QC HOLDINGS, INC.

2016 Audited Consolidated Financial Statements

QC Holdings, Inc.

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
QC Holdings, Inc.

We have audited the accompanying consolidated financial statements of QC Holdings, Inc. (a Kansas corporation) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2016, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of QC Holdings, Inc. and subsidiaries as of December 31, 2015 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Kansas City, Missouri
June 12, 2017

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

	December 31, 2015	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,115	$ 16,660
Restricted cash and other	950	1,865
Loans receivable, less allowance for losses of $6,395 at December 31, 2015 and $9,836 at December 31, 2016	50,555	32,586
Deferred income taxes	2,247	
Assets held for sale	965	965
Prepaid expenses and other current assets	3,074	5,535
Total current assets	73,906	57,611
Non-current loans receivable, less allowance for losses of $1,556 at December 31, 2015 and $623 at December 31, 2016	3,802	1,664
Property and equipment, net	4,797	6,039
Goodwill and intangible assets, net	643	5,056
Deferred income taxes	6,434	659
Other assets, net	4,409	2,326
Total assets	$ 93,991	$ 73,355
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 748	$ 441
Accrued expenses and other current liabilities	3,494	3,669
Accrued compensation and benefits	4,067	3,784
Deferred revenue	3,098	2,526
Debt due within one year	9,803	9,986
Total current liabilities	21,210	20,406
Long-term debt		
Other non-current liabilities	4,967	3,361
Total liabilities	26,177	23,767
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value: 75,000,000 shares authorized; 20,700,250 shares issued and 17,333,034 outstanding at December 31, 2015; 20,700,250 shares issued and 17,333,034 outstanding at December 31, 2016	207	207
Additional paid-in capital	60,501	59,065
Retained earnings	32,558	15,790
Treasury stock, at cost	(25,550)	(25,550)
Accumulated other comprehensive income	98	76
Total stockholders' equity	67,814	49,588
Total liabilities and stockholders' equity	$ 93,991	$ 73,355

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31, 2015	Year Ended December 31, 2016
Revenues:		
Consumer loan interest and fees	$ 126,318	$ 108,108
Other	9,183	9,131
Total revenues	135,501	117,239
Operating expenses:		
Salaries and benefits	31,820	28,363
Provision for losses	39,190	41,833
Occupancy	18,207	16,939
Depreciation and amortization	1,458	1,330
Other	15,144	12,985
Total operating expenses	105,819	101,450
Gross profit	29,682	15,789
Regional expenses	8,171	7,515
Corporate expenses	19,871	19,931
Depreciation and amortization	777	1,136
Interest expense	892	1,071
Other expense (income), net	1,108	(1,580)
Loss from continuing operations before income taxes	(1,137)	(12,284)
Provision (benefit) for income taxes	(94)	4,484
Net loss	$ (1,043)	$ (16,768)
Weighted average number of common shares outstanding:		
Basic	17,351	17,333
Diluted	17,351	17,333
Loss per share:		
Basic:		
Net loss	$ (0.06)	$ (0.97)
Diluted:		
Net loss	$ (0.06)	$ (0.97)

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31, 2015	Year Ended December 31, 2016
Net loss	$ (1,043)	$ (16,768)
Other comprehensive income (loss):		
Foreign currency translation	140	(22)
Total comprehensive loss	$ (903)	$ (16,790)

See accompanying notes to consolidated financial statements.

QC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2015 and 2016
(*in thousands*)

	Outstanding shares	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total stockholders' equity
Balance, December 31, 2014	17,315	$ 207	$ 61,561	$ 34,905	$ (26,276)	$ (42)	$ 70,355
Net loss				(1,043)			(1,043)
Common stock repurchases	(99)				(181)		(181)
Dividends to stockholders				(1,304)			(1,304)
Issuance of restricted stock awards	117		(907)		907		-
Stock-based compensation expense			44				44
Tax impact of stock-based compensation			(197)				(197)
Foreign currency translation						140	140
Balance, December 31, 2015	17,333	207	60,501	32,558	(25,550)	98	67,814
Net loss				(16,768)			(16,768)
Tax impact of stock-based compensation			(1,436)				(1,436)
Foreign currency translation						(22)	(22)
Balance, December 31, 2016	17,333	$ 207	$ 59,065	$ 15,790	$ (25,550)	$ 76	$ 49,588

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31, 2015	2016
Cash flows from operating activities:		
Net loss	$ (1,043)	$ (16,768)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,235	2,466
Provision for losses	39,190	41,833
Deferred income taxes	(301)	10,188
Non-cash interest expense	280	327
(Gain) loss from foreign currency transaction	1,016	(165)
(Gain) loss on cash surrender value of life insurance	132	(112)
Loss on disposal of property and equipment	105	381
Gain on disposal of branches		(1,722)
Stock-based compensation	44	
Changes in operating assets and liabilities:		
Loans, interest and fees receivable, net	(32,427)	(25,233)
Prepaid expenses and other current assets	677	189
Other assets	15	2,196
Accounts payable	108	(307)
Accrued expenses, other liabilities, accrued compensation and benefits and deferred revenue	1,271	(695)
Income taxes	(246)	(6,004)
Other non-current liabilities	(424)	(1,403)
Net operating	10,632	5,171
Cash flows from investing activities:		
Purchase of property and equipment	(2,220)	(3,781)
Proceeds from sale of property and equipment	1,195	48
Changes in restricted cash and other		(915)
Net investing	(1,025)	(4,648)
Cash flows from financing activities:		
Borrowings under credit facility	11,750	11,500
Payments on credit facility	(17,500)	(15,500)
Borrowings on subordinated debt		4,000
Payments for debt issuance costs	(50)	(83)
Dividends to stockholders	(1,304)	
Repurchase of common stock	(181)	
Net financing	(7,285)	(83)
Effect of exchange rate changes on cash and cash equivalents	(427)	105
Cash and cash equivalents		
Net increase	1,895	545
At beginning of year	14,220	16,115
At end of year	$ 16,115	$ 16,660

See accompanying notes to consolidated financial statements.

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

NOTE 1 – DESCRIPTION OF THE BUSINESS

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

All the Company's loans and other services offered in the United States are subject to state regulation, which vary from state to state, as well as to the Consumer Financial Protection Bureau (CFPB) and other federal and local regulation, where applicable. As of December 31, 2016, the Company operated 281 branches with locations in Colorado, Idaho, Illinois, Kansas, Kentucky, Louisiana, Missouri, Nebraska, Nevada, New Mexico, Oklahoma, Texas, Utah, Virginia and Wisconsin.

Since 1998, the Company has been primarily engaged in the business of providing short-term consumer loans, primarily single-pay loans with principal values that typically range from $100 to $500. Single-pay loans provide customers with cash in exchange for a promissory note with a maturity of generally two to three weeks. The loans are collateralized either by a check, ACH authorization or a debit card from the customer (for the principal amount of the loan plus a specified fee). The fee charged on single-pay loans varies by state, but typically ranges from $15 to $20 per $100 borrowed, although recent legislation in a few states has capped the fee below $2 per $100 borrowed. To repay the cash advance, customers may redeem their check by paying cash or they may allow the check, ACH or debit card to be presented to the bank for collection.

In recent years, the Company has expanded its product offerings to include various types of installment loans, ranging from loans similar to single-pay loans in principal amount, fees and interest (but allow customers to repay the loan in bi-weekly installments) to signature loans and auto equity loans that are higher-dollar and longer term. As of December 31, 2016, the Company offered the installment loan products to its customers in Colorado, Idaho, Illinois, Missouri, New Mexico, Utah and Wisconsin. The installment loans are payable in monthly installments (principal plus accrued interest) with terms typically ranging from four months to 48 months, and all loans are pre-payable at any time without penalty. The fee for the installment loan varies based on the type of installment loan, amount borrowed and the term of the loan. Generally, the amount that the Company advances under an installment loan ranges from $400 to $4,000.

In Virginia and Kansas, the Company offers an open-end credit product. The open-end credit product is similar to a line-of-credit in that the customer can borrow up to their approved maximum level at any time as long as the customer does not exceed the maximum set forth in their open-end credit agreement. Furthermore, the Company is responsible for providing the borrower with a monthly statement and the Company requires the borrower to make a monthly payment based on the outstanding balance. The Company earns interest on the outstanding balance and, in Virginia, a monthly membership fee.

On July 1, 2016, the Company completed a swap transaction (the CheckSmart Transaction) with various subsidiaries of Community Choice Financial Inc. (CCFI). As part of the CheckSmart Transaction, the Company swapped its 98 retail branches across the states of Alabama, Arizona, California, Mississippi and Ohio for all 33 of CCFI's retail branches in each of Illinois, Kansas, Missouri and Utah. These new branches were accounted for as an acquisition. See additional information in Note 4 below.

In December 2011, the Company began offering invoice factoring and other lending services to small and medium sized business clients. The Company provides its business clients with working capital by purchasing their accounts receivable invoices at a discount or through a general line of credit arrangement. In a factoring transaction, the Company purchases the invoice and advances a percentage of the face value of the invoice (usually 80% to 90%) to the client for an agreed upon fee. The Company becomes the legal owner of the invoice and collects on it. Prior to 2014, the Company originated loans under a general line of credit arrangement with certain customers using the customer's underlying receivables as collateral. As of December 31, 2015 and 2016, the balance of business receivables (net of allowance for loan losses) was $4.3 million and $714,000, respectively – see additional information in Note 2 below. For the years ended December 31, 2015 and 2016, revenues from the Company's business lending services were approximately $1.2 million and $777,000, respectively.

On September 30, 2011, QC Canada Holdings Inc., a wholly-owned subsidiary of the Company, acquired 100% of the outstanding stock of Direct Credit Holdings Inc. (Direct Credit), a British Columbia company engaged in short-term, consumer Internet lending in certain Canadian provinces. Direct Credit was founded in 1999 and has developed and grown a proprietary Internet-based model into a leading platform in Canada. The acquisition of Direct Credit diversified the Company's business by increasing its product offerings and distribution, as well as by expanding its presence into international markets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

	Year Ended December 31,	
	2015	**2016**
Single-pay loan fees	$ 88,572	$ 69,602
Installment loan interest and fees	32,376	33,703
Open-end credit fees	5,116	4,243
Title loan fees	254	560
Total	$ 126,318	$ 108,108

The Company records revenue from single-pay and title loans upon issuance. The term of a loan is generally two to three weeks for a single-pay loan and 30 days for a title loan. At the end of each month, the Company records an estimate of the unearned revenue that results in revenues being recognized on a constant-yield basis ratably over the term of each loan.

The Company records revenues from installment loans using the simple interest method.

With respect to the open-end credit product, the Company earns interest on the outstanding balance. The open-end credit product in Virginia also includes a monthly non-refundable membership fee and the customer is granted a grace period of 25 days to repay the loan without incurring any interest.

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

	Year Ended December 31,	
	2015	**2016**
Credit service fees	$ 4,419	$ 4,210
Check cashing fees	2,250	2,659
Other fees	2,514	2,262
Total	$ 9,183	$ 9,131

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

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

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less. The carrying amount of cash and cash equivalents approximates the estimated fair value at December 31, 2015 and 2016. Substantially all cash balances exceed federal deposit insurance limits.

Restricted Cash and Other. Restricted cash and other includes cash in certain money market accounts and certificates of deposit. The carrying amount of restricted cash and other approximates the estimated fair value at December 31, 2015 and 2016. The cash balances are restricted primarily due to licensing requirements in certain states and other contractual obligations.

Loans Receivable, Provision for Losses and Allowance for Loan Losses. When the Company enters into a single-pay loan with a customer, the Company records a loan receivable for the amount loaned to the customer plus the fee charged by the Company, which varies from state to state based on applicable regulations.

The following table summarizes certain data with respect to the Company's single-pay loans:

	Year Ended December 31,	
	2015	**2016**
Average amount of cash provided to customer	$323.98	$338.62
Average fee received by the Company	$ 58.80	$ 62.77
Average term of loan (days)	18	18

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

The following table summarizes certain data with respect to the Company's installment loans:

	Year Ended December 31,	
	2015	**2016**
Loan volume *(in thousands)*	$ 46,397	$ 44,387
Average loan (principal)	$ 741.24	$ 711.96
Average term of loan (days)	196	203

The Company records a provision for losses associated with uncollectible loans. For single-pay loans, all accrued fees, interest and outstanding principal are charged off on the date the Company receives a returned check, a rejected ACH or denied debit card submission, generally within 14 days after the due date of the loan. Accordingly, single-pay loans included in the receivable balance at any given point in time are typically not older than 30 days. These charge-offs are recorded as expense through the provision for losses. Any recoveries on losses previously charged to expense are recorded as a reduction to the provision for losses in the period recovered. With respect to title loans, no additional fees or interest are charged after the loan has defaulted, which generally occurs after attempts to contact the customer have been unsuccessful. Based on state regulations and operating procedures, the Company stops accruing interest on installment loans between 60 to 90 days after the last payment.

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

The methodology for estimating the allowance for single-pay and title loan losses utilizes a four-step approach, which reflects the short-term nature of the loan portfolio at each period-end, the historical collection experience in the month following each reporting period-end and any fluctuations in recent general economic conditions. First, the Company computes the loss/volume ratio for the last month of each reporting period. The loss/volume ratio represents the percentage of aggregate net single-pay and title loan charge-offs to total single-pay and title loan volumes during a given period. Second, the Company computes an adjustment to this percentage to reflect the collections experience in the month immediately following the reporting period-end. To estimate collections experience, the Company computes an average of the change in the loss/volume ratio from the last month of each reporting period to the immediate subsequent month-end for each of the last three years (excluding the current year). This change is then added to, or subtracted from, the loss/volume ratio computed for the last month of the current reporting period to derive an experience-adjusted loss/volume ratio. Third, the period-end gross single-pay and title loans receivable balance is multiplied by the experience-adjusted loss/volume ratio to determine the initial estimate of the allowance for loan losses. Fourth, the Company reviews and evaluates various qualitative factors that may or may not affect the computed initial estimate of the allowance for loan losses, including, among others, known changes in state regulations or laws, changes to the Company's business and operating structure, and geographic or demographic developments. As of December 31, 2015 and 2016, the Company determined that no qualitative adjustment to the allowance for single-pay loan losses was necessary.

The Company maintains an allowance for installment loans at a level it considers sufficient to cover estimated losses in the collection of its installment loans. The allowance calculation for installment loans is based upon historical charge-off experience (using a trailing average of charge-offs to total volume that approximates the average term of the underlying type of installment loan) and qualitative factors, with consideration given to recent credit loss trends and economic factors. As of December 31, 2015, the Company recorded a qualitative adjustment to reduce the allowance for installment loans by $650,000 due to improved underwriting and credit indicators. As of December 31, 2016, the Company recorded a qualitative adjustment to increase the allowance for installment loans by $300,000 due to expected losses associated with installment loan products that were being discontinued.

The Company records an allowance for other receivables based upon an analysis that considers payment recency, delinquency levels and other general economic conditions. In connection with this ongoing analysis, during 2016, the Company increased the allowance for loan losses by approximately $3.4 million in its business-to-business unit associated with two customers who originally borrowed under a line of credit arrangement.

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

On occasion, the Company will sell certain single-pay and installment loan receivables (that the Company had previously charged off) to third parties for cash. The sales are recorded as a credit to the overall loss provision, which is consistent with the Company's policy for recording recoveries noted above. The following table summarizes cash received from the sale of certain single-pay and installment loan receivables *(in thousands)*:

	Year Ended December 31,	
	2015	2016
Sale of consumer loan receivables	$ 975	$ 789

Operating Expenses. The direct costs incurred in operating the Company's business units have been classified as operating expenses. Operating expenses include salaries and benefits of employees (branch personnel, as well as employees of Direct Credit), rent and other occupancy costs, depreciation and amortization of branch property and equipment, armored car and security costs, marketing and other costs incurred by the business units. The provision for losses is also a component of operating expenses.

Property and Equipment. Property and equipment are recorded at cost. Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets. Buildings are depreciated generally over 39 years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term (including renewal options that are reasonably assured), which generally ranges from 1 to 15 years with an average of seven years, or the estimated useful life of the related asset. Furniture and equipment, including data processing equipment, data processing software and other equipment, are generally depreciated from 3 to 7 years. Company-owned vehicles are depreciated over four to five years. Repair and maintenance expenditures that do not significantly extend asset lives are charged to expense as incurred. The cost and related accumulated depreciation and amortization of assets sold or disposed of are removed from the accounts, and the resulting gain or loss is included in income.

Assets Held for Sale. Assets held for sale represent buildings, land and leasehold improvements for locations that have met the criteria of "held for sale" accounting. In third quarter 2014, the Company committed to a plan to sell its company-owned properties. The Company ceased depreciation on these properties during third quarter 2014. As of December 31, 2015 and 2016, assets held for sale include a building located in Kansas City, Kansas. The Company anticipates that this property will be sold within the next 12 months. The Company measures long-lived assets held for sale at the lower of carrying amount or estimated fair value.

Software. Purchased software is recorded at cost and is amortized on a straight-line basis over the estimated useful life. The Company capitalizes costs for the development of internal use software, including coding and software configuration costs and costs of upgrades and enhancements. Computer software and development costs incurred in the preliminary project stage, as well as training and maintenance costs, are expensed as incurred. Costs for the development of internal use software totaled approximately $110,000 and $270,000 for the years ending December 31, 2015 and 2016, respectively. The Company assesses the recoverability of the carrying amount of capitalized software when events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable.

Advertising Costs. Advertising costs, including related printing, postage, referral fees, coupons and search engine marketing, are charged to operations when incurred. Advertising expense was $6.3 million and $4.8 million for the years ended December 31, 2015 and 2016, respectively.

Goodwill and Intangible Assets. Goodwill represents the excess of consideration over the fair value of net tangible and identified intangible assets and liabilities assumed of acquired businesses using the acquisition method of accounting. Intangible assets consist of customer relationships, non-compete agreements, trade names, debt issuance costs and other intangible assets. Customer relationships are amortized using the straight-line method over the weighted average useful lives ranging from three to five years. The amount recorded for trade names is considered an indefinite life intangible and not subject to amortization, unless the Company is contractually restricted from utilizing the name after a determined period (in which case, the trade name would be an intangible asset subject to amortization). Costs paid to obtain debt financing are amortized to interest expense over the term of each related debt agreement using the effective interest method for term debt and the straight-line method for a credit facility.

Other intangible assets having indefinite useful lives are tested for impairment using a fair-value based approach on an annual basis, or more frequently if events or changes in circumstances indicate that the assets might be impaired. The Company performs its annual indefinite life impairment test as of December 31. The Company tests trade names with indefinite lives for impairment by comparing the book value to a fair value calculated using a discounted cash flow approach on a presumed royalty rate derived from the revenues related to the trade name. Other factors that are considered important in determining whether an impairment of indefinite lived intangible assets might exist include significant continued underperformance compared to peers, significant changes in the Company's business and products, material and ongoing negative industry or economic trends, or other factors specific to each asset being evaluated.

The Company tested the goodwill related to the CheckSmart Transaction (see Note 4 below) as of December 31, 2016 and determined there was no impairment. As of December 31, 2015, the Company did not have any goodwill to test. The Company determined there was no impairment of the remaining indefinite lived intangible asset of its Direct Credit reporting unit as of December 31, 2015 and 2016.

Impairment of Long-Lived Assets. The Company evaluates all long-lived assets, including intangible assets that are subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. When the carrying amounts of these assets cannot be recovered by the undiscounted net cash flows they will generate, impairment is recognized in an amount by which the carrying amount of the assets exceeds the fair value.

Earnings per Share. The Company computes basic and diluted earnings per share using a two-class method because the Company has participating securities in the form of unvested share-based payment awards with rights to receive non-forfeitable dividends. Basic and diluted earnings per share are computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share gives effect to all dilutive potential common shares that were outstanding during the year. The effect of stock options and unvested restricted stock represent the only differences between the weighted average shares used for the basic earnings per share computation compared to the diluted earnings per share computation for each period presented. See additional information in Note 14.

Stock-Based Compensation. The Company recognizes in its financial statements compensation cost relating to share-based payment transactions. The stock-based compensation expense is recognized as expense over the requisite service period, which is the vesting period. See additional information in Note 15.

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

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

Treasury Stock. The Company's board of directors periodically authorizes the repurchase of the Company's common stock. The Company's repurchases of common stock are recorded as treasury stock and result in a reduction of stockholders' equity. The shares held in treasury stock may be used for corporate purposes, including shares issued to employees as part of the Company's stock-based compensation programs. When treasury shares are reissued, the Company uses the average cost method. The Company had 3.4 million shares of common stock held in treasury at December 31, 2015 and 2016, respectively.

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

The Company estimates the fair value of long-term debt based upon borrowing rates available at the reporting date for indebtedness with similar terms and average maturities. Debt is reported at its carrying amount in the Consolidated Balance Sheets. As of December 31, 2015 and 2016, the fair value of the Company's outstanding indebtedness approximated the carrying value.

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

NOTE 3 – NEW ACCOUNTING PRONOUNCEMENTS

New Accounting Guidance Not Yet Adopted. In May 2014, the FASB issued guidance on revenue recognition that specifies how and when to recognize revenue as well as providing informative, relevant disclosures. This guidance will become effective for fiscal years beginning after December 15, 2017. The Company is evaluating the effect of adopting this new accounting standard.

In November 2015, the FASB issued guidance on the balance sheet classification of deferred taxes, which requires deferred tax assets and deferred tax liabilities be presented as noncurrent in a classified balance sheet. The standard is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company will adopt this guidance beginning in 2017 and the adoption of this guidance is not expected to have a significant effect on the Company's consolidated financial statements.

In February 2016, the FASB issued guidance on leases, which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance utilizes a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The guidance is effective for fiscal years beginning after December 15, 2018. The Company is evaluating the effect of adopting this new accounting standard.

In March 2016, the FASB issued guidance that simplified several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. The guidance is effective for annual reporting periods beginning after December 15, 2016. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

In June 2016, the FASB issued guidance that changes the impairment model for most financial assets, and will require the use of an “expected loss” model for instruments measured at amortized cost. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The guidance is effective for fiscal years beginning after December 15, 2019. The Company is evaluating the effect of adopting this new accounting standard.

In August 2016, the FASB issued guidance to clarify the classification of certain cash receipts and cash payments in the statement of cash flows. The FASB issued the guidance with the intent of reducing diversity in practice regarding eight types of cash flows. The guidance is effective for annual reporting periods beginning after December 15, 2017. The Company is evaluating the effect of adopting this new accounting standard.

In November 2016, the FASB issued guidance to clarify the classification and presentation of restricted cash in the statement of cash flows. The guidance is effective for annual reporting periods beginning after December 15, 2017. The Company is evaluating the effect of adopting this new accounting standard.

NOTE 4 –ACQUISITIONS, DISPOSITIONS AND EXIT COSTS

CheckSmart Transaction. As noted above, the Company completed a swap transaction, whereby the Company swapped its 98 retail branches across the states of Alabama, Arizona, California, Mississippi and Ohio for all 33 of CCFI’s retail branches in each of Illinois, Kansas, Missouri and Utah.

The transaction did not provide for the payment or receipt of any consideration by the Company or the CCFI subsidiaries, other than the transfer of the equity interests, assets and customary post-closing adjustments. In entering into the transaction, the Company and CCFI each concluded that the fair value of the equity interests and other assets received by CCFI are substantially equal to the net value of the equity interests and other assets received by the Company.

The following table summarizes the estimated fair value of the assets and liabilities acquired at the date of the transaction *(in thousands)*.

Fair value of total consideration transferred by the Company	$ 11,041
Recognized amounts of identifiable assets and liabilities acquired:	
Finance receivables, net	6,189
Leasehold improvements and equipment, net	518
Identifiable intangible assets	867
Deferred liabilities	(249)
Total identifiable assets and liabilities, net	7,325
Goodwill	$ 3,716

The following table summarizes the estimated fair value of the assets divested at the date of the transaction *(in thousands)*.

Fair value of total consideration received from CCFI	$ 11,041
Recognized amounts of identifiable assets and liabilities disposed:	
Finance receivables, net	9,726
Leasehold improvements and equipment, net	287
Other assets	35
Deferred liabilities	(729)
Total identifiable assets and liabilities, net	9,319
Gain on transaction	$ 1,722

Closure of Branches. During the year ended December 31, 2015, the Company closed 15 branches. The Company recorded approximately $151,000 in pre-tax charges during the year ended December 31, 2015 associated with branch closures. The charges included a $106,000 loss for the disposition of fixed assets and $45,000 for lease terminations and other related occupancy costs.

When ceasing operations in branches under operating leases, the Company incurs certain lease contract termination costs. Accordingly, in cases where the lease contract specifies a termination fee due to the landlord, the Company records such expense at the time written notice is given to the landlord. In cases where terms, including termination fees, are yet to be negotiated with the landlord or in cases where the landlord does not allow the Company to prematurely exit its lease, but allows for subleasing, the Company estimates the fair value of any assumed sublease income that can be generated from the location and records as an expense the excess of remaining lease payments to the landlord over the projected sublease income at the cease-use date.

NOTE 5 – FAIR VALUE MEASUREMENTS

Accounting guidance on fair value measurements establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. There were no recurring fair value measurements as of December 31, 2015 and December 31, 2016.

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

The Company measures long-lived assets held for sale at the lower of carrying amount or estimated fair value. As of December 31, 2015 and 2016, the fair value of the Company's Kansas City, Kansas building approximates its carrying amount.

NOTE 6 – SEGMENT INFORMATION

The Company's operating business units offer various financial services. The Company has elected to organize and report on its business units as two reportable segments - Branch Lending and E-Lending. The Branch Lending segment includes branches that offer single-pay loans, installment loans, credit services, check cashing services, title loans, open-end credit, debit cards, money transfers and money orders. The E-Lending segment includes the Internet lending operations in Canada and the United States. The Company evaluates the performance of its segments based on, among other things, gross profit, income from continuing operations before income taxes and return on invested capital.

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

	Year Ended December 31, 2016		
	Branch Lending	E-Lending	Consolidated Total
Total revenues	$ 111,302	$ 5,937	$ 117,239
Provision for losses	39,738	2,095	41,833
Other expenses	56,062	3,555	59,617
Gross profit	15,502	287	15,789
Other, net (a)	(25,262)	(2,811)	(28,073)
Loss from continuing operations before taxes	$ (9,760)	$ (2,524)	$ (12,284)

	Year Ended December 31, 2015		
	Branch Lending	E-Lending	Consolidated Total
Total revenues	$ 129,205	$ 6,296	$ 135,501
Provision for losses	37,247	1,943	39,190
Other expenses	62,760	3,047	65,807
Gross profit	29,198	1,306	30,504
Other, net (a)	(27,772)	(3,869)	(31,641)
Income (loss) from continuing operations before taxes	$ 1,426	$ (2,563)	$ (1,137)

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

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

	December 31, 2015	December 31, 2016
Branch Lending	$ 87,872	$ 66,909
E-Lending	6,119	6,446
Balance at end of year	$ 93,991	$ 73,355

The operations of the Branch Lending segment are all located in the United States. The operations of the E-Lending segment are located in Canada and the United States.

NOTE 7 – CUSTOMER RECEIVABLES AND ALLOWANCE FOR LOAN LOSSES

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

	December 31, 2015	December 31, 2016
Current portion:		
Single-pay loans	$ 30,928	$ 20,388
Installment loans	17,182	14,589
Open-end credit loans	3,795	2,630
Business and factoring receivables	5,045	4,815
Gross current portion of customer receivables	56,950	42,422
Less: Allowance for losses	(6,395)	(9,836)
Total current portion of customer receivables, net	$ 50,555	$ 32,586

As of December 31, 2015 and 2016, non-current loans receivable consisted entirely of installment loans.

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

The Company had approximately $1.3 million in installment loans receivable that were past due as of December 31, 2016 (which represented approximately 9% of total gross installment receivables) and approximately 38% of the past due amount was more than 60 days past due. The Company had approximately $6.5 million in installment loans receivable past due as of December 31, 2015 (which represented approximately 29% of total gross installment receivables) and approximately 43% of this past due amount was more than 60 days past due.

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

	Year Ended December 31, 2015	Year Ended December 31, 2016
Balance, beginning of year	$ 8,927	$ 7,951
Charge-offs	(66,413)	(66,197)
Recoveries	27,826	27,513
CheckSmart Transaction		1,014
Provision for losses	37,611	40,178
Balance, end of year	$ 7,951	$ 10,459

The provision for losses in the Consolidated Statements of Operations also includes losses associated with the CSO (see Note 11 for additional information).

The following table summarizes the activity in the allowance for loan losses by product *(in thousands)*:

	Year Ended December 31, 2016					
	Single-pay Loans	Installment Loans	Open-end Credit Loans	Business and Factoring Receivables	Other	Total
Balance, beginning of year	$ 927	$ 4,950	$ 1,315	$ 759	$ -	$ 7,951
Charge-offs	(36,756)	(23,794)	(3,342)		(2,305)	(66,197)
Recoveries	22,710	3,545	528		730	27,513
CheckSmart Transaction	(380)	874	520			1,014
Provision for losses	14,221	18,731	2,301	3,350	1,575	40,178
Balance, end of year	$ 722	$ 4,306	$ 1,322	$ 4,109	$ -	$ 10,459

The provision for losses in the "Other" component for the year ended December 31, 2016 includes losses from returned items for check cashing of approximately $1.4 million.

	Year Ended December 31, 2015					
	Single-pay Loans	Installment Loans	Open-end Credit Loans	Business and Factoring Receivables	Other	Total
Balance, beginning of year	$ 1,310	$ 6,080	$ 1,437	$ 100	$ -	$ 8,927
Charge-offs	(42,247)	(21,033)	(2,650)		(483)	(66,413)
Recoveries	24,696	2,990			140	27,826
Provision for losses	17,168	16,913	2,528	659	343	37,611
Balance, end of year	$ 927	$ 4,950	$ 1,315	$ 759	$ -	$ 7,951

The provision for losses in the "Other" component for the year ended December 31, 2015 includes losses from returned items for check cashing of approximately $181,000.

NOTE 8 – PROPERTY AND EQUIPMENT

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

	December 31,	
	2015	**2016**
Furniture and equipment	$ 23,113	$ 20,213
Leasehold improvements	16,442	12,474
Vehicles	853	559
	40,408	33,246
Less: Accumulated depreciation and amortization	(35,611)	(27,207)
Total	$ 4,797	$ 6,039

With the CheckSmart Transaction (as discussed in Note 4), the Company added approximately $518,000 in various types of property and equipment, while disposing of approximately $287,000 of various types of property and equipment (each of which is net of related accumulated depreciation and amortization).

In February 2005, the Company entered a seven-year lease for a new corporate headquarters in Overland Park, Kansas. In January 2011, the Company amended its lease agreement to extend the lease term and modify the lease payments. The lease was extended with a new landlord through October 31, 2017 and includes a renewal option for an additional five years. As part of the original lease agreement and the amendment to the lease agreement, the Company received tenant allowances from the landlord for leasehold improvements totaling $1.4 million. The tenant allowances are recorded by the Company as a deferred liability and are being amortized as a reduction of rent expense over the life of the lease. As of December 31, 2015, the balance of the deferred liability was approximately $102,000, of which $46,000 is classified as a non-current liability. As of December 31, 2016, the balance of the deferred liability was approximately $46,000, all of which was classified as a current liability.

Depreciation and amortization expense for property and equipment totaled $2.2 million and $2.3 million for the years ended December 31, 2015 and 2016, respectively.

NOTE 9 – GOODWILL AND INTANGIBLE ASSETS

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

	December 31, 2015	December 31, 2016
Non-amortized goodwill and intangible assets:		
Trade name	$ 692	$ 692
Goodwill		3,716
Total non-amortized goodwill and intangible assets	692	4,408
Amortized intangible assets:		
Customer relationships	$ 2,603	$ 3,165
Debt issue costs	325	408
Trade name		305
Gross carrying amount	2,928	3,878
Less: Accumulated amortization	(2,817)	(3,085)
Amortized intangible assets	111	793
Effect of foreign currency translation	(160)	(145)
Total goodwill and intangible assets, net	$ 643	$ 5,056

In connection with the CheckSmart Transaction (as described in Note 4 above), the Company recorded definite lived intangible assets for customer relationships and a trade name, as well as goodwill representing the excess of consideration transferred over the fair value of net tangible and identified intangible assets and liabilities assumed. The customer relationships represent developed relationships with existing customers in each of the states acquired and are being amortized over a period of three years. The trade name reflects the Company's contractual right to utilize the trade name over the next five years.

The Company tests trade names with indefinite lives for impairment annually by comparing the book value to a fair value calculated using a discounted cash flow approach on a presumed royalty rate derived from the revenues related to the trade name. No impairment of intangible assets was recognized during 2015 and 2016.

The amortization of definite lived intangible assets for customer relationships and trade names is recorded as amortization expense. The deferred debt issue costs are amortized to interest expense over the life of the related debt instruments. The following table summarizes the amortization of definite lived intangible assets during the years ended December 31, 2015 and 2016 *(in thousands)*:

	Year Ended December 31, 2015	Year Ended December 31, 2016
Customer relationships	$ -	$ 93
Trade names		31
Debt issue costs	142	144
Total	$ 142	$ 268

As of December 31, 2015, the intangible assets recorded for customer relationships prior to the CheckSmart Transaction were fully amortized.

The following table summarizes the estimated annual amortization expense for intangible assets as of December 31, 2016 *(in thousands)*:

	December 31, 2016
2017	$ 299
2018	248
2019	155
2020	61
2021	30
Total	$ 793

NOTE 10 – INDEBTEDNESS

The following table summarizes long-term debt at December 31, 2015 and December 31, 2016 *(in thousands)*:

	December 31, 2015	December 31, 2016
Credit facility	$ 6,250	$ 2,250
Senior subordinated notes	3,553	7,736
Total debt	9,803	9,986
Less current portion of debt	(9,803)	(9,986)
Long-term debt	$ -	$ -

The following table summarizes future principal payments of indebtedness at December 31, 2016 *(in thousands)*:

	December 31, 2016
2017	$ 9,986
Total	$ 9,986

Seasonal Credit Facility. On November 23, 2016, the Company entered into a Loan and Security Agreement (Seasonal Facility) with a private lender to replace its prior credit agreement. The Company's borrowing under the Seasonal Facility comprises a term loan facility of $2,250,000. The Seasonal Facility contains financial covenants related to a minimum fixed charge coverage ratio and a minimum level of cash and cash equivalents. As of December 31, 2016, the Company was in compliance with these covenants.

The obligations of the Company under the Seasonal Facility are guaranteed by all the operating subsidiaries of the Company (other than foreign subsidiaries and the Company's business-to-business and property holding subsidiaries), and were secured by liens on substantially all the personal property of the Company and the covered operating subsidiaries. The Seasonal Facility terminated on May 1, 2017. During the second half of 2017, the Company will evaluate its borrowing needs, which may include, among other things, entering a similar seasonal arrangement before the end of the year or establishing a broader credit framework (see discussion of subordinated debt below).

Borrowings under the facility bear interest at an annual rate of 18.25%. The credit facility also includes an annual administrative fee of 0.50% per annum on the outstanding balance of the facility. The Company paid an origination fee of $67,500.

Commercial Bank Credit Agreement. On July 23, 2014, the Company entered an Amended and Restated Credit Agreement (Credit Agreement) with a syndicate of banks to replace its prior credit agreement, which was previously restated on September 30, 2011 (and amended at various times thereafter). The Credit Agreement contained financial covenants related to a minimum fixed charge coverage ratio, a maximum senior leverage ratio and a minimum liquidity (expressed as consolidated current assets to total consolidated debt). The maximum amount available under the revolving credit facility as of December 31, 2015 was $9 million. As of December 31, 2015, the Company was in compliance with these covenants.

The obligations of the Company under the Credit Agreement were guaranteed by all the operating subsidiaries of the Company (other than foreign subsidiaries), and were secured by liens on substantially all the personal property of the Company and its domestic operating subsidiaries. The Company pledged 65% of the stock of its two Canadian subsidiary holding companies to secure the obligations of the Company under the Credit Agreement. The lenders had the right to accelerate the obligations of the Company under the Credit Agreement if there was a change in control of the Company, including an acquisition of 25% or more of the equity securities of the Company by any person or group. The Credit Agreement terminated on September 21, 2016.

Borrowings under the facility were available based on two types of loans, Base Rate loans or LIBOR Rate loans. Base Rate loans bear interest at a rate of 2.00% plus the higher of the Prime Rate, the Federal Funds Rate plus 0.50% or the one-month LIBOR rate in effect plus 2.00%. LIBOR Rate loans bear interest at rates based on the LIBOR rate for the applicable loan period plus 4.00%. The loan period for a LIBOR Rate loan may be one month, two months, three months or six months and the loan may be renewed upon notice to the agent provided that no default has occurred. The credit facility also included a non-use fee of 0.50% per annum.

The weighted average interest rate for borrowings under the credit facilities during the year ended December 31, 2015 and 2016 was 4.2% and 7.5%, respectively.

Subordinated Debt. On September 30, 2011, the Company issued $3.0 million initial principal amount of senior subordinated notes (2011 Subordinated Notes), of which $2.5 million was issued to the Chairman of the Board of the Company and the remaining $500,000 principal amount was issued to another stockholder of the Company, who is not an officer or director of the Company. The maturity of the 2011 Subordinated Notes (originally scheduled for September 30, 2016 after an amendment to the Credit Agreement during 2015) was extended to September 30, 2017.

To repay the Credit Agreement, on September 20, 2016, the Company issued an additional $4.0 million initial principal amount of senior subordinated notes (2016 Subordinated Notes). Of the total, $3.0 million was issued to the Chairman of the Board of the Company, $250,000 to the Vice Chairman of the Board of the Company and $750,000 to the President and Chief Executive Officer. The maturity of the 2016 Subordinated Notes is September 30, 2017.

The 2011 Subordinated Notes bear interest at the rate of 16% per annum, payable quarterly, 75% of which is payable in cash and 25% of which is payable-in-kind (PIK) through the issuance of additional senior subordinated PIK notes. The 2011 Subordinated Notes are subject to prepayment at the option of the Company, without penalty or premium and are subject to mandatory prepayment, without premium, upon a change of control. The 2016 Subordinated Notes bear interest at the rate of 16% per annum, payable monthly, 75% of which is payable in cash and 25% of which is payable-in-kind through the issuance of additional senior subordinated PIK notes. The 2016 Subordinated Notes are subject to prepayment at the option of the Company, with a 1% premium on the outstanding principal of the notes and are subject to mandatory prepayment, without premium, upon a change of control. The subordinated notes contain events of default tied to the Company's total debt to total capitalization ratio. As of December 31, 2015 and 2016, the Company was in compliance with this covenant. The subordinated notes further provide that upon occurrence of an event of default on the subordinated notes, the Company may not declare or pay any cash dividend or distribution of cash or other property (other than equity securities of the Company) on its capital stock. As of December 31, 2015 and December 31, 2016, the balances of the subordinated notes were approximately $3.6 million and $7.7 million, respectively.

NOTE 11 – CREDIT SERVICES ORGANIZATION

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

As of December 31, 2015 and December 31, 2016, the consumers had total loans outstanding with the lender of approximately $1.5 million and $1.3 million, respectively. Because of the economic exposure for potential losses related to the guarantee of these loans, the Company records a payable at fair value to reflect the anticipated losses related to uncollected loans. The balance of the liability for estimated losses reported in accrued liabilities was approximately $310,000 as of December 31, 2015 and $210,000 as of December 31, 2016.

The following table summarizes the activity in the liability for CSO loan losses during the years ended December 31, 2015 and 2016 *(in thousands)*:

	Year Ended December 31,	
CSO liability:	2015	2016
Balance, beginning of year	$ 380	$ 310
Charge-offs	(2,176)	(2,471)
Recoveries	527	716
Provision for losses	1,579	1,655
Balance, end of year	$ 310	$ 210

NOTE 12 – INCOME TAXES

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

	Year Ended December 31,	
	2015	**2016**
Current:		
Federal	$ (435)	$ (5,819)
State	268	(199)
Foreign	374	314
Total Current	207	(5,704)
Deferred:		
Federal	32	9,980
State	(25)	206
Foreign	(308)	2
Total Deferred	(301)	10,188
Total provision (benefit) for income taxes	$ (94)	$ 4,484
Income (loss) from continuing operations:		
Domestic	$ (1,369)	$ (13,438)
Foreign	232	1,154
Loss from continuing operations before income taxes	$ (1,137)	$ (12,284)

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

	December 31,	
	2015	**2016**
Deferred tax assets related to:		
Allowance for loan losses	$ 5,445	$ 6,612
Net operating loss carryovers	365	2,588
Accrued expenses	1,416	1,352
Stock-based compensation	1,733	400
Unused state tax credits	1,241	1,100
Deferred compensation and other employee benefits	1,882	1,312
Goodwill and intangible assets	1,892	1,461
Other	1,262	815
Gross deferred tax assets	15,236	15,640
Less: valuation allowance	(1,241)	(9,588)
Net deferred tax assets	13,995	6,052
Deferred tax liabilities related to:		
Loans receivable, tax value	(5,057)	(4,664)
Property and equipment		(332)
Prepaid assets	(257)	(397)
Gross deferred tax liabilities	(5,314)	(5,393)
Net deferred tax asset	$ 8,681	$ 659

For the year ended December 31, 2016, the Company incurred a domestic net operating loss of approximately $13.9 million (for income tax purposes). Of this amount, approximately $8.6 million will be carried back to offset taxable income in previous years. The remaining $5.3 million is available to carry-forward for 20 years. The Company has state tax credit and various loss carry-forwards of approximately $2.0 million and $1.7 million as of December 31, 2015 and December 31, 2016, respectively. The deferred tax benefits associated with these credits and carryovers is approximately $1.2 million and $3.2 million as of December 31, 2015 and December 31, 2016, respectively.

In addition, the company has recorded deferred tax benefits related to other domestic net deferred tax assets of $8.2 million and $6.4 million at December 31, 2015 and December 31, 2016, respectively. Due to the net operating loss incurred for the year ended December 31, 2016, the Company has determined that it is not more likely than not these carry-forwards and deferred tax assets will be recognized. Accordingly, a valuation allowance in the amount of $9.6 million was established at December 31, 2016. Because of uncertainties relating to meeting state credit criteria and future taxable income of an appropriate character, a valuation allowance in the amount of $1.2 million was established at December 31, 2015.

The Company also has gross foreign net operating loss carry-forwards of approximately $2.3 million that generally expire in 14 - 20 years. The Company believes it is more likely than not that these carry-forwards will be utilized prior to their expiration. Accordingly, no valuation allowance for the related deferred tax asset has been recognized.

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

	Year Ended December 31,	
	2015	**2016**
Income tax benefit using the statutory federal rate in effect	$ (387)	$ (4,177)
Tax effect of:		
State and local income taxes, net	160	5
Valuation allowance		8,488
Other	133	168
Total provision (benefit) for income taxes	$ (94)	$ 4,484
Effective tax rate	8.3%	(36.5)%
Statutory federal tax rate	34.0%	34.0%

The effective income tax rate for the year ended December 31, 2015 was (36.5)% compared to 8.3% in the prior year. The negative tax rate in 2016 is primarily due to the effect of establishing a valuation allowance for the net deferred tax assets of domestic entities of the Company. The low tax rate in 2015 is due primarily to the effect of non-deductible expenses on a loss from continuing operations.

As of December 31, 2015 and 2016, the accumulated undistributed earnings of foreign affiliates were a deficit of $6.7 million and $5.9 million, respectively. If the accumulated earnings of the foreign affiliates become positive in the future, the Company intends to indefinitely reinvest such earnings in the business of its foreign affiliates, and thus, no federal or state income taxes or foreign withholding taxes will be provided for amounts which would become payable, if any, on the distribution of such earnings.

Uncertain Tax Positions. A summary of the total amount of unrecognized tax benefits for the years ended December 31, 2015 and 2016 is as follows *(in thousands)*:

	December 31,	
	2015	**2016**
Balance at beginning of year	$ 177	$ 85
Additions for tax positions taken during the current year		
Reductions for tax positions taken during prior years	(84)	
Lapse of statute of limitations	(8)	(4)
Balance at end of year	$ 85	$ 81

The Company records accruals for interest and penalties related to unrecognized tax benefits in interest expense and operating expense, respectively. Interest and penalties, and associated accruals, were not material in 2015 or 2016.

The Company is currently under examination by the Internal Revenue Service for the tax year ended December 31, 2013. The company anticipates that approximately $77,000 of the amount of unrecognized tax benefits recorded at December 31, 2016 could be settled as a result of this exam within the next twelve months.

The Company is subject to income taxes in the U.S. federal jurisdiction and various state and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. In the ordinary course of business, transactions occur for which the ultimate tax outcome is uncertain. In addition, respective tax authorities periodically audit the Company's income tax returns. These audits examine the Company's significant tax filing positions, including the timing and amounts of deductions and the allocation of income among tax jurisdictions. The following table outlines the tax years that generally remain subject to examination as of December 31, 2016:

	Federal	State and Foreign
Statute remains open	2013-2016	2012-2016
Tax years currently under examination	2013	N/A

NOTE 13 – EMPLOYEE BENEFIT PLANS

The Company has established a defined-contribution 401(k) benefit plan that covers substantially all its full-time employees. The Company's matching contributions and administrative expenses relating to the 401(k) plan were $419,000 during 2015. During 2016, the Company did not make any matching contributions and expenses were not material.

In June 2007, the Company established a non-qualified deferred compensation plan for certain highly compensated employees, which permits participants to defer a portion of their compensation. The Company's matching contributions and administrative expenses relating to the plan were $182,000 during 2015. During 2016, the Company did not make any matching contributions and expenses were not material. Deferred amounts are credited with deemed gains or losses of the underlying hypothetical investments. For the years ended December 31, 2015 and 2016, the Company recognized compensation expense (income) of approximately $(47,000) and $164,000, respectively, as a result of deemed gains (losses) on the hypothetical investments. Included in Other Liabilities (non-current) are amounts deferred under this plan of approximately $3.9 million and $2.8 million at December 31, 2015 and 2016, respectively.

The Company purchases corporate-owned life insurance policies on certain officers to informally fund the non-qualified deferred compensation plan. The cash surrender value of the life insurance policies is included in Other Assets (non-current) and totaled approximately $3.8 million and $1.9 million at December 31, 2015 and 2016, respectively. This asset is available to fund the deferred compensation liability; however, the asset is not protected from creditors of the Company. For the years ended December 31, 2015 and 2016, the Company recognized gains (losses) totaling $(132,000) and $112,000, respectively, on its investments associated with the life insurance policies, reflected in the cash surrender value.

NOTE 14 – STOCKHOLDERS' EQUITY

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

	Year Ended December 31,	
	2015	**2016**
Loss from continuing operations and available to common stockholders	$ (1,043)	$ (16,768)
Weighted average basic common shares outstanding	17,351	17,333
Incremental shares from assumed conversion of stock options, unvested restricted shares and unvested performance-based shares		
Weighted average diluted common shares outstanding	17,351	17,333
Loss per share		
Basic		
Net loss	$ (0.06)	$ (0.97)
Diluted		
Net loss	$ (0.06)	$ (0.97)

The Company has approximately 17.3 million shares outstanding at December 31, 2015 and 2016.

Anti-Dilutive Securities. Options to purchase approximately 1.4 million shares and 516,000 shares of common stock were excluded from the diluted earnings per share calculation for the years ended December 31, 2015 and 2016, respectively, because they were anti-dilutive.

Stock Repurchases. The board of directors has authorized the Company to repurchase up to $60 million of its common stock in the open market and through private purchases. The acquired shares may be used for corporate purposes, including shares issued to employees in stock-based compensation programs. Under the announced stock repurchase program, the Company repurchased in the open market or privately approximately 56,000 shares during the year ended December 31, 2015. The Company did not repurchase any shares during 2016. As of December 31, 2016, the Company had approximately $3.4 million that may yet be utilized to repurchase shares under the current program set to expire on June 30, 2017. Pursuant to the Seasonal Facility (as discussed in Note 10), the Company may not repurchase its common stock through the maturity of the facility on May 1, 2017.

In February 2015, the Company repurchased approximately 43,000 shares (at a total cost of $73,000) in connection with the funding of employee income tax withholding obligations arising from the vesting of restricted shares. Shares received in exchange for tax withholding obligations arising from the vesting of restricted stock are not included as part of the stock repurchase program; however, the shares acquired are included in common stock repurchased in the Consolidated Statements of Cash Flows and the Statements of Changes in Stockholders' Equity.

Dividends. From time to time and to the extent not prohibited by existing credit arrangements, the Company has paid dividends to shareholders. For the year ended December 31, 2015, the Company declared dividends on its common stock of $0.075 per share. The Company did not pay dividends during 2016.

NOTE 15 – STOCK-BASED COMPENSATION

Long-Term Incentive Stock Plans. As of December 31, 2015, the Company's stock-based compensation plans include the 1999 Stock Option Plan, 2004 Equity Incentive Plan (2004 Plan) and the 2015 Equity Incentive Plan (2015 Plan). The 2015 Plan replaced the Company's 2004 Plan, which expired on June 15, 2014 in accordance with its terms (subject to the rights of holders of awards granted under the 2004 Plan prior to the expiration thereof with respect to all then outstanding awards). The 2015 Plan is substantially identical to the 2004 Plan. The 2015 Plan permits the issuance of up to 3,000,000 shares of the company's common stock pursuant to awards granted under the 2015 Plan, such as stock options, restricted stock awards, and performance share awards, as well as other awards such as stock appreciation rights, which may be payable in the form of common stock or cash. Any grants that terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of shares of common stock, are settled in cash in lieu of common stock, or are exchanged in the compensation committee's discretion for grants not involving common stock, are available again for grant under the 2015 Plan, so long as the holder of any such grant received no benefits of common stock ownership (including dividends) from the shares of common stock related to such grant.

As of December 31, 2016, there are 3,000,000 shares of common stock available for future issuance under the 2015 Plan. In previous years, the Company has issued a combination of stock options (non-qualified) and restricted stock to its employees as part of the Company's long-term equity incentive compensation program.

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

Restricted stock awards and performance-based share awards are valued on the date of grant and have no purchase price. Restricted stock awards typically vest over a defined period of years in equal increments on each anniversary of the grant date. The vesting period for performance-based share awards is implicitly stated as the time period it will take for the performance condition to be met. Under the 2004 and 2015 Plans, unvested shares of restricted stock and unvested performance-based share awards may be forfeited upon the termination of employment with the Company, dependent upon the circumstances of termination. Except for restrictions placed on the transferability of restricted stock, holders of unvested restricted stock and holders of unvested performance-based share awards have full stockholder's rights, including voting rights and the right to receive cash dividends.

Share-Based Compensation. The Company recorded approximately $44,000 in employee stock-based compensation expense associated with restricted stock awards during the year ended December 31, 2015. The related income tax benefit recognized in earnings from share-based compensation arrangements was $17,000 for the year ended December 31, 2015.

The Company did not have any stock-based compensation expense during 2016.

Stock Options. The fair value of option grants is determined on the grant date using a Black-Scholes option-pricing model, which requires the Company to make several assumptions. The risk-free interest rate is based on the U.S. Treasury yield curve in effect for the expected term of the option at the time of the grant. The dividend yield is calculated based on the current dividend and the market price of the Company's common stock on the grant date. The expected volatility factor used by the Company is based on the Company's historical stock trading history. The Company computes the expected term of the option by using the simplified method, which is an average of the vesting term and original contractual term. The Company did not grant stock options during 2015 and 2016.

No options were exercised during the years ended December 31, 2015 and 2016. No options vested during the year ended December 31, 2016.

A summary of all stock option activity under the equity compensation plans for the year ended December 31, 2016 is as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value *(in thousands)*
Outstanding, January 1, 2016	1,438,968	$7.90		
Exercised				
Expired	(743,192)	9.49		
Forfeited	(179,460)	7.15		
Outstanding, December 31, 2016	516,316	$5.87	1.8	$ 0
Exercisable, December 31, 2016	516,316	$5.87	1.8	$ 0

The following table summarizes information about options outstanding and exercisable at December 31, 2016:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life of Outstanding (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 1 to $5	384,316	2.1	$ 4.39	384,316	$ 4.39
$10 to $15	132,000	1.0	10.19	132,000	10.19
	516,316	1.8	$ 5.87	516,316	$ 5.87

Restricted Stock Grants. A summary of all restricted stock activity under the equity compensation plans for the year ended December 31, 2015 is as follows:

	Restricted Stock	Weighted Average Grant Date Fair Value
Nonvested balance, January 1, 2015	116,825	$ 4.09
Vested	(116,825)	4.09
Nonvested balance, December 31, 2015	-	$ -

The Company did not grant restricted stock during the years ended December 31, 2015 and 2016. As of December 31, 2015, all restricted stock grants have been fully amortized.

The total fair value of restricted stock vested (at vest date) during the year ended December 31, 2015 was $199,000. The Company requires employees to tender a portion of their vested shares to the Company to satisfy the minimum tax withholding obligations of the Company with respect to vesting of the shares. During 2015, the Company repurchased approximately 43,000 shares from employees.

Other Long-Term Incentive Compensation. In 2012, the Company adopted a new Long-Term Incentive Plan (LTIP), which covers all executive officers, other than its Chairman of the Board and its Vice Chairman of the Board. The annual long-term incentive awards are made at targeted dollar levels and consist of Performance Units comprising 75% of the target value and cash-based Restricted Stock Units (RSUs) comprising 25% of the target value. The ultimate value of the Performance Units and RSUs can only be settled in cash.

In each of 2013, 2014 and 2015, the Company granted Performance Units and RSUs to various officers under the LTIP effective as of January of each calendar year. The Company did not make any grants under the LTIP for 2016. The value of the Performance Units is based upon a performance measure established by the Company's compensation committee. If the performance measure is met, the Performance Units will be paid in cash at the end of the performance period subject to continued employment by the covered officer throughout the performance period and vest upon the occurrence of certain change in control events. The RSUs vest at the end of the performance period subject to continued employment by the covered officer throughout the performance period (i.e., 3-year cliff vesting as of close of business on December 31 of the third year of the performance period) and vest upon the occurrence of certain change in control events. The payout of the RSUs will be made in cash at the end of the performance period based on number of RSUs times the average weighted trailing 3-month stock price of the Company as of December 31 of the third year of the performance period.

The following table summarizes expense (income) reported in net loss from Performance Units and RSU's (*in thousands)*:

	Year Ended December 31, 2015	Year Ended December 31, 2016
Performance Units	$ (83)	$ -
RSU's	77	(45)
Total	$ (6)	$ (45)

The following table summarizes the liability associated with Performance Units and RSU's *(in thousands)*:

	December 31, 2015	December 31, 2016
Performance Units	$ -	$ -
RSU's	185	72
Total	$ 185	$ 72

As of December 31, 2015, the total unrecognized costs related to the Performance Units and RSUs was approximately $16,000. The Company expects that these costs will be amortized to compensation expense over a weighted average period of one year.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Operating Leases. The Company leases certain equipment and buildings under non-cancelable operating leases. The future minimum lease payments include payments required for the initial non-cancelable term of the operating lease plus any payments for periods of expected renewals provided in the lease that the Company considers to be reasonably assured of exercising. The following table summarizes the future minimum lease payments as of December 31, 2016 *(in thousands)*:

	Non-Cancelable	Reasonably Assured Renewals	Total
2017	$ 7,448	$ 931	$ 8,379
2018	4,773	2,020	6,793
2019	3,033	3,011	6,044
2020	908	3,695	4,603
2021	303	3,295	3,598
Thereafter	386	10,479	10,865
Total	$ 16,851	$ 23,431	$40,282

Rental expense was $11.2 million and $10.7 million during the years ended December 31, 2015 and 2016, respectively.

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

Under the terms of the Company's agreement with its third-party lender in Texas, the Company is contractually obligated to reimburse the lender for the full amount of the loans and certain related fees that are not collected from the customers. See additional information in Note 11.

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

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

Canada - Lee. On October 18, 2011, Matthew Lee, an alleged Alberta, Canada resident, sued Direct Credit, all of its subsidiaries and three former directors of those subsidiaries in the Supreme Court of British Columbia in a purported class action. The plaintiff alleged that Direct Credit and its subsidiaries violated Canada's criminal usury laws by charging interest on its loans at rates higher than 60%.

The parties settled the case. The Company's share of the settlement amount and ancillary expenses, net of indemnification from the prior owners of Direct Credit, was $500,000 (Canadian). The settlement comprised refunds and credits to class members dating back to 2001. The deadline for eligible customers to make a claim was July 21, 2015 and the settlement was completed during fourth quarter 2016.

California - Stemple. On August 13, 2012, the Company was sued in the United States District Court for the South District of California in a putative class action lawsuit filed by Paul Stemple. Mr. Stemple alleges that the Company used an automatic telephone dialing system with an "artificial or prerecorded voice" in violation of the Telephone Consumer Protection Act, 47 U.S.C. 227, et seq.

On September 5, 2014, the district court granted Plaintiff's Motion for Class Certification. The certified class consists of persons and/or entities who were never customers of the Company, but whose 10-digit California area code cell phone numbers were listed by the Company's customers in the "Employment" and/or "Contacts" fields of their loan applications, and who the Company allegedly called using an Automatic Telephone Dialing System for the purpose of collecting or attempting to collect an alleged debt from the account holder, between August 13, 2008 and August 13, 2012.

In October 2015, the parties reached a tentative settlement for $1.5 million. Though the case was limited to California residents, the parties have agreed to settle the case on a nationwide basis. In November 2016, the district court approved the settlement. The Company recorded an accrual of $1.5 million during third quarter 2015 for this issue and expects to fund the settlement in second quarter 2017.

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

NOTE 17 – REGULATORY ENVIRONMENT AND CERTAIN CONCENTRATIONS OF RISK

The Company is subject to regulation by federal and state governments in the United States that affect the products and services provided by the Company, particularly single-pay loans. The Company currently operates in 15 states throughout the United States and is engaged in consumer Internet lending in two states in the United States and certain Canadian provinces. The level and type of regulation of consumer loans varies greatly from state to state, ranging from states with no regulations or legislation to other states with very strict guidelines and requirements. From a federal perspective, the Company is under the purview of the CFPB, which has broad supervisory powers over providers of consumer credit products in the United States such as those offered by the Company. The CFPB now has the power to create rules and regulations that specifically apply to consumer lending.

On June 2, 2016, the CFPB issued its Notice of Proposed Rulemaking (the Proposed Rule) on Payday, Vehicle Title, and Certain High-Cost Installment Loans. The Proposed Rule would impose significant limitations on all short-term and installment loans with APRs above 36%. These limitations would affect all the short-term loan products and certain of the installment loan products offered by the Company. Among other provisions, the Proposed Rule requires lenders to conduct a specific assessment regarding a borrower's ability to repay, including a requirement to verify borrowers' income and major financial obligations. The Proposed Rule also includes limitations on the number of loans that certain borrowers can have within a specified time frame and requires additional disclosures in loan documents and notices regarding payments. The Proposed Rule was published in the Federal Register on July 22, 2016, and comments on the Proposed Rule were due to the CFPB by October 7, 2016. The CFPB will review all submitted comments before issuing a final rule. The Company does not currently know the nature and extent of the final rule that the CFPB will adopt.

If the CFPB adopts the Proposed Rule as final, the rules and implementing regulations could have a material adverse effect on the Company's business, prospects, results of operations, financial condition and cash flow. The CFPB also has the power to examine consumer lending organizations and has an active examination process of payday lenders, including the Company. The CFPB is changing consumer lending practices through the examination process and is likely to continue to effect informal rulemaking through examination and enforcement efforts.

The Company is subject to foreign regulation in Canada where certain provinces have proposed substantive regulation of the consumer loan industry.

Company branches located in the states of Missouri, Illinois, Kansas and Utah represented approximately 37%, 12%, 9% and 6% respectively, of total branch-based revenues for the year ended December 31, 2016. Company branches located in the states of Missouri, Illinois, Kansas and Kentucky represented approximately 31%, 13%, 13% and 8%, respectively, of branch-based gross profit for the year ended December 31, 2016. To the extent that laws and regulations are passed that affect the Company's ability to offer loans or the manner by which the Company offers its loans in any one of those states, the Company's financial position, results of operations and cash flows could be adversely affected. In recent years, the Company has experienced several negative effects resulting from law changes that impacted the relative significance of a given state from year to year. For example, historically when customer usage restrictions have been introduced with new legislation, the Company experienced a 30% to 60% decline in annual revenues in that state and a more significant decline in gross profit for the state, depending on the types of alternative products that competitors offered within the state.

There were efforts in Missouri to place a voter initiative on the statewide ballot in each of the November 2012 and November 2014 elections. The initiative was intended to preclude any lending in the state with an annual rate over 36%. The supporters of the voter initiative did not submit a sufficient number of valid signatures to place the initiative on the ballot in either of the elections.

NOTE 18 – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

The following table sets forth certain cash activities for the years ended December 31, 2015 and 2016 *(in thousands)*:

	Year Ended December 31,	
	2015	**2016**
Cash paid during the year for:		
Income taxes	$ 377	$ 292
Interest	529	678