WITH $0.01 PAR VALUE IN THE CAPITAL OF

Nicholas Financial Inc.

in the Authorized share structure of the above named Company subject to the Articles of the Company transferable on the Central Securities Register of the Company by the registered holder in person or by attorney duly authorized in writing upon surrender of this certificate properly endorsed.

This certificate is not valid unless countersigned by the Transfer Agent and Registrar of the Company.

IN WITNESS WHEREOF the Company has caused this certificate to be signed on its behalf by the facsimile signatures of its duly authorized officers, at Vancouver, British Columbia.

Dated: Apr 19, 2024

President/CEO

Vice President

COUNTERSIGNED AND REGISTERED
COMPUTERSHARE TRUST COMPANY, N.A.
(CANTON, MA AND JERSEY CITY, NJ)
TRANSFER AGENT AND REGISTRAR

By ______________________
Authorized Officer

OR

COUNTERSIGNED AND REGISTERED
COMPUTERSHARE INVESTOR SERVICES INC.
(VANCOUVER) (TORONTO)
TRANSFER AGENT AND REGISTRAR

By ______________________
Authorized Officer

VOID

VOID

The shares represented by this certificate are transferable at the offices of Computershare Investor Services Inc. in Vancouver, BC and Toronto, ON or at the offices of Computershare Trust Company, N.A. in Canton, MA and Jersey City, NJ.

SECURITY INSTRUCTIONS ON REVERSE   VOIR LES INSTRUCTIONS DE SÉCURITÉ AU VERSO

CSAE_WIP_NICQ_C02.mrd.pulls/000001/0000014

The following abbreviations shall be construed as though the words set forth below opposite each abbreviation were Mitten out in full where such abbreviation appears:

TEN COM	- as tenants in common	(Name) GUST (Name)UNIF GIFT MIN ACT (State)	- (Name) as Custodian for (Name) under the (State) Uniform Gifts to Minors Act
TEN ENT	- as tenants by the entireties		
JT TEN	- as joint tenants with rights of survivorship and not as tenants in common		

Additional abbreviations may also be used though not in the above list.

For value received the undersigned hereby sells, assigns and transfers unto

____

Insert name and address of transferee

____

____ shares

represented by this certificate and does hereby irrevocably constitute and appoint

____ the attorney

of the undersigned to transfer the said shares on the books of the Company with full power of substitution in the premises.

DATED: ______________________ ______________________ ______________________

Signature of Shareholder Signature of Guarantor

Signature Guarantee:
The signature on this assignment must correspond with the name as written upon the face of the certificate(s), in every particular, without alteration or enlargement, or any change whatsoever and must be guaranteed by a major Canadian Schedule I chartered bank or a member of an acceptable Medallion Signature Guarantee Program (STAMP, SEMP, MSP). The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed".

In the USA, signature guarantees must be done by members of a "Medallion Signature Guarantee Program" only.

Signature guarantees are not accepted from Treasury Branches,Credit Unions or Caisses Populaires unless they are members of the Stamp Medallion Program.

SECURITY INSTRUCTIONS - INSTRUCTIONS DE SÊCURITÊ

THIS IS WATERMARKED PAPER, DO NOT ACCEPT WITHOUT NOTHING WATERMARKED, HOLD TO LIGHT TO VERIFY WATERMARK.
PAPIER FILIGRANÊ,NE PAS ACCEPTER SANS VÊRIFIER LA PRÊSENCE DU FILIGRANE POUR CE FAIRE, PLACER Â LA LUMIÊRE.

Exhibit 4.2

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following is a description of the common stock of Nicholas Financial, Inc. (the "Company") and does not purport to be complete. For a complete description of the terms and provisions of the Common Stock, refer to the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation") its and Bylaws (the "Bylaws"), each of which is an exhibit incorporated by reference into the Annual Report on Form 10-K of which this exhibit is a part. This summary is qualified in its entirety by reference to these documents.

Authorized and Outstanding Stock

The Company's authorized capital stock consists of 50,000,000 shares of common stock, $0.01 par value per share (the "Common Stock"), and 5,000,000 shares of preferred stock, $0.01 par value per share (the "Preferred Stock"). As of June 27, 2024, there were approximately 7,305,942 shares of Common Stock and no shares of Preferred Stock outstanding.

Common Stock

Holders of Common Stock are entitled to one vote for each share held of record on all matters on which stockholders are permitted to vote. Holders of Common Stock are not entitled to vote on any matters unless expressly permitted under Delaware law. The Certificate of Incorporation provides that, except as otherwise provided by law, the affirmative vote of a majority in voting power of the shares of Common Stock, present in person or represented by proxy at a meeting at which a quorum is present shall be the act of the stockholders. Delaware law requires the affirmative vote of a majority in voting power of the outstanding shares to authorize certain extraordinary actions, such as mergers, consolidations, dissolutions or an amendment to the Certification of Incorporation. There is no cumulative voting for the election of directors. Upon a liquidation, the Company's creditors and any holders of Preferred Stock with preferential liquidation rights will be paid before a distribution to holders of its Common Stock. The holders of the Common Stock would be entitled to receive a pro rata amount per share of any excess distribution. Holders of Common Stock have no preemptive or subscription rights. There are no conversion rights, redemption rights, sinking fund provisions or fixed dividend rights with respect to the Common Stock. All outstanding shares of the Common Stock are fully paid and nonassessable.

Preferred Stock

The Certificate of Incorporation empowers the board of directors of the Company (the "Board") to issue up to 5,000,000 shares of Preferred Stock from time to time, in one or more series. The Board also may fix the designation, powers, preferences and rights and the qualifications, limitations and restrictions of those shares, including dividend rights, conversion rights, voting rights, redemption rights, terms of sinking funds, liquidation preferences and the number of shares constituting any series or the designation of the series. Terms selected could decrease the amount of earnings and assets available for distribution to holders of Common Stock. The rights of holders of the Common Stock will be subject to the rights of the holders of any shares of Preferred Stock that may be issued in the future. Additionally, the issuance of Preferred Stock

may have the effect of decreasing the market price of the Common Stock. Although there are no shares of Preferred Stock currently outstanding and the Company has no present intention to issue any shares of Preferred Stock, any issuance could have the effect of making it more difficult for a third party to acquire a majority of the Company's outstanding voting stock.

Potential Anti-takeover Effect of Delaware Law, Our Certificate of Incorporation and Bylaws

The Company will be subject to the "business combinations" provisions of the General Corporation Law of the State of Delaware. In general, such provisions prohibit a publicly held Delaware corporation from engaging in various "business combination" transactions with any "interested stockholder" for a period of three years after the time of the transaction on which the person became an "interested stockholder," unless:

- the corporation's board of directors approved the transaction before the "interested stockholder" obtained such status;

- upon consummation of the transaction that resulted in the stockholder becoming an "interested stockholder," the "interested stockholder" owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (i) by persons who are directors and are also officers and (ii) employee stock plans in which the participants do not have the right to determine confidentially whether shares held subject to the plans will be tendered in the tender or exchange offer; or

- on or subsequent to such time, the business combination or merger is approved by the corporation's board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by two-thirds of the holders of the outstanding common stock not owned by the "interested stockholder".

A "business combination" is defined to include certain mergers, asset sales and other transactions resulting in financial benefit to a stockholder. In general, an "interested stockholder" is a person who, together with affiliates and associates, owns 15% or more of a corporation's voting stock or within three years owned 15% or more of a corporation's voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts.

Listing

The Common Stock is listed on the NASDAQ Global Select Market under the trading symbol "NICK".

Transfer Agent and Registrar

The transfer agent and registrar for the Common Stock is Computershare Trust Company, N.A., Transfer Agent and Registrar, 150 Royal Street, Canton, Massachusetts 02021.

Exhibit 21

EX-21 Subsidiaries of the registrant Nicholas Financial, Inc.

Subsidiary	State or Province of Incorporation or Organization	Subsidiary Ownership Percentage
Nicholas Financial, Inc.	Florida	100%
Nicholas Data Services, Inc.	Florida	100%
Amplex Electric, Inc.	Ohio	56.5%

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-143245 and 333-213117) of Nicholas Financial, Inc. of our report dated July 1, 2024, with respect to the consolidated financial statements of Nicholas Financial, Inc. and Subsidiaries, included in this Annual Report on Form 10-K for the year ended March 31, 2024.

/s/ Forvis Mazars, LLP

Atlanta, Georgia
July 1, 2024

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13A-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Rost certify that:

1. I have reviewed this annual report on Form 10-K of Nicholas Financial, Inc.;

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

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

4. The registrant's other certifying officer 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 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 registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: July 1, 2024

/s/ Michael Rost
Michael Rost
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13A-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles Krebs, certify that:

1. I have reviewed this annual report on Form 10-K of Nicholas Financial, Inc.;

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

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

4. The registrant's other certifying officer 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 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 registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: July 1, 2024

/s/ Charles Krebs
Charles Krebs
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. § 1350

Solely for the purpose of complying with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, the undersigned President and Chief Executive Officer of Nicholas Financial, Inc. (the "Company"), hereby certify that the Annual Report on Form 10-K of the Company for the fiscal year ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Rost
Michael Rost
Chief Executive Officer

Dated: July 1, 2024

Exhibit 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. § 1350

Solely for the purpose of complying with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, the undersigned Chief Financial Officer and Vice President of Finance of Nicholas Financial, Inc. (the "Company"), hereby certify that the Annual Report on Form 10-K of the Company for the fiscal year ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Charles Krebs
Charles Krebs
Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: July 1, 2024

Exhibit 97

NICHOLAS FINANCIAL, INC.
POLICY FOR THE
RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

1. Purpose. The purpose of this Nicholas Financial, Inc. Policy for the Recovery of Erroneously Awarded Compensation, as the same may be amended and/or restated from time to time (this "***Policy***"), is to describe the circumstances in which Executive Officers (as defined below) will be required to repay or return Erroneously Awarded Compensation (as defined below) to members of the Company Group (as defined below). Each Executive Officer shall be required to sign and return to the Company the Acknowledgement Form attached hereto as Exhibit A pursuant to which such Executive Officer will agree to be bound by the terms and comply with this Policy.

2. Administration. This Policy shall be administered by the Committee. Any determinations made by the Committee shall be final and binding on all affected individuals.

3. Definitions. For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(a) "***Accounting Restatement***" means an accounting restatement (i) due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial restatements that is material to the previously issued financial statements (a "Big R" restatement), or (ii) that corrects an error that is not material to previously issued financial statements, but would result in a material misstatement if the error were not corrected in the current period or left uncorrected in the current period (a "little r" restatement).

(b) "***Board***" means the Board of Directors of the Company.

(c) "***Clawback Eligible Incentive Compensation***" means, in connection with an Accounting Restatement and with respect to each individual who served as an Executive Officer at any time during the applicable performance period for any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company Group), all Incentive-based Compensation Received by such Executive Officer (i) on or after the Effective Date, (ii) after beginning service as an Executive Officer, (iii) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (iv) during the applicable Clawback Period.

(d) "***Clawback Period***" means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date and any transition period (that results from a change in the Company's fiscal year) of less than nine months within or immediately following those three completed fiscal years.

(e) "***Committee***" means the Compensation Committee of the Board.

(f) "***Company***" means Nicholas Financial, Inc., a company incorporated under the laws of British Columbia, Canada, and its successors.

(g) "***Company Group***" means the Company, together with each of its direct and indirect subsidiaries.

(h) "***Effective Date***" means October 2, 2023.

(i) "***Erroneously Awarded Compensation***" means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(j) "***Executive Officer***" means the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. Executive officers of the Company's parent(s) or subsidiaries are deemed executive officers of the Company if they perform such policy-making functions for the Company. Policy-making function is not intended to include policy-making functions that are not significant.

(k) "***Financial Reporting Measures***" means measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall for purposes of this Policy be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company's financial statements or included in a filing with the SEC.

(l) "***Incentive-based Compensation***" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(m) "***Nasdaq***" means The Nasdaq Stock Market.

(n) "***Received***" means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if payment or grant of the Incentive-based Compensation occurs after the end of that period.

(o) "***Restatement Date***" means the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the issuer is required

to prepare an Accounting Restatement, or (ii) the date of court, regulator or other legally authorized body directs the issuer to prepare an Accounting Restatement.

(p) "***SEC***" means the U.S. Securities and Exchange Commission.

4. Repayment of Erroneously Awarded Compensation.

(a) In the event of an Accounting Restatement, the Committee shall promptly (and in all events within ninety (90) days after the Restatement Date) determine the amount of any Erroneously Awarded Compensation for each Executive Officer in connection with such Accounting Restatement and shall promptly thereafter provide each Executive Officer with a written notice containing the amount of Erroneously Awarded Compensation and a demand for repayment or return, as applicable. For Incentive-based Compensation based on (or derived from) stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-based Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to Nasdaq).

(b) The Committee shall have broad discretion to determine the appropriate means of recovery of Erroneously Awarded Compensation based on all applicable facts and circumstances and taking into account the time value of money and the cost to shareholders of delaying recovery. To the extent that the Committee determines that any method of recovery (other than repayment by the Executive Officer in a lump sum in cash or property) is appropriate, the Company shall offer to enter into a repayment agreement (in a form reasonably acceptable to the Committee) with the Executive Officer. If the Executive Officer accepts such offer and signs the repayment agreement within thirty (30) days after such offer is extended, the Company shall countersign such repayment agreement. If the Executive Officer fails to sign the repayment agreement within thirty (30) days after such offer is extended, the Executive Officer will be required to repay the Erroneously Awarded Compensation in a lump sum in cash (or such property as the Committee agrees to accept with a value equal to such Erroneously Awarded Compensation) on or prior to the date that is one hundred twenty (120) days following the Restatement Date. For the avoidance of doubt, except as set forth in Section 4(d) below, in no event may the Company Group accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.

(c) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company Group when due (as determined in accordance with Section 4(b) above), the Company shall, or shall cause one or more other members of the Company Group to, take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company Group for any and all expenses reasonably incurred (including legal fees) by the Company Group in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(d) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section 4(b) above if the following conditions are met and the Committee determines that recovery would be impracticable:

(i) The direct expenses paid to a third party to assist in enforcing the Policy against an Executive Officer would exceed the amount to be recovered, after the Company has made a reasonable attempt to recover the applicable Erroneously Awarded Compensation, documented such attempts and provided such documentation to Nasdaq;

(ii) Recovery would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation and a copy of the opinion is provided to Nasdaq; or

(iii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

5. Reporting and Disclosure. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including the disclosure required by the applicable SEC filings.

6. Indemnification Prohibition. No member of the Company Group shall be permitted to indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company Group's enforcement of its rights under this Policy. Further, no member of the Company Group shall enter into any agreement that exempts any Incentive-based Compensation from the application of this Policy or that waives the Company Group's right to recovery of any Erroneously Awarded Compensation and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date).

7. Interpretation. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy.

8. Effective Date. This Policy shall be effective as of the Effective Date.

9. Amendment; **Termination**. The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary, including as and when it determines that it is legally required by any federal securities laws, SEC rule or the rules of any national securities exchange or national securities association on which the Company's securities are listed. The Committee may terminate this Policy at any time. Notwithstanding anything in this Section 9 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken

by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or the rules of any national securities exchange or national securities association on which the Company's securities are listed.

10. Other Recoupment Rights; **No Additional Payments**. The Committee intends that this Policy will be applied to the fullest extent of the law. The Committee may require that any employment agreement, equity award agreement, or any other agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require an Executive Officer to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company Group under applicable law, regulation or rule or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company Group.

11. Successors. This Policy shall be binding and enforceable against all Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

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<u>Exhibit A</u>

NICHOLAS FINANCIAL, INC.
POLICY FOR THE
RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

ACKNOWLEDGEMENT FORM

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Nicholas Financial, Inc. Policy for the Recovery of Erroneously Awarded Compensation (the "***Policy***"). Capitalized terms used but not otherwise defined in this Acknowledgement Form (this "***Acknowledgement Form***") shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with the Company Group. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation to the Company Group to the extent required by, and in a manner permitted by, the Policy.

Signature

Print Name

Date