Atlanticus Holdings Corp
Form 10-Q
August 14, 2015
Table of Contents

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

For the quarterly period ended June 30, 2015

of
ATLANTICUS HOLDINGS CORPORATION

a Georgia Corporation
IRS Employer Identification No. 58-2336689
SEC File Number 0-53717

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Atlanta, Georgia 30328
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Atlanticus' common stock, no par value per share, is registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (the "Act").

Atlanticus is not a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933.

Atlanticus (1) is required to file reports pursuant to Section 13 of the Act, (2) has filed all reports required to be filed by Section 13 of the Act during the preceding 12 months and (3) has been subject to such filing requirements for the past 90 days.

Atlanticus has submitted electronically and posted on its corporate Web site every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months.

Atlanticus is a smaller reporting company and is not a shell company.

As of August 7, 2015, 13,911,011 shares of common stock, no par value, of Atlanticus were outstanding. This excludes 1,459,233 loaned shares to be returned.

Table of Contents

Table of Contents

		Page
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements (Unaudited)	1
	Consolidated Balance Sheets	1
	Consolidated Statements of Operations	2
	Consolidated Statements of Comprehensive Income	3
	Consolidated Statements of Shareholders' Equity	4
	Consolidated Statements of Cash Flows	5
	Notes to Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	46
Item 4.	Controls and Procedures	46
Part II. OTHER INFORMATION		
Item 1.	Legal Proceedings	47
Item 1A.	Risk Factors	47
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	57
Item 3.	Defaults Upon Senior Securities	57
Item 4.	Mine Safety Disclosure	57
Item 5.	Other Information	57
Item 6.	Exhibits	58
	Signatures	59

Table of Contents

PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2015	December 31, 2014
Assets		
Unrestricted cash and cash equivalents	$46,328	$39,925
Restricted cash and cash equivalents	16,859	22,741
Loans and fees receivable:		
Loans and fees receivable, net (of $18,198 and $15,730 in deferred revenue and $16,295 and $19,957 in allowances for uncollectible loans and fees receivable at June 30, 2015 and December 31, 2014, respectively)	120,085	105,897
Loans and fees receivable, at fair value	11,512	18,255
Loans and fees receivable pledged as collateral under structured financings, at fair value	27,464	34,905
Rental merchandise, net of depreciation	12,006	14,177
Property at cost, net of depreciation	6,472	7,036
Investments in equity-method investees	12,901	15,833
Deposits	981	1,589
Prepaid expenses and other assets	17,324	7,997
Total assets	$271,932	$268,355
Liabilities		
Accounts payable and accrued expenses	$40,401	$39,968
Notes payable, at face value	84,514	78,749
Notes payable to related parties	20,000	20,000
Notes payable associated with structured financings, at fair value	28,685	36,511
Convertible senior notes	64,537	64,752
Income tax liability	21,594	20,933
Total liabilities	259,731	260,913
Commitments and contingencies (Note 9)		
Equity		
Common stock, no par value, 150,000,000 shares authorized: 15,370,667 shares issued and outstanding (including 1,459,233 loaned shares to be returned) at June 30, 2015; and 15,308,971 shares issued and outstanding (including 1,459,233 loaned shares to be returned) at December 31, 2014	—	—
Additional paid-in capital	210,762	210,519
Accumulated other comprehensive loss	(685)	(1,841)
Retained deficit	(197,873)	(201,237)
Total shareholders' equity	12,204	7,441
Noncontrolling interests	(3)	1
Total equity	12,201	7,442
Total liabilities and equity	$271,932	$268,355

See accompanying notes.

1

Table of Contents

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Interest income:				
Consumer loans, including past due fees	$16,869	$17,387	$34,312	$37,344
Other	10	37	42	274
Total interest income	16,879	17,424	34,354	37,618
Interest expense	(4,529)	(6,158)	(9,086)	(12,345)
Net interest income before fees and related income on earning assets and provision for losses on loans and fees receivable	12,350	11,266	25,268	25,273
Fees and related income on earning assets	12,751	22,196	25,970	55,081
Net recovery of (losses upon) charge off of loans and fees receivable recorded at fair value, net of recoveries	9,991	50	20,363	(1,835)
Provision for losses on loans and fees receivable recorded at net realizable value	(5,961)	(6,731)	(9,129)	(14,606)
Net interest income, fees and related income on earning assets	29,131	26,781	62,472	63,913
Other operating income:				
Servicing income	1,390	1,234	2,950	2,474
Other income	92	254	359	1,321
Equity in income of equity-method investees	707	841	1,782	3,247
Total other operating income	2,189	2,329	5,091	7,042
Other operating expense:				
Salaries and benefits	4,322	4,664	8,442	9,762
Card and loan servicing	9,608	12,956	19,879	26,734
Marketing and solicitation	332	631	818	1,393
Depreciation, primarily related to rental merchandise	9,961	16,573	22,807	42,281
Other	4,261	4,791	11,433	10,331
Total other operating expense	28,484	39,615	63,379	90,501
Income (loss) before income taxes	2,836	(10,505)	4,184	(19,546)
Income tax expense	(1,440)	(673)	(822)	(2,655)
Net income (loss)	1,396	(11,178)	3,362	(22,201)
Net loss (income) attributable to noncontrolling interests	1	—	2	(151)
Net income (loss) attributable to controlling interests	$1,397	$(11,178)	$3,364	$(22,352)
Net income (loss) attributable to controlling interests per common share—basic	$0.10	$(0.80)	$0.24	$(1.59)
Net income (loss) attributable to controlling interests per common share—diluted	$0.10	$(0.80)	$0.24	$(1.59)

See accompanying notes.

Table of Contents

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Net income (loss)	$1,396	$(11,178)	$3,362	$(22,201)
Other comprehensive income (loss):				
Foreign currency translation adjustment	583	386	140	447
Reclassifications of foreign currency translation adjustment to consolidated statements of operations	—	—	1,535	—
Income tax (expense) benefit related to other comprehensive income (loss)	(200)	(11)	(519)	23
Comprehensive income (loss)	1,779	(10,803)	4,518	(21,731)
Comprehensive loss (income) attributable to noncontrolling interests	1	—	2	(151)
Comprehensive income (loss) attributable to controlling interests	$1,780	$(10,803)	$4,520	$(21,882)

See accompanying notes.

Table of Contents

Atlanticus Holdings Corporation and Subsidiaries
Consolidated Statements of Equity
For the Six Months Ended June 30, 2015 (Unaudited)
(Dollars in thousands)

	Common Stock						
	Shares Issued	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Deficit	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	15,308,971	$—	$210,519	$(1,841)	$(201,237)	$1	$7,442
Stock options exercises and proceeds related thereto	1,667	—	4	—	—	—	4
Compensatory stock issuances, net of forfeitures	106,334	—	—	—	—	—	—
Distributions to owners of noncontrolling interests	—	—	—	—	—	(2)	(2)
Amortization of deferred stock-based compensation costs	—	—	437	—	—	—	437
Redemption and retirement of shares	(46,305)	—	(123)	—	—	—	(123)
Tax effects of stock-based compensation plans	—	—	(75)	—	—	—	(75)
Other comprehensive income	—	—	—	1,156	3,364	(2)	4,518
Balance at June 30, 2015	15,370,667	$—	$210,762	$(685)	$(197,873)	$(3)	$12,201

See accompanying notes.

Table of Contents

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

	For the Six Months Ended June 30,	
	2015	2014
Operating activities		
Net income (loss)	$3,362	$(22,201)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation of rental merchandise	21,623	40,746
Depreciation, amortization and accretion, net	1,056	643
Losses upon charge off of loans and fees receivable recorded at fair value	3,050	8,719
Provision for losses on loans and fees receivable	9,129	14,606
Interest expense from accretion of discount on convertible senior notes	235	321
Income from accretion of discount associated with receivables purchases	(18,914)	(16,438)
Unrealized gain on loans and fees receivable and underlying notes payable held at fair value	(2,430)	(4,359)
Income from equity-method investments	(1,782)	(3,247)
Changes in assets and liabilities:		
(Increase) decrease in uncollected fees on earning assets	(394)	121
Increase in income tax liability	90	2,589
Decrease (increase) in deposits	608	(494)
Increase (decrease) in accounts payable and accrued expenses	515	(11,502)
Additions to rental merchandise	(19,451)	(22,975)
Other	(6,904)	(1,096)
Net cash used in operating activities	(10,207)	(14,567)
Investing activities		
Decrease (increase) in restricted cash	5,889	(207)
Proceeds from equity-method investees	4,714	6,332
Investments in earning assets	(127,418)	(100,915)
Proceeds from earning assets	137,397	122,617
Purchases and development of property, net of disposals	(616)	(3,183)
Net cash provided by investing activities	19,966	24,644
Financing activities		
Noncontrolling interests distributions, net	(2)	(145)
Proceeds from exercise of stock options	4	—
Purchase and retirement of outstanding stock	(123)	(31)
Proceeds from borrowings	88,802	28,322
Repayment of borrowings	(91,960)	(56,445)
Net cash used in financing activities	(3,279)	(28,299)
Effect of exchange rate changes on cash	(77)	270
Net decrease (increase) in unrestricted cash	6,403	(17,952)
Unrestricted cash and cash equivalents at beginning of period	39,925	50,873
Unrestricted cash and cash equivalents at end of period	$46,328	$32,921
Supplemental cash flow information		
Cash paid for interest	$8,941	$18,602
Net cash income tax payments	$737	$66
Supplemental non-cash information		
Issuance of stock options and restricted stock	$281	$931

Notes payable associated with capital leases	$—	$159

See accompanying notes.

5

Table of Contents

Atlanticus Holdings Corporation and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

1. Description of Our Business

Our accompanying consolidated financial statements include the accounts of Atlanticus Holdings Corporation (the "Company") and those entities we control. We are primarily focused on providing financial services. Through our subsidiaries, we offer an array of financial products and services to a market largely represented by credit risks that regulators classify as "sub-prime." As discussed further below, we reflect our business lines within two reportable segments: Credit and Other Investments; and Auto Finance. See also Note 3, "Segment Reporting," for further details.

2. Significant Accounting Policies and Consolidated Financial Statement Components

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

Basis of Presentation and Use of Estimates

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

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

Loans and Fees Receivable

Our loans and fees receivable include: (1) loans and fees receivable, net; (2) loans and fees receivable, at fair value; and (3) loans and fees receivable pledged as collateral under structured financings, at fair value.

Components of our loans and fees receivable, net (in millions) are as follows:

	Balance at December 31, 2014	Additions	Subtractions	Balance at June 30, 2015
Loans and fees receivable, gross	$141.6	$159.2	$(146.2)	$154.6
Deferred revenue	(15.7)	(21.4)	18.9	(18.2)
Allowance for uncollectible loans and fees receivable	(20.0)	(9.1)	12.8	(16.3)
Loans and fees receivable, net	$105.9	$128.7	$(114.5)	$120.1

	Additions	Subtractions

	Balance at December 31, 2013			Balance at June 30, 2014
Loans and fees receivable, gross	$134.7	$134.9	$(140.0)	$129.6
Deferred revenue	(13.3)	(17.0)	16.5	(13.8)
Allowance for uncollectible loans and fees receivable	(24.2)	(14.6)	18.4	(20.4)
Loans and fees receivable, net	$97.2	$103.3	$(105.1)	$95.4

6

Table of Contents

As of June 30, 2015 and June 30, 2014, the weighted average remaining accretion periods for the $18.2 million and $13.8 million, respectively, of deferred revenue reflected in the above tables were 10 months and 11 months, respectively.
A roll-forward (in millions) of our allowance for uncollectible loans and fees receivable by class of receivable is as follows:

For the Three Months Ended June 30, 2015	Credit Cards	Auto Finance	Other Unsecured Lending Products	Total
Allowance for uncollectible loans and fees receivable:				
Balance at beginning of period	$(1.9)	$(1.2)	$(12.5)	$(15.6)
Provision for loan losses	(0.4)	(0.4)	(5.2)	(6.0)
Charge offs	0.9	0.4	4.4	5.7
Recoveries	(0.1)	(0.1)	(0.2)	(0.4)
Balance at end of period	$(1.5)	$(1.3)	$(13.5)	$(16.3)

For the Six Months Ended June 30, 2015	Credit Cards	Auto Finance	Other Unsecured Lending Products	Total
Allowance for uncollectible loans and fees receivable:				
Balance at beginning of period	$(2.7)	$(1.2)	$(16.1)	$(20.0)
Provision for loan losses	(0.9)	(0.6)	(7.6)	(9.1)
Charge offs	2.3	0.9	10.9	14.1
Recoveries	(0.2)	(0.4)	(0.7)	(1.3)
Balance at end of period	$(1.5)	$(1.3)	$(13.5)	$(16.3)

As of June 30, 2015	Credit Cards	Auto Finance	Other Unsecured Lending Products	Total
Allowance for uncollectible loans and fees receivable:				
Balance at end of period individually evaluated for impairment	$—	$(0.1)	$(1.1)	$(1.2)
Balance at end of period collectively evaluated for impairment	$(1.5)	$(1.2)	$(12.4)	$(15.1)
Loans and fees receivable:				
Loans and fees receivable, gross	$4.1	$78.3	$72.2	$154.6
Loans and fees receivable individually evaluated for impairment	$—	$0.1	$2.9	$3.0
Loans and fees receivable collectively evaluated for impairment	$4.1	$78.2	$69.3	$151.6

Table of Contents

For the Three Months Ended June 30, 2014	Credit Cards	Auto Finance	Other Unsecured Lending Products	Total
Allowance for uncollectible loans and fees receivable:				
Balance at beginning of period	$(10.9)	$(1.4)	$(10.8)	$(23.1)
Provision for loan losses	(2.8)	(0.1)	(3.8)	(6.7)
Charge offs	5.3	0.4	4.2	9.9
Recoveries	(0.1)	(0.3)	(0.1)	(0.5)
Balance at end of period	$(8.5)	$(1.4)	$(10.5)	$(20.4)

For the Six Months Ended June 30, 2014	Credit Cards	Auto Finance	Other Unsecured Lending Products	Total
Allowance for uncollectible loans and fees receivable:				
Balance at beginning of period	$(11.6)	$(1.4)	$(11.2)	$(24.2)
Provision for loan losses	(7.0)	0.1	(7.7)	(14.6)
Charge offs	10.3	0.5	8.7	19.5
Recoveries	(0.2)	(0.6)	(0.3)	(1.1)
Balance at end of period	$(8.5)	$(1.4)	$(10.5)	$(20.4)

As of December 31, 2014	Credit Cards	Auto Finance	Other Unsecured Lending Products	Total
Allowance for uncollectible loans and fees receivable:				
Balance at end of period individually evaluated for impairment	$—	$(0.1)	$(3.0)	$(3.1)
Balance at end of period collectively evaluated for impairment	$(2.7)	$(1.1)	$(13.1)	$(16.9)
Loans and fees receivable:				
Loans and fees receivable, gross	$6.7	$70.7	$64.2	$141.6
Loans and fees receivable individually evaluated for impairment	$—	$0.2	$5.0	$5.2
Loans and fees receivable collectively evaluated for impairment	$6.7	$70.5	$59.2	$136.4

Table of Contents

The components (in millions) of loans and fees receivable, net as of the date of each of our consolidated balance sheets are as follows:

	June 30, 2015	December 31, 2014
Current loans receivable	$130.0	$116.1
Current fees receivable	3.3	3.4
Delinquent loans and fees receivable	21.3	22.1
Loans and fees receivable, gross	$154.6	$141.6

An aging of our delinquent loans and fees receivable, gross (in millions) by class of receivable as of June 30, 2015 and December 31, 2014 is as follows:

Balance at June 30, 2015	Credit Cards	Auto Finance	Other Unsecured Lending Products	Total
30-59 days past due	$0.2	$6.5	$3.0	$9.7
60-89 days past due	0.2	2.2	2.3	4.7
90 or more days past due	0.8	1.8	4.3	6.9
Delinquent loans and fees receivable, gross	1.2	10.5	9.6	21.3
Current loans and fees receivable, gross	2.9	67.8	62.6	133.3
Total loans and fees receivable, gross	$4.1	$78.3	$72.2	$154.6
Balance of loans 90 or more days past due and still accruing interest and fees	$—	$1.8	$—	$1.8

Balance at December 31, 2014	Credit Cards	Auto Finance	Other Unsecured Lending Products	Total
30-59 days past due	$0.4	$6.3	$2.8	$9.5
60-89 days past due	0.4	2.1	2.2	4.7
90 or more days past due	1.6	1.7	4.6	7.9
Delinquent loans and fees receivable, gross	2.4	10.1	9.6	22.1
Current loans and fees receivable, gross	4.3	60.6	54.6	119.5
Total loans and fees receivable, gross	$6.7	$70.7	$64.2	$141.6
Balance of loans 90 or more days past due and still accruing interest and fees	$—	$1.6	$—	$1.6

Income Taxes

We experienced effective income tax expense rates of 50.8% and 19.6% for the three and six months ended June 30, 2015, respectively compared to negative effective income tax benefit rates of 6.4% and 13.6% for the three and six months ended June 30, 2014, respectively. Our accruals of interest and penalties associated with assessed and unpaid prior year tax liabilities account for the excess of our effective income tax expense rate for the three months ended June 30, 2015 over statutory rates. Although these interest and penalties were also present in the first quarter of this year, our effective income tax expense rate for the six months ended June 30, 2015 is significantly below statutory rates principally due to a favorable effective settlement we reached with the Internal Revenue Service ("IRS") in February, 2015 relative to prior year accruals for uncertain tax positions and interest accruals thereon. The negative effective income tax benefit rate for both the three and six months ended June 30, 2014 resulted principally from the (1) effects of legislative changes enacted during that period in certain state filing jurisdictions, (2) interest accruals on our liabilities for uncertain tax positions and (3) changes in valuation allowances against income statement-oriented

federal, foreign and state deferred tax assets.

We report potential accrued interest and penalties related to our accrued liabilities for uncertain tax positions within our income tax benefit or expense line item on our consolidated statements of operations. We likewise report the reversal of

Table of Contents

such accrued interest and penalties within the income tax benefit or expense line item to the extent that we resolve our liabilities for uncertain tax positions in a manner favorable to our accruals therefor. During the three and six months ended June 30, 2015, we accrued no material amounts of interest and penalties associated with uncertain tax positions. In contrast, however, net interest and penalty accruals of $0.6 million and $1.2 million increased our respective negative effective income tax benefit rates in the three and six months ended June 30, 2014.

Fees and Related Income on Earning Assets

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Fees on credit products	$1,891	$6,407	$4,065	$11,794
Changes in fair value of loans and fees receivable recorded at fair value	1,981	1,975	3,212	6,667
Changes in fair value of notes payable associated with structured financings recorded at fair value	(420)	(1,151)	(782)	(2,308)
Rental revenue	9,278	14,710	19,387	36,643
Other	21	255	88	2,285
Total fees and related income on earning assets	$12,751	$22,196	$25,970	$55,081

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

Recent Accounting Pronouncements

In April 2015, the FASB issued updated authoritative guidance related to debt issuance costs. The amendment modifies the presentation of unamortized debt issuance costs to present such amounts as a direct deduction from the face amount of the debt, similar to unamortized debt discounts and premiums, rather than as an asset. Amortization of the debt issuance costs continues to be reported as interest expense. The guidance is effective for us beginning January 1, 2016. The impact of adoption of this authoritative guidance is not expected to result in a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers.” ASU 2014-09 establishes a principles-based model under which revenue from a contract is allocated to the distinct performance obligations within the contract and recognized in income as each performance obligation is satisfied. Additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract is also required. In July 2015, the FASB delayed the effective date by one year and the guidance will now be effective for annual and interim periods beginning January 1, 2018 and early adoption is permitted. The Company has not yet determined the potential effects of the adoption of ASU 2014-09 on its consolidated financial statements.

Subsequent Events

We evaluate subsequent events that occur after our consolidated balance sheet date but before our consolidated financial statements are issued. There are two types of subsequent events: (1) recognized, or those that provide additional evidence with respect to conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements; and (2) nonrecognized, or those that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date. We have evaluated subsequent events occurring after June 30, 2015, and based on our evaluation we did not identify any recognized or nonrecognized subsequent events that would have required further adjustments to our consolidated financial statements, other than as discussed below.

In August 2015 we resolved an outstanding dispute that resulted in the recovery of approximately $2.0 million associated with a receivable which was fully reserved in a prior period. The income associated with this recovery will be reflected in the Fees and related income on earning assets category of our consolidated statements of operations in the third quarter of 2015.

3. Segment Reporting

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

As of both June 30, 2015 and December 31, 2014, we did not have a material amount of long-lived assets located outside of the U.S., and only a negligible portion of our 2015 and 2014 revenues were generated outside of the U.S.

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

Table of Contents

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

Three months ended June 30, 2015	Credit and Other Investments	Auto Finance	Total
Interest income:			
Consumer loans, including past due fees	$9,898	$6,971	$16,869
Other	10	—	10
Total interest income	9,908	6,971	16,879
Interest expense	(4,228)	(301)	(4,529)
Net interest income before fees and related income on earning assets and provision for losses on loans and fees receivable	$5,680	$6,670	$12,350
Fees and related income on earning assets	$12,683	$68	$12,751
Servicing income	$1,179	$211	$1,390
Depreciation of rental merchandise	(9,370)	—	(9,370)
Equity in income of equity-method investees	$707	$—	$707
Income before income taxes	$1,186	$1,650	$2,836
Income tax expense	$(896)	$(544)	$(1,440)

Six months ended June 30, 2015	Credit and Other Investments	Auto Finance	Total
Interest income:			
Consumer loans, including past due fees	$20,618	$13,694	$34,312
Other	42	—	42
Total interest income	20,660	13,694	34,354
Interest expense	(8,479)	(607)	(9,086)
Net interest income before fees and related income on earning assets and provision for losses on loans and fees receivable	$12,181	$13,087	$25,268
Fees and related income on earning assets	$25,756	$214	$25,970
Servicing income	$2,538	$412	$2,950
Depreciation of rental merchandise	$(21,623)	$—	$(21,623)
Equity in income of equity-method investees	$1,782	$—	$1,782
Income before income taxes	$607	$3,577	$4,184
Income tax benefit (expense)	$352	$(1,174)	$(822)
Total assets	$202,510	$69,422	$271,932

Table of Contents

Three months ended June 30, 2014	Credit and Other Investments	Auto Finance	Total
Interest income:			
Consumer loans, including past due fees	$11,492	$5,895	$17,387
Other	37	—	37
Total interest income	11,529	5,895	17,424
Interest expense	(5,812)	(346)	(6,158)
Net interest income before fees and related income on earning assets and provision for losses on loans and fees receivable	$5,717	$5,549	$11,266
Fees and related income on earning assets	$22,155	$41	$22,196
Servicing income	$1,075	$159	$1,234
Depreciation of rental merchandise	(15,735)	—	(15,735)
Equity in income of equity-method investees	$841	$—	$841
(Loss) income before income taxes	$(11,661)	$1,156	$(10,505)
Income tax expense	$(316)	$(357)	$(673)

Six months ended June 30, 2014	Credit and Other Investments	Auto Finance	Total
Interest income:			
Consumer loans, including past due fees	$25,888	$11,456	$37,344
Other	274	—	274
Total interest income	26,162	11,456	37,618
Interest expense	(11,644)	(701)	(12,345)
Net interest income before fees and related income on earning assets and provision for losses on loans and fees receivable	$14,518	$10,755	$25,273
Fees and related income on earning assets	$54,957	$124	$55,081
Servicing income	$2,130	$344	$2,474
Depreciation of rental merchandise	$(40,746)	$—	$(40,746)
Equity in income of equity-method investees	$3,247	$—	$3,247
(Loss) income before income taxes	$(21,724)	$2,178	$(19,546)
Income tax expense	$(1,971)	$(684)	$(2,655)
Total assets	$237,163	$62,089	$299,252

4. Shareholders' Equity

Retired Shares

During the three and six months ended June 30, 2015, we repurchased and contemporaneously retired 24,498 and 46,305 shares of our common stock at an aggregate cost of $68,299 and $122,552, respectively, pursuant to open market purchases and the return of stock by holders of equity incentive awards to pay tax withholding obligations. During the three and six months ended June 30, 2014, we repurchased and contemporaneously retired 1,546 and 12,327 shares of our common stock at an aggregate cost of $4,252 and $30,881, pursuant to the return of stock by holders of equity incentive awards to pay tax withholding obligations.

We had 1,459,233 loaned shares outstanding at June 30, 2015 and December 31, 2014, which were originally lent in connection with our November 2005 issuance of convertible senior notes. We retire lent shares as they are returned to

us.

Table of Contents

5. Investments in Equity-Method Investees

Our equity-method investment outstanding at June 30, 2015 consists of our 66.7% interest in a joint venture formed to purchase a credit card receivable portfolio. Our 50.0% interest in a joint venture, which was formed to purchase the outstanding notes issued out of the structured financing trust underlying our Non-U.S. Acquired Portfolio, was consolidated as of December 31, 2014. This was a result of our distribution of certain assets to an unrelated third-party partner in that entity for their interest. Accordingly, as of June 30, 2015 and December 31, 2014 only one equity-method investee was included in our financial statements. The results of operations associated with the joint venture prior to consolidation are included in the tables below.

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

	As of	
	June 30, 2015	December 31, 2014
Loans and fees receivable pledged as collateral under structured financings, at fair value	$18,425	$22,571
Total assets	$19,410	$23,831
Total liabilities	$61	$82
Members' capital	$19,349	$23,749

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net interest income, fees and related income on earning assets	$1,067	$1,193	$2,684	$5,309
Total other operating income	$—	$44	$—	$93
Net income	$874	$896	$2,281	$4,676
Net income attributable to our equity investment in investee	$707	$841	$1,782	$3,247

The above tables include the economics associated with our aforementioned 50.0% interest in the joint venture that purchased in March 2011 the outstanding notes issued out of our Non-U.S. Acquired Portfolio structured financing trust prior to its consolidation in December 2014. Separate financial data for this entity prior to its consolidation are as follows:

	As of
	December 31, 2014
Investments in non-marketable debt securities, at fair value	$—
Total assets	$—
Total liabilities	$—
Members' capital	$—

	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Net interest (cost) income, fees and related income on earning assets	$(287)	$1,698
Net (loss) income	$(300)	$1,674
Net (loss) income attributable to our equity investment in investee	$(150)	$837

Table of Contents

6. Fair Values of Assets and Liabilities

Valuations and Techniques for Assets

Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The table below summarizes (in thousands) by fair value hierarchy the June 30, 2015 and December 31, 2014 fair values and carrying amounts of (1) our assets that are required to be carried at fair value in our consolidated financial statements and (2) our assets not carried at fair value, but for which fair value disclosures are required:

Assets – As of June 30, 2015 (1)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Amount of Assets
Loans and fees receivable, net for which it is practicable to estimate fair value	$—	$ —	$122,581	$117,390
Loans and fees receivable, net for which it is not practicable to estimate fair value (2)	$—	$ —	$—	$2,695
Loans and fees receivable, at fair value	$—	$ —	$11,512	$11,512
Loans and fees receivable pledged as collateral, at fair value	$—	$ —	$27,464	$27,464

Assets – As of December 31, 2014 (1)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Amount of Assets
Loans and fees receivable, net for which it is practicable to estimate fair value	$—	$ —	$111,010	$101,753
Loans and fees receivable, net for which it is not practicable to estimate fair value (2)	$—	$ —	$—	$4,144
Loans and fees receivable, at fair value	$—	$ —	$18,255	$18,255
Loans and fees receivable pledged as collateral, at fair value	$—	$ —	$34,905	$34,905

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

(2) We do not provide fair value for this portion of our loans and fees receivable, net because it is not practicable to do so. These loans and fees receivable consist of a variety of receivables that are largely start-up in nature and for which we have neither sufficient history nor a comparable peer group from which we can calculate fair value.

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

Table of Contents

For Level 3 assets carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents (in thousands) a reconciliation of the beginning and ending balances for the six months ended June 30, 2015 and June 30, 2014:

	Loans and Fees Receivable, at Fair Value	Loans and Fees Receivable Pledged as Collateral under Structured Financings, at Fair Value	Total
Balance at January 1, 2015	$18,255	$34,905	$53,160
Total gains—realized/unrealized:			
Net revaluations of loans and fees receivable pledged as collateral under structured financings, at fair value	—	2,462	2,462
Net revaluations of loans and fees receivable, at fair value	750	—	750
Settlements, net	(7,449)	(9,903)	(17,352)
Impact of foreign currency translation	(44)	—	(44)
Balance at June 30, 2015	$11,512	$27,464	$38,976
Balance at January 1, 2014	$12,080	$88,132	$100,212
Total gains—realized/unrealized:			
Net revaluations of loans and fees receivable pledged as collateral under structured financings, at fair value	—	4,867	4,867
Net revaluations of loans and fees receivable, at fair value	1,800	—	1,800
Settlements, net	(4,391)	(22,315)	(26,706)
Impact of foreign currency translation	—	1,004	1,004
Balance at June 30, 2014	$9,489	$71,688	$81,177

The unrealized gains and losses for assets within the Level 3 category presented in the tables above include changes in fair value that are attributable to both observable and unobservable inputs.

Net Revaluation of Loans and Fees Receivable. We record the net revaluation of loans and fees receivable (including those pledged as collateral) in the fees and related income on earning assets category in our consolidated statements of operations, specifically as changes in fair value of loans and fees receivable recorded at fair value.

Table of Contents

For Level 3 assets carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents (in thousands) quantitative information about the valuation techniques and the inputs used in the fair value measurement as of June 30, 2015 and December 31, 2014:

Quantitative Information about Level 3 Fair Value Measurements

Fair Value Measurements	Fair Value at June 30, 2015	Valuation Technique	Unobservable Input	Range (Weighted Average)(1)	
Loans and fees receivable, at fair value	$11,512	Discounted cash flows	Gross yield	17.4% to 25.9% (21.0%)	
			Principal payment rate	1.0% to 3.8% (2.2%)	
			Expected credit loss rate	5.1% to 15.8% (9.7%)	
			Servicing rate	5.5% to 15.6% (9.8%)	
			Discount rate	15.9% to 16.2% (16.1%)	
Loans and fees receivable pledged as collateral under structured financings, at fair value	$27,464	Discounted cash flows	Gross yield	29.2	%
			Principal payment rate	2.7	%
			Expected credit loss rate	12.7	%
			Servicing rate	11.2	%
			Discount rate	15.9	%

Quantitative Information about Level 3 Fair Value Measurements

Fair Value Measurements	Fair Value at December 31, 2014	Valuation Technique	Unobservable Input	Range (Weighted Average)(1)	
Loans and fees receivable, at fair value	$18,255	Discounted cash flows	Gross yield	17.9% to 25.6% (21.0%)	
			Principal payment rate	1.5% to 3.6% (2.3%)	
			Expected credit loss rate	7.4% to 13.7% (9.9%)	
			Servicing rate	7.4% to 15.1% (10.5%)	
			Discount rate	15.9% to 16.2% (16.1%)	
Loans and fees receivable pledged as collateral under structured financings, at fair value	$34,905	Discounted cash flows	Gross yield	27.2	%
			Principal payment rate	2.7	%
			Expected credit loss rate	13.5	%
			Servicing rate	11.0	%
			Discount rate	15.9	%

(1) Our loans and fees receivable, pledged as collateral under structured financings, at fair value consist of a single portfolio with one set of assumptions. As such, no range is given.

17

Table of Contents

Valuations and Techniques for Liabilities

Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the liability. The table below summarizes (in thousands) by fair value hierarchy the June 30, 2015 and December 31, 2014 fair values and carrying amounts of (1) our liabilities that are required to be carried at fair value in our consolidated financial statements and (2) our liabilities not carried at fair value, but for which fair value disclosures are required:

Liabilities – As of June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Amount of Liabilities
Liabilities not carried at fair value				
CAR revolving credit facility	$—	$ —	$31,700	$31,700
ACC amortizing debt facility	$—	$ —	$—	$—
Amortizing debt facilities	$—	$ —	$51,290	$51,290
Revolving credit facility	$—	$ —	$—	$—
U.K. credit card accounts revolving credit facility	$—	$ —	$1,524	$1,524
Senior secured term loan	$—	$ —	$20,000	$20,000
5.875% convertible senior notes	$—	$ 38,828	$—	$64,537
Liabilities carried at fair value				
Economic sharing arrangement liability	$—	$ —	$82	$82
Notes payable associated with structured financings, at fair value	$—	$ —	$28,685	$28,685

Liabilities - As of December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Amount of Liabilities
Liabilities not carried at fair value				
CAR revolving credit facility	$—	$ —	$28,500	$28,500
ACC amortizing debt facility	$—	$ —	$125	$125
Amortizing debt facilities	$—	$ —	$42,200	$42,200
Revolving credit facility	$—	$ —	$4,000	$4,000
U.K. credit card accounts revolving credit facility	$—	$ —	$3,924	$3,924
Senior secured term loan	$—	$ —	$20,000	$20,000
5.875% convertible senior notes	$—	$ 37,662	$—	$64,302
Liabilities carried at fair value				
Economic sharing arrangement liability	$—	$ —	$119	$119
Notes payable associated with structured financings, at fair value	$—	$ —	$36,511	$36,511

For our material Level 3 liabilities carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents (in thousands) a reconciliation of the beginning and ending balances for the six months ended June 30, 2015 and 2014.

18

Table of Contents

	Notes Payable Associated with Structured Financings, at Fair Value	
	2015	2014
Beginning balance, January 1	$36,511	$94,523
Total (gains) losses—realized/unrealized:		
Net revaluations of notes payable associated with structured financings, at fair value	782	2,308
Repayments on outstanding notes payable, net	(8,608)	(22,425)
Impact of foreign currency translation	—	1,103
Ending balance, June 30	$28,685	$75,509

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

Net Revaluation of Notes Payable Associated with Structured Financings, at Fair Value. We record the net revaluations of notes payable associated with structured financings, at fair value, in the changes in fair value of notes payable associated with structured financings line item within the fees and related income on earning assets category of our consolidated statements of operations.

For material Level 3 liabilities carried at fair value measured on a recurring basis using significant unobservable inputs, the following table presents (in thousands) quantitative information about the valuation techniques and the inputs used in the fair value measurement for the periods ended June 30, 2015 and December 31, 2014:

Quantitative Information about Level 3 Fair Value Measurements

Fair Value Measurements	Fair Value at June 30, 2015 (in Thousands)	Valuation Technique	Unobservable Input	Weighted Average
Notes payable associated with structured financings, at fair value	$28,685	Discounted cash flows	Gross yield	29.2%
			Principal payment rate	2.7%
			Expected credit loss rate	12.7%
			Discount rate	15.9%

Quantitative Information about Level 3 Fair Value Measurements

Fair Value Measurements	Fair Value at December 31, 2014 (in Thousands)	Valuation Technique	Unobservable Input	Weighted Average
Notes payable associated with structured financings, at fair value	$36,511	Discounted cash flows	Gross yield	27.2%
			Principal payment rate	2.7%
			Expected credit loss rate	13.5%
			Discount rate	15.9%

19

Table of Contents

Other Relevant Data

Other relevant data (in thousands) as of June 30, 2015 and December 31, 2014 concerning certain assets and liabilities we carry at fair value are as follows:

As of June 30, 2015	Loans and Fees Receivable at Fair Value	Loans and Fees Receivable Pledged as Collateral under Structured Financings at Fair Value
Aggregate unpaid principal balance within loans and fees receivable that are reported at fair value	$15,995	$32,379
Aggregate fair value of loans and fees receivable that are reported at fair value	$11,512	$27,464
Aggregate fair value of receivables carried at fair value that are 90 days or more past due (which also coincides with finance charge and fee non-accrual policies)	$20	$40
Aggregate excess of balance of unpaid principal receivables within loans and fees receivable that are reported at fair value and are 90 days or more past due (which also coincides with finance charge and fee non-accrual policies) over the fair value of such loans and fees receivable	$728	$1,016

As of December 31, 2014	Loans and Fees Receivable at Fair Value	Loans and Fees Receivable Pledged as Collateral under Structured Financings at Fair Value
Aggregate unpaid principal balance within loans and fees receivable that are reported at fair value	$22,785	$41,449
Aggregate fair value of loans and fees receivable that are reported at fair value	$18,255	$34,905
Aggregate fair value of receivables carried at fair value that are 90 days or more past due (which also coincides with finance charge and fee non-accrual policies)	$93	$39
Aggregate excess of balance of unpaid principal receivables within loans and fees receivable that are reported at fair value and are 90 days or more past due (which also coincides with finance charge and fee non-accrual policies) over the fair value of such loans and fees receivable	$647	$1,695

Notes Payable	Notes Payable Associated with Structured Financings, at Fair Value as of June 30, 2015	Notes Payable Associated with Structured Financings, at Fair Value as of December 31, 2014
Aggregate unpaid principal balance of notes payable	$112,628	$121,236
Aggregate fair value of notes payable	$28,685	$36,511

20

Table of Contents

7. Notes Payable

Notes Payable Associated with Structured Financings, at Fair Value

Scheduled (in millions) in the table below are (1) the carrying amounts of structured financing notes secured by certain credit card receivables and reported at fair value as of June 30, 2015 and December 31, 2014, (2) the outstanding face amounts of structured financing notes secured by certain credit card receivables and reported at fair value as of June 30, 2015, and (3) the carrying amounts of the credit card receivables and restricted cash that provide the exclusive means of repayment for the notes (i.e., lenders have recourse only to the specific credit card receivables and restricted cash underlying each respective facility and cannot look to our general credit for repayment) as of June 30, 2015 and December 31, 2014.

	Carrying Amounts at Fair Value as of	
	June 30, 2015	December 31, 2014
Amortizing securitization facility issued out of our upper-tier originated portfolio master trust (stated maturity of December 2015), outstanding face amount of $112.6 million bearing interest at a weighted average 5.2% interest rate (4.9% as of December 31, 2014), which is secured by credit card receivables and restricted cash aggregating $28.7 million ($36.5 million as of December 31, 2014) in carrying amount	$28.7	$36.5

Contractual payment allocations within these credit cards receivable structured financings provide for a priority distribution of cash flows to us to service the credit card receivables, a distribution of cash flows to pay interest and principal due on the notes, and a distribution of all excess cash flows (if any) to us. The structured financing facility in the above table is amortizing down along with collections of the underlying receivables and there are no provisions within the debt agreement that allow for acceleration or bullet repayment of the facility prior to its scheduled expiration date. The aggregate carrying amount of the credit card receivables and restricted cash that provide security for the $28.7 million in fair value of the structured financing note in the above table is $28.7 million, which means that we have no aggregate exposure to pre-tax equity loss associated with the above structured financing arrangement at June 30, 2015.

Beyond our role as servicer of the underlying assets within the credit cards receivable structured financings, we have provided no other financial or other support to the structures, and we have no explicit or implicit arrangements that could require us to provide financial support to the structures.

Table of Contents

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

Other notes payable outstanding as of June 30, 2015 and December 31, 2014 that are secured by the financial and operating assets of either the borrower, another of our subsidiaries or both, include the following, scheduled (in millions); except as otherwise noted, the assets of our holding company (Atlanticus Holdings Corporation) are subject to creditor claims under these scheduled facilities:

	As of June 30, 2015	December 31, 2014
Revolving credit facilities at a weighted average rate equal to 3.7% (3.7% at December 31, 2014) secured by the financial and operating assets of CAR and another of our borrowing subsidiaries with a combined aggregate carrying amount of $69.3 million ($75.4 million at December 31, 2014)		
Revolving credit facility (expiring October 4, 2017) (1) (2)	$31.7	$28.5
Revolving credit facility (expiring May 17, 2015) (2)	—	4.0
Amortizing facilities at a weighted average rate equal to 5.2% (5.4% at December 31, 2014) secured by certain receivables, rental streams and restricted cash with a combined aggregate carrying amount of $56.3 million ($42.2 million as of December 31, 2014)		
Amortizing debt facility (expiring July 15, 2015) (3)	—	0.5
Amortizing debt facility (expiring May 14, 2016) (3) (4)	29.0	7.8
Amortizing debt facility (expiring April 17, 2016) (3) (4)	18.7	30.0
Amortizing debt facility (expiring August 1, 2016) (3) (4)	3.6	3.9
Other facilities		
Senior secured term loan to related parties (expiring November 25, 2015) that is secured by certain assets of the Company with an annual rate equal to 9.0% (5)	20.0	20.0
Amortizing debt facility (repaid in March 2015)	—	0.1
Revolving credit facility associated with our credit card accounts in the U.K. that can be drawn to the extent of outstanding eligible principal receivables up to £5.0 million, expiring December 1, 2016 with an annual rate equal to the lender's cost of funds plus 7.0% (9.1% as of June 30, 2015 and 9.2% as of December 31, 2014) secured by certain receivables and restricted cash with a combined aggregate carrying amount of $3.1 million ($4.1 million as of December 31, 2014)	1.5	3.9
Total notes payable outstanding	$104.5	$98.7

(1) Loan is subject to certain affirmative covenants, including a coverage ratio, a leverage ratio and a collateral performance test, the failure of which could result in required early repayment of all or a portion of the outstanding balance by our CAR Auto Finance operations.

(2) Loans are from the same lender and are cross-collateralized; thus, combined security interests are subject to claims upon the default of either lending arrangement. The assets of Atlanticus Holdings Corporation are not subject to creditor claims arising due to asset performance-related covenants under this loan.

(3) Loans are subject to certain affirmative covenants tied to default rates and other performance metrics the failure of which could result in required early repayment of the remaining unamortized balances of the notes.

(4) These notes were modified to either extend the maturity date, increase the loaned amount or both.

(5) See Related Party Transactions under Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information regarding this note.

8. Convertible Senior Notes

In May 2005, we issued $250.0 million aggregate principal amount of 3.625% convertible senior notes due 2025 (“3.625% convertible senior notes”), and in November 2005, we issued $300.0 million aggregate principal amount of 5.875% convertible senior notes due 2035 ("5.875% convertible senior notes"). The 5.875% convertible senior notes are (and, prior to

Table of Contents

redemption, the 3.625% convertible senior notes were) unsecured, subordinate to existing and future secured obligations and structurally subordinate to existing and future claims of our subsidiaries' creditors. These notes (net of repurchases since the issuance dates) are reflected within convertible senior notes on our consolidated balance sheets. No put rights exist under our 5.875% convertible senior notes.

In July 2014 we repurchased $80,000 aggregate principal amount of outstanding 5.875% convertible senior notes for $25,200. In November 2014, we repurchased $46.1 million aggregate principal amount of 5.875% convertible senior notes for $19.1 million plus accrued interest from unrelated third parties. The purchases resulted in an aggregate gain of $12.1 million (net of the notes' applicable share of deferred costs, which were written off in connection with the repurchase). Upon acquisition, the notes were retired. In May 2015 we redeemed the remainder of the outstanding 3.625% convertible senior notes. Subsequent to this redemption, only our 5.875% convertible senior notes remain outstanding.

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

	As of June 30, 2015	December 31, 2014
Face amount of 3.625% convertible senior notes	$—	$450
Face amount of 5.875% convertible senior notes	93,280	93,280
Discount	(28,743)	(28,978)
Net carrying value	$64,537	$64,752
Carrying amount of equity component included in additional paid-in capital	$108,714	$108,714
Excess of instruments' if-converted values over face principal amounts	$—	$—

9. Commitments and Contingencies

General

Under our point-of-sale finance products, we give consumers the ability to borrow up to the maximum credit limit assigned to each individual's account. Our unfunded commitments under these products aggregated $86.0 million at June 30, 2015. We have never experienced a situation in which all of our customers have exercised their entire available line of credit at any given point in time, nor do we anticipate this will ever occur in the future. Moreover, there would be a concurrent increase in assets should there be any exercise of these lines of credit. We also have the effective right to reduce or cancel these available lines of credit at any time.

Additionally our CAR operations provide floor-plan financing for a pre-qualified network of independent automotive dealers and automotive finance companies in the buy-here, pay-here used car business. The financings allow dealers and finance companies to borrow up to the maximum pre-approved credit limit allowed in order to finance ongoing inventory needs. These loans are secured by the underlying auto inventory and, in certain cases where we have other lending products outstanding with the dealer, are secured by the collateral under those lending arrangements as well, including any outstanding dealer reserves. As of June 30, 2015, CAR had unfunded outstanding floor-plan financing commitments totaling $10.0 million. Each draw against unused commitments is reviewed for conformity to pre-established guidelines.

Under agreements with third-party originating and other financial institutions we have pledged security (collateral) related to their issuance of consumer credit and purchases thereunder, of which $4.7 million remains pledged to support various ongoing contractual obligations. In addition, in connection with our Non-U.S. Acquired Portfolio

acquisition, Atlanticus Services Corporation guarantees certain obligations of its subsidiaries and its third-party originating financial institution to one of the European payment systems ($0.2 million as of June 30, 2015). Those obligations include, among other things, compliance with one of the European payment system's operating regulations and by-laws.

Under agreements with third-party originating and other financial institutions, we have agreed to indemnify the financial institutions for certain liabilities associated with the financial institutions' activities on our behalf—such indemnification obligations generally being limited to instances in which we either (a) have been afforded the opportunity to defend against any potentially indemnifiable claims or (b) have reached agreement with the financial institutions regarding settlement of potentially indemnifiable claims. As of June 30, 2015, we have assessed the likelihood of any potential payments

Table of Contents

related to the aforementioned contingencies as remote. We will accrue liabilities related to these contingencies in any future period if and in which we assess the likelihood of an estimable payment as probable.

Total System Services, Inc. provides certain services to Atlanticus Services Corporation in both the U.S. and the U.K. as a system of record provider under agreements that extend through October 2015 and April 2016, respectively. If Atlanticus Services Corporation were to terminate its U.S. or U.K. relationship with Total System Services, Inc. prior to the contractual termination period, it would incur significant penalties ($1.3 million and $1.4 million as of June 30, 2015, respectively).

Currently, HM Revenue and Customs (“HMRC”) within the U.K. is in the preliminary stages of conducting a review principally into filings by one of our U.K. subsidiaries to reclaim valued-added taxes (“VAT”) that it paid on its inputs and that it believed and continues to believe were and are eligible to be reclaimed. Some of these filings have been honored and refunds have therefore been issued to our U.K. subsidiary, and some of the filings have been delayed along with associated refunds pending the outcome of the HMRC review. Given the nature and current early stage of the review and the uncertainties associated therewith, we cannot currently confirm that our U.K. subsidiary will not be required to return to HMRC any VAT refunds it previously received. Accordingly, as of June 30, 2015 we have accrued a £3.3 million ($5.1 million) liability to HMRC which reflects our current estimate of the potential liability associated with this HMRC review on our future consolidated results of operations or consolidated financial position.

We also are subject to certain minimum payments under cancelable and non-cancelable lease arrangements. For further information regarding these commitments, see Note 8, "Leases" to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Litigation

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

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

We compute net income (loss) attributable to controlling interests per common share by dividing net income (loss) attributable to controlling interests by the weighted-average common shares (including participating securities) outstanding during the period, as discussed below. Diluted computations applicable in financial reporting periods in which we report income reflect the potential dilution to the basic income per common share computations that could occur if securities or other contracts to issue common stock were exercised, were converted into common stock or were to result in the issuance of common stock that would share in our results of operations. In performing our net income (loss) attributable to controlling interests per common share computations, we apply accounting rules that require us to include all unvested stock awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, in the number of shares outstanding in our basic and diluted calculations. Common stock and certain unvested share-based payment awards earn dividends equally, and we have included all outstanding restricted stock awards in our basic and diluted calculations for current and prior periods.

Table of Contents

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator:				
Net income (loss) attributable to controlling interests	$1,397	$(11,178)	$3,364	$(22,352)
Denominator:				
Basic (including unvested share-based payment awards) (1)	13,911	13,989	13,917	14,035
Effect of dilutive stock compensation arrangements (2)	5	—	4	—
Diluted (including unvested share-based payment awards) (1)	13,916	13,989	13,921	14,035
Net income (loss) attributable to controlling interests per common share—basic	$0.10	$(0.80)	$0.24	$(1.59)
Net income (loss) attributable to controlling interests per common share—diluted	$0.10	$(0.80)	$0.24	$(1.59)

(1) Shares related to unvested share-based payment awards we included in our basic and diluted share counts are 428,597 and 428,039 for the three and six months ended June 30, 2015, compared to 556,190 and 561,900 shares for the three and six months ended June 30, 2014.

(2) The effect of dilutive stock compensation arrangements is shown only for informational purposes where we are in a net loss position. In such situations, the effect of including outstanding options and restricted stock would be anti-dilutive, and they are thus excluded from all loss period calculations.

As their effects were anti-dilutive, we included none of our stock options in our net income (loss) per share computations for the three and six months ended June 30, 2014.

For the three and six months ended June 30, 2015 and 2014, there were no shares potentially issuable and thus includible in the diluted net income (loss) attributable to controlling interests per common share calculations under our 5.875% convertible senior notes. However, in future reporting periods during which our closing stock price is above the $24.61 conversion prices for the 5.875% convertible senior notes, and depending on the closing stock price at conversion, the maximum potential dilution under the conversion provisions of such notes is 3.8 million shares, which could be included in diluted share counts in net income per common share calculations. See Note 8, "Convertible Senior Notes," for a further discussion of these convertible securities.

11. Stock-Based Compensation

We currently have two stock-based compensation plans, the Employee Stock Purchase Plan (the "ESPP") and the 2014 Equity Incentive Plan (the "2014 Plan"). As of June 30, 2015, 40,272 shares remained available for issuance under the ESPP and 620,100 shares remained available for issuance under the 2014 Plan.

Exercises and vestings under our stock-based compensation plans resulted in $0 and $75,000 in income tax-related charges to additional paid-in capital during the three and six months ended June 30, 2015 with no such charges or benefits for the three and six months ended June 30, 2014.

Restricted Stock and Restricted Stock Unit Awards

During the six months ended June 30, 2015 and 2014, we granted 106,334 and 77,600 shares of restricted stock (net of any forfeitures), respectively, with aggregate grant date fair values of $0.3 million and $0.3 million, respectively. When we grant restricted stock, we defer the grant date value of the restricted stock and amortize that value (net of the

value of anticipated forfeitures) as compensation expense with an offsetting entry to the additional paid-in capital component of our consolidated shareholders' equity. Our restricted stock vests over a range of 12 to 60 months (or other term as specified in the grant) and is amortized to salaries and benefits expense ratably over applicable vesting periods. As of June 30, 2015, our unamortized deferred compensation costs associated with non-vested restricted stock awards were $0.4 million with a weighted-average remaining amortization period of 1.0 year.

Table of Contents

Stock Options

Our 2014 Plan provides that we may grant options on or shares of our common stock (and other types of equity awards) to members of our Board of Directors, employees, consultants and advisors. The exercise price per share of the options may be less than, equal to, or greater than the market price on the date the option is granted. The option period may not exceed 5 years from the date of grant. The vesting requirements for options could range from 0 to 5 years. We had expense of $110 thousand and $183 thousand related to stock option-related compensation costs during the six months ended June 30, 2015 and 2014, respectively. When applicable, we recognize stock option-related compensation expense for any awards with graded vesting on a straight-line basis over the vesting period for the entire award. Information related to options outstanding is as follows:

	June 30, 2015			
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average of Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2014	450,000	$2.52		
Issued	—	$—		
Exercised	(1,667)	$2.27		
Outstanding at June 30, 2015	448,333	$2.52	3.7	$453,900
Exercisable at June 30, 2015	208,339	$2.54	3.7	$207,007

We had $0.1 million and $0.5 million of unamortized deferred compensation costs associated with non-vested stock options as of June 30, 2015 and 2014, respectively.

Table of Contents

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

The following discussion should be read in conjunction with our consolidated financial statements and the related notes included therein and our Annual Report on Form 10-K for the year ended December 31, 2014, where certain terms (including trust, subsidiary and other entity names and financial, operating and statistical measures) have been defined.

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

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

OVERVIEW

We are a provider of various credit and related financial services and products to or associated with the financially underserved consumer credit market—a market largely represented by credit risks that regulators classify as sub-prime.

Currently, within our Credit and Other Investments segment, we are applying the experiences and infrastructure from our 18-year operating history to originate consumer loans through multiple channels, including retail point-of-sale and direct solicitation. In our point-of-sale channel, we partner with retailers and service providers in various industries across the U.S. to provide credit to their customers for the purchase of goods and services or the rental of merchandise to their customers under rent-to-own arrangements. These products are often extended to customers who may have been declined under traditional financing options. We specialize in providing this "second-look" credit service. Using our infrastructure and technology platform, we also provide loan servicing, including underwriting, marketing, customer service and collections operations for third parties. Also through our Credit and Other Investments segment, we engage in testing and limited investment in consumer finance technology platforms as we seek to capitalize on our expertise and infrastructure.

Beyond these activities within our Credit and Other Investments segment, we continue to collect on portfolios of credit card receivables. These receivables include both receivables we originated through third-party financial institutions and portfolios of receivables we purchased from third-party financial institutions. One of our portfolios of credit card receivables is encumbered by non-recourse structured financing, and for this portfolio our principal remaining economic interest is the servicing compensation we receive as an offset against our servicing costs given that the likely future collections on the portfolio are insufficient to allow for full repayment of the financing. Additionally, we report within our Credit and Other Investments segment the income earned from an investment in an equity-method investee that holds credit card receivables for which we are the servicer. Prior to December 2014 we also included income from an additional equity-method investee that held structured financing notes underlying credit card receivables for which we are the servicer. This investee was consolidated on our financial statements as of December 31, 2014 subsequent to our distribution of certain assets to an unrelated third-party partner for their interest.

Lastly, we report within our Credit and Other Investments segment, gains associated with investments previously made in consumer finance technology platforms. These include investments in companies engaged in mobile technologies, marketplace peer lending and other financial technologies. These investments are carried at a lower of cost or market valuation, and the remaining associated book value as of June 30, 2015 is negligible given variations in the ascribed values since acquisition. Some of these platforms have raised, and continue to seek, capital at valuations

substantially in excess of our associated book value. However, none of these companies are publicly-traded, there is no foreseeable liquidity event, and ascribing value to these investments at this time would be speculative. Based on the performance and/or marketability of these investments in future periods, we could have material gains for our remaining ownership in these or other investment assets.

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

We historically financed most of our credit card receivables through the asset-backed securitization markets. These markets deteriorated significantly in 2008, and the level of “advance rates,” or leverage against credit card receivable assets, in

Table of Contents

the current asset-backed securitization markets is below pre-2008 levels. Considering this reality coupled with constraints on credit card asset returns in the U.S., we no longer market or maintain open credit card accounts in the U.S. We do believe, however, that our point-of-sale and direct-to-consumer finance activities are generating and will continue to generate attractive returns on assets, thereby allowing us to secure debt financing under terms and conditions (including advance rates and pricing) that will allow us to achieve our desired returns on equity, and we continue to pursue growth in this area.

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

Subject to the availability of capital at attractive terms and pricing, we plan to continue to evaluate and pursue a variety of activities, including: (1) the expansion of our point-of-sale and direct-to-consumer finance products (including credit card solicitations); (2) the acquisition of additional financial assets associated with our point-of-sale finance activities as well as the acquisition of receivables portfolios; (3) investments in other assets or businesses that are not necessarily financial services assets or businesses; (4) the repurchase of our convertible senior notes and other debt or our outstanding common stock; and (5) the servicing of receivables and related financial assets for third parties (and in which we have limited or no equity interests) to allow us to leverage our expertise and infrastructure.

Table of Contents

CONSOLIDATED RESULTS OF OPERATIONS

	For the Three Months Ended June 30,		Income Increases (Decreases)
(In Thousands)	2015	2014	from 2014 to 2015
Total interest income	$16,879	$17,424	$(545)
Interest expense	(4,529)	(6,158)	1,629
Fees and related income on earning assets:			
Fees on credit products	1,891	6,407	(4,516)
Changes in fair value of loans and fees receivable recorded at fair value	1,981	1,975	6
Changes in fair value of notes payable associated with structured financings recorded at fair value	(420)	(1,151)	731
Rental revenue	9,278	14,710	(5,432)
Other	21	255	(234)
Other operating income:			
Servicing income	1,390	1,234	156
Other income	92	254	(162)
Equity in income equity-method investees	707	841	(134)
Total	$27,290	$35,791	$(8,501)
Losses upon charge off of loans and fees receivable recorded at fair value, net of recoveries	(9,991)	(50)	9,941
Provision for losses on loans and fees receivable recorded at net realizable value	5,961	6,731	770
Other operating expenses:			
Salaries and benefits	4,322	4,664	342
Card and loan servicing	9,608	12,956	3,348
Marketing and solicitation	332	631	299
Depreciation	9,961	16,573	6,612
Other	4,261	4,791	530
Net income (loss)	1,396	(11,178)	12,574
Net loss (income) attributable to noncontrolling interests	1	—	1
Net income (loss) attributable to controlling interests	1,397	(11,178)	12,575

Table of Contents

(In Thousands)	For the Six Months Ended June 30, 2015	2014	Income Increases (Decreases) from 2014 to 2015
Total interest income	$34,354	$37,618	$(3,264)
Interest expense	(9,086)	(12,345)	3,259
Fees and related income on earning assets:			
Fees on credit products	4,065	11,794	(7,729)
Changes in fair value of loans and fees receivable recorded at fair value	3,212	6,667	(3,455)
Changes in fair value of notes payable associated with structured financings recorded at fair value	(782)	(2,308)	1,526
Rental revenue	19,387	36,643	(17,256)
Other	88	2,285	(2,197)
Other operating income:			
Servicing income	2,950	2,474	476
Other income	359	1,321	(962)
Equity in income equity-method investees	1,782	3,247	(1,465)
Total	$56,329	$87,396	$(31,067)
Losses upon charge off of loans and fees receivable recorded at fair value, net of recoveries	(20,363)	1,835	22,198
Provision for losses on loans and fees receivable recorded at net realizable value	9,129	14,606	5,477
Other operating expenses:			
Salaries and benefits	8,442	9,762	1,320
Card and loan servicing	19,879	26,734	6,855
Marketing and solicitation	818	1,393	575
Depreciation	22,807	42,281	19,474
Other	11,433	10,331	(1,102)
Net income (loss)	3,362	(22,201)	25,563
Net loss (income) attributable to noncontrolling interests	2	(151)	153
Net income (loss) attributable to controlling interests	3,364	(22,352)	25,716

Three and Six Months Ended June 30, 2015, Compared to Three and Six Months Ended June 30, 2014

Total interest income. Total interest income consists primarily of finance charges and late fees earned on our point-of-sale finance, credit card and auto finance receivables. Period-over-period results reflect continued growth in our auto finance receivables and our point-of-sale finance and direct-to-consumer products, offset, however, by continued net liquidations of our credit card receivables over the past year. We are currently experiencing continued growth in our point-of-sale and direct-to-consumer finance products and our CAR receivables—growth which we expect to result in net period over period growth in our total interest income for these operations over the next few quarters. Future periods' growth is also dependent on the addition of new retail partners for our point-of-sale operations as well as continued growth within existing partnerships and continued growth within our direct-to-consumer finance product. This growth was delayed late in the first quarter of 2014 as a significant retail partner in our point-of-sale operations underwent a product shift that resulted in the suspension of new account originations with us for both our installment lending product as well as our rent-to-own product. Despite these anticipated increases, continued net liquidations of our credit card receivables will continue to offset these increases and could continue to result in overall net declines in interest income period over period.

Interest expense. Variations in interest expense are due to our debt facilities being repaid commensurate with net liquidations of the underlying credit card, auto finance and installment loan receivables that serve as collateral for the facilities

Table of Contents

offset by new borrowings associated with growth in our point-of-sale finance and CAR operations as evidenced within Note 7, “Notes Payable,” to our consolidated financial statements. We anticipate additional debt financing over the next few quarters as we continue to grow, and as such, we expect our quarterly interest expense to be above that experienced in the prior periods for these operations. Offsetting this growth in interest expense, in addition to the net liquidations of facilities associated with our credit card portfolios, will be reductions in interest costs associated with convertible senior notes that have been repurchased and canceled. In November 2014, we repurchased $46.1 million aggregate principal amount of 5.875% convertible senior notes due 2035 ("5.875% convertible senior notes"). In connection with this repurchase, we borrowed $20.0 million under a secured term loan from a related party. See "Related Party Transactions" below for more information.

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

- Declines in rental revenue due to the aforementioned product shift at a significant retail partner that resulted in the suspension of new account originations with us for both our installment lending product as well as our rent-to-own product, and for which sales volumes have not returned to levels previously experienced;
- Reductions in fees on credit products, principally associated with the net liquidations of credit card accounts in the U.K.;
- Recoveries of $2.1 million on investments in consumer finance technology platforms in excess of their carrying value in our "Other" category in 2014 with no corresponding recovery in 2015; and
- The effects of changes in the fair values of credit card receivables recorded at fair value and notes payable associated with structured financings recorded at fair value as described below.

We expect a diminishing level of fee income for 2015 because we do not anticipate additional credit card originations in the U.K. Further, given expected future net liquidations of our credit card receivables for which we use fair value accounting, we expect our change in fair value of credit card receivables recorded at fair value and our change in fair value of notes payable associated with structured financings recorded at fair value amounts to gradually diminish (absent significant changes in the assumptions used to determine these fair values) in the future. These amounts, however, are subject to potentially high levels of volatility if we experience changes in the quality of our credit card receivables or if there are significant changes in market valuation factors (e.g., interest rates and spreads) in the future. Such volatility will be muted somewhat, however, by the offsetting nature of the receivables and underlying debt being recorded at fair value and with the expected reductions in the face amounts of such outstanding receivables and debt as we experience further credit card receivables liquidations and associated debt amortizing repayments.

Servicing income. We earn servicing compensation by servicing loan portfolios for third parties (including our equity-method investees). Unless and/or until we grow the number of contractual servicing relationships we have with third parties or our current relationships grow their loan portfolios, we will not experience significant growth and income within this category, and we currently expect to experience limited growth relative to those experienced in prior periods.

Other income. Historically included within our other income category are ancillary and interchange revenues, which are now relatively insignificant for us due to our credit card account closures and net credit card receivables portfolio liquidations. Absent portfolio acquisitions, we do not expect significant ancillary and interchange revenues in the future. Also included within our other income category are certain reimbursements we receive in respect of one of our portfolios.

As mentioned elsewhere in this Report, we plan to continue to evaluate and pursue a variety of activities, including the repurchase of our 5.875% convertible senior notes, gains on the repurchase of which (if any) would impact this income category.

Equity in income of equity-method investees. Because our equity-method investees use the fair value option to account for their financial assets and liabilities, changes in fair value estimates can cause some volatility in the earnings of these investees. Because of continued liquidations in their financial assets (a credit card receivables portfolio held by one equity-method investee and structured financing notes held by the other), absent additional investments in our existing or in new equity-method investees in the future, we expect gradually declining effects from our equity-method investments on our operating results. Further, in December 2014, we consolidated on our financial statements one of our equity-method investees subsequent to our distribution of certain assets to an unrelated third-party partner for their interest in the entity. As such, we expect even further diminishing effects from our equity-method investments on our operating results for 2015 when compared to prior periods.

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

Table of Contents

liquidate our credit card receivables. Additionally, net losses in both periods reflect the effects of reimbursements received in respect of one of our portfolios. In the first and second quarters of 2015, these reimbursements exceeded the charge-offs experienced within the portfolio as the reimbursements are not directly associated with the timing of actual charge offs. The timing of these reimbursements cannot be reliably determined and as such we may not continue to experience similar positive impacts on quarters throughout the year.

Provision for losses on loans and fees receivable recorded at net realizable value. Our provision for losses on loans and fees receivable recorded at net realizable value covers, with respect to such receivables, the aggregate loss exposures on (1) principal receivable balances, (2) finance charges and late fees receivable underlying income amounts included within our total interest income category, and (3) other fees receivable. We have experienced a period-over-period decrease in this category between 2014 and 2015 due to the previously mentioned declines in volumes associated with our installment lending product. Additionally, testing associated with our credit card product in the U.K. resulted in slightly higher provisions through the first quarter of 2014, but, given that we have discontinued new originations in the U.K., we expect declines in provisions associated with this product offering. Further, we expect growth in new product receivables recorded at net realizable value to result in increases in our provisions for losses on loans and fees receivable recorded at net realizable value in future quarters—such increases predominantly expected to reflect the effects of volume associated with our point-of-sale finance product offering (i.e., growth of new product receivables), rather than credit quality changes or deterioration. See Note 2, "Significant Accounting Policies and Consolidated Financial Statement Components," to our consolidated financial statements and the discussions of our Credit and Other Investments and Auto Finance segments for further credit quality statistics and analysis.

Total other operating expense. Total other operating expense variances for the three and six months ended June 30, 2015, relative to the three and six months ended June 30, 2014, reflect the following:

- modestly lower 2015 salaries and benefits costs resulting from cost reductions undertaken in the third and fourth quarters of 2014, offset by increases required to grow our new credit product offerings;
- card and loan servicing expenses that are lower in 2015 based on lower originations for our installment loan and rent-to-own products when compared to the same periods in 2014 as well as continued net liquidations in our credit card portfolios;
- slight decreases in marketing costs as our new product offerings require less direct-to-consumer marketing expenses as those seen under our historical credit card operations coupled with reduced originations in these programs as discussed above;
- decreased depreciation primarily associated with declines in originations under our rent-to-own program, totaling $9.4 million, $21.6 million, $15.7 million and $40.7 million for the three and six months ended June 30, 2015 and 2014, respectively; and
- general increases in other expenses including customer acquisition, underwriting costs and third party costs associated with ongoing information technology upgrades.

A portion of our operating costs are variable based on the levels of accounts we market and receivables we service (both for our own account and for others) and the pace and breadth of our search for, acquisition of and introduction of new business lines, products and services. However, a number of our operating costs are fixed and until recently have comprised a larger percentage of our total costs based on the ongoing contraction of our credit card and auto finance loans and fees receivable levels. This trend is gradually reversing, however, as we continue to grow our earning assets (including loans and fees receivable and rental merchandise) based principally on growth of our point-of-sale finance product offerings and to a lesser extent, growth within our CAR operations. We continue to perform extensive reviews of all areas of our businesses for cost savings opportunities to better align our costs with our portfolio of managed receivables.

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

Noncontrolling interests. We reflect the ownership interests of noncontrolling holders of equity in our majority-owned subsidiaries as noncontrolling interests in our consolidated statements of operations. Unless we enter into significant

new majority-owned subsidiary ventures with noncontrolling interest holders in the future, we expect to have negligible noncontrolling interests in our majority-owned subsidiaries and negligible allocations of income or loss to noncontrolling interest holders in future quarters.

Income Taxes. We experienced effective income tax expense rates of 50.8% and 19.6% for the three and six months ended June 30, 2015, respectively compared to negative effective income tax benefit rates of 6.4% and 13.6% for the three and six months ended June 30, 2014, respectively. Our accruals of interest and penalties associated with assessed and unpaid prior year tax liabilities account for the excess of our effective income tax expense rate for the three months ended June 30, 2015 over statutory rates. Although these interest and penalties were also present in the first quarter of this year, our effective income tax expense rate for the six months ended June 30, 2015 is significantly below statutory rates principally due to a favorable effective settlement we reached with the Internal Revenue Service ("IRS") in February, 2015 relative to prior year accruals for uncertain tax positions and interest accruals thereon. The negative effective income tax benefit rate for both the three and six months ended June 30, 2014 resulted principally from the (1) effects of legislative changes enacted during that period in certain state filing jurisdictions, (2) interest accruals on our liabilities for uncertain tax positions and (3) changes in valuation allowances against income statement-oriented federal, foreign and state deferred tax assets.

We report potential accrued interest and penalties related to our accrued liabilities for uncertain tax positions within our income tax benefit or expense line item on our consolidated statements of operations. We likewise report the reversal of such accrued interest and penalties within the income tax benefit or expense line item to the extent that we resolve our liabilities for uncertain tax positions in a manner favorable to our accruals therefor. During the three and six months ended June 30, 2015, we accrued no material amounts of interest and penalties associated with uncertain tax positions. In contrast, however, net interest and penalty accruals of $0.6 million and $1.2 million increased our respective negative effective income tax benefit rates in the three and six months ended June 30, 2014.

Credit and Other Investments Segment

Our Credit and Other Investments segment includes our activities relating to investments in and servicing of our point-of-sale and direct-to-consumer finance products and our various credit card receivables portfolios, as well as other product testing and investments that generally utilize much of the same infrastructure.

The types of revenues we earn from our products and services primarily include finance charges, the accretion of discounts associated with our point-of-sale and direct-to-consumer finance installment loans or revolving credit offers and certain other fees. Also, while insignificant currently, revenues also have included credit card fees associated with (1) our sale of ancillary products such as memberships, subscription services and debt waiver, as well as (2) interchange fees representing a portion of the merchant fee assessed by card associations based on cardholder purchase volumes underlying credit card receivables.

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

Depreciation associated with rental merchandise (totaling $9.4 million, $21.6 million, $15.7 million and $40.7 million for the three and six months ended June 30, 2015 and 2014, respectively) for which we receive rental revenue is included as a component of our overall depreciation in our consolidated statements of operations.

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

Table of Contents

Managed Receivables

We make various references within our discussion of the Credit and Other Investments segment to our managed receivables. In calculating managed receivables data, we include within managed receivables those receivables we manage for our consolidated subsidiaries, but we exclude from managed receivables any noncontrolling interest holders' shares of the receivables. Additionally, we include within managed receivables only our economic share of the receivables that we manage for our equity-method investees.

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

Reconciliation of the managed receivables data to our GAAP financial statements requires: (1) an understanding that our managed receivables data are based on billings and actual charge offs as they occur, without regard to any changes in our allowance for uncollectible loans and fees receivable or any changes in the fair value of loans and fees receivable and their associated structured financing notes; (2) inclusion of our economic share of (or equity interest in) the receivables we manage for our equity-method investees; (3) removal of any noncontrolling interest holders' shares of the managed receivables underlying our GAAP consolidated results; (4) treatment of the transaction in which our 50%-owned equity-method investee acquired our structured financing trust notes (a) as a deemed sale of the trust receivables at their face amount, (b) followed by the 50%-owned equity-method investee's deemed repurchase of such receivables for consideration equal to the discounted purchase price that it paid for the notes, and (c) as though the difference between the deemed face amount and the deemed discounted repurchase price of the receivables is to be treated as credit quality discount to be accreted into managed earnings as a reduction of net charge offs over the remaining life of the receivables; and (5) the exclusion from our managed receivables data of certain reimbursements received in respect of one of our portfolios which resulted in pre-tax income benefits within our total interest income, fees and related income on earning assets, losses upon charge off of loans and fees receivable recorded at fair value, net of recoveries, other income, servicing income, and equity in income of equity-method investees line items on our consolidated statements of operations totaling approximately $10.7 million for the three months ended June 30, 2015, $12.2 million for the three months ended March 31, 2015, $8.0 million for the three months ended December 31, 2014, $2.7 million for the three months ended September 30, 2014, $3.7 million for the three months ended June 30, 2014, $3.2 million for the three months ended March 31, 2014, $1.2 million for the three months ended December 31, 2013 and $3.9 million for the three months ended September 30, 2013. This last category of reconciling items above is excluded because it does not bear on our performance in managing our credit card portfolios, including our underwriting, servicing and collection activities and our valuing of purchased receivables; moreover, it is difficult to determine the future effects of any such reimbursements that may be received.

We typically have purchased credit card receivables portfolios at substantial discounts. In our managed basis statistical data, we apply a portion of these discounts against receivables acquired for which charge off is considered likely, including accounts in late stages of delinquency at the date of acquisition; this portion is measured based on our acquisition date estimate of the shortfall of cash flows expected to be collected on the acquired portfolios relative to the face amount of receivables represented within the acquired portfolios. We refer to the balance of the discount for each purchase not needed for credit quality as accretable yield, which we accrete into total yield in our managed basis statistical data using the interest method over the estimated life of each acquired portfolio. As of the close of each

financial reporting period, we evaluate the appropriateness of the credit quality discount component and the accretable yield component of our acquisition discount based on actual and projected future results.

Asset quality. Our delinquency and charge-off data at any point in time reflect the credit performance of our managed receivables. The average age of the accounts underlying our receivables, the timing of portfolio purchases, the success of our collection and recovery efforts and general economic conditions all affect our delinquency and charge-off rates. The average age of the accounts underlying our receivables portfolio also affects the stability of our delinquency and loss rates. We consider this delinquency and charge-off data in our determination of the fair value of our credit card receivables underlying formerly off-balance-sheet securitization structures, as well as our allowance for uncollectible loans and fees receivable in the case of our other credit product receivables that we report at net realizable value. Our strategy for managing delinquency and receivables losses consists of account management throughout the customer relationship. This strategy includes credit line management and pricing based on the risks. See also our discussion of collection strategies under the “How Do We Collect from Our Customers?” in Item 1, “Business” of our Annual Report on Form 10-K for the year ended December 31, 2014.

Table of Contents

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

	At or for the Three Months Ended							
	2015		2014				2013	
	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30
Period-end managed receivables	$134,828	$140,660	$157,145	$186,564	$200,147	$215,182	$236,740	$248,584
Percent 30 or more days past due	12.4 %	10.1 %	13.6 %	11.2 %	11.2 %	12.0 %	12.5 %	10.9 %
Percent 60 or more days past due	9.2 %	7.5 %	9.8 %	8.3 %	8.1 %	9.2 %	9.2 %	7.8 %
Percent 90 or more days past due	5.2 %	5.4 %	6.9 %	5.8 %	5.7 %	6.7 %	6.4 %	5.2 %
Average managed receivables	$136,898	$146,792	$173,553	$194,272	$206,657	$227,109	$242,272	$246,147
Total yield ratio	38.8 %	38.3 %	63.3 %	42.6 %	38.4 %	45.4 %	33.3 %	36.3 %
Combined gross charge-off ratio	17.7 %	23.8 %	21.4 %	21.4 %	25.5 %	23.8 %	19.1 %	14.6 %
Adjusted charge-off ratio	13.4 %	19.2 %	16.4 %	17.7 %	21.3 %	19.8 %	15.2 %	10.7 %

Managed receivables levels. The consistent quarterly declines in our period-end and average managed receivables over the last eight quarters reflect the net liquidating state of our credit card receivables portfolios given our closure of substantially all credit card accounts underlying the portfolios. Moreover, we have effectively curtailed our credit card marketing efforts. Nevertheless, because of the receivables growth we have experienced and expect to continue to experience over the coming quarters associated with our point-of-sale and direct-to-consumer finance offerings, the rate of decline in our managed receivables will diminish, and we expect the slower decline to continue over coming quarters. This trend was offset in the fourth quarter of 2014 by our distribution of certain assets to an unrelated third-party partner in a joint venture for their interest. See Note 7 "Notes Payable" for more information. Growth in future periods largely is dependent on the addition of new retail partners for our point-of-sale operations as well as continued growth within our direct-to-consumer operations. This growth was delayed late in the first quarter of 2014 as a significant retail partner in our point-of-sale operations underwent a product shift that resulted in the suspension of new account originations with us for our installment lending product. This disruption lasted into the second quarter of 2014 and continues to impact growth through lower originations. We anticipate that new originations with this retail partner will continue to lag behind our earlier experience with this retail partner.

Delinquencies. Delinquencies have the potential to impact net income in the form of net credit losses. Delinquencies also are costly in terms of the personnel and resources dedicated to resolving them. We intend for the account management strategies we use on our portfolios to manage and, to the extent possible, reduce the higher delinquency rates that can be expected in a more mature managed portfolio such as ours. These account management strategies include conservative credit line management, purging of inactive accounts and collection strategies intended to optimize the effective account-to-collector ratio across delinquency categories. We further describe these collection strategies under the heading “How Do We Collect from Our Customers?” in Item 1, “Business” of our Annual Report on Form 10-K for the year ended December 31, 2014. We measure the success of these efforts by measuring delinquency rates. These rates exclude accounts that have been charged off.

Given that the vast majority of our credit card accounts have been closed and there has been no significant new activity for these accounts in the past several quarters, we have noted declines in our delinquency statistics of our

managed credit card accounts. The trend of increasing delinquency rates noted above is primarily due to growth in our point-of-sale finance operations which experience higher delinquency rates than those of our liquidating credit card portfolios. Additionally, our historical credit card originations in the U.K. have experienced higher than average delinquency rates. As these U.K. credit cards continue to liquidate, the associated higher delinquencies will impact our overall delinquency rates to a lesser degree.

We expect our point-of-sale and direct-to-consumer finance and other new product offerings to become a larger component of our managed receivables base, given the acceleration of growth in these products. Further, we expect our delinquency rates to increase slightly (when compared to the same period in prior years) as the risk profiles (and thus expected returns) for these receivables are higher than that experienced under our current mix of largely mature credit card receivables underlying closed credit card accounts. Additionally, seasonal payment patterns on these receivables are similar to those

experienced with our historical credit card originations and we expect those patterns to continue. For example, delinquency rates historically are lower in the first quarter of each year as seen above due to the benefits of seasonally strong payment patterns associated with year-end tax refunds for most of our customers.

Total yield ratio. As noted previously, the mix of our managed receivables has shifted away from certain higher-yielding credit card receivables. Those particular originated receivables have higher delinquency rates and late and over-limit fee assessments than do our other portfolios, and thus have higher total yield ratios as well. Additionally, our total yield ratio has been adversely affected over the past several quarters by our Non-U.S. Acquired Portfolio acquisition. Its total yields are below average compared to our other portfolios, and the rate of decline in receivables in this portfolio has lagged behind the rate of decline in receivables in our other portfolios, thus continuing to suppress our total yield ratio.

Offsetting the historical impacts noted above, is growth in our newer, higher yielding products, including our point-of-sale finance product. While this growth has contributed to increases in our total yield ratio, we expect this growth will slow or even modestly reverse the trend of our declining charge-off rates as discussed above because we expect these accounts to season, mature, and charge off at higher rates than we currently experience on our liquidating pool of credit card receivables associated with closed credit card accounts. We anticipate continued growth in our higher yielding point-of-sale products over the next few quarters and continued accretive effects of this growth on our total yield ratios.

Although we have seen generally improving total yield ratio trend-lines, our first, third and fourth quarter 2014 total yield ratios were also positively impacted by the decline in the managed receivables base discussed above as well as recoveries on investments in securities in excess of their carrying value and our repurchase of convertible senior notes in the fourth quarter of 2014. Absent these items, our total yield ratio would have been 41.6%, 38.0% and 35.6% in the first, third and fourth quarters of 2014, respectively.

Combined gross charge-off ratio and Adjusted charge-off ratio. We charge off our Credit and Other Investments segment receivables when they become contractually more than 180 days past due or 120 days past due for the point-of-sale and direct-to-consumer finance products. For our rent-to-own products, we charge off receivables and impair associated rental merchandise if the customer has not made a payment within the previous 90 days. However, if a customer makes a payment greater than or equal to two minimum payments within a month of the charge-off date, we may reconsider whether charge-off status remains appropriate. For all of our products, we charge off receivables within 30 days of notification and confirmation of a customer’s bankruptcy or death. However, in some cases of death, we do not charge off receivables if there is a surviving, contractually liable individual or an estate large enough to pay the debt in full.

Certain of our prior originated credit card offerings have higher charge offs relative to their average managed receivables balances, than do our other portfolios. Due to the recent higher rate of decline in these particular originated receivables relative to all of our other outstanding credit card receivables, as well as the longer weighted average age and maturity of our remaining managed receivables portfolio, all things being equal, one would expect reduced charge-off ratios for these receivables. However, this trend has been muted to some degree simply due to a change in the mix of our receivable balances due to growth within our point-of-sale finance operations that have higher charge-off rates than the liquidating credit card portfolios as well as increased charge-offs associated with credit card origination efforts in the U.K. The decline we experienced in the second quarter of 2015 in both our combined and adjusted gross charge-off ratios was largely due to the seasonal beneficial impacts associated with customer payments experienced in the first quarter of 2015. Additionally, negatively impacting the charge-off ratios in the first quarter of 2015 (and thus magnifying the decline in charge-off ratios noted in the second quarter) were higher than anticipated charge-offs associated with one of our retail channels.

The continued growth in our point-of-sale and direct-to-consumer finance operations continues to result in higher charge-off ratios than those experienced historically. In the next few quarters, we expect increasing charge off rates on a period-over-period comparison basis. This expectation is based on (1) the age, maturity and stability of our portfolio of generally liquidating receivables associated with closed credit card accounts, (2) higher expected charge off rates on our new product offerings, offset by lower charge offs associated with historical credit card originations in the U.K. due to the cessation of marketing efforts for this product, (3) the low charge-off ratios experienced in the second quarter as discussed above and (4) an overall decline in the managed receivables base as discussed above.

Table of Contents

Rental Merchandise

The following table presents certain trends associated with our merchandise leasing activities within our Credit and Other Investments segment (in thousands; percentages of total):

	At or for the three months ended							
	2015		2014				2013	
	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30
Period-end rental merchandise, net of accumulated amortization	$12,006	$10,357	$14,177	$12,268	$11,082	$22,052	$28,849	$16,976
Period-end rental merchandise accounts	109	99	100	98	96	99	83	42
Average rental merchandise, net of accumulated amortization	$11,045	$12,186	$13,292	$11,845	$15,485	$29,047	$22,804	$8,493
Other (loss) income ratio	(17.6)%	(78.0)%	(50.3)%	37.9 %	(21.4)%	(45.1)%	46.7 %	38.1 %

Average rental merchandise. Rental merchandise offerings comprise a significant part of our point-of-sale finance suite of products. Our merchandise leasing activities accelerated during the third quarter of 2013, and prior to that quarter, we had no significant experience or trends with this particular type of product. Subject to the availability of capital on desirable terms, we expect significant ongoing quarterly growth in our rental merchandise activities in future quarters. As is noted in the table above, our rental merchandise has declined from levels experienced at year end 2013. Key drivers of this decline include: 1) depreciation of existing rental merchandise coupled with a decline in new originations due to the disruption of new account originations discussed above; 2) accelerated depreciation of certain rental merchandise due to early payoffs of outstanding rental contracts related to early payment incentives and seasonally strong payment patterns associated with year-end tax-refunds for most of our customers and 3) accelerated depreciation of certain rental merchandise due to impairments associated with accounts where the customer has not made a payment within the previous 90 days.

Other (loss) income ratio. The numerator of our other (loss) income ratio equals gross revenues associated with our leasing activities less depreciation of our rental merchandise. The denominator of our other (loss) income ratio equals average rental merchandise as disclosed in the table above. The timing of new account originations significantly impacts our quarterly ratios either through rapid growth or a period of slow growth, as occurred during the second quarter of 2014 for the reasons discussed above. The disruption in new account originations and the impact of early payoffs mentioned above resulted in an other loss ratio for the first and second quarters of 2014, as our rental merchandise balance and related payments declined. As a customer's previous rental payments (which are treated as rental revenues and included as a component of our other income ratio in the period they are credited to a customers account) are applied when determining an early payoff amount, these early payoff amounts are often for less than the remaining book value of the associated depreciable asset, negatively impacting our other (loss) income ratio. This trend reversed in the third quarter of 2014 as our fourth quarter 2013 and first quarter 2014 vintages substantially passed their early payoff and peak charge-off periods. The loss ratio we experienced in the fourth quarter of 2014 and first quarter of 2015 was similarly due to higher than anticipated early payoffs and charge-offs on accounts originated in prior periods. The lower other (loss) income ratio experienced in the second quarter of 2015 is largely attributable to the continued seasoning of larger historic vintages and continued improvements to both our consumer underwriting and retail merchant agreements, both of which impact the amount of receivables originated with any particular merchant. Until such a time that we have consistent origination growth and a stable basis of inventory, we continue to

expect fluctuations in our other (loss) income ratio based on the timing of these originations and the relative volumes of customers who pay off their accounts earlier than anticipated.

Auto Finance Segment

Our Auto Finance segment historically included a variety of auto sales and lending activities.

Our original platform, CAR, acquired in April 2005, principally purchases and/or services loans secured by automobiles from or for, and also provides floor-plan financing for, a pre-qualified network of independent automotive dealers and automotive finance companies in the buy-here, pay-here used car business. We have expanded these operations to also include certain installment lending products in addition to our traditional loans secured by automobiles. While not currently material, these loans could represent a meaningful investment in the future.

Table of Contents

We also historically owned substantially all of JRAS, a buy-here, pay-here dealer we acquired in 2007 and operated from that time until our disposition of certain JRAS operating assets in the first quarter of 2011.

Additionally, our ACC platform acquired during 2007 historically purchased retail installment contracts from franchised car dealers. We ceased origination efforts within the ACC platform during 2009 and outsourced the collection of its portfolio of auto finance receivables. In February of 2015, we sold our remaining interest in the ACC portfolio of receivables for an immaterial amount.

Collectively, as of June 30, 2015, we served more than 560 dealers through our Auto Finance segment in 33 states, the District of Columbia and two U.S. territories.

Managed Receivables Background

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

Analysis of Statistical Data

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

	At or for the Three Months Ended							
	2015		2014				2013	
	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30
Period-end managed receivables	$78,342	$73,371	$69,832	$68,102	$64,000	$59,440	$63,491	$59,249
Percent 30 or more days past due	13.5 %	10.7 %	14.5 %	14.3 %	14.6 %	11.0 %	13.1 %	12.3 %
Percent 60 or more days past due	5.6 %	4.4 %	5.5 %	5.7 %	5.1 %	4.4 %	4.3 %	4.2 %
Percent 90 or more days past due	2.5 %	2.1 %	2.5 %	2.7 %	1.8 %	1.9 %	1.7 %	1.6 %
Average managed receivables	$77,182	$72,258	$68,418	$66,428	$62,475	$60,949	$61,263	$59,126
Total yield ratio	37.6 %	39.2 %	39.1 %	39.2 %	39.1 %	38.5 %	40.2 %	41.0 %
Combined gross charge-off ratio	1.9 %	0.5 %	4.7 %	2.2 %	0.5 %	1.0 %	4.0 %	4.4 %
Recovery ratio	0.6 %	1.5 %	3.3 %	1.5 %	2.1 %	2.1 %	1.6 %	1.8 %

Managed receivables. For all of the periods set forth above, only CAR continues to purchase/originate loans, but until the second quarter of 2014, it had not done so at growth levels significant enough to consistently offset the gradual liquidation of our ACC and JRAS portfolios' managed receivables. ACC and JRAS managed receivables are substantially liquidated at this point, and we are beginning to see and expect stability in the level of our managed receivables, with growth through receivable purchase opportunities in the U.S. and U.S. Territories, as occurred during 2014 and which has continued through the second quarter of 2015. Although we are expanding our CAR operations, the Auto Finance segment faces strong competition from other specialty finance lenders, as well as the indirect effects on us of our buy-here, pay-here dealership customers' competition with more traditional franchise

dealerships for consumers interested in purchasing automobiles.

Table of Contents

Delinquencies. Delinquency rates abated in 2013 to levels below what we would normally anticipate and current levels we are experiencing more closely represent what we would expect going forward with some marginal increases noted within the overall buy-here pay-here market. Delinquency rates historically are lower in the first quarter of each year as seen above due to the benefits of seasonally strong payment patterns associated with year-end tax refunds for most of our customers. We are not concerned with modest fluctuations in delinquency rates and do not believe they will have a significantly positive or adverse impact on our results of operations; even at slightly elevated rates, we earn significant yields on CAR's receivables and have significant dealer reserves (i.e., retainages or holdbacks on the amount of funding CAR provides to its dealer customers) to protect against meaningful credit losses.

Total yield ratio. We have experienced modest fluctuations in our total yield ratio largely impacted by the relative mix of receivables in our various products offered by CAR as some shorter term product offerings tend to have higher yields. Slightly depressing the overall total yield ratio is the growth we continue to experience in the average managed receivables levels which negatively impacts the ratio ahead of the positive impacts of associated billed yield on this growth. Yields on our CAR products over the last few quarters are consistent with our expectations and we expect our total yield ratio to remain in line with current experience.

Combined gross charge-off ratio and recovery ratio. We charge off auto finance receivables when they are between 120 and 180 days past due, unless the collateral is repossessed and sold before that point, in which case we will record a charge off when the proceeds are received. The combined gross charge-off ratio represents an annualized fraction the numerator of which is the aggregate amounts of finance charge, fee and principal losses from customers unwilling or unable to pay their receivables balances, as well as from bankrupt and deceased customers, less current-period recoveries (including recoveries from dealer reserve offsets), and the denominator of which is average managed receivables. Because our ACC receivables and the receivables of our JRAS operations that we retained in connection with the sale of our JRAS operations have declined and are now largely insignificant relative to our total portfolio of auto finance receivables our combined gross charge-off ratio declined significantly in the first quarter of 2014. Additionally benefiting the second quarter of 2014 were larger than expected recoveries associated with our ACC receivables which further reduced our combined gross charge-off ratio. The rise in our combined gross charge-off ratio in the fourth quarter of 2014 was due to specific dealer related losses which accounted for substantially all of the increase for the quarter. While we anticipate our charge-offs to be incurred ratably across our portfolio of dealers, specific dealer related losses are difficult to predict and can negatively influence our combined gross charge-off ratio as was seen in the fourth quarter of 2014. We continually re-assess our dealers and will take appropriate action if we feel a particular dealer's risk characteristics adversely change. Significantly all charge offs we experienced in the first and second quarters of 2015 were offset by available dealer reserves resulting in lower charge-off ratios for those periods. While we have appropriate dealer reserves to mitigate losses across our pool of receivables, the timing of recognition of these reserves as an offset to charge offs is largely dependent on various factors specific to each of our dealer partners including ongoing purchase volumes, outstanding balances of receivables and current performance of outstanding loans. As such, the timing of charge off offsets is difficult to predict, however we feel that these reserves are adequate to offset any loss exposure we may incur. Our CAR receivables, now comprise a more significant proportion of our average managed auto finance receivables—a factor that has contributed most significantly to our general trend-line of lower combined gross charge-off ratios. We expect our recovery rate to fluctuate modestly from quarter to quarter due to the timing of the sale of repossessed autos.

LIQUIDITY, FUNDING AND CAPITAL RESOURCES

Until the third quarter of 2013, we experienced net liquidations of our managed receivables at faster rates than we were able to reduce our costs. This resulted from the significant level of fixed infrastructure costs that had built up to support our significant legacy credit card lending operations. Our infrastructure costs are still somewhat elevated, and while we had in the past been focused on cost reduction, our primary focus now is on growing our point-of-sale and direct-to-consumer finance offerings so that our revenues from these product offerings can cover our infrastructure

costs and return us to consistent profitability. This growth was delayed late in the first quarter of 2014 as a significant retail partner in our point-of-sale operations underwent a product shift that resulted in the temporary suspension of new account originations with us for our installment lending product. This disruption lasted into the second quarter of 2014 and continues to impact growth through lower originations. We anticipate that new originations with this retail partner will continue to lag behind our earlier experience with this retail partner, although we are seeing consistent monthly growth. Further, this disruption resulted in net contraction in our earning assets in both the first and second quarters of 2014.

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

Table of Contents

All of our Credit and Other Investments segment's structured financing facilities are expected to amortize down with collections on the receivables within their underlying trusts and should not represent significant refunding or refinancing risks to our consolidated balance sheet. Additionally, we do not expect any imminent refunding or financing needs associated with our 5.875% convertible senior notes given their maturity date of 2035. In May 2015 we redeemed the remainder of the outstanding 3.625% convertible senior notes. As such, the only facilities that could represent significant refunding or refinancing needs as of June 30, 2015 are those associated with the following notes payable in the amounts indicated (in millions):

Revolving credit facility (expiring December 3, 2016) that is secured by originated U.K. credit card receivables portfolio	$1.5
Revolving credit facility (expiring October 4, 2017) that is secured by the financial and operating assets of our CAR operations	31.7
Senior secured term loan (expiring November 25, 2015) that is secured by certain assets of the Company with an annual rate equal to 9.0% and payable to a related party	20.0
Total	$53.2

Further details concerning the above debt facilities are provided in Note 7, "Notes Payable," and Note 8, "Convertible Senior Notes," to our consolidated financial statements included herein. Based on the state of the debt capital markets, the performance of our assets that serve as security for the above facilities, and our relationships with lenders, we view imminent refunding or refinancing risks with respect to the above facilities as low in the current environment, and we believe that the quality of our new product offering assets should allow us to raise more capital through increasing the size of our facilities with our existing lenders and attracting new lending relationships.

In December 2014, we reached a settlement with the Internal Revenue Service ("IRS") concerning the tax treatment of net operating losses that we incurred in 2007 and 2008 and carried back to obtain refunds of federal income taxes paid in earlier years dating back to 2003. Pursuant to the terms of the settlement, we agreed to a federal income tax assessment of $9.1 million associated with our 2007 and 2008 net operating loss carry-backs. As of June 30, 2015, our consolidated balance sheet reflects accrued interest and penalties in the amount of $2.6 million on an unpaid $9.1 million tax assessment associated with pre-2008 tax years, including $479,000 and $598,000 of which we accrued into our tax expense in the three and six months ended June 30, 2015, respectively.

At June 30, 2015, we had $46.3 million in unrestricted cash held by our various business subsidiaries. Because the characteristics of our assets and liabilities change, liquidity management has been a dynamic process for us, driven by the pricing and maturity of our assets and liabilities. We historically have financed our business through cash flows from operations, asset-backed structured financings and the issuance of debt and equity. Details concerning our cash flows for the six months ended June 30, 2015 are as follows:

- During the six months ended June 30, 2015, we used $10.2 million of cash flows from operations compared to the use of $14.6 million of cash flows from operations during the six months ended June 30, 2014. The decrease was principally related to reductions in purchases of rental merchandise associated with our point-of-sale finance operations and cost reductions we implemented throughout 2014 and collections associated with reimbursements received in respect of one of our portfolios. These decreases in cash used were offset by decreases in collections associated with our credit card finance charge receivables in the six months ended June 30, 2015 relative to the same period in 2014, given diminished receivables levels.
- During the six months ended June 30, 2015, we generated $20.0 million of cash from our investing activities, compared to generating $24.6 million of cash from investing activities during the six months ended June 30, 2014. This decrease is primarily due to increasing levels of investments in our point-of-sale and direct-to-consumer assets relative to the same period in 2014 (primarily in the second quarter of 2015) and the shrinking size of our liquidating credit card portfolios and corresponding payments from customers. Offsetting these declines are the

subsequent cash returns on our increasing investments in point-of-sale and direct to consumer receivables as well as reductions in our restricted cash levels, both of which contributed positively to our cash generated from investing activities.

- During the six months ended June 30, 2015, we used $3.3 million of cash in financing activities, compared to our use of $28.3 million of cash in financing activities during the six months ended June 30, 2014. In both periods, the data reflect net repayments of debt facilities corresponding with net declines in our loans and fees receivable that serve as the underlying collateral for the facilities (principally credit card and auto loans and fees receivable).

Offsetting our use of cash in financing activities for both years are borrowings associated with our new credit products, net of repayments on those facilities.

Beyond our immediate financing efforts discussed throughout this Report, we will continue to evaluate debt and equity issuances as a means to fund our investment opportunities. We expect to take advantage of any opportunities to raise additional capital if terms and pricing are attractive to us. Any proceeds raised under these efforts or additional liquidity available to us could be used to fund (1) the acquisition of additional financial assets associated with our point-of-sale and direct-to-consumer finance activities as well as the acquisition of credit card receivables portfolios, (2) further repurchases of our 5.875% convertible senior notes and common stock, and (3) investments in certain financial and non-financial assets or businesses. Pursuant to a share repurchase plan authorized by our Board of Directors on May 9, 2014, we are authorized as of June 30, 2015 to repurchase an additional 4,892,760 shares of our common stock through June 30, 2016.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND OFF-BALANCE-SHEET ARRANGEMENTS

See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in our Annual Report on Form 10-K for the year ended December 31, 2014.

Commitments and Contingencies

We do not currently have any off-balance-sheet arrangements; however, we do have certain contractual arrangements that would require us to make payments or provide funding if certain circumstances occur (“contingent commitments”). We do not currently expect that these contingent commitments will result in any material amounts being paid by us. See Note 9, “Commitments and Contingencies,” to our consolidated financial statements included herein for further discussion of these matters.

RECENT ACCOUNTING PRONOUNCEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

Table of Contents

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

Allowance for Uncollectible Loans and Fees

Through our analysis of loan performance, delinquency data, charge-off data, economic trends and the potential effects of those economic trends on our customers, we establish an allowance for uncollectible loans and fees receivable as an estimate of the probable losses inherent within those loans and fees receivable that we do not report at fair value. To the extent that actual results differ from our estimates of uncollectible loans and fees receivable, our results of operations and liquidity could be materially affected.

Rental Merchandise

Our rental merchandise includes consumer electronics, furniture, jewelry and other consumer goods that we initially record on our consolidated balance sheets at our cost. After our initial recording of the rental merchandise at cost, we reduce its carrying value for depreciation thereof. We depreciate our rental merchandise over contract rental periods, 12 months (monthly agreements) or 26 periods (bi-weekly agreements) under a $-0- salvage value assumption. These assumptions are periodically adjusted based on actual results and impairments as they occur. We follow this method to match, as closely as practicable, the recognition of depreciation expense with revenues associated with our customers' use of the rental merchandise. Currently, we do not maintain any levels of rental merchandise beyond what actually has been rented to our customers under our contracts with them.

Revenue Recognition for Rental Merchandise

Our rent-to-own terms with our customers typically provide for 26, non-refundable, bi-weekly rental payments over a contract period of 12 months. The customer can take ownership of the merchandise by exercising a purchase option or making all required rental payments. We accrue periodic billed rental amounts (net of allowances for uncollectible billings) into revenues over the rental period to which the billed amounts relate, and we defer recognition in revenues of any advanced customer rental payments until the rental period in which they are properly recognizable under the terms of the contract. Additionally, we do not recognize a receivable for future periods' rental obligations due to us from our customers as our customers can terminate their rental agreements at any time with no further obligation to us, other than the return of rental merchandise.

RELATED PARTY TRANSACTIONS

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

In June 2007, we entered into a sublease for 1,000 square feet of excess office space at our Atlanta headquarters with HBR Capital, Ltd. (“HBR”), a company co-owned by David G. Hanna and his brother Frank J. Hanna, III. The sublease rate per square foot is the same as the rate that we pay under the prime lease. Under the sublease, HBR paid us $24,668 and $25,165 for 2013 and 2014, respectively. The aggregate amount of payments required under the sublease from January 1, 2015 to the expiration of the sublease in May 2022 is $198,193.

In January 2013, HBR began leasing four employees from us. HBR reimburses us for the full cost of the employees, based on the amount of time devoted to HBR. In the six months ended June 30, 2015, we received $101,358 of reimbursed costs from HBR associated with these leased employees.

On November 26, 2014, we and certain of our subsidiaries entered into a Loan and Security Agreement with Dove Ventures, LLC, a Nevada limited liability company (“Dove”). The agreement provides for a senior secured term loan facility in

an amount of up to $40.0 million at any time outstanding, consisting of (i) an initial term loan of $20.0 million, and (ii) additional term loans available in the sole discretion of Dove and upon our request, provided that the aggregate amount of all outstanding term loans does not exceed $40.0 million. On November 26, 2014, Dove funded the initial term loan of $20.0 million. On November 28, 2014, we used the proceeds of the initial term loan to repurchase $46.1 million in aggregate principal amount of our 5.875% convertible senior notes. The aggregate purchase price for these notes was $19.1 million plus accrued interest and resulted in an aggregate gain of $12.1 million (net of the notes' applicable share of deferred costs, which were written off in connection with the repurchase).

Our obligations under the agreement are guaranteed by certain subsidiary guarantors and secured by a pledge of certain assets of ours and the subsidiary guarantors. The loans bear interest at the rate of 9.0% per annum, payable monthly in arrears. The principal amount of these loans is payable in a single installment on November 25, 2015. Future loans under the agreement can be used for additional repurchases of our outstanding notes and other purposes approved by Dove. The agreement includes customary affirmative and negative covenants, as well as customary representations, warranties and events of default. Subject to certain conditions, the Company can prepay the principal amounts of these loans without premium or penalty.

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

FORWARD-LOOKING INFORMATION

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

statements. Management cautions against putting undue reliance on forward-looking statements or projecting any future results based on such statements or present or historical earnings levels.

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

- the availability of adequate financing to support growth;
- the extent to which federal, state, local and foreign governmental regulation of our various business lines and products limits or prohibits the operation of our businesses;

Table of Contents

- current and future litigation and regulatory proceedings against us;
- the effect of adverse economic conditions on our revenues, loss rates and cash flows;
- competition from various sources providing similar financial products, or other alternative sources of credit, to consumers;
- the adequacy of our allowances for uncollectible loans and fees receivable and estimates of loan losses used within our underwriting and analyses;
- the possible impairment of assets;
- our ability to manage costs in line with the expansion or contraction of our various business lines;
- our relationship with the merchants that participate in our point-of-sale finance operations and the banks that provide certain services that are needed to operate our business lines; and
- theft and employee errors.

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

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

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure controls and procedures.

As of the end of the period covered by this Report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this Report, our disclosure controls and procedures were effective at meeting their objectives.

(b) Internal control over financial reporting.

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this Report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

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

Our Cash Flows and Net Income Are Dependent Upon Payments from Our Loans and Fees Receivable and Other Credit Products

The collectibility of our loans and fees receivable is a function of many factors including the criteria used to select who is issued credit, the pricing of the credit products, the lengths of the relationships, general economic conditions, the rate at which customers repay their accounts or become delinquent, and the rate at which customers borrow funds from us. Deterioration in these factors, which we have experienced over the past few years, adversely impacts our business. In addition, to the extent we have over-estimated collectibility, in all likelihood we have over-estimated our financial performance. Some of these concerns are discussed more fully below.

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

We may not successfully evaluate the creditworthiness of our customers and may not price our credit products in a profitable manner. The creditworthiness of our target market generally is considered “sub-prime” based on guidance issued by the agencies that regulate the banking industry. Thus, our customers generally have a higher frequency of delinquencies, higher risks of nonpayment and, ultimately, higher credit losses than consumers who are served by more traditional providers of consumer credit. Some of the consumers included in our target market are consumers who are dependent upon finance companies, consumers with only retail store credit cards and/or lacking general purpose credit cards, consumers who are establishing or expanding their credit, and consumers who may have had a delinquency, a default or, in some instances, a bankruptcy in their credit histories, but who, in our view, have demonstrated creditworthiness. We price our credit products taking into account the perceived risk level of our customers. If our estimates are incorrect, customer default rates will be higher, we will receive less cash from the receivables and the value of our loans and fees receivable will decline, all of which will have a negative impact on performance. It also is unclear whether our current payment rates can be sustained given weakness in the employment outlook and economic environment at large.

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

We are subject to foreign economic and exchange risks. Because of our operations in the U.K., we have exposure to fluctuations in the U.K. economy, and such fluctuations recently have been negative. We also have exposure to fluctuations in the relative values of the U.S. dollar and the British pound. Because the British pound has experienced a net decline in value

relative to the U.S. dollar since we commenced our most significant operations in the U.K., we have experienced significant transaction and translation losses within our financial statements.

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

Due to our relative lack of historical experience with Internet customers, we may not be able to target successfully these customers or evaluate their creditworthiness. We have less historical experience with respect to the credit risk and performance of customers acquired over the Internet. As a result, we may not be able to target and evaluate successfully the creditworthiness of these potential customers should we engage in marketing efforts to acquire these customers. Therefore, we may encounter difficulties managing the expected delinquencies and losses and appropriately pricing our products.

We Are Substantially Dependent Upon Borrowed Funds to Fund the Receivables We Originate or Purchase

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

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

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

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

Our credit card operation currently is contracting. Growth is a product of a combination of factors, many of which are not in our control. Factors include:

- the availability of funding on favorable terms;
- the level and success of our marketing efforts;
- the degree to which we lose business to competitors;
- the level of usage of our credit products by our customers;
- the availability of portfolios for purchase on attractive terms;
- levels of delinquencies and charge offs;
- the level of costs of soliciting new customers;
- our ability to employ and train new personnel;
- our ability to maintain adequate management systems, collection procedures, internal controls and automated systems; and
- general economic and other factors beyond our control.

Table of Contents

We have curtailed our U.S. credit card marketing efforts and have aggressively reduced credit lines and closed credit card accounts. In addition, the general economic downturn experienced in 2008 and 2009 significantly impacted not just the level of usage of our credit products by our customers but also levels of payments and delinquencies and other performance metrics. As a result, our credit card operation currently is contracting.

Reliance upon relationships with a few large retailers in our point-of-sale finance operations may adversely affect our revenues and operating results from these operations. Our three largest retail partners accounted for over 78.0% of our point-of-sale finance and rental revenues in 2014. Although we are adding new retail partners on a regular basis, it is likely that we will continue to derive a significant portion of this operations' revenue from a relatively small number of partners in the future. If a significant partner reduces or terminates its relationship with us, these operations' revenue could decline significantly and our operating results and financial condition could be harmed.

We Operate in a Heavily Regulated Industry

Changes in bankruptcy, privacy or other consumer protection laws, or to the prevailing interpretation thereof, may expose us to litigation, adversely affect our ability to collect our loans and fees receivable, or otherwise adversely affect our operations. Similarly, regulatory changes could adversely affect our ability or willingness to market credit cards and other products and services to our customers. Also, the accounting rules that govern our business are exceedingly complex, difficult to apply and in a state of flux. As a result, how we value our receivables and otherwise account for our business is subject to change depending upon the changes in, and, interpretation of, those rules. Some of these issues are discussed more fully below.

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

If any deficiencies or violations of law or regulations are identified by us or asserted by any regulator, or if the CFPB, the FDIC, the FTC or any other regulator requires us to change any of our practices, the correction of such deficiencies or violations, or the making of such changes, could have a material adverse effect on our financial condition, results of operations or business. In addition, whether or not we modify our practices when a regulatory or

enforcement authority requests or requires that we do so, there is a risk that we or other industry participants may be named as defendants in litigation involving alleged violations of federal and state laws and regulations, including consumer protection laws. Any failure to comply with legal requirements by us or the issuing banks through which we originate credit products in connection with the issuance of those products, or by us or our agents as the servicer of our accounts, could significantly impair our ability to collect the full amount of the account balances. The institution of any litigation of this nature, or any judgment against us or any other industry participant in any litigation of this nature, could adversely affect our business and financial condition in a variety of ways.

Our rent-to-own operations are regulated by and subject to the requirements of various federal and state laws and regulations. These laws and regulations which may be amended or supplemented or interpreted by the courts from time to time, could expose us to significant compliance costs or burdens or force us to change our business practices in a manner that may be materially adverse to our operations, prospects or financial condition. Currently, 47 states and the District of Columbia specifically regulate rent-to-own transactions such as those conducted in our rent-to-own programs. At the present

Table of Contents

time, no federal law specifically regulates the rent-to-own industry, although federal legislation to regulate the industry has been proposed from time to time. Any adverse changes in existing laws, or the passage of new adverse legislation by states or the federal government could materially increase both our costs of complying with laws and the risk that we could be sued or be subject to government sanctions if we are not in compliance. In addition, new burdensome legislation might force us to change our business model and might reduce the economic potential of our rent-to-own product offerings.

Most of the states that regulate rent-to-own transactions have enacted disclosure laws that require rent-to-own companies to disclose to their customers the total number of payments, total amount and timing of all payments to acquire ownership of any item, any other charges that may be imposed by them and miscellaneous other items. The more restrictive state lease purchase laws limit the total amount that a customer may be charged for an item, or regulate the amount of deemed “interest” that rent-to-own companies may charge on rent-to-own transactions, generally defining “interest” as lease fees paid in excess of the “retail” price of the goods.

There has been increased attention in the United States, at both the state and federal levels, on consumer debt transactions in general, which may result in an increase in legislative and regulatory efforts directed at the rent-to-own industry. The federal government or states may enact additional or different legislation or regulation that would be disadvantageous or otherwise materially adverse to us.

In addition to the risk of lawsuits related to the laws that regulate rent-to-own and consumer lease transactions, we or our rent-to-own partners could be subject to lawsuits alleging violations of federal and state laws and regulations and consumer tort law, including fraud, consumer protection, information security and privacy laws, because of the consumer-oriented nature of the rent-to-own industry. A large judgment against us could adversely affect our financial condition and results of operations. Moreover, an adverse outcome from a lawsuit, even one against one of our competitors, could result in changes in the way we and others in the industry do business, possibly leading to significant costs or decreased revenues or profitability.

We are dependent upon banks to issue credit cards and provide certain other credit products. Our credit card and some of our other credit product programs are dependent on our issuing bank relationships, and their regulators could at any time limit their ability to issue some or all products on our behalf, or that we service on their behalf, or to modify those products significantly. Any significant interruption of those relationships would result in our being unable to originate new receivables and other credit products. It is possible that a regulatory position or action taken with respect to any of the issuing banks through which we have originated credit products or for whom we service receivables might result in the bank’s inability or unwillingness to originate future credit products on our behalf or in partnership with us. In the current state, such a disruption of our issuing bank relationships principally would adversely affect our ability to grow our point-of-sale and direct-to-consumer finance products and other consumer credit offerings and underlying receivables.

Changes to consumer protection laws or changes in their interpretation may impede collection efforts or otherwise adversely impact our business practices. Federal and state consumer protection laws regulate the creation and enforcement of consumer credit card receivables and other loans. Many of these laws (and the related regulations) are focused on sub-prime lenders and are intended to prohibit or curtail industry-standard practices as well as non-standard practices. For instance, Congress enacted legislation that regulates loans to military personnel through imposing interest rate and other limitations and requiring new disclosures, all as regulated by the Department of Defense. Similarly, in 2009 Congress enacted legislation that required changes to a variety of marketing, billing and collection practices, and the Federal Reserve recently adopted significant changes to a number of practices through its issuance of regulations. Additionally, the CFPB is expected to be an active issuer of credit-related regulations in the near-term, and the scope and nature of those potential regulations are unknown. While our practices are in compliance with these changes, some of the changes (e.g., limitations on the ability to assess up-front fees) have significantly

affected the viability of certain of our prior product offerings within the U.S. Changes in the consumer protection laws could result in the following:

- receivables not originated in compliance with law (or revised interpretations) could become unenforceable and uncollectible under their terms against the obligors;
- we may be required to credit or refund previously collected amounts;
- certain fees and finance charges could be limited, prohibited or restricted, which would reduce the profitability of certain accounts;
- certain of our collection methods could be prohibited, forcing us to revise our practices or adopt more costly or less effective practices;
- limitations on the content of marketing materials could be imposed that would result in reduced success for our marketing efforts;
- limitations on our ability to recover on charged-off receivables regardless of any act or omission on our part;
- some of our products and services could be banned in certain states or at the federal level;

Table of Contents

- federal or state bankruptcy or debtor relief laws could offer additional protections to customers seeking bankruptcy protection, providing a court greater leeway to reduce or discharge amounts owed to us; and
- a reduction in our ability or willingness to lend to certain individuals, such as military personnel.

Material regulatory developments are likely to adversely impact our business and results from operations.

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

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

Declines in automobile sales as we saw through 2012 can cause declines in the overall demand for automobile loans. While currently recovering fairly significantly, sales of both new and used cars declined through 2012. While the unavailability of funding may have had a greater impact on our business, the decline in demand in recent years was consequential as well because it adversely affected the volume of our lending transactions and our recoveries of repossessed vehicles at auction. Any such future declines in demand will adversely impact our business.

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

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

The financial performance of our automobile loan portfolio is in part dependent upon the liquidation of repossessed automobiles. In the event of certain defaults, we may repossess automobiles and sell repossessed automobiles at wholesale auction markets located throughout the U.S. Auction proceeds from these types of sales and other recoveries rarely are sufficient to cover the outstanding balances of the contracts; where we experience these shortfalls, we will experience credit losses. Decreased auction proceeds resulting from depressed prices at which used automobiles may be sold would result in higher credit losses for us. Additionally, higher gasoline prices (like those experienced during 2008) tend to decrease the auction value of certain types of vehicles, such as SUVs.

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

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

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

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

future credit card portfolio acquisitions. As of December 31, 2014, credit card portfolio acquisitions accounted for 26.8% of our total Credit and Other Investments segment managed receivables portfolio based on our ownership percentages.

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

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

Other Risks of Our Business

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

Although our point-of-sale and direct-to-consumer finance offerings are an important part of our strategic plan, we have limited operating history with these offerings. In late 2013, we expanded into our point-of-sale and direct-to-consumer finance offerings, including our rent-to-own offerings. As with many early stage endeavors, these product offerings may experience under-capitalization, delays, lack of funding, and many other problems, delays, and expenses, many of which are beyond our control. These include, but are not limited to:

- inability to establish profitable strategic relationships with merchants;
- inability to raise sufficient capital to fund our anticipated growth in this area; and
- competition from larger and more established competitors, such as banks and finance companies.

Unless we obtain a bank charter, we cannot issue credit cards other than through agreements with banks. Because we do not have a bank charter, we currently cannot issue credit cards other than through agreements with banks. Unless we obtain a bank or credit card bank charter, we will continue to rely upon banking relationships to provide for the issuance of credit cards to our customers. Even if we obtain a bank charter, there may be restrictions on the types of credit that the bank may extend. Our various issuing bank agreements have scheduled expiration dates. If we are unable to extend or execute new agreements with our issuing banks at the expirations of our current agreements with them, or if our existing or new agreements with our issuing banks were terminated or otherwise disrupted, there is a risk that we would not be able to enter into agreements with an alternate provider on terms that we consider favorable or in a timely manner without disruption of our business.

We are party to litigation. We are defendants in certain legal proceedings. This includes litigation relating to our former retail micro-loan operations and other litigation customary for a business of our nature. In each case we believe that we have meritorious defenses or that the positions we are asserting otherwise are correct. However, adverse

outcomes are possible in these matters, and we could decide to settle one or more of our litigation matters in order to avoid the ongoing cost of litigation or to obtain certainty of outcome. Adverse outcomes or settlements of these matters could require us to pay damages, make restitution, change our business practices or take other actions at a level, or in a manner, that would adversely impact our business.

We face heightened levels of economic risk associated with new investment activities. We recently have made a number of investments in businesses that are not directly allied to our traditional lending activities to, or associated with, the underserved consumer credit market. In addition, some of these investments that we have made and may make in the future are or will be in debt or equity securities of businesses over which we exert little or no control, which likely exposes us to greater risks of loss than investments in activities and operations that we control. While we make only those investments we believe have the potential to provide a favorable return, because some of the investments are outside of our core areas of expertise, they

entail risks beyond those described elsewhere in this Report. As occurred with respect to certain such investments in 2012 and 2011, these risks could result in the loss of part or all of our investments.

Because we outsource account-processing functions that are integral to our business, any disruption or termination of that outsourcing relationship could harm our business. We generally outsource account and payment processing, and in 2014, we paid Total System Services, Inc. $7.9 million for these services. If these agreements were not renewed or were terminated or the services provided to us were otherwise disrupted, we would have to obtain these services from an alternative provider. There is a risk that we would not be able to enter into a similar agreement with an alternate provider on terms that we consider favorable or in a timely manner without disruption of our business.

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

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

If any person, including our employees or those of third-party vendors, negligently disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to costly litigation, monetary damages, fines, and/or criminal prosecution. We do not maintain cyber-security insurance liability coverage and as such we are exposed to the financial risk and losses associated with such incidents. Any unauthorized disclosure of personally identifiable information could subject us to liability under data privacy laws. Further, under credit card rules and our contracts with our card processors, if there is a breach of credit card information that we store, we could be liable to the credit card issuing banks for their cost of issuing new cards and related expenses. In addition, if we fail to follow credit card industry security standards, even if there is no compromise of customer information, we could incur significant fines. Security breaches could also harm our reputation with our customers, which could potentially cause decreased revenues, the loss of existing merchant credit partners, or difficulty in adding new merchant credit partners.

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

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

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

Regulation in the areas of privacy and data security could increase our costs. We are subject to various regulations related to privacy and data security/breach, and we could be negatively impacted by these regulations. For example, we are subject to the safeguards guidelines under the Gramm-Leach-Bliley Act. The safeguards guidelines require that each financial institution develop, implement and maintain a written, comprehensive information security program containing safeguards that are appropriate to the financial institution's size and complexity, the nature and scope of the financial institution's activities and the sensitivity of any customer information at issue. Broad-ranging data security laws that affect our business also have been adopted by various states. Compliance with these laws regarding the protection of customer and employee data could result in higher compliance and technology costs for us, as well as potentially significant fines and penalties for non-compliance.

Table of Contents

In addition to the foregoing enhanced data security requirements, various federal banking regulatory agencies, and as many as 46 states, the District of Columbia, Puerto Rico and the Virgin Islands, have enacted data security regulations and laws requiring varying levels of customer notification in the event of a security breach.

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

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

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

Because of our loan to a small surface coal mining operation (which, due to loan agreement modifications, we were required to consolidate into our financial statements in 2011, but which has since ceased mining operations), we could be subject to (i) significant administrative, civil, and criminal financial and other penalties if this operation does not comply with environmental, health and safety regulations and (ii) liability to third parties for environmental contamination. The coal mining industry is subject to strict regulation by federal, state and local authorities with respect to matters such as employee health and safety, permitting and licensing requirements, the protection of the environment, the protection of historic and natural resources, plants and wildlife, reclamation and restoration of mining properties after mining is completed, and the effects that mining has on groundwater quality and availability. Federal and state authorities inspect coal mines, and in the aftermath of the April 5, 2010 accident at an underground mine in Central Appalachia, mining operations have experienced, and may in the future continue to experience, a significant increase in the frequency and scope of these inspections. Numerous governmental permits and approvals are required for mining operations. Mining operations are required to prepare and present to federal, state and/or local authorities data pertaining to the effect or impact that any proposed exploration for or production of coal may have upon the environment.

The costs, liabilities and requirements associated with the laws and regulations related to these and other environmental matters may be costly and time-consuming. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, and criminal financial and other penalties, the imposition of cleanup and site restoration costs and liens and other enforcement measures.

We also could be subject to claims by third parties under federal and state statutes and/or common law doctrines resulting from damage to the environment or historic or natural resources or exposure to hazardous substances on the

mine property or elsewhere. Liability for environmental contamination may be without regard to fault and may be strict, joint and several, so that we may be held responsible for the entire amount of the contamination or related damages. These and other similar unforeseen impacts that the former mining operation may have on the environment, as well as exposures to hazardous substances or wastes associated with the former mining operation, could result in costs and liabilities that could adversely affect us.

Even though this former coal mining operation ceased mining operations as of December 31, 2012 and has always been owned and primarily operated by third parties, our financial relationship with this former coal mining operation could subject us to these types of claims and penalties, particularly if these matters were not properly addressed by the owners and operators of the operation. If we are held responsible for sanctions, costs and liabilities in respect of these matters, our profitability could be materially and adversely affected.

Table of Contents

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

Risks Relating to an Investment in Our Securities

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

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

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

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

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

Table of Contents

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

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

As of June 30, 2015, Atlanticus Holdings Corporation had outstanding: $52.8 million of secured indebtedness, which would rank senior in right of payment to the convertible senior notes; $12.6 million of senior unsecured indebtedness in addition to the convertible senior notes that would rank equal in right of payment to the convertible senior notes; and no subordinated indebtedness. Included in senior secured indebtedness are certain guarantees we have executed in favor of our subsidiaries. For more information on our outstanding indebtedness, See Note 7, "Notes Payable," to our consolidated financial statements included herein.

Our convertible senior notes are junior to the indebtedness of our subsidiaries. Our convertible senior notes are structurally subordinated to the existing and future claims of our subsidiaries' creditors. Holders of the convertible senior notes are not creditors of our subsidiaries. Any claims of holders of the convertible senior notes to the assets of our subsidiaries derive from our own equity interests in those subsidiaries. Claims of our subsidiaries' creditors will generally have priority as to the assets of our subsidiaries over our own equity interest claims and will therefore have priority over the holders of the convertible senior notes. Consequently, the convertible senior notes are effectively subordinate to all liabilities, whether or not secured, of any of our subsidiaries and any subsidiaries that we may in the future acquire or establish. Our subsidiaries' creditors also may include general creditors and taxing authorities. As of June 30, 2015, our subsidiaries had total liabilities of approximately $154.9 million (including the $52.8 million of senior secured indebtedness mentioned above), excluding intercompany indebtedness. In addition, in the future, we may decide to increase the portion of our activities that we conduct through subsidiaries.

Note Regarding Risk Factors

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

except as required by law.

Table of Contents

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

ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth information with respect to our repurchases of common stock during the three months ended June 30, 2015:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs (1)
April 1 - April 30	4,444	$2.35	4,444	4,912,401
May 1 - May 31	19,641	$2.89	19,641	4,892,760
June 1 - June 30	—	$—	—	4,892,760
Total	24,085	$2.79	24,085	4,892,760

(1) Because withholding tax-related stock repurchases are permitted outside the scope of our 5,000,000 share Board-authorized repurchase plan, these amounts exclude shares of stock returned to us by employees in satisfaction of withholding tax requirements on vested stock grants. There were 413 such shares returned to us during the three months ended June 30, 2015.

Pursuant to a share repurchase plan authorized by our Board of Directors on May 9, 2014, we are authorized to repurchase 5,000,000 shares of our common stock through June 30, 2016, of which 4,892,760 shares remained authorized for repurchase as of June 30, 2015. We will continue to evaluate our stock price relative to other investment opportunities and, to the extent we believe that the repurchase of our stock represents an appropriate return of capital, we will repurchase shares of our stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None.

Table of Contents

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit	Incorporated by Reference from Atlanticus' SEC Filings Unless Otherwise Indicated
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)	Filed herewith
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)	Filed herewith
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Presentation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	ATLANTICUS HOLDINGS CORPORATION	
August 14, 2015	By	/s/ WILLIAM R. McCAMEY William R. McCamey Chief Financial Officer and Treasurer (duly authorized officer and principal financial officer)