

Risk Factors Comparison 2025-02-12 to 2024-02-12 Form: 10-K

Legend: New Text Removed Text Unchanged Text Moved Text Section

Industry, Operational, and Macroeconomic Risks Our inability to accurately forecast and estimate the amount and timing of future collections could have a material adverse effect on results of operations. The majority of the Consumer Loans assigned to us are made to individuals with impaired or limited credit histories. Consumer Loans made to these individuals generally entail a higher risk of delinquency, default, and repossession, and higher losses than loans made to consumers with better credit. Since most of our revenue and cash flows from operations are generated from these Consumer Loans, our ability to accurately forecast Consumer Loan performance is critical to our business and financial results. At the time of assignment, we forecast future expected cash flows from the Consumer Loan. Based on these forecasts, which include estimates for wholesale vehicle prices in the event of vehicle repossession and sale, we make an advance or one- time purchase payment to the related Dealer at a level designed to maximize economic profit, a non- GAAP financial measure. We continue to forecast the expected collection rate for each Consumer Loan subsequent to assignment. These forecasts also serve as a critical assumption in our accounting for recognizing finance charge income and determining our allowance for credit losses. Please see the Critical Accounting Estimates – Finance Charge Revenue & Allowance for Credit Losses section in Item 7 of this Form 10- K, which is incorporated herein by reference. Actual cash flows from any individual Consumer Loan are often different from cash flows estimated at the time of assignment. There can be no assurance that our forecasts will be accurate or that Consumer Loan performance will be as expected. In periods with changing economic conditions, accurately forecasting the performance of Consumer Loans is more difficult. In the event that our forecasts are not accurate in the aggregate, our financial position, liquidity, and results of operations could be materially adversely affected. Due to competition from traditional financing sources and non- traditional lenders, we may not be able to compete successfully. The automobile finance market for consumers who do not qualify for conventional automobile financing is large and highly competitive. The market is served by a variety of companies, including “ buy here, pay here ” dealerships. The market is also currently served by banks, captive finance affiliates of automobile manufacturers, credit unions, and independent finance companies both publicly and privately owned. Many of these companies are much larger and have greater financial resources than are available to us, and many have long standing relationships with automobile dealerships. Providers of automobile financing have traditionally competed based on the interest rate charged, the quality of credit accepted, the flexibility of loan terms offered, and the quality of service provided to dealers and consumers. We may be unable to compete successfully in the automobile finance market or, due to the intense competition in this market, our results of operations, cash flows, and financial condition may be adversely affected as we adjust our business in response to competitive pressures. Increasing advance rates on Loans has the impact of reducing the return on capital we expect to earn on Loans. Additionally, if we are unsuccessful in maintaining and expanding our relationships with Dealers, we may be unable to accept Consumer Loans in the volume and on the terms that we anticipate. Adverse changes in economic conditions, the automobile or finance industries, or the non- prime consumer market could adversely affect our financial position, liquidity, and results of operations, the ability of key vendors that we depend on to supply us with services, and our ability to enter into future financing transactions. We are subject to general economic conditions which are beyond our control. During periods of economic slowdown or recession, delinquencies, defaults, repossessions, and losses may increase on our Consumer Loans, and Consumer Loan prepayments may decline. These periods are also typically accompanied by decreased consumer demand for automobiles and declining values of automobiles securing outstanding Consumer Loans, which weakens collateral coverage and increases the amount of loss in the event of default. Significant increases in the inventory of used automobiles during periods of economic recession may also depress the prices at which repossessed automobiles may be sold or delay the timing of these sales. Additionally, inflation, higher gasoline prices, the deferral or resumption of student loan payments, increased focus on climate- related initiatives and regulation, declining stock market values, unstable real estate values, resets of adjustable rate mortgages to higher interest rates, increasing unemployment levels, general availability of consumer credit, or other factors that impact consumer confidence or disposable income could increase loss frequency and decrease consumer demand for automobiles as well as weaken collateral values of automobiles. Because our business is focused on consumers who do not qualify for conventional automobile financing, the actual rates of delinquencies, defaults, repossessions, and losses on our Consumer Loans could be higher than those experienced in the general automobile finance industry, and could be more dramatically affected by a general economic downturn. We rely on Dealers to originate Consumer Loans for assignment under our programs. High levels of Dealer attrition, due to a general economic downturn or otherwise, could materially adversely affect our operations. In addition, we rely on vendors to provide us with services we need to operate our business. Any disruption in our operations due to the untimely or discontinued supply of these services could substantially adversely affect our operations. Finally, during an economic slowdown or recession, our servicing costs may increase without a corresponding increase in finance charge revenue. Any sustained period of increased delinquencies, defaults, repossessions, or losses or increased servicing costs could also materially adversely affect our financial position, liquidity, and results of operations and our ability to enter into future financing transactions. Technological advancements or changes to trends in the automobile industry such as new autonomous driving technologies or car- and ride- sharing programs could decrease consumer demand for automobiles. Decreased consumer demand for automobiles could negatively impact demand for our financing programs as well as weaken collateral values of automobiles, which could materially adversely affect our financial position, liquidity, and results of operations. Reliance on third parties to administer our ancillary product offerings could adversely affect our business and financial results. We have relationships with TPPs to administer vehicle service contracts and GAP underwritten by third- party

insurers and financed by us. We depend on these TPPs to evaluate and pay claims in an accurate and timely manner. If our relationships with these TPPs were modified, disrupted, or terminated, we would need to obtain these services from an alternative administrator or provide them using our internal resources. We may be unable to replace these TPPs with a suitable alternative in a timely and efficient manner on terms we consider acceptable, or at all. In the event we were unable to effectively administer our ancillary products offerings, we may need to eliminate or suspend our ancillary product offerings from our future business, we may experience a decline in the performance of our Consumer Loans, our reputation in the marketplace could be undermined, and our financial position, liquidity, and results of operations could be adversely affected. We are dependent on our senior management, and the loss of any of these individuals or an inability to hire additional team members could adversely affect our ability to operate profitably. Our senior management average ~~16 over 14~~ years of experience with us. Our success is dependent upon the management and the leadership skills of this team. In addition, competition from other companies to hire our team members possessing the necessary skills and experience required could contribute to an increase in team member turnover. The loss of any of these individuals or an inability to attract and retain additional qualified team members could adversely affect us. There can be no assurance that we will be able to retain our existing senior management or attract additional qualified team members. Our reputation is a key asset to our business, and our business may be affected by how we are perceived in the marketplace. Our reputation is a key asset to our business. Our ability to attract consumers through Dealers is highly dependent upon external perceptions of our level of service, trustworthiness, business practices, and financial condition. Negative publicity regarding these matters could damage our reputation among existing and potential consumers and Dealers, which could make it difficult for us to attract new consumers and Dealers and maintain existing Dealers. Adverse developments with respect to our industry may also, by association, negatively impact our reputation or result in greater regulatory or legislative scrutiny or litigation against us. An outbreak of contagious disease or other public health emergency could materially and adversely affect our business, financial condition, liquidity, and results of operations. Contagious- disease outbreaks or other public health emergencies could cause a deterioration in the U. S. economy and our industry, disruptions in our workforce, decreases in collections from our consumers, declines in Consumer Loan assignments, or extended periods of economic or supply chain disruptions. Financial market disruptions that occur as a result of contagious- disease outbreaks or other public health emergencies could reduce our ability to access capital or our consumers' ability to repay past or future Consumer Loans and could negatively affect our liquidity and results of operations. A future contagious- disease outbreak or other public health emergency could materially adversely affect our business, financial condition, liquidity, and results of operations and also intensify the risks described in the other risk factors disclosed in this Form 10- K. The concentration of Dealers in several states could adversely affect us. Dealers are located throughout the United States. During the year ended December 31, ~~2023~~ **2024**, our five largest states (measured by advances paid to Dealers on Consumer Loans assigned under ~~our the~~ Portfolio Program and one- time payments made to Dealers to purchase Consumer Loans assigned under ~~our the~~ Purchase Program) contained ~~27-28~~ **7** % of Dealers. While we believe we have a diverse geographic presence, for the near term, we expect that significant amounts of Consumer Loan assignments will continue to be generated by Dealers in these five states due to the number of Dealers in these states and currently prevailing economic, demographic, regulatory, competitive, and other conditions in these states. Changes to conditions in these states could lead to an increase in Dealer attrition or a reduction in demand for our service that could materially adversely affect our financial position, liquidity, and results of operations. Reliance on our outsourced business functions could adversely affect our business. We outsource certain business functions to third- party service providers, which increases our operational complexity and decreases our control. We rely on these service providers to provide a high level of service and support, which subjects us to risks associated with inadequate or untimely service. In addition, if these outsourcing arrangements 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 or provide them using our internal resources. We may be unable to replace, or be delayed in replacing these sources and there is a risk that we would be unable to enter into a similar agreement with an alternate provider on terms that we consider favorable or in a timely manner. In the future, we may outsource additional business functions. If any of these or other risks related to outsourcing were realized, our financial position, liquidity, and results of operations could be adversely affected. Our ability to hire and retain foreign engineering personnel could be hindered by immigration restrictions. A portion of our engineering team is composed of foreign nationals whose ability to work for us depends on maintaining the necessary H- 1B visas. The H- 1B visa category allows U. S. employers to hire qualified foreign nationals to perform services in specialty occupations that require the attainment of at least a bachelor' s degree or its equivalent. Our ability to hire and retain these foreign nationals and their ability to remain and work in the United States are affected by various laws and regulations, including limitations on the number of available H- 1B visas, which the U. S. government allocates by lottery. Changes in the laws or regulations affecting the availability, allocation, and / or cost of H- 1B visas, eligibility for the H- 1B visa category, or otherwise affecting the admission or retention of skilled foreign nationals by U. S. employers, or any increase in demand for H- 1B visas relative to the limited supply of those visas, may adversely affect our ability to hire or retain foreign engineering personnel and may, as a result, increase our operating costs and impair our business operations. We may be unable to execute our business strategy due to current economic conditions. Our financial position, liquidity, and results of operations depend on management' s ability to execute our business strategy. Key factors involved in the execution of our business strategy include achieving our desired Consumer Loan assignment volume, continued and successful use of CAPS and pricing strategy, the use of effective credit risk management techniques and servicing strategies, continued investment in technology to support operating efficiency, and continued access to funding and liquidity sources. Although our pricing strategy is intended to maximize the amount of economic profit we generate, within the confines of capital and infrastructure constraints, there can be no assurance that this strategy will have its intended effect. Please see the Consumer Loan Volume section in Item 7 of this Form 10- K, which is incorporated herein by reference. Our failure or inability to execute any element of our business strategy could materially adversely affect our financial position, liquidity, and results of operations.

Natural disasters, climate change, military conflicts, acts of war, terrorist attacks and threats, or the escalation of military activity in response to terrorist attacks or otherwise may negatively affect our business, financial condition, and results of operations. Natural disasters, climate change, military conflicts, acts of war, terrorist attacks, and the escalation of military activity in response to terrorist attacks or otherwise may have negative and significant effects, such as imposition of increased security measures, changes in applicable laws, economic and financial market disruptions, loss of lives, damage to infrastructure, and job losses. These types of events or developments and their consequences may have an adverse effect on the economy in general, including diminished liquidity and credit availability, reduced consumer confidence, disruptions to energy and food supplies, decreased economic growth, higher unemployment rates, increased inflation, and political and social upheaval. The consequences of these types of events or developments could reduce used- car sales and demand for our product, impair the performance of our Loan portfolio, limit our access to capital, and intensify other risk factors disclosed in this Form 10- K, including cybersecurity- related risks. Moreover, the potential for future military conflicts and terrorist attacks, natural disasters, and escalating effects of climate change, and the national and international responses to these threats, could affect our business in ways that cannot be predicted. The effect of any of these events, developments, or threats could have a material adverse effect on our business, financial condition, and results of operations. Governmental or market responses to climate change and related environmental issues could have a material adverse effect on our business. Governments have become increasingly focused on the effects of climate change and related environmental issues. How governments act to mitigate climate and related environmental risks, as well as associated changes in the behavior and preferences of businesses and consumers, could have an adverse effect on our business and results of operations. A decline in demand for gasoline- powered automobiles, such as could occur due to regulatory restrictions or a shift in consumer preference toward electric vehicles, could decrease the value of gasoline- powered vehicles securing outstanding Consumer Loans, which would weaken collateral coverage and increase the amount of loss in the event of default. Further, we may be compelled to change our business practices or our operational processes, and we could have less access to capital or face a higher cost of capital, because of climate- or environmental- driven changes in applicable law or due to related political, social, or market pressure. It is possible as well that changes in climate and related environmental risks, perceptions of them, and governmental responses to them may occur more rapidly than our ability to adapt without disrupting our business, which could have a material adverse effect on our financial position and results of operations. A small number of our shareholders have the ability to significantly influence matters requiring shareholder approval and such shareholders have interests which may conflict with the interests of our other security holders. As of December 31, ~~2023~~ **2024**, based on filings made with the SEC and other information made available to us, Allan V. Apple beneficially owned ~~22-20~~ **5-0** % of our common stock, Prescott General Partners ~~5~~-LLC and its affiliates beneficially owned ~~18-19~~ **7-3** % of our common stock, Jill Foss Watson beneficially owned ~~16-14~~ **5-2** % of our common stock, and John P. Neary beneficially owned ~~9-8~~ **2-6** % of our common stock (representing, collectively, beneficial ownership of ~~45-42~~ **2-8** % of our common stock, after taking into account those shares reported as beneficially owned by more than one of these shareholders). As a result, these shareholders are able to significantly influence matters presented to shareholders, 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, including executive compensation arrangements. Their interests may conflict with the interests of our other security holders. The beneficial ownership reported by Mr. Apple and Mr. Neary includes, in each case, beneficial ownership in their capacity as trustees of shares held in a marital trust established by our late founder, Donald Foss, and representing ~~9-8~~ **2-6** % of our common stock as of December 31, ~~2023~~ **2024**. The shares in the trust are subject to the terms of a shareholder agreement, entered into by Mr. Foss on January 3, 2017. Under the terms of that agreement that became applicable to the trustees of the trust upon Mr. Foss' s death on August 14, 2022, until the final adjournment of the tenth annual meeting of shareholders held by the Company after the date of the shareholder agreement, the shares in the trust are to be voted in accordance with the recommendation of the Company' s Board of Directors with respect to election and removal of directors, certain routine matters, and any other proposal to be submitted to the Company' s shareholders with respect to any extraordinary transaction providing for the acquisition of all of the Company' s outstanding common stock. Capital and Liquidity Risks We may be unable to continue to access or renew funding sources and obtain capital needed to maintain and grow our business. We use debt financing to maintain and grow our business. We currently utilize the following primary forms of debt financing: (1) a revolving secured line of credit facility; (2) revolving secured warehouse (“ Warehouse ”) facilities; (3) asset- backed secured financings (“ Term ABS financings ”); and (4) senior notes. We cannot guarantee that the revolving secured line of credit facility or the Warehouse facilities will continue to be available beyond their current maturity dates, on acceptable terms, or at all, or that we will be able to obtain additional financing on acceptable terms or at all. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, our financial position, our results of operations, and the capacity for additional borrowing under our existing financing arrangements. If our various financing alternatives were to become limited or unavailable, we may be unable to maintain or grow Consumer Loan volume at the level that we anticipate and our operations could be materially adversely affected. The terms of our debt limit how we conduct our business. The agreements that govern our debt contain covenants that restrict our ability to, among other things: • incur and guarantee debt; • pay dividends or make other distributions on or redeem or repurchase our stock; • make investments or acquisitions; • create liens on our assets; • sell assets; • merge with or into other companies; and • enter into transactions with stockholders and other affiliates. Some of our debt agreements also impose requirements that we maintain specified financial measures not in excess of, or not below, specified levels. In particular, our revolving credit facility requires, among other things, that we maintain (i) as of the end of each fiscal quarter, a ratio of consolidated funded debt less unrestricted cash and cash equivalents to consolidated tangible net worth at or below a specified maximum and (ii) as of the end of each fiscal quarter, a ratio of consolidated income available for fixed charges for the period of four consecutive fiscal quarters most recently ended to consolidated fixed charges,

as defined in the agreements, for that period of not less than a specified minimum. These covenants limit the manner in which we can conduct our business and could prevent us from engaging in favorable business activities or financing future operations and capital needs and impair our ability to successfully execute our strategy and operate our business. A breach of any of the covenants in our debt instruments would result in an event of default thereunder if not promptly cured or waived. Any continuing default would permit the creditors to accelerate the related debt, which could also result in the acceleration of other debt containing a cross acceleration or cross default provision. In addition, an event of default under our revolving credit facility would permit the lenders thereunder to terminate all commitments to extend further credit under our revolving credit facility. Furthermore, if we were unable to repay the amounts due and payable under our revolving credit facility or other secured debt, the lenders thereunder could cause the collateral agent to proceed against the collateral securing that debt. In the event our creditors accelerate the repayment of our debt, there can be no assurance that we would have sufficient assets to repay that debt, and our financial condition, liquidity, and results of operations would suffer. A violation of the terms of our Term ABS financings or Warehouse facilities could have a material adverse impact on our operations. Under our Term ABS financings and our Warehouse facilities, (1) we have various obligations and covenants as seller, servicer, and custodian of the Loans conveyed thereunder and in our individual capacity and (2) the special purpose subsidiaries to which we convey Loans have various obligations and covenants. A violation of any of these obligations or covenants in any of our Term ABS financings or our Warehouse facilities by us or the special purpose subsidiaries, respectively, may result in an early termination of the revolving period, repurchase or indemnification obligations on our part, and the termination of our servicing rights (and, accordingly, the loss of servicing fees), and may further result in amounts outstanding under such Term ABS financings and Warehouse facilities becoming immediately due and payable. In addition, the violation of any financial covenant under our revolving secured line of credit facility is an event of default or termination event under certain of our Term ABS financings and our Warehouse facilities. The occurrence of any of the events described in the immediately- preceding paragraph could have a material adverse effect on our financial position, liquidity, and results of operations. Our substantial debt could negatively impact our business, prevent us from satisfying our debt obligations, and adversely affect our financial condition. We have a substantial amount of debt, which could have negative consequences, including the following: • our ability to obtain additional financing for Consumer Loan assignments, working capital, debt refinancing, or other purposes could be impaired; • a substantial portion of our cash flows from operations will be dedicated to paying principal and interest on our debt, reducing funds available for other purposes; • we may be vulnerable to interest rate increases, as some of our borrowings, including those under our revolving credit facility and Warehouse facilities, bear interest at variable rates; • we could be more vulnerable to adverse developments in our industry or in general economic conditions; • we may be restricted from taking advantage of business opportunities or making strategic acquisitions; and • we may be limited in our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate. We may not be able to generate sufficient cash flows to service our outstanding debt and fund operations and may be forced to take other actions to satisfy our obligations under such debt. Our ability to make payments of principal and interest on indebtedness will depend in part on our cash flows from operations, which are subject to economic, financial, competitive, and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operations sufficient to permit us to meet our debt service obligations. If we are unable to generate sufficient cash flows from operations to service our debt, we may be required to sell assets, refinance all or a portion of our existing debt, or obtain additional financing. There can be no assurance that any refinancing will be possible or that any asset sales or additional financing can be completed on acceptable terms or at all. Interest rate fluctuations may adversely affect our borrowing costs, profitability, and liquidity. Our profitability may be directly affected by the level of and fluctuations in interest rates, whether caused by changes in economic conditions or other factors, which affect our borrowing costs. Our profitability and liquidity could be materially adversely affected during any period of higher interest rates. We monitor the interest rate environment and employ strategies designed to partially mitigate the impact of increases in interest rates. We can provide no assurance, however, that our strategies will mitigate the impact of increases in interest rates. Reduction in our credit rating could increase the cost of our funding from, and restrict our access to, the capital markets and adversely affect our liquidity, financial condition, and results of operations. Credit rating agencies evaluate us, and their ratings of our debt and creditworthiness are based on a number of factors. These factors include our financial strength and other factors not entirely within our control, including conditions affecting the financial services industry generally. As the financial services industry and the financial markets periodically face difficulties, there can be no assurance that we will maintain our current ratings. Failure to maintain those ratings could, among other things, adversely limit our access to the capital markets and affect the cost and other terms upon which we are able to obtain financing. We may incur substantially more debt and other liabilities. This could exacerbate further the risks associated with our current debt levels. We may be able to incur substantial additional debt in the future. Although the terms of our debt instruments contain restrictions on our ability to incur additional debt, these restrictions are subject to exemptions that could permit us to incur a substantial amount of additional debt. In addition, our debt instruments do not prevent us from incurring liabilities that do not constitute indebtedness as defined for purposes of those debt instruments. If new debt or other liabilities are added to our current debt levels, the risks associated with our having substantial debt could intensify. The conditions of the U. S. and international capital markets may adversely affect lenders with which we have relationships, causing us to incur additional costs and reducing our sources of liquidity, which may adversely affect our financial position, liquidity, and results of operations. Periodically, there has been uncertainty in the global capital markets and the overall economy. Such uncertainty can result in disruptions in the financial sector and affect lenders with which we have relationships. Disruptions in the financial sector may increase our exposure to credit risk and adversely affect the ability of lenders to perform under the terms of their lending arrangements with us. Failure by our lenders to perform under the terms of our lending arrangements could cause us to incur additional costs that may adversely affect our liquidity, financial condition, and results of operations. There can be no assurance that future disruptions in the financial sector will not occur that could have similar adverse effects on our business.

Technology and Cybersecurity Risks Our dependence on technology could have a material adverse effect on our business. All Consumer Loans submitted to us for assignment are processed through our internet- based CAPS application. Our Consumer Loan servicing platform is also technology based. We rely on these systems to record and process significant amounts of data quickly and accurately. Our systems, and those of our third- party service providers, are dependent upon computer and telecommunications equipment, software systems, and internet access. The temporary or permanent loss of any components of these systems through hardware failures, software errors, operating malfunctions, the vulnerability of the internet, or otherwise could interrupt our business operations and harm our business. Although Company systems and systems of third party service providers are subject to risks from cybersecurity threats and incidents, these have not materially affected the Company, including its business strategy, results of operations, or financial condition, though there can be no assurance that cybersecurity threats and incidents will not have a material adverse effect on us in the future. We rely on a variety of measures to protect our technology and proprietary information, including copyrights and a comprehensive information security program. However, these measures may not prevent misappropriation or infringement of our intellectual property or proprietary information, which would adversely affect us. In addition, our competitors or other third parties may allege that our proprietary systems, processes, or technologies infringe their intellectual property rights. Our ability to integrate computer and telecommunications technologies into our business is essential to our success. Computer and telecommunications technologies are evolving rapidly and, as a result, may be characterized by short product life cycles. We may not be successful in anticipating, managing, or adopting technological changes on a timely basis. While we believe that our existing information systems are sufficient to meet our current demands and continued expansion, our future growth may require additional investment in these systems. We cannot assure that adequate capital resources will be available to us at the appropriate time. We depend on secure information technology, and a breach of our systems or those of our third- party service providers could result in our experiencing significant financial, legal, and reputational exposure and could materially adversely affect our business, financial condition, and results of operations. We and our third- party service providers face ongoing threats to our systems and data and from time to time experience cyberattacks and other security incidents. **There is no guarantee. Numerous national finance companies have disclosed security breaches involving sophisticated cyber- attacks, including ransomware, that were not recognized or detected until after such companies had been affected, notwithstanding the preventive measures such companies had in place. Further, the rapid evolution and increased adoption of artificial intelligence technologies, increased sophistication and activities of organized crime, hackers, terrorists, activists and other external parties may increase our level of cybersecurity risk. Additionally, our increased use of mobile and cloud technologies could heighten these and other operational risks by increasing our attack surface, and any failure by mobile or cloud technology service providers to adequately safeguard their systems and prevent cyber- attacks could disrupt our operations and result in misappropriation, corruption or loss of confidential or propriety information. The security controls- measures we have implemented to protect against cybersecurity incidents**, or those of our third- party service providers, **will protect against all threats. Our and our third- party service providers' security measures may not always prevent or mitigate the impact of a cybersecurity incident, and there can be able no assurance that future efforts to anticipate, prevent, detect or identify mitigate a cybersecurity incidents- incident will be effective either in a timely manner or at all.** As a result, our computer systems, software, and networks, as well as those of our third- party service providers, are vulnerable to unauthorized access, computer viruses, malware attacks, and other events that could have a security impact beyond our control, and information we transmit and receive may be vulnerable to interception, misuse, or mishandling. Cybersecurity incidents, including such occurrences that compromise information processed by, stored in, or transmitted through our computer systems and networks, or those of our third- party service providers, or that cause interruptions or malfunctions in our or our service providers' operations could result in losses, loss of business by us and loss of confidence in us, consumer and Dealer dissatisfaction, significant litigation, regulatory exposures, and harm to our reputation, any of which could have a material adverse impact on our business, financial condition, and results of operations. While we have not been materially affected by cybersecurity incidents to date, we may be required to expend significant additional resources in the future to enhance our security controls, modify our protective measures, investigate the circumstances surrounding cybersecurity incidents, and implement mitigation and remediation measures in response to cybersecurity incidents and new or more sophisticated threats, as well as in response to new regulations related to cybersecurity. Cybersecurity incidents may result in our being subject to fines, penalties, litigation (including securities fraud class action lawsuits) and regulatory investigation costs and settlements and other financial losses, which could have a material adverse effect on our business, financial condition, and results of operations. Our use of electronic contracts could impact our ability to perfect our ownership or security interest in Consumer Loans. Our systems permit origination and assignment of Consumer Loans in electronic form. We have engaged a TPP to facilitate the process of creating, establishing control of, and storing electronic contracts in a manner that enables us to perfect our ownership or security interest in the electronic contracts by satisfying the requirements for " control " of electronic chattel paper under the Uniform Commercial Code. Although the law governing the perfection of ownership and security interests in electronic contracts was enacted in 2001, the statutory requirements for the relevant control arrangements have not been meaningfully tested in court. In addition, market practices regarding control of electronic contracts are still developing. As a result, there is a risk that the systems employed by us or any TPP to maintain control of the electronic contracts may not be sufficient as a matter of law to give us a perfected ownership or security interest in the Consumer Loans evidenced by electronic contracts. In addition, technological failure, including failure in the security or access restrictions with respect to the systems, and operational failure, such as the failure to implement and maintain adequate internal controls and procedures, could also affect our ability to obtain or maintain a perfected ownership or security interest in the Consumer Loans evidenced by electronic contracts (or the priority of such interests). Our failure or inability to perfect our ownership or security interest in the Consumer Loans could materially adversely affect our financial position, liquidity, and results of operations. Failure to properly safeguard **our proprietary business**

information or confidential consumer and team member **personal** information could subject us to liability, decrease our profitability, and damage our reputation. In the ordinary course of our business, we collect and store sensitive data ~~including on our computer networks. This sensitive data includes~~ our proprietary business information and personally identifiable information of our consumers and team members ~~on our computer networks~~. The secure processing, maintenance, and transmission of this information is critical to our operations and business strategy. If third parties or our team members **breach or** are able to breach our network security ~~or~~ the network security of a third party that we share information with ~~or~~ otherwise **are able to** misappropriate our consumers' and team members' personal information, or if we give third parties or our team members improper access to our consumers' and team members' personal information, we could be subject to liability. This liability could include identity theft or other similar fraud-related claims. This liability could also include claims for other misuses or losses of personal information, including for unauthorized marketing purposes. Other liabilities could include claims alleging misrepresentation of our privacy and data security practices. **Moreover, the loss of confidential customer personal information could harm our reputation, result in the loss of business, and subject us to liability under laws that protect personal information, resulting in increased costs, loss of revenues and substantial penalties. For instance, the California Consumer Privacy Act of 2018, as amended ("CCPA"), provides for enhanced consumer protections for California residents and statutory fines for data security breaches or other CCPA violations.** We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to secure online transmission of confidential consumer and team member **information, which can include personal** information. Advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments may result in a compromise or breach of the algorithms that we use to protect sensitive consumer transaction data. A party who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may be required to expend capital and other resources to protect against, or alleviate problems caused by, security breaches or other cybersecurity incidents. Although we have experienced cybersecurity incidents from time to time that have not had a material effect on our business, financial condition, or results of operations, there can be no assurance that a cyber ~~attack~~ attack, security breach, or other cybersecurity incident will not have a material adverse effect on us in the future. Our security measures are designed to protect against security breaches, but our failure to prevent security breaches could subject us to liability, decrease our profitability, and damage our reputation. Legal and Regulatory Risks Litigation we are involved in from time to time may adversely affect our financial condition, results of operations, and cash flows. As a result of the consumer-oriented nature of the industry in which we operate and uncertainties with respect to the application of various laws and regulations in some circumstances, we are subject to various consumer claims, litigation, and regulatory investigations seeking damages, fines, and statutory penalties, based upon, among other things, usury, disclosure inaccuracies, wrongful repossession, violations of bankruptcy stay provisions, certificate of title disputes, fraud, and breach of contract. As the assignee of Consumer Loans originated by Dealers, we may also be named as a co-defendant in lawsuits filed by consumers principally against Dealers. We may also have disputes and litigation with Dealers. The claims may allege, among other theories of liability, that we breached the Dealer servicing agreement. We may also have disputes and litigation with vendors and other third parties. The claims may allege, among other theories of liability, that we breached a license agreement or contract. The damages, fines, and penalties that may be claimed by consumers, regulatory agencies, Dealers, vendors, or other third parties in these types of matters can be substantial. The relief requested by plaintiffs varies but may include requests for compensatory, statutory, and punitive damages and injunctive relief, and plaintiffs may seek treatment as purported class actions or they may file individual arbitration demands for which arbitration providers may request separate ~~filings~~ **filing** fees. A significant judgment against us in connection with any litigation or arbitration or the requirement to pay filing fees for a large number of individual arbitration demands could have a material adverse effect on our financial position, liquidity, and results of operations. For a description of significant litigation to which we are a party, see Note ~~16-15~~ **16-15** to the consolidated financial statements contained in Item 8 of this Form 10-K, which is incorporated herein by reference. Changes in tax laws and the resolution of uncertain income tax matters could have a material adverse effect on our results of operations and cash flows from operations. We are subject to income tax in many of the various jurisdictions in which we operate. Increases in statutory income tax rates and other adverse changes in applicable law in these jurisdictions could have an adverse effect on our results of operations. In the ordinary course of business, there are transactions and calculations where the ultimate tax determination is uncertain. At any one time, multiple tax years are subject to audit by various taxing jurisdictions. We provide reserves for potential payments of tax to various tax authorities related to uncertain tax positions. Please see the Critical Accounting Estimates – Uncertain Tax Positions section in Item 7 of this Form 10-K, which is incorporated herein by reference. We adjust these liabilities as a result of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. Such payments could have a material adverse effect on our results of operations and cash flows from operations. The regulations to which we are or may become subject could result in a material adverse effect on our business. Reference should be made to Item 1. Business "Regulation" for a discussion of regulatory risk factors.