

NICHOLAS FINANCIAL INC  
Form 10-K  
June 15, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**

**FORM 10-K**

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934**  
**For the fiscal year ended March 31, 2015**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

**Commission file number: 0-26680**

**NICHOLAS FINANCIAL, INC.**

**(Exact Name of Registrant as Specified in its Charter)**

**British Columbia, Canada**  
**(State or Other Jurisdiction of**

**8736-3354**  
**(I.R.S. Employer**

**Incorporation or Organization)**

**Identification No.)**

**2454 McMullen Booth Road, Building C**

**Clearwater, Florida 33759**

**(Address of Principal Executive Offices, Including Zip Code)**

**(727) 726-0763**

**(Registrant's Telephone Number, Including Area Code)**

**Securities registered under Section 12(b) of the Exchange Act:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
<b>Common shares, no par value</b>	<b>NASDAQ Global Select Market</b>

**Securities registered under Section 12(g) of the Exchange Act: None**

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

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting

company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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

At September 30, 2014, the aggregate market value of the Registrant's Common Shares held by non-affiliates of the Registrant was approximately \$106,322,627.

As of June 4, 2015, 12,422,085 shares, no par value, of the Registrant were outstanding (of which 4,713,804 shares were held by the Registrant's principal operating subsidiary and, pursuant to applicable law, not entitled to vote).

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's definitive Proxy Statement and Information Circular for the 2015 Annual General Meeting of Shareholders currently scheduled to be held on August 13, 2015, expected to be filed with the Commission pursuant to Regulation 14A on or about July 6, 2015, are incorporated by reference in Part III, Items 10 through 14, of this Annual Report on Form 10-K.

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## NICHOLAS FINANCIAL, INC.

## FORM 10-K ANNUAL REPORT

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<b>Forward-Looking Information</b>	

This Annual Report on Form 10-K ( Report ) contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are based on management's beliefs and assumptions, as well as information currently available to management. When used in this document, the words anticipate, estimate, expect, and similar expressions are intended to identify forward-looking statements. Although Nicholas Financial, Inc., including its subsidiaries (collectively the Company ),

believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Such statements are subject to certain risks, uncertainties and assumptions, including but not limited to the risk factors discussed herein under Item 1A Risk Factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected. Among the key factors that may cause actual results to differ materially from those projected in forward-looking statements include fluctuations in the economy, the degree and nature of competition, fluctuations in interest rates, the availability of capital at acceptable rates and terms, demand for consumer financing in the markets served by the Company, the Company's products and services, increases in the default rates experienced on retail installment sales contracts (Contracts), regulatory changes in the Company's existing and future markets, the Company's intentions regarding strategic alternatives, and the Company's ability to expand its business, including its ability to identify and complete acquisitions and integrate the operations of acquired businesses, to recruit and retain qualified employees, to expand into new markets and to maintain profit margins in the face of increased pricing competition. All forward-looking statements included in this Report are based on information available to the Company as of the date of filing of this Report, and the Company assumes no obligation to update any such forward-looking statement. Prospective investors should also consult the risk factors described from time to time in the Company's filings made with the US Securities and Exchange Commission (SEC), including its reports on Forms 10-Q, 8-K and 10-K and annual reports to shareholders.

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**PART I**

**Item 1. Business**

**General**

Nicholas Financial, Inc. ( Nicholas Financial-Canada ) is a Canadian holding company incorporated under the laws of British Columbia in 1986. The business activities of Nicholas Financial-Canada are currently conducted exclusively through its wholly-owned indirect subsidiary, Nicholas Financial, Inc., a Florida corporation ( Nicholas Financial ). Nicholas Financial is a specialized consumer finance company engaged primarily in acquiring and servicing automobile finance installment contracts ( Contracts ) for purchases of new and used automobiles and light trucks. To a lesser extent, Nicholas Financial also originates direct consumer loans ( Direct Loans ) and sells consumer-finance related products. Nicholas Financial's financing activities accounted for more than 99% of the Company's consolidated revenues for each of the fiscal years ended March 31, 2015, 2014 and 2013, respectively.

A second Florida subsidiary, Nicholas Data Services, Inc. ( NDS ), historically was engaged in supporting and updating industry-specific computer application software for small businesses located primarily in the Southeastern United States. NDS's activities accounted for less than 1% of the Company's consolidated revenues for each of the fiscal years ended March 31, 2015, 2014 and 2013, respectively. NDS has ceased its operations; however it continues as the interim holding company for Nicholas Financial.

Nicholas Financial-Canada, Nicholas Financial and NDS are hereafter collectively referred to as the Company . All financial information herein is designated in United States dollars.

The Company's principal executive offices are located at 2454 McMullen Booth Road, Building C, Clearwater, Florida 33759, and its telephone number is (727) 726-0763.

**Available Information**

The Company's filings with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, definitive proxy statements on Schedule 14A, current reports on Form 8-K, and any amendments to those reports filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, are made available free of charge through the Investor Relations section of the Company's Internet website at <http://www.nicholasfinancial.com> as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC. Copies of any materials the Company files with the SEC can also be obtained free of charge through the SEC's website at <http://www.sec.gov> or at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

**Growth Strategy**

The Company's principal goals are to increase its profitability and its long-term shareholder value through greater penetration in its current markets and controlled geographic expansion into new markets. The Company seeks to expand its automobile financing program in the sixteen states – Alabama, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maryland, Michigan, Missouri, North Carolina, Ohio, South Carolina, Tennessee, Texas and Virginia – in which it currently operates by increasing the business generated at its existing branch locations and by targeting certain geographic locations within some of these states where it believes there is a sufficient market for its

automobile financing program. The Company has been acquiring Contracts in the state of Texas with the intention of opening a branch location during the second quarter of fiscal 2016; however no assurances can be given as to whether the Company will be able to open this branch office by such time. The Company's strategy is to monitor these markets and ultimately decide if and where it will open additional branch locations. During fiscal 2015, the Company opened one new branch office near Chicago, Illinois. The Company did not close any branch offices during fiscal 2015. The Company will continue to evaluate any branch locations that do not meet its minimum profitability targets and may elect to close one or more of these branches in the future. As of the date of this Report, the Company is contemplating consolidating two of its existing branches into one location within the state of Alabama during the fiscal year ending March 31, 2016, although no assurances can be given that it will do so. The Company also continues to analyze other markets in states in which it does not currently operate for expansion opportunities. Although the Company has not made any bulk purchases of Contracts in over two decades, if the opportunity arises, the Company may consider possible acquisitions of portfolios of seasoned Contracts from dealers in bulk transactions as a means of further penetrating its existing markets or expanding its presence in targeted geographic locations. The Company cannot provide any assurances, however, that it will be able to further expand in either its current markets or any targeted new markets.

The Company is currently licensed to provide direct consumer loans in Florida and North Carolina. The Company does not have any current plans to expand its strategy of soliciting current customers and expects total Direct Loans to remain less than 5% of its total portfolio for the foreseeable future.

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**Automobile Finance Business Contracts**

The Company is engaged in the business of providing financing programs, primarily on behalf of purchasers of new and used cars and light trucks who meet the Company's credit standards but who do not meet the credit standards of traditional lenders, such as banks and credit unions because of the age of the vehicle being financed or the customer's job instability or credit history. Unlike traditional lenders, which look primarily to the credit history of the borrower in making lending decisions and typically finance new automobiles, the Company is willing to purchase Contracts for purchases made by borrowers who do not have a good credit history and for older model and high mileage automobiles. In making decisions regarding the purchase of a particular Contract, the Company considers the following factors related to the borrower: place and length of residence; current and prior job status; history in making installment payments for automobiles; current income; and credit history. In addition, the Company examines its prior experience with Contracts purchased from the dealer from which the Company is purchasing the Contract, and the value of the automobile in relation to the purchase price and the term of the Contract.

The Company's automobile finance programs are currently, as of the date of this report, conducted in sixteen states through a total of 67 branch offices, consisting of twenty-one in Florida, eight in Ohio, six in each of North Carolina and Georgia, three in each of Alabama, Kentucky, Illinois, Indiana, Missouri, Michigan, two in each of South Carolina, Tennessee and Virginia, and one in each of Maryland, and Kansas. The Company intends to open its first branch location in Texas during the second quarter of 2016, although no assurances can be given that it will do so. As of March 31, 2015 the Company had non-exclusive agreements with approximately 4,000 dealers, of which approximately 2,300 are active, for the purchase of individual Contracts that meet the Company's financing criteria. The Company considers a dealer agreement to be active if the Company has purchased a Contract thereunder in the last six months. Each dealer agreement requires the dealer to originate Contracts in accordance with the Company's guidelines. Once a Contract is purchased by the Company the dealer is no longer involved in the relationship between the Company and the borrower, other than through the existence of limited representations and warranties of the dealer in favor of the Company.

A customer under a Contract typically makes a down payment, in the form of cash or trade-in, ranging from 5% to 35% of the sale price of the vehicle financed. The balance of the purchase price of the vehicle plus taxes, title fees and, if applicable, premiums for extended service contracts, gap insurance, roadside assistance plans, credit disability insurance and/or credit life insurance, and are generally financed over a period of 12 to 72 months.

At approximately the time of origination, the Company purchases a Contract from an automobile dealer at a negotiated price that is less than the original principal amount being financed (the dealer discount) by the purchaser of the automobile. The amount of the dealer discount depends upon factors such as the age and value of the automobile, creditworthiness of the customer and competition in any given market. The Company will pay more (i.e., purchase the Contract at a smaller discount from the original principal amount) for Contracts as the credit risk of the customer improves. In certain markets, competition more significantly impacts the discount that the Company can charge. To date, the Contracts purchased by the Company have been purchased at discounts that range from 1% to 15% of the original principal amount of each Contract. Also, the Company charges the dealer a processing fee of \$75 per Contract purchased and pay certain fees to dealers, which are both part of the net dealer discount. As of March 31, 2015, the Company's loan portfolio consisted exclusively of Contracts purchased without recourse to the dealer. Although all of the Contracts in the Company's loan portfolio were acquired without recourse, each dealer remains potentially liable to the Company for breaches of certain representations and warranties made by the dealer with respect to compliance with applicable federal and state laws and valid title to the vehicle.

The Company's policy is to only purchase a Contract after the dealer has provided the Company with the requisite proof that the Company has a first priority lien on the financed vehicle (or the Company has, in fact, perfected such



first priority lien), that the customer has obtained the required collision insurance naming the Company as loss payee and that the Contract has been fully and accurately completed and validly executed. Once the Company has received and approved all required documents, it pays the dealer for the Contract and commences servicing the Contract. The Company requires the owner of the vehicle to obtain and maintain collision insurance, naming the Company as the loss payee, with a deductible of not more than \$1,000.

**Contract Procurement**

The Company currently purchases Contracts in the states listed in the table below. The Contracts purchased by the Company are predominately for used vehicles; for the periods shown below, less than 1% were for new vehicles. The average model year

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collateralizing the portfolio as of March 31, 2015 was a 2007 vehicle. The dollar amounts shown in the table below represent the Company's finance receivables, net of unearned interest on Contracts purchased:

State	Maximum allowable interest rate (1)	Fiscal year ended March 31,		
		2015	2014	2013
Alabama	(2)	\$ 6,288,716	\$ 6,040,540	\$ 5,232,553
Florida	18-30%(3)	54,652,861	51,841,066	46,553,346
Georgia	18-30%(3)	18,710,341	17,423,334	15,982,075
Illinois	(2)	6,456,777	3,904,937	3,598,494
Indiana	25%	7,654,292	6,982,627	8,382,587
Kansas	(2)	2,165,305	1,539,181	1,455,404
Kentucky	18-25%(3)	9,767,855	8,757,666	8,670,180
Maryland	24%	4,081,144	3,080,969	2,017,568
Michigan	25%	7,355,473	6,345,063	4,626,532
Missouri	(2)	7,553,770	5,650,626	4,582,994
North Carolina	18-29%(3)	15,077,533	15,752,982	14,955,884
Ohio	25%	24,245,014	24,681,643	21,423,125
South Carolina	(2)	3,965,935	4,965,463	3,739,387
Tennessee	(2)	5,205,922	6,270,407	5,300,795
Texas	18-28%(3)	820,851		
Virginia	(2)	4,366,553	6,007,632	5,219,885
<b>Total</b>		<b>\$ 178,368,342</b>	<b>\$ 169,244,136</b>	<b>\$ 151,740,809</b>

- (1) The maximum allowable interest rates by state are subject to change and are governed by the individual states the Company conducts business in.
- (2) None of these states currently imposes a maximum allowable interest rate with respect to the types and sizes of Contracts the Company purchases. The maximum rate which the Company will typically charge any customer in each of these states is 30% per annum.
- (3) The maximum allowable interest rate in each of these states varies depending upon the model year of the vehicle being financed. In addition, Georgia does not currently impose a maximum allowable interest rate with respect to Contracts over \$5,000.

The following table presents selected information on Contracts purchased by the Company, net of unearned interest:

Contracts	Fiscal year ended March 31,		
	2015	2014	2013
Purchases	\$ 178,368,342	\$ 169,244,136	\$ 151,740,809
Weighted APR	22.90%	23.00%	23.28%
Average dealer discount	8.08%	8.44%	8.54%
Weighted average term (months)	55	52	50
Average loan	\$ 10,967	\$ 10,612	\$ 10,260

Number of Contracts	<b>16,264</b>	15,949	14,789
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**Direct Loans**

The Company currently originates Direct Loans in Florida and North Carolina. Direct Loans are loans originated directly between the Company and the consumer. These loans are typically for amounts ranging from \$1,000 to \$12,000 and are generally secured by a lien on an automobile, watercraft or other permissible tangible personal property. The average loan made to date by the Company had an initial principal balance of approximately \$3,500. The Company does not expect the average loan size to increase significantly within the foreseeable future. The majority of Direct Loans are originated with current or former customers under the Company's automobile financing program. The typical Direct Loan represents a significantly better credit risk than our typical Contract due to the customer's historical payment history with the Company. The Company does not have a Direct Loan license in Alabama, Illinois, Indiana, Kansas, Kentucky, Maryland, Michigan, Missouri, Ohio, South Carolina, Tennessee, Texas or Virginia, and none is presently required in Georgia (as long as the Direct Loan is greater than \$3,000). The Company is currently not pursuing Direct Loans in Georgia. The Company does not expect to pursue a Direct Loan license in any other state during the fiscal year ending March 31, 2016. The size of the loan and maximum interest rate that can be charged vary from state to state. In deciding whether or not to make a loan, the Company considers the individual's credit history, job stability, income and the value of the collateral offered by the borrower to secure the loan. Additionally, because most of the Direct Loans made by the Company to date have been made to borrowers under Contracts previously purchased by the Company, the payment history of the borrower under the Contract is a significant factor in making the loan decision. The Company's Direct Loan program was implemented in April 1995 and currently accounts for approximately 2.6% of the Company's annual consolidated revenues.

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In connection with its Direct Loan program, the Company also makes available credit disability, credit life insurance, and involuntary unemployment insurance coverage to customers through an unaffiliated third-party insurance carrier. Customers in approximately 76% of the approximate 3,000 Direct Loan transactions outstanding as of March 31, 2015 had elected to purchase third-party insurance coverage made available by the Company. The cost of this insurance is included in the amount financed by the customer.

The following table presents selected information on Direct Loans originated by the Company, net of unearned interest:

<b>Direct loan originations</b>	<b>Fiscal year ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Originations	<b>\$ 9,525,031</b>	\$ 9,786,804	\$ 8,336,903
Weighted APR	<b>26.47%</b>	26.72%	26.27%
Weighted average term (months)	<b>29</b>	29	28
Average loan	<b>\$ 3,536</b>	\$ 3,427	\$ 3,319
Number of contracts	<b>2,694</b>	2,856	2,512

**Underwriting Guidelines**

The Company's typical customer has a credit history that fails to meet the lending standards of most banks and credit unions. Among the credit problems experienced by the Company's customers that resulted in a poor credit history are: unpaid revolving credit card obligations; unpaid medical bills; unpaid student loans; prior bankruptcy; and evictions for nonpayment of rent. The Company believes that its customer profile is similar to that of its direct competitors.

Prior to its approval of the purchase of a Contract, the Company is provided with a standardized credit application completed by the consumer which contains information relating to the consumer's background, employment, and credit history. The Company also obtains credit reports from Equifax, Experian and/or TransUnion, which are independent credit reporting services. The Company verifies the consumer's employment history, income and residence. In most cases, consumers are interviewed via telephone by a Company application processor. The Company also considers the customer's prior payment history with the Company, if any, as well as the collateral value of the vehicle being financed.

The Company has established internal buying guidelines to be used by its Branch Managers and internal underwriters when purchasing Contracts. Any Contract that does not meet these guidelines must be approved by the senior management of the Company. The Company currently has District Managers charged with managing the specific branches in a defined geographic area. In addition to a variety of administrative duties, the District Managers are responsible for monitoring their assigned branches' compliance with the Company's underwriting standards.

The Company uses essentially the same criteria in analyzing a Direct Loan as it does in analyzing the purchase of a Contract. Lending decisions regarding Direct Loans are made based upon a review of the customer's loan application, credit history, job stability, income, and the value of the collateral offered by the borrower to secure the loan. To date, since the majority of the Company's Direct Loans have been made to individuals whose automobiles have been financed by the Company, the customer's payment history under his or her existing or past Contract is a significant factor in the lending decision.

After reviewing the information included in the Contract or Direct Loan application and taking the other factors into account, a Company employee categorizes the customer using internally developed credit classifications of 1, indicating higher creditworthiness, through 6, indicating lower creditworthiness. Contracts are financed for individuals who fall within all six acceptable rating categories utilized, 1 through 6. Usually a customer who falls within the two highest categories (i.e., 1 or 2) is purchasing a two to four-year old, low mileage used automobile from the inventory of a new car or franchise dealer, while a customer in any of the three lowest categories (i.e., 4, 5, or 6) is purchasing an older, high mileage automobile from an independent used automobile dealer.

The Company utilizes its Loss Prevention and Recovery Department (the LPR) to perform on-site audits of branch compliance with Company underwriting guidelines. LPR audits Company branches on a schedule that is variable depending on the size of the branch, length of time a branch has been open, current tenure of the Branch Manager, previous branch audit score and current and historical branch profitability. LPR reports directly to the Accounting and Administrative Management of the Company. The Company believes that an independent review and audit of its branches that is not tied to the sales function of the Company is imperative in order to assure the information obtained is impartial.

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### **Monitoring and Enforcement of Contracts**

The Company requires each customer under a Contract to obtain and maintain collision insurance covering damage to the vehicle. Failure to maintain such insurance constitutes a default under the Contract, and the Company may, at its discretion, repossess the vehicle. To reduce potential loss due to insurance lapse, the Company has the contractual right to force place collateral protection insurance through a third-party, which covers loss due to physical damage to a vehicle not covered by any insurance policy of the customer.

The Company's Management Information Services personnel maintain a number of reports to monitor compliance by customers with their obligations under Contracts and Direct Loans made by the Company. These reports may be accessed on a real-time basis throughout the Company by management personnel, including Branch Managers and staff, at computer terminals located in the main office and each branch office. These reports include delinquency aging reports, customer promises reports, vehicle information reports, purchase reports, dealer analysis reports, static pool reports, and repossession reports.

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

Any account that is less than 120 days old is included on the delinquency report on the first day that the Contract is contractually past due. Once an account becomes 30 days past due, repossession proceedings are implemented unless the customer provides the Company with an acceptable explanation for the delinquency and displays a willingness and the ability to make the payment, and commits to a plan to return the account to current status. When an account is 60 days past due, the Company ceases recognition of income on the Contract and repossession proceedings are initiated. At 120 days delinquent, if the vehicle has not yet been repossessed, the account is written off. Once a vehicle has been repossessed, the related loan balance no longer appears on the delinquency report. Instead, the vehicle appears on the Company's repossession report and is sold, either at auction or to an automobile dealer.

When an account becomes delinquent, the Company immediately contacts the customer to determine the reason for the delinquency and to determine if appropriate arrangements for payment can be made. If payment arrangements acceptable to the Company can be made, the information is entered in its database and is used to generate a Promises Report, which is utilized by the Company's collection staff for account follow up.

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

The Company also prepares a dealer analysis report that provides information regarding each dealer from which it purchases Contracts. This report allows the Company to analyze the volume of business done with each dealer and the terms on which it has purchased Contracts from such dealer.

The Company's policy is to aggressively pursue legal remedies to collect deficiencies from customers. Oral requests for payment are made beginning when an account becomes 11 days delinquent. When an account becomes 30 days

delinquent and the customer has not made payment arrangements acceptable to the Company or has failed to respond to the requests for payment, a repossession request form is prepared by the responsible branch office employee for approval by the Branch Manager for the vicinity in which the borrower lives. Once the repossession request has been approved, first by the Branch Manager and second by the applicable District Manager, it must then be approved by the Director of Loss Recovery. The reposessor delivers the vehicle to a secure location specified by the Company. The Company maintains relationships with several licensed repossession firms that repossess vehicles for fees that range from \$250 to \$500 for each vehicle repossessed. As required by Alabama, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maryland, Michigan, Missouri, North Carolina, Ohio, South Carolina, Tennessee, Texas, and Virginia law, the customer is notified by certified letter that the vehicle has been repossessed and what the customer needs to do in order to regain their vehicle.

Generally, the minimum requirement for return of the vehicle is payment of all past due amounts under the Contract and all expenses associated with the repossession incurred by the Company. If satisfactory arrangements for return of the vehicle are not made within the statutory period, the Company then sends title to the vehicle to the applicable state title transfer department, which then registers the vehicle in the name of the Company. The Company then either sells the vehicle to a dealer or has it transported to an automobile auction for sale. On average, approximately 30 days lapse between the time the Company takes possession of a vehicle and the time it is sold to a dealer or at auction. When the Company determines that there is a reasonable likelihood of recovering part or all of any deficiency against the customer under the Contract, it pursues legal remedies available to it, including lawsuits, judgment liens and wage garnishments. Historically, the Company has recovered approximately 10-18% of deficiencies from such customers. Proceeds from the disposition of the vehicles are not included in calculating the foregoing percentage range.

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### **Marketing and Advertising**

The Company's Contract marketing efforts currently are directed exclusively toward automobile dealers. The Company attempts to meet dealers' needs by offering highly-responsive, cost-competitive and service-oriented financing programs. The Company relies on its District and Branch Managers to solicit agreements for the purchase of Contracts with automobile dealers located within a 25-mile radius of each branch office. The Branch Manager provides dealers with information regarding the Company and the general terms upon which the Company is willing to purchase Contracts. The Company presently has no plans to implement any other forms of advertising, such as radio or newspaper advertisements, for the purchase of Contracts.

The Company solicits customers under its Direct Loan program primarily through direct mailings, followed by telephone calls to individuals who have a good credit history with the Company in connection with Contracts purchased by the Company.

### **Computerized Information System**

The Company utilizes integrated computer systems developed by NDS to assist in responding to customer inquiries and to monitor the performance of its Contract and Direct Loan portfolio and the performance of individual customers under Contracts. All Company personnel are provided with real-time access to information from a single shared database. The Company has created specialized programs to automate the tracking of Contracts and Direct Loans from inception. The Company's computer network encompasses both its corporate headquarters and its branch office locations. See "Monitoring and Enforcement of Contracts" above for a summary of the different reports prepared by the Company.

### **Competition**

The consumer finance industry is highly fragmented and highly competitive. Due to various factors, including the existing low interest rate environment, the competitiveness of the industry continues to increase as new competitors continue to enter the market and certain existing competitors continue to expand their operations. There are numerous financial service companies that provide consumer credit in the markets served by the Company, including banks, credit unions, other consumer finance companies, and captive finance companies owned by automobile manufacturers and retailers. Many of these companies have significantly greater resources than the Company. Increased competition for the purchase of Contracts has caused a reduction in the interest rates payable by many individual purchasers of automobiles, and the Company believes that continued increased competition could materially reduce such interest rates in the foreseeable future. In addition, increased competition for the purchase of Contracts has enabled automobile dealers to shop for the best price, thereby giving rise to an erosion in the dealer discounts from the initial principal amounts at which the Company is willing to purchase Contracts and higher advance rates. Further, increased competition has resulted in the purchase of lower credit quality Contracts, though these Contracts are still acceptable under the Company's underwriting guidelines.

The Company's target market consists of persons who are generally unable to obtain traditional used car financing because of their credit history or the vehicle's mileage or age. The Company has been able to expand its automobile finance business in the non-prime credit market by offering to purchase Contracts on terms that are competitive with those of other companies which purchase automobile receivables in that market segment. Because of the daily contact that many of its employees have with automobile dealers located throughout the market areas served by it, the Company is generally aware of the terms upon which its competitors are offering to purchase Contracts. The Company's policy is to modify its terms, if necessary, to remain competitive. However, the Company generally will not sacrifice its purchasing criteria or prudent business practices in order to meet the competition.



The Company's ability to compete effectively with other companies offering similar financing arrangements depends upon the Company maintaining close business relationships with dealers of new and used vehicles. No single dealer out of the approximately 2,300 dealers that the Company currently has active Contractual relationships accounted for over 1% of its business volume for any of the fiscal years ended March 31, 2015, 2014 or 2013.

**Regulation**

The Company's financing operations are subject to regulation, supervision and licensing under various federal, state and local statutes, regulations and ordinances. Additionally, the procedures that the Company must follow in connection with the repossession of vehicles securing Contracts are regulated by each of the states in which the Company does business. To date, the Company's operations have been conducted exclusively in the states of Alabama, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maryland, Michigan, Missouri, North Carolina, Ohio, South Carolina, Tennessee, Texas and Virginia. Accordingly, the laws of such

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states, as well as applicable federal law, govern the Company's operations. The following constitute certain of the existing federal, state and local statutes, regulations and ordinances with which the Company must comply:

*State consumer regulatory agency requirements.* Pursuant to state regulations, on-site audits are conducted of each of the Company's branches located within Florida, Alabama, Illinois, Indiana, Michigan and Missouri to monitor compliance with applicable regulations. These regulations include, but are not limited to: licensure requirements; requirements for maintenance of proper records; payment of required fees; maximum interest rates that may be charged on loans to finance used vehicles; and proper disclosure to customers regarding financing terms. Pursuant to North Carolina law, the Company's Direct Loan activities in that state are subject to similar periodic on-site audits by the North Carolina Office of the Commissioner of Banks.

*State licensing requirements.* The Company maintains a Sales Finance Company License with the Florida Department of Banking and Finance, as well as consumer loan licenses in Florida and North Carolina. In addition, each of the dealers that the Company does business with is required to maintain a Retail Installment Seller's License with each state in which it operates.

*Fair Debt Collection Practices Act.* The Fair Debt Collection Practices Act ( FDCPA ) and applicable state law counterparts prohibit the Company from contacting customers during certain times and at certain places, from using certain threatening practices and from making false implications when attempting to collect a debt.

*Truth in Lending Act.* The Truth in Lending Act ( TILA ) requires the Company and the dealers it does business with to make certain disclosures to customers, including the terms of repayment, the total finance charge and the annual percentage rate charged on each Contract or Direct Loan.

*Equal Credit Opportunity Act.* The Equal Credit Opportunity Act ( ECOA ) prohibits creditors from discriminating against loan applicants on the basis of race, color, sex, age or marital status. Pursuant to Regulation B promulgated under the ECOA, creditors are required to make certain disclosures regarding consumer rights and advise consumers whose credit applications are not approved of the reasons for the rejection.

*Fair Credit Reporting Act.* The Fair Credit Reporting Act ( FCRA ) requires the Company to provide certain information to consumers whose credit applications are not approved on the basis of a report obtained from a consumer-reporting agency.

*Gramm-Leach-Bliley Act.* The Gramm-Leach-Bliley Act ( GLBA ) requires the Company to maintain privacy with respect to certain consumer data in its possession and to periodically communicate with consumers on privacy matters.

*Soldiers and Sailors Civil Relief Act.* The Soldiers and Sailors Civil Relief Act requires the Company to reduce the interest rate charged on each loan to customers who have subsequently joined, enlisted, been inducted or called to active military duty.

*Electronic Funds Transfer Act.* The Electronic Funds Transfer Act ( EFTA ) prohibits the Company from requiring its customers to repay a loan or other credit by electronic funds transfer ( EFT ), except in limited situations which do not apply to the Company. The Company is also required to provide certain documentation to its customers when an EFT is initiated and to provide certain notifications to its customers with regard to preauthorized payments.

*Telephone Consumer Protection Act.* The Telephone Consumer Protection Act prohibits telephone solicitation calls to a customer s home before 8 a.m. or after 9 p.m. In addition, if the Company makes a telephone solicitation call to a customer s home, the representative making the call must provide his or her name, the Company s name, and a telephone number or address at which the Company s representative may be contacted. The Telephone Consumer Protection Act also requires that the Company maintain a record of any requests by customers not to receive future telephone solicitations, which must be maintained for five years.

*Bankruptcy.* Federal bankruptcy and related state laws may interfere with or affect the Company s ability to recover collateral or enforce a deficiency judgment.

*Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ( Dodd-Frank Act ).* Title X of the Dodd-Frank Act created the Consumer Financial Protection Bureau ( CFPB ), which, effective as of July 21, 2011, has the authority to issue and enforce regulations under the federal enumerated consumer laws, including (subject to certain statutory limitations) FDCPA, TILA, ECOA, FCRA, GLBA and EFTA. The CFPB has rulemaking and enforcement authority over certain non-depository institutions, including us. The CFPB is specifically authorized, among other things, to take actions to prevent companies providing consumer financial products or services and their service providers from engaging in unfair, deceptive or abusive acts or practices in connection with consumer financial products and services, and to issue rules requiring enhanced disclosures for consumer financial products or services. Under the Dodd-Frank Act, the CFPB also may restrict the use of pre-dispute mandatory arbitration clauses in contracts between covered persons and consumers for a consumer financial product or service. The CFPB also has authority to interpret, enforce, and issue regulations

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implementing enumerated consumer laws, including certain laws that apply to our business. The CFPB recently issued rules regarding the supervision and examination of non-depository larger participants in the automobile finance business. Since we are deemed a larger participant, we are subject to supervision and examination by the CFPB.

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

In particular, the Dodd-Frank Act and regulations promulgated thereunder, including the rules regarding supervision and examination recently issued by the CFPB, are likely to affect our cost of doing business, may limit or expand our permissible activities, may affect the competitive balance within our industry and market areas and could have a material adverse effect on us. Our management continues to assess the Dodd-Frank Act's probable impact on our business, financial condition and results of operations, and to monitor developments involving the entities charged with promulgating regulations thereunder. However, the ultimate effect of the Dodd-Frank Act on the financial services industry in general, and on us in particular, is uncertain at this time.

In addition to the CFPB, other state and federal agencies have the ability to regulate aspects of our business. For example, the Dodd-Frank Act provides a mechanism for state Attorneys General to investigate us. In addition, the Federal Trade Commission has jurisdiction to investigate aspects of our business. We expect that regulatory investigation by both state and federal agencies will continue and that the results of these investigations could have a material adverse impact on us.

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

The sale of vehicle service contracts and other ancillary products by dealers in connection with Contracts assigned to us from dealers is also subject to state laws and regulations. As we are the holder of the Contracts that may, in part, finance these products, some of these state laws and regulations may apply to our servicing and collection of the Contracts. Although these laws and regulations may not significantly affect our business, there can be no assurance that insurance or other regulatory authorities in the jurisdictions in which these products are offered by dealers will not seek to regulate or restrict the operation of our business in these jurisdictions. Any regulation or restriction of our business in these jurisdictions could materially adversely affect the income received from these products.

The Company's management believes that the Company maintains all requisite licenses and permits and is in material compliance with applicable local, state and federal laws and regulations. The Company periodically reviews its branch office practices in an effort to ensure such compliance. In addition, the Company continues to increase the size of its compliance department in response to the increasing complexity of the regulatory environment. Although compliance with existing laws and regulations has not had a material adverse effect on the Company's operations to date, given the increasingly complex regulatory environment, the increasing costs of complying with such laws and regulations, and the increasing risk of penalties, fines or other liabilities associated therewith, no assurances can be given that we are in

material compliance with all of such laws or regulations or that the costs of such compliance, or the failure to be in such compliance, will not have a material adverse effect on our business, financial condition or results of operations.

### **Employees**

The Company's management and various support functions are centralized at the Company's Corporate Headquarters in Clearwater, Florida. As of March 31, 2015 the Company employed a total of 334 persons, of which 41 persons were employed at the Company's Corporate Headquarters. None of the Company's employees are subject to a collective bargaining agreement, and the Company considers its relations with its employees generally to be good.

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**Item 1A. Risk Factors**

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

**We operate in an increasingly competitive market.**

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

interest rates charged;

the quality of credit accepted;

dealer discount;

amount paid to dealers relative to the wholesale book value;

the flexibility of loan terms offered; and

the quality of service provided.

Our ability to compete effectively with other companies offering similar financing arrangements depends on our ability to maintain close relationships with dealers of new and used vehicles. We may not be able to compete successfully in this market or against these competitors.

We have focused on a segment of the market composed of consumers who typically do not meet the more stringent credit requirements of traditional consumer financing sources and whose needs, as a result, have not been addressed consistently by such financing sources. As new and existing providers of consumer financing have undertaken to penetrate our targeted market segment, we have experienced increasing pressure to reduce our interest rates, fees and dealer discounts in order to maintain our market share. Further reductions in our interest rates, fees or dealer discount rates could have a material adverse impact on our profitability or financial condition.

**The Dodd-Frank Act authorizes the CFPB to adopt rules that could potentially have a material adverse effect on our operations and financial performance.**

Title X of the Dodd-Frank Act established the CFPB, which became operational on July 21, 2011. Under the Dodd-Frank Act, the CFPB has regulatory, supervisory and enforcement powers over providers of consumer financial products, such as Contracts and the Direct Loans that we offer, including explicit supervisory authority to examine and require registration of installment lenders such as ourselves. Included among the powers afforded to the CFPB is the authority to adopt rules describing specified acts and practices as being unfair, deceptive or abusive, and hence unlawful. Although the Dodd-Frank Act expressly provides that the CFPB has no authority to establish usury limits, some consumer advocacy groups have suggested that certain forms of alternative consumer finance products, such as installment loans, should be a regulatory priority and it is possible that at some time in the future the CFPB could propose and adopt rules making such lending or other products that we may offer materially less profitable or impractical. Further, the CFPB may target specific features of loans by rulemaking that could cause us to cease offering certain products. Any such rules could have a material adverse effect on our business, results of operation and financial condition. The CFPB could also adopt rules imposing new and potentially burdensome requirements and limitations with respect to any of our current or future lines of business, which could have a material adverse effect on our operations and financial performance.

In addition to the Dodd-Frank Act's grant of regulatory powers to the CFPB, the Dodd-Frank Act gives the CFPB authority to pursue administrative proceedings or litigation for violations of federal consumer financial laws. In these proceedings, the CFPB can obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties ranging from \$5,000 per day for minor violations of federal consumer financial laws (including the CFPB's own rules) to \$25,000 per day for reckless violations and \$1 million per day for knowing violations. If we are subject to such administrative proceedings, litigation, orders or monetary penalties in the future, this could have a material adverse effect on our operations and financial performance. Also, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations under Title X, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions for the kind of cease and desist orders available to the CFPB (but not for civil penalties). If the CFPB or one or more state officials believe we have violated the foregoing laws, they could exercise their enforcement powers in ways that would have a material adverse effect on us. See Item 1. Business Regulation for additional information.

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**Pursuant to the authority granted to it under the Dodd-Frank Act, the CFPB recently adopted rules that subject larger nonbank automobile finance companies such as us to supervision and examination by the CFPB. Any such examination by the CFPB likely would have a material adverse effect on our operations and financial performance.**

The CFPB recently issued rules regarding the supervision and examination of non-depository larger participants in the automobile finance business, including us. Since we are deemed a larger participant, we are subject to supervision and examination by the CFPB. The CFPB's stated objectives of such examinations are: to assess the quality of a larger participant's compliance management systems for preventing violations of federal consumer financial laws; to identify acts or practices that materially increase the risk of violations of federal consumer finance laws and associated harm to consumers; and to gather facts that help determine whether the larger participant engages in acts or practices that are likely to violate federal consumer financial laws in connection with its automobile finance business. Thus, as a larger participant, we will be subject to examination by the CFPB for, among other things, ECOA compliance; unfair, deceptive or abusive acts or practices (UDAAP) compliance; and the adequacy of our compliance management systems.

We are in the process of evaluating our existing compliance management systems with the objective of updating, improving and/or replacing such systems. Given the time and effort needed to establish and implement adequate compliance management systems and the resources and costs associated with being examined by the CFPB, such an examination would likely have a material adverse effect on our business, financial condition and profitability. Moreover, any such examination by the CFPB could result in the assessment of penalties, including fines, and other remedies which could, in turn, have a material effect on our business, financial condition and profitability.

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

Our financing operations are subject to regulation, supervision and licensing under various other federal, state and local statutes and ordinances. Additionally, the procedures that we must follow in connection with the repossession of vehicles securing Contracts are regulated by each of the states in which we do business. The various federal, state and local statutes, regulations, and ordinances applicable to our business govern, among other things:

licensing requirements;

requirements for maintenance of proper records;

payment of required fees to certain states;

maximum interest rates that may be charged on loans to finance new and used vehicles;

debt collection practices;



proper disclosure to customers regarding financing terms;

privacy regarding certain customer data;

interest rates on loans to customers;

late fees and insufficient fees charged;

telephone solicitation of Direct Loan customers; and

collection of debts from loan customers who have filed bankruptcy.

We believe that we maintain all material licenses and permits required for our current operations and are in substantial compliance with all applicable local, state and federal regulations. Our failure, or the failure by dealers who originate the Contracts we purchase, to maintain all requisite licenses and permits, and to comply with other regulatory requirements, could result in consumers having rights of rescission and other remedies that could have a material adverse effect on our financial condition. Furthermore, any changes in applicable laws, rules and regulations, such as the passage of the Dodd-Frank Act and the creation of the CFPB, may make our compliance therewith more difficult or expensive or otherwise materially adversely affect our business and financial condition.

**We are subject to risks associated with litigation.**

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

usury laws;

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disclosure inaccuracies;

wrongful repossession;

violations of bankruptcy stay provisions;

certificate of title disputes;

fraud;

breach of contract; and

discriminatory treatment of credit applicants.

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

**Our profitability and future growth depend on our continued access to bank financing.**

The profitability and growth of our business currently depend on our ability to access bank debt at competitive rates. We currently depend on a \$225.0 million line of credit facility with a financial institution to finance a large portion of our purchases of Contracts and fund our Direct Loans. This line of credit currently has a maturity date of January 30, 2018 and is secured by substantially all our assets. At March 31, 2015, we had approximately \$199.0 million outstanding under the line of credit and approximately \$26.0 million available for additional borrowing.

The availability of our credit facility depends, in part, on factors outside of our control, including regulatory capital treatment for unfunded bank lines of credit and the availability of bank loans in general. Therefore, we cannot guarantee that this credit facility will continue to be available beyond the current maturity date on reasonable terms or at all. If we are unable to renew or replace our credit facility or find alternative financing at reasonable rates or upon reasonable terms, we may be forced to liquidate. We will continue to depend on the availability of our line of credit, together with cash from operations, to finance our future operations.

**The terms of our indebtedness impose significant restrictions on us.**

Our existing outstanding indebtedness restricts our ability to, among other things:

sell or transfer assets;

incur additional debt;

repay other debt;

make certain investments or acquisitions;

repurchase or redeem capital stock;

engage in mergers or consolidations; and

engage in certain transactions with subsidiaries and affiliates.

In addition, our line of credit facility requires us to comply with certain financial ratios and covenants and to satisfy specified financial tests, including maintenance of asset quality and portfolio performance tests. The need to comply with such covenants and other provisions could impact our ability to pay dividends to our shareholders. Moreover, our ability to continue to meet those financial ratios and tests could be affected by events beyond our control. Failure to meet any of these covenants, financial ratios or financial tests could result in an event of default under our line of credit facility. If an event of default occurs under this credit facility, our lenders may take one or more of the following actions:

increase our borrowing costs;

restrict our ability to obtain additional borrowings under the facility;

accelerate all amounts outstanding under the facility; or

enforce their interest against collateral pledged under the facility.

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If our lender accelerates our debt payments, our assets may not be sufficient to fully repay the debt.

**We will require a significant amount of cash to service our indebtedness and meet our other liquidity needs.**

Our ability to make payments on or to refinance our indebtedness and to fund our operations and planned capital expenditures depends on our future operating performance. Our primary cash requirements include the funding of:

Contract purchases and Direct Loans;

interest payments under our line of credit facility and other indebtedness;

capital expenditures for technology and facilities;

ongoing operating expenses;

planned expansions by opening additional branch offices; and

any required income tax payments.

In addition, because we expect to continue to require substantial amounts of cash for the foreseeable future, we may seek additional debt or equity financing. The type, timing and terms of the financing we select will be dependent upon our cash needs, the availability of other financing sources and the prevailing conditions in the financial markets. There is no assurance that any of these sources will be available to us at any given time or that the terms on which these sources may be available will be favorable. Our inability to obtain such additional financing on reasonable terms could adversely impact our ability to grow.

**Our high level of indebtedness could have important consequences for our business. For example,**

we may be unable to satisfy our obligations under our outstanding indebtedness;

we may find it more difficult to fund future working capital, capital expenditures, acquisitions, and general corporate needs;

we may have to dedicate a substantial portion of our cash resources to the payments on our outstanding indebtedness, thereby reducing the funds available for operations and future business opportunities; and

we may be more vulnerable to adverse general economic and industry conditions.

Our ability to make payments on, or to refinance, our indebtedness will depend on our future operating performance, including our ability to access additional debt and equity financing, which to a certain extent, is subject to economic, financial, competitive and other factors beyond our control. If new debt is added to our current levels, the risks described above could intensify.

**We may experience high delinquency and loss rates in our loan portfolios, which could reduce our profitability.**

Our profitability depends, to a material extent, on the performance of Contracts that we purchase. Historically, we have experienced higher delinquency rates than traditional financial institutions because a large portion of our loans are to non-prime borrowers, who are unable to obtain financing from traditional sources due to their credit history. Although we attempt to mitigate these high credit risks with our underwriting standards and collection procedures, these standards and procedures may not offer adequate protection against the risk of default, especially in periods of economic uncertainty and high unemployment such as have existed over much of the past few years. In the event of a default, the collateral value of the financed vehicle usually does not cover the outstanding loan balance and costs of recovery. Higher than anticipated delinquencies and defaults on our Contracts would reduce our profitability.

In addition, in the event we were to make any bulk purchases of seasoned Contracts, we may experience higher than normal delinquency rates with respect to these loan portfolios due to our inability to apply our underwriting standards to each loan comprising the acquired portfolios. We would similarly attempt to mitigate the high credit risks associated with these loans, although no assurances can be given that we would be able to do so.

**We depend upon our relationships with our dealers.**

Our business depends in large part upon our ability to establish and maintain relationships with reputable dealers who originate the Contracts we purchase. Although we believe we have been successful in developing and maintaining such relationships, such relationships are not exclusive, and many of them are not longstanding. There can be no assurances that we will be successful in maintaining such relationships or increasing the number of dealers with whom we do business, or that our existing dealer base will continue to generate a volume of Contracts comparable to the volume of such Contracts historically generated by such dealers.

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### **Our success depends upon our ability to implement our business strategy.**

Our financial position depends on management's ability to execute our business strategy. Key factors involved in the execution of our business strategy include achievement of the desired Contract purchase volume, the use of effective risk management techniques and collection methods, continued investment in technology to support operating efficiency, and continued access to significant funding and liquidity sources. Our failure or inability to execute any element of our business strategy could have a material adverse effect on our business and financial condition.

### **Our business is highly dependent upon general economic conditions.**

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

Furthermore, in a low interest-rate environment such as has existed in the United States in recent years, the level of competition increases in the non-prime consumer-finance industry as new competitors enter the market and many existing competitors expand their operations. Such increased competition, in turn, exerts increasing pressure on us to reduce our interest rates, fees and dealer discount rates in order to maintain our market share. Reductions in our interest rates, fees or dealer discount rates could have a material adverse impact on our profitability or financial condition.

### **Recent economic developments may adversely affect our business and financial condition.**

Over the past several years, the United States has experienced a period of economic uncertainty, sluggish employment and wage stagnation that has adversely affected our business and financial condition. Stagnant wages and a continued lack of available credit have contributed to higher delinquencies and losses than we would otherwise experience.

Additionally, stagnant wages, fluctuating gasoline prices, unstable real estate values, food inflation, resets of adjustable rate mortgages and other factors have adversely impacted consumer confidence and disposable income. These conditions have increased loss frequency, decreased consumer demand for automobiles and weakened collateral values on certain types of vehicles. Because we focus predominately on non-prime borrowers, the actual rates of delinquencies, defaults, repossessions and losses on Contracts are higher than those experienced in the general automobile finance industry and have been materially affected by recent economic conditions. If economic and credit conditions, including wage conditions, do not continue to improve, our business and financial condition could be further adversely affected.

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

If we repossess a vehicle securing a Contract, we typically have it transported to an automobile auction for sale. Auction proceeds from the sale of repossessed vehicles and other recoveries are usually not sufficient to cover the outstanding balance of the Contract, and the resulting deficiency is charged off. In addition, there is, on average, approximately a 30-day lapse between the time we repossess a vehicle and the time it is sold. The proceeds we receive from such sales depend upon various factors, including the supply of, and demand for, used vehicles at the time of sale. Such supply and demand are dependent on many factors. For example, during periods of economic uncertainty, the demand for used cars may soften, resulting in decreased auction proceeds to us from the sale of repossessed automobiles. Furthermore, depressed wholesale prices for used automobiles may result from significant liquidations of rental or fleet inventories, and from increased volume of trade-ins due to promotional financing programs offered by new vehicle manufacturers. We have experienced declining auction proceeds in the recent past and we expect this trend to continue for the foreseeable future. Decreased auction proceeds to us resulting from sales of used automobiles at depressed prices will result in losses and, in turn, reduced profitability.

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**An increase in market interest rates may reduce our profitability.**

Our long-term profitability may be directly affected by the level of and fluctuations in interest rates. Sustained, significant increases in interest rates may adversely affect our liquidity and profitability by reducing the interest rate spread between the rate of interest we receive on our Contracts and interest rates that we pay under our outstanding line of credit facility. As interest rates increase, our gross interest rate spread on new originations will generally decline since the rates charged on the Contracts originated or purchased from dealers generally are limited by statutory maximums, restricting our opportunity to pass on increased interest costs. We monitor the interest rate environment and, on occasion, enter into interest rate swap agreements relating to a portion of our outstanding debt. Such agreements effectively convert a portion of our floating-rate debt to a fixed-rate, thus reducing the impact of interest rate changes on our interest expense. On June 4, 2013 and July 30, 2013, the Company entered into interest rate swap agreements to convert a portion of its floating rate debt to a fixed rate, more closely matching the interest rate characteristics of finance receivables. The June 4, 2013 agreement provides for a five-year interest rate swap in which the Company pays a fixed rate of 1% and receives payments from the counterparty on the 1-month LIBOR rate. This swap has an effective date of June 13, 2013 and a notional amount of \$25 million. The July 30, 2013 agreement provides for a five-year interest rate swap in which the Company pays a fixed rate of 0.87% and receives payments from the counterparty on the 1-month LIBOR rate. This swap has an effective date of August 13, 2013 and a notional amount of \$25 million. The changes in the fair value of the interest rate swap agreements (unrealized gains and losses) are recorded in earnings. We will continue to evaluate interest rate swap pricing and we may or may not enter into additional interest rate swap agreements in the future.

**We may experience problems with our integrated computer systems or be unable to keep pace with developments in technology.**

We use various technologies in our business, including telecommunication, data processing, and integrated computer systems. Technology changes rapidly. Our ability to compete successfully with other financing companies may depend on our ability to efficiently and cost-effectively implement technological changes. Moreover, to keep pace with our competitors, we may be required to invest in technological changes that do not necessarily improve our profitability. We are currently in the early stages of replacing our existing computer systems. Difficulties experienced in the implementation of new computer systems could have a material adverse effect on our ability to originate new Contracts and Direct Loans and service existing Contracts and Direct Loans and, thus, on our business and financial condition.

We utilize our integrated computer systems to respond to customer inquiries and to monitor the performance of our Contract and Direct Loan portfolios and the performance of individual customers under our Contracts and Direct Loans. Problems with our systems operations could adversely impact our ability to monitor our portfolios or collect amounts due under our Contracts and Direct Loans, which could have a material adverse effect on our financial condition and results of operations.

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

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

If third parties are able to breach our network security, the network security of a third party that we share information with or otherwise misappropriate our customers personal information, or if we give third parties improper access to



our customers' personal information, we could be subject to liability. This liability could include identity theft or other similar fraud-related claims. This liability could also include claims for other misuses or losses of personal information, including for unauthorized marketing purposes. Other liabilities could include claims alleging misrepresentation of our privacy and data security practices.

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

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**Our growth depends upon our ability to retain and attract a sufficient number of qualified employees.**

To a large extent, our growth strategy depends on the opening of new offices that focus primarily on purchasing Contracts and making Direct Loans in markets we have not previously served. Future expansion of our branch office network depends, in part, upon our ability to attract and retain qualified and experienced office managers and the ability of such managers to develop relationships with dealers that serve those markets. We generally do not open a new office until we have located and hired a qualified and experienced individual to manage the office. Typically, this individual will be familiar with local market conditions and have existing relationships with dealers in the area to be served. Although we believe that we can attract and retain qualified and experienced personnel as we proceed with planned expansion into new markets, no assurance can be given that we will be successful in doing so. Competition to hire personnel possessing the skills and experience required by us could contribute to an increase in our employee turnover rate. High turnover or an inability to attract and retain qualified personnel could have an adverse effect on our origination, delinquency, default and net loss rates and, ultimately, our business and financial condition.

**The loss of one of our key executives could have a material adverse effect on our business.**

Our future growth and development to date will be largely dependent upon the services of Ralph T. Finkenbrink, our President and Chief Executive Officer, Kevin D. Bates, our Senior Vice President of Branch Operations, and Katie L. MacGillivray, our Chief Financial Officer and Vice President of Finance. We do not maintain key-man life insurance policies on these executives. Although we believe that we have sufficient experienced management personnel to accommodate the loss of any key executive, the loss of services of one or more of these executives could have a material adverse effect on our business and financial condition.

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

The average daily trading volume of our Common shares on the NASDAQ Global Select Market for the fiscal year ended March 31, 2015 was approximately 54,810 shares. Moreover, on March 19, 2015, our Nicholas Financial subsidiary purchased an aggregate of 4,713,804 of our Common shares pursuant to a modified Dutch auction tender offer, thereby reducing the number of shares potentially available in the public market. Thus, our Common shares are thinly traded. Thinly traded stock can be more volatile than stock trading in an active public market. Factors such as our financial results, the introduction of new products and services by us or our competitors, and various factors affecting the consumer-finance industry generally may have a significant impact on the market price of our Common shares. In recent years, the stock market has experienced a high level of price and volume volatility, and market prices for the stocks of many companies, including ours, have experienced wide price fluctuations that have not necessarily been related to their operating performance. Therefore, our shareholders may not be able to sell their shares at the volumes, prices, or times that they desire.

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

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

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

The Company leases its Corporate Headquarters and branch office facilities. The Company's Headquarters, located at 2454 McMullen Booth Road, Building C, in Clearwater, Florida, consist of approximately 15,000 square feet of office space leased at an annual rate of approximately \$18.00 per square foot. The current lease relating to this space was entered into effective April 1, 2015 and expires on March 31, 2020.

Each of the Company's 67 branch offices located in Alabama, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maryland, Michigan, Missouri, North Carolina, Ohio, South Carolina, Tennessee and Virginia consists of approximately 1,400 square feet of office space. These offices are located in office parks, shopping centers or strip malls and are occupied pursuant to leases with an initial term of one to five years at annual rates ranging from approximately \$12.00 to \$35.00 per square foot. The Company believes that these facilities and additional or alternate space available to it are adequate to meet its needs for the foreseeable future.

**Table of Contents****Item 3. Legal Proceedings**

The Company currently is not a party to any pending legal proceedings other than ordinary routine litigation incidental to its business, none of which, if decided adversely to the Company, would, in the opinion of management, have a material adverse effect on the Company's financial condition or results of operations.

**Item 4. Mine Safety Disclosures**

Not Applicable.

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Company's Common shares are traded on the NASDAQ Global Select Market under the symbol NICK.

The following table sets forth the high and low sales prices of the Company's Common shares for the fiscal years ended March 31, 2015 and 2014, respectively.

	High	Low
<b>Fiscal year ended March 31, 2015</b>		
First Quarter	<b>\$ 15.85</b>	<b>\$ 14.27</b>
Second Quarter	<b>\$ 14.49</b>	<b>\$ 10.64</b>
Third Quarter	<b>\$ 14.95</b>	<b>\$ 10.90</b>
Fourth Quarter	<b>\$ 15.47</b>	<b>\$ 13.38</b>

	High	Low
<b>Fiscal year ended March 31, 2014</b>		
First Quarter	\$ 16.96	\$ 13.60
Second Quarter	\$ 16.79	\$ 14.82
Third Quarter	\$ 17.20	\$ 15.01
Fourth Quarter	\$ 15.90	\$ 15.63

As of May 29, 2015, there were approximately 1,600 holders of record of the Company's Common shares.

No cash dividends were declared or paid during the fiscal year ended March 31, 2015. The following cash dividends were declared and paid during the fiscal year ended March 31, 2014.

Date Declared	Record Date	Date Paid	Amount of Dividend
May 7, 2013	June 21, 2013	June 28, 2013	\$ 0.12

August 13, 2013	September 20, 2013	September 27, 2013	0.12
			\$ 0.24

Although the Company has declared and paid cash dividends on its Common shares in the past, we have no current plans to declare or pay any cash dividends in the foreseeable future. The payment of future dividends, if any, is reviewed periodically by the Company's directors and management and will depend upon, among other things, existing conditions, including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities, tax considerations and other conditions and factors, including prospects.

There are no Canadian foreign exchange controls or laws that would affect the remittance of dividends or other payments to the Company's non-Canadian resident shareholders. There are no Canadian laws that restrict the export or import of capital, other than the Investment Canada Act (Canada), which requires the notification or review of certain investments by non-Canadians to establish or acquire control of a Canadian business. The Company is not a Canadian business as defined under the Investment Canada Act because it has no place of business in Canada, has no individuals employed in Canada in connection with its business, and has no assets in Canada used in carrying on its business.

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

Dividends paid to the Company from its U.S. subsidiaries' current and accumulated earnings and profits will be subject to a U.S. withholding tax of 5%. The gross dividends (i.e., before payment of the withholding tax) must be included in the Company's net income. However, under certain circumstances, the Company may be allowed to deduct the dividends in the calculation of its Canadian taxable income. If the Company has no other foreign (i.e., non-Canadian) non-business income, no relief is available in that case to recover the withholding taxes previously paid.

A 15% Canadian withholding tax applies to dividends paid by the Company to a U.S. shareholder that is an individual. The U.S. shareholder must include the gross amount of the dividends in his net income to be taxed at the regular rates. In general, a U.S. shareholder can obtain a foreign tax credit for U.S. federal income tax purposes with respect to the Canadian withholding tax on such dividends, but the amount of such credit is subject to a limitation that depends, in part, on the amount of the shareholder's income and losses from other sources. A U.S. shareholder that is an individual also can elect to claim a deduction (rather than a foreign tax credit) for all non-U.S. income taxes paid by the shareholder during the particular year. U.S. shareholders are urged to consult their own tax advisors regarding the U.S. federal income tax treatment of any Canadian withholding tax imposed on dividends from the Company.

Dividends paid to a corporate U.S. shareholder that owns less than 10% of the Company's voting shares are also subject to a Canadian withholding tax of 15%.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table sets forth certain information with respect to the purchase of Common shares by our Nicholas Financial subsidiary pursuant to a modified Dutch auction tender offer for up to \$70.0 million (but not less than \$50.0 million) in aggregate value of Common shares. The tender offer commenced on February 10, 2015 and expired on March 13, 2015. The tender offer was completed on March 19, 2015.

**ISSUER PURCHASES OF EQUITY SECURITIES**

Period	Total Number of Common shares Purchased	Average Price Paid per Common share	Total Number of Common Shares Purchased As	Maximum Number of Common shares that May Yet
			Publicly Announced Plans or Programs	Be Purchased Under the Plans or Programs
March 1, 2015 through March 31, 2015	4,713,804	\$ 14.85	4,713,804	

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table sets forth certain information, as of March 31, 2015, with respect to compensation plans under which equity securities of the Company were authorized for issuance:

**EQUITY COMPENSATION PLAN INFORMATION**

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)</b>	<b>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</b>
Equity Compensation Plans Approved by Security Holders	363,490	\$ 9.86	8,615
Equity Compensation Plans Not Approved by Security Holders	None	Not Applicable	None
<b>TOTAL</b>	<b>363,490</b>	<b>\$ 9.86</b>	<b>8,615</b>

**Table of Contents****Performance Graph**

Set forth below is a graph comparing the cumulative total return on the Company's Common shares for the five-year period ended March 31, 2015, with that of an overall stock market (NASDAQ Composite) and the Company's peer group index (Dow Jones US General Financial Index). The stock performance graph assumes that the value of the investment in each of the Company's Common shares, the NASDAQ Composite Index and the Dow Jones US General Financial Index was \$100 on April 1, 2010 and that all dividends were reinvested.

The graph displayed below is presented in accordance with SEC requirements. Shareholders are cautioned against drawing any conclusions from the data contained therein, as past results are not necessarily indicative of future performance. This graph in no way reflects the Company's forecast of future financial performance.

	<b>04/01/2010</b>	<b>03/31/2011</b>	<b>03/31/2012</b>	<b>03/31/2013</b>	<b>03/31/2014</b>	<b>03/31/2015</b>
Nicholas Financial, Inc.	\$ 100.00	\$ 161.16	\$ 178.20	\$ 226.68	\$ 210.96	\$ 185.07
NASDAQ Composite	100.00	115.98	128.93	136.26	175.11	204.38
Dow Jones US General Financial Index	100.00	103.67	105.31	128.02	164.00	181.35



**Table of Contents****Item 6. Selected Financial Data**

The following tables present selected consolidated financial data of the Company as of and for the fiscal years ended March 31, 2015, 2014, 2013, 2012, and 2011. The selected consolidated financial data have been derived from our consolidated financial statements.

You should read the selected consolidated financial data below in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and notes thereto that are included elsewhere in this Report.

	<b>Fiscal Year ended March 31,</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Statement of Operations Data</b>					
Interest income on finance receivables	<b>\$ 86,789,958</b>	\$ 82,628,943	\$ 82,110,446	\$ 80,515,050	\$ 73,715,079
Interest expense	<b>5,970,434</b>	5,678,188	5,120,827	4,891,854	5,599,951
Provision for credit losses	<b>20,370,530</b>	14,979,216	13,391,875	12,367,593	15,611,544
Salaries and employee benefits	<b>20,834,783</b>	19,634,202	18,325,945	17,582,967	16,430,763
Change in fair value of interest rate swaps	<b>364,378</b>	(688,455)	504,852		(495,136)
Other expenses	<b>13,153,462</b>	14,509,062	12,280,792	9,524,361	9,280,923
	<b>60,693,587</b>	54,112,213	49,624,291	44,366,775	46,428,045
Operating income before income taxes	<b>26,096,371</b>	28,516,730	32,486,155	36,148,275	27,287,034
Income tax expense	<b>9,240,479</b>	11,813,378	12,545,209	13,926,516	10,518,740
Net income	<b>\$ 16,855,892</b>	\$ 16,703,352	\$ 19,940,946	\$ 22,221,759	\$ 16,768,294
Earnings per share basic:	<b>\$ 1.40</b>	\$ 1.38	\$ 1.66	\$ 1.89	\$ 1.44
Weighted average shares outstanding	<b>12,013,000</b>	12,096,000	11,977,174	11,747,160	11,607,341
Earnings per share diluted:	<b>\$ 1.38</b>	\$ 1.36	\$ 1.63	\$ 1.85	\$ 1.41
Weighted average shares outstanding	<b>12,192,000</b>	12,325,000	12,218,416	12,033,131	11,893,518

	As of and for the Fiscal Year ended March 31,				
	2015	2014	2013	2012	2011
<b>Balance Sheet Data</b>					
Total assets	\$ 302,528,591	\$ 283,429,579	\$ 263,835,468	\$ 256,560,144	\$ 242,975,768
Finance receivables, net	288,904,060	269,343,595	249,825,801	241,253,430	229,082,589
Line of credit	199,000,000	127,900,000	125,500,000	112,000,000	118,000,000
Shareholders' equity	89,887,942	141,937,555	126,965,096	135,263,161	114,546,111
<b>Operating Data</b>					
Return on average assets	5.75%	6.10%	7.66%	8.90%	7.35%
Return on average equity	14.54%	12.42%	15.21%	17.79%	15.85%
Gross portfolio yield (1)	28.00%	28.44%	29.22%	29.48%	29.35%
Pre-tax yield (1)	8.54%	9.65%	11.82%	13.31%	10.75%
Total delinquencies over 30 days, excluding Chapter 13 bankrupt accounts	4.11%	4.00%	3.68%	2.99%	2.15%
Write-off to liquidation (1)	8.13%	7.17%	6.81%	5.66%	6.18%
Net charge-off percentage (1)	7.04%	6.22%	5.88%	4.59%	4.65%
<b>Automobile Finance Data &amp; Direct Loan Origination</b>					
Contracts purchased/Direct Loans originated	\$ 187,893,373	\$ 179,030,939	\$ 160,077,713	\$ 152,315,679	\$ 151,874,846
Average dealer discount on Contracts purchased	8.08%	8.44%	8.54%	9.23%	9.55%
Weighted average contractual rate (1)	23.08%	23.20%	23.43%	23.93%	23.66%
Number of branch locations	66	65	64	60	56

(1) See the definitions set forth in the notes to the Portfolio Summary table on page 21 under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Overview.

**Table of Contents****Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations  
Overview**

Nicholas Financial-Canada is a Canadian holding company incorporated under the laws of British Columbia in 1986. Nicholas Financial-Canada currently conducts its business activities exclusively through a wholly-owned indirect Florida subsidiary, Nicholas Financial, which purchases and services Contracts, makes Direct Loans and sells consumer-finance related products. Nicholas Financial accounted for more than 99% of the Company's consolidated revenue for each of the fiscal years ended March 31, 2015, 2014, and 2013. A second Florida subsidiary, NDS, which historically provided limited computer software support and updated services to small businesses, has ceased such operations; however it continues as the intermediate holding company for Nicholas Financial. Nicholas Financial-Canada, Nicholas Financial and NDS are collectively referred to herein as the Company.

**Introduction**

The Company's consolidated revenues increased for the fiscal year ended March 31, 2015 to \$86.8 million as compared to \$82.6 million and \$82.1 million for the fiscal years ended March 31, 2014 and 2013, respectively. The Company's operating income before taxes for the fiscal year ended March 31, 2015 decreased to \$26.1 million as compared to \$28.5 million and \$32.5 million for the fiscal years ended March 31, 2014 and 2013, respectively. This was a result of a decrease in the gross portfolio yield, an increase in the provision for credit losses, and the change in fair value of interest rate swaps. The effective income tax rate for the fiscal year ended March 31, 2014 was higher than normal due to non-deductible professional fees relating to an agreement providing for the acquisition of the Company by an unaffiliated third party. The effective income tax rate for the fiscal year ended March 31, 2015 was lower than normal due to the same non-deductible expenses becoming deductible when such agreement was terminated. The Company's consolidated net income for the fiscal years ended March 31, 2015, 2014, 2013 were \$16.9 million, \$16.7 million and \$19.9 million, respectively. The Company believes the increase in losses each successive year was primarily attributable to an increase in competition which has driven higher advance rates for Contracts acquired. In addition, competition generally results in the purchase of lower credit quality Contracts, though these Contracts are still acceptable under the Company's underwriting guidelines. Historically, when competition has increased, the Company has experienced higher losses, decreased Contract origination and as a result reduced profits. While it is difficult to predict the level of competition long-term, the Company believes that the current highly competitive environment will prevail for the foreseeable future. The average dealer discounts as a percent of gross finance receivables associated with new volume for the fiscal years ended March 31, 2015, 2014, and 2013 were 8.08%, 8.44%, 8.54%, respectively.

Portfolio Summary	Fiscal Year ended March 31,		
	2015	2014	2013
Average finance receivables, net of unearned interest (1)	\$ 309,994,611	\$ 290,502,494	\$ 280,916,731
Average indebtedness (2)	\$ 135,600,000	\$ 127,093,220	\$ 115,157,810
Interest and fee income on finance receivables	\$ 86,785,042	\$ 82,609,859	\$ 82,072,643
Interest expense	\$ 5,970,434	\$ 5,678,188	\$ 5,120,827
Net interest and fee income on finance receivables	\$ 80,814,608	\$ 76,931,671	\$ 76,951,816

Weighted average contractual rate (3)	<b>22.93%</b>	23.20%	23.43%
Average cost of borrowed funds (2)	<b>4.47%</b>	4.47%	4.45%
Gross portfolio yield (4)	<b>28.00%</b>	28.44%	29.22%
Interest expense as a percentage of average finance receivables, net of unearned interest	<b>1.93%</b>	1.95%	1.82%
Provision for credit losses as a percentage of average finance receivables, net of unearned interest	<b>6.57%</b>	5.16%	4.77%
Net portfolio yield (4)	<b>19.50%</b>	21.33%	22.63%
Marketing, salaries, employee benefits, depreciation, administrative and professional fee expenses and dividend taxes as a percentage of average finance receivables, net of unearned interest (5)	<b>10.96%</b>	11.68%	10.81%
Pre-tax yield as a percentage of average finance receivables, net of unearned interest (6)	<b>8.54%</b>	9.65%	11.82%
Write-off to liquidation (7)	<b>8.13%</b>	7.17%	6.81%
Net charge-off percentage (8)	<b>7.04%</b>	6.22%	5.88%

- (1) Average finance receivables, net of unearned interest, represents the average of gross finance receivables, less unearned interest throughout the period.

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- (2) Average indebtedness represents the average outstanding borrowings under the Line. Average cost of borrowed funds represents interest expense as a percentage of average indebtedness.
- (3) Weighted average contractual rate represents the weighted average annual percentage rate ( APR ) of all Contracts and Direct Loans as of the period ending date.
- (4) Gross portfolio yield represents interest and fee income on finance receivables as a percentage of average finance receivables, net of unearned interest. Net portfolio yield represents interest and fee income on finance receivables minus (a) interest expense and (b) the provision for credit losses as a percentage of average finance receivables, net of unearned interest.
- (5) The numerators include expenses associated with the abandoned sale of the Company and include taxes associated with the payments of cash dividends. Absent these expenses, the percentages would have been 10.85% and 10.83% for the fiscal years March 31, 2015 and 2014, respectively.
- (6) Pre-tax yield represents net portfolio yield minus operating expenses as a percentage of average finance receivables, net of unearned interest.
- (7) Write-off to liquidation percentage is defined as net charge-offs divided by liquidation. Liquidation is defined as beginning receivable balance plus current period purchases minus voids and refinances minus ending receivable balance.
- (8) Net charge-off percentage represents net charge-offs divided by average finance receivables, net of unearned interest, outstanding during the period.

**Critical Accounting Policy**

The Company's critical accounting policy relates to the allowance for credit losses. It is based on management's opinion of an amount that is adequate to absorb losses incurred in the existing portfolio. The allowance for credit losses is established through a provision for credit losses based on management's evaluation of the risk inherent in the loan portfolio, the composition of the portfolio, specific impaired loans and current economic conditions. Such evaluation considers, among other matters, the estimated net realizable value or the fair value of the underlying collateral, economic conditions, historical loan loss experience, management's estimate of probable credit losses and other factors that warrant recognition in providing for an adequate credit loss allowance.

Because of the nature of the customers under the Company's Contracts and its Direct Loan program, the Company considers the establishment of adequate reserves for credit losses to be imperative. The Company segregates its Contracts into static pools for purposes of establishing reserves for losses. All Contracts purchased by a branch during a fiscal quarter comprise a static pool. The Company pools Contracts according to branch location because the branches purchase Contracts in different geographic markets. This method of pooling by branch and quarter allows the Company to evaluate the different markets where the branches operate. The pools also allow the Company to evaluate the different levels of customer income, stability and credit history, and the types of vehicles purchased in each market. Each such static pool consists of the Contracts purchased by a branch office during a fiscal quarter.

Contracts are purchased from many different dealers and are all purchased on an individual Contract-by-Contract basis. Individual Contract pricing is determined by the automobile dealerships and is generally the lesser of the applicable state maximum interest rate, if any, or the maximum interest rate which the customer will accept. In certain markets, competitive forces will drive down Contract rates from the maximum rate to a level where an individual competitor is willing to buy an individual Contract. The Company purchases Contracts on an individual basis, although the Company may consider portfolio acquisitions as part of its growth strategy. See Item 1. Business Growth Strategy.

The Company has detailed underwriting guidelines it utilizes to determine which Contracts to purchase. These guidelines are specific and are designed to cause all of the Contracts that the Company purchases to have common risk characteristics. The Company utilizes its District Managers to evaluate their respective branch locations for adherence

to these underwriting guidelines. The Company also utilizes LPR to assure adherence to its underwriting guidelines. The Company utilizes the branch model, which allows for Contract purchasing to be done on the branch level. Each Branch Manager may interpret the guidelines differently, and as a result, the common risk characteristics tend to be the same on an individual branch level but not necessarily compared to another branch.

The allowance for credit losses is established through charges to earnings through the provision for credit losses. The allowance for credit losses is maintained at an amount that reduces the net carrying amount of finance receivables for incurred losses.

In analyzing a static pool, the Company considers the performance of prior static pools originated by the branch office, the performance of prior Contracts purchased from the dealers whose Contracts are included in the current static pool, the credit rating of the customers under the Contracts in the static pool, and current market and economic conditions. Each static pool is analyzed monthly to determine if the loss reserves are adequate, and adjustments are made if they are determined to be necessary.

**Table of Contents****Fiscal 2015 Compared to Fiscal 2014****Interest and Fee Income on Finance Receivables**

Interest income on finance receivables, predominantly finance charge income, increased 5% to \$86.8 million in fiscal 2015 from \$82.6 million in fiscal 2014. The average finance receivables, net of unearned interest, totaled \$310.0 million for the fiscal year ended March 31, 2015, an increase of 7% from \$290.5 million for the fiscal year ended March 31, 2014. The primary reason average finance receivables, net of unearned interest, increased was the opening of one additional branch office and the increase of the portfolio size in certain existing branches during fiscal 2015 (see Item 1. Business - Contract Procurement ). The gross finance receivable balance increased 8% to \$458.0 million for the fiscal year ended March 31, 2015 from \$424.3 million for the fiscal year ended March 31, 2014. The primary reasons gross finance receivables increased were an increase in Contracts purchased and an increase in the weighted-average term of Contracts purchased. The primary reason interest income increased was the increase in the outstanding loan portfolio. The gross portfolio yield decreased to 28.00% for the fiscal year ended March 31, 2015 from 28.44% for the fiscal year ended March 31, 2014. The net portfolio yield decreased to 19.50% for the fiscal year ended March 31, 2015 from 21.33% for the fiscal year ended March 31, 2014. The gross portfolio yield decreased primarily as the result of a lower weighted APR and a reduction of the average dealer discount on Contracts purchased due to increased competition. The net portfolio yield decreased primarily due to the decrease in the gross portfolio yield and an increase in the provision for credit losses (see Analysis for Credit Losses below).

**Marketing, Salaries and Employee Benefits, Depreciation, Administrative, Professional Fee Expenses and Dividend Taxes**

Marketing, salaries and employee benefits, depreciation, administrative, professional fee expenses and dividend taxes remained relatively flat at \$34.0 million for the fiscal year ended March 31, 2015 compared to \$34.1 million for the fiscal year ended March 31, 2014. The Company opened one new branch location during the fiscal year ended March 31, 2015. The Company increased the average headcount to 330 for the fiscal year ended March 31, 2015 from 325 for the fiscal year ended March 31, 2014. Marketing, salaries and employee benefits, depreciation, administrative expenses, professional fee expenses and dividend taxes as a percentage of average finance receivables, net of unearned interest, decreased to 10.96% for the fiscal year ended March 31, 2015 from 11.68% for the fiscal year ended March 31, 2014. Absent the professional expenses associated with the abandoned sale of the Company and taxes associated with the payment of cash dividends, the percentages would have been 10.85% and 10.83% for the fiscal years ended March 31, 2015 and 2014, respectively.

**Interest Expense**

Interest expense increased to \$6.0 million for the fiscal year ended March 31, 2015 as compared to \$5.7 million for the fiscal year ended March 31, 2014. The following table summarizes the Company's average cost of borrowed funds for the fiscal years ended March 31:

	<b>2015</b>	<b>2014</b>
Variable interest under the line of credit facility	<b>0.34%</b>	<b>0.35%</b>
Settlements under interest rate swap agreements	<b>0.29%</b>	<b>0.30%</b>
Credit spread under the line of credit facility	<b>3.84%</b>	<b>3.82%</b>
Average cost of borrowed funds	<b>4.47%</b>	<b>4.47%</b>

The Company's average cost of funds for the fiscal year ended March 31, 2015 remained unchanged from the preceding fiscal year.

For a further discussion regarding the Company's line of credit, see "Liquidity and Capital Resources" below and Note 5 ("Line of Credit") to our audited consolidated financial statements included elsewhere in this Report.

The weighted average notional amount of interest rate swaps was \$50.0 million at a weighted average fixed rate of 0.94% for each of the fiscal years ended March 31, 2015 and 2014. For a further discussion regarding the effect of our interest rate swap agreements, see Note 6 ("Interest Rate Swap Agreements") to our audited consolidated financial statements included elsewhere in this Report.

### **Analysis of Credit Losses**

As of March 31, 2015, the Company had 1,431 active static pools. The average pool upon inception consisted of 69 Contracts with aggregate finance receivables, net of unearned interest, of approximately \$649,000.



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The following table sets forth a reconciliation of the changes in the allowance for credit losses on Contracts for the fiscal years ended March 31:

	<b>2015</b>	<b>2014</b>
Balance at beginning of year	<b>\$ 12,889,082</b>	\$ 16,090,652
Current year provision	<b>20,008,166</b>	14,693,841
Losses absorbed	<b>(25,041,833)</b>	(21,690,010)
Recoveries	<b>3,469,807</b>	3,794,599
<b>Balance at end of year</b>	<b>\$ 11,325,222</b>	\$ 12,889,082

The following table sets forth a reconciliation of the changes in the allowance for credit losses on Direct Loans for the fiscal years ended March 31:

	<b>2015</b>	<b>2014</b>
Balance at beginning of year	<b>\$ 590,278</b>	\$ 467,917
Current year provision	<b>362,364</b>	285,375
Losses absorbed	<b>(278,333)</b>	(192,156)
Recoveries	<b>28,481</b>	29,142
<b>Balance at end of year</b>	<b>\$ 702,790</b>	\$ 590,278

The provision for credit losses increased to \$20.4 million for the fiscal year ended March 31, 2015 from \$15.0 million for the fiscal year ended March 31, 2014, primarily as a result of an increase in the average finance receivables and an increase in the net charge-off percentage.

The Company's losses as a percentage of liquidation increased to 8.13% for the fiscal year ended March 31, 2015 as compared to 7.17% for the fiscal year ended March 31, 2014. This increase was primarily the result of increased competition in all markets that the Company presently operates in and higher advance rates on Contracts purchased during the fiscal year ended March 31, 2015. The Company has experienced favorable variances between projected write-offs and actual write-offs on many seasoned pools, which resulted in an increase in expected future cash flows and favorable impact on the allowance for credit losses. However, increased competition has led to a higher percentage of loans acquired that are categorized in the lower tiers of the Company's guidelines. Static pools originated during fiscal 2015, 2014 and 2013, while still performing at acceptable net charge-off levels, have experienced losses higher than static pools originated in previous years. The Company also experienced a decrease in auction prices from fiscal year 2014 to fiscal year 2015. Decreased auction proceeds from repossessed vehicles increased the amount of write-offs which, in turn, increased the write-off to liquidation percentage. During the fiscal years ended March 31, 2015 and 2014, auction proceeds from the sale of repossessed vehicles averaged approximately 46% and 48%, respectively, of the related principal balance. Recoveries as a percentage of charge-offs were approximately 13.82% and 17.46% for the fiscal years ended March 31, 2015 and 2014, respectively. Historically, recoveries as a percentage of charge-offs have fluctuated from period to period, and the Company does not attribute this decrease to any particular change in operational strategy or economic events.

The delinquency percentage for Contracts more than thirty days past due, excluding Chapter 13 Bankrupt accounts, as of March 31, 2015 increased to 4.17% from 4.03% as of March 31, 2014. The delinquency percentage for Direct Loans more than thirty days past-due as of March 31, 2015 decreased to 1.64% from 1.78% as of March 31, 2014. The delinquency percentage increase for Contracts reflects portfolio weakness that generally manifests itself in increased future losses. The Company utilizes a static pool approach to analyzing portfolio performance and looks at specific static pool performance and recent trends as leading indicators of the future performance of its portfolio.

The Company also considers the following factors to assist in determining the appropriate loss reserve levels: unemployment rates; competition; the number of bankruptcy filings; the results of internal branch audits; consumer sentiment; consumer spending; economic growth (i.e., changes in GDP); the condition of the housing sector; and other leading economic indicators. The Company continues to evaluate reserve levels on a pool-by-pool basis during each reporting period. While unemployment rates have stabilized somewhat, they remain elevated, which will make it difficult for improvement in loss rates. The longer-term outlook for portfolio performance will depend on overall economic conditions, the unemployment rate, the rationale or irrational behavior of the Company's competitors, and the Company's ability to monitor, manage and implement its underwriting philosophy in additional geographic areas as it strives to continue its expansion.

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**Table of Contents****Income Taxes**

The provision for income taxes decreased to approximately \$9.2 million in fiscal 2015 from approximately \$11.8 million in fiscal 2014. The Company's effective tax rate decreased to 35.41% in fiscal 2015 from 41.43% in fiscal 2014. The Company had approximately \$2.1 million of non-deductible expenses associated with the potential sale of the Company in 2014 (see Note 12). Since the sale of the Company was not consummated, the \$2.1 million became deductible in 2015 creating a favorable effective tax rate.

**Fiscal 2014 Compared to Fiscal 2013****Interest and Fee Income on Finance Receivables**

Interest income on finance receivables, predominantly finance charge income, increased 1% to \$82.6 million in fiscal 2014 from \$82.1 million in fiscal 2013. The average finance receivables, net of unearned interest, totaled \$290.5 million for the fiscal year ended March 31, 2014, an increase of 3% from \$280.9 million for the fiscal year ended March 31, 2013. The primary reason average finance receivables, net of unearned interest, increased was the opening of one additional branch office and the increase of the portfolio size at our existing branches during fiscal 2014 (see Item 1. Business - Contract Procurement). The gross finance receivable balance increased 7% to \$424.3 million for the fiscal year ended March 31, 2014 from \$395.7 million for the fiscal year ended March 31, 2013. The primary reasons gross finance receivables increased were an increase in Contracts purchased and an increase in the weighted-average term of Contracts purchased. The primary reason interest income increased was the increase in the outstanding loan portfolio. The gross portfolio yield decreased to 28.44% for the fiscal year ended March 31, 2014 from 29.22% for the fiscal year ended March 31, 2013. The net portfolio yield decreased to 21.33% for the fiscal year ended March 31, 2014 from 22.63% for the fiscal year ended March 31, 2013. The gross portfolio yield decreased primarily as the result of a lower weighted APR and a reduction of the average dealer discount on Contracts purchased. The net portfolio yield decreased primarily due to the decrease in the gross portfolio yield and an increase in the provision for credit losses.

**Marketing, Salaries and Employee Benefits, Depreciation, Administrative, Professional Fee Expenses and Dividend Taxes**

Marketing, salaries and employee benefits, depreciation, administrative, professional fee expenses and dividend taxes increased to \$34.1 million for the fiscal year ended March 31, 2014 from \$30.6 million for the fiscal year ended March 31, 2013. The increase of 11% was partially attributable to \$2.3 million of expenses associated with the potential sale of the Company which were partially offset by the dividend tax of \$1.2 million related to the \$2.00 per Common share special cash dividend paid in the fiscal year ended March 31, 2013. The remaining increase was primarily attributable to additional legal, regulatory and general operating expenses. Also, the Company opened one new branch location during the fiscal year. The Company increased the average headcount to 325 for the fiscal year ended March 31, 2014 from 309 for the fiscal year ended March 31, 2013. Marketing, salaries and employee benefits, depreciation, and administrative expenses as a percentage of average finance receivables, net of unearned interest, increased to 11.68% for the fiscal year ended March 31, 2014 from 10.81% for the fiscal year ended March 31, 2013. Absent the expenses associated with the potential sale of the Company and taxes associated with the payment of cash dividends, the percentages would have been 10.84% and 10.26% for the fiscal years ended March 31, 2014 and 2013, respectively.

**Interest Expense**

Interest expense increased to \$5.7 million for the fiscal year ended March 31, 2014 as compared to \$5.1 million for the fiscal year ended March 31, 2013. The following table summarizes the Company's average cost of borrowed funds for the fiscal years ended March 31:

	<b>2014</b>	<b>2013</b>
Variable interest under the line of credit facility	<b>0.35%</b>	0.47%
Settlements under interest rate swap agreements	<b>0.30%</b>	0.24%
Credit spread under the line of credit facility	<b>3.82%</b>	3.74%
Average cost of borrowed funds	<b>4.47%</b>	4.45%

The primary reason that the Company's average cost of funds increased for the fiscal year ended March 31, 2014 as compared to the preceding fiscal year was the increase of costs associated with settlements under the interest rate swap agreements, which were partially offset by a reduction in the unused line fee during fiscal 2014.

For a further discussion regarding the Company's line of credit, see "Liquidity and Capital Resources" below and Note 5 ( "Line of Credit" ) to our audited consolidated financial statements included elsewhere in this Report.

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The weighted average notional amount of interest rate swaps was \$50.0 million at a weighted average fixed rate of 0.94% during the fiscal year ended March 31, 2014. The weighted average notional amount of interest rate swaps was \$35.8 million at a weighted average fixed rate of 0.94% during the fiscal year ended March 31, 2013. For a further discussion regarding the effect of our interest rate swap agreements, see Note 6 ( Interest Rate Swap Agreements ) to our audited consolidated financial statements included elsewhere in this Report.

**Analysis of Credit Losses**

As of March 31, 2014, the Company had 1,406 active static pools. The average pool upon inception consisted of 59 Contracts with aggregate finance receivables, net of unearned interest, of approximately \$615,000.

The following table sets forth a reconciliation of the changes in the allowance for credit losses on Contracts for the fiscal years ended March 31:

	<b>2014</b>	<b>2013</b>
Balance at beginning of year	<b>\$ 16,090,652</b>	\$ 19,499,208
Current year provision	<b>14,693,841</b>	13,252,382
Losses absorbed	<b>(21,690,010)</b>	(19,851,080)
Recoveries	<b>3,794,599</b>	3,190,142
Balance at end of year	<b>\$ 12,889,082</b>	\$ 16,090,652

The following table sets forth a reconciliation of the changes in the allowance for credit losses on Direct Loans for the fiscal years ended March 31:

	<b>2014</b>	<b>2013</b>
Balance at beginning of year	<b>\$ 467,917</b>	\$ 492,184
Current year provision	<b>285,375</b>	139,493
Losses absorbed	<b>(192,156)</b>	(190,871)
Recoveries	<b>29,142</b>	27,111
Balance at end of year	<b>\$ 590,278</b>	\$ 467,917

The provision for credit losses increased to \$15.0 million for the fiscal year ended March 31, 2014 from \$13.4 million for the fiscal year ended March 31, 2013, primarily as a result of an increase in the average finance receivables and an increase in the net charge-off percentage.

The Company's losses as a percentage of liquidation increased to 7.17% for the fiscal year ended March 31, 2014 as compared to 6.81% for the fiscal year ended March 31, 2013. This increase was primarily the result of increased competition in all markets that the Company presently operates in and higher advance rates on Contracts purchased during the fiscal year ended March 31, 2014. The increased competition has led to a higher percentage of loans acquired that are categorized in the lower tiers of the Company's guidelines. Static pools originated during fiscal 2014 and 2013, while still performing at acceptable net charge-off levels, have experienced losses higher than static pools originated in previous years. The Company also experienced a decrease in auction prices from fiscal year 2013 to

fiscal year 2014. Decreased auction proceeds from repossessed vehicles increased the amount of write-offs which, in turn, increased the write-off to liquidation percentage. During the fiscal years ended March 31, 2014 and 2013, auction proceeds from the sale of repossessed vehicles averaged approximately 49% and 52%, respectively, of the related principal balance. Recoveries as a percentage of charge-offs were approximately 17.46% and 17.62% for the fiscal years ended March 31, 2014 and 2013, respectively. Historically, recoveries as a percentage of charge-offs have fluctuated from period to period, and the Company does not attribute this decrease to any particular change in operational strategy or economic events.

The delinquency percentage for Contracts more than thirty days past due, excluding Chapter 13 Bankrupt accounts, as of March 31, 2014 increased to 4.03% from 3.69% as of March 31, 2013. The delinquency percentage for Direct Loans more than thirty days past due as of March 31, 2014 increased to 1.78% from 1.23% as of March 31, 2013. The delinquency percentage increases reflect portfolio weakness that generally manifests itself in increased future losses. The Company utilizes a static pool approach to analyzing portfolio performance and looks at specific static pool performance and recent trends as leading indicators of the future performance of its portfolio.

The Company also considers the following factors to assist in determining the appropriate loss reserve levels: unemployment rates; competition; the number of bankruptcy filings; the results of internal branch audits; consumer sentiment; consumer spending; economic growth (i.e., changes in GDP); the condition of the housing sector; and other leading economic indicators. The Company continues to evaluate reserve levels on a pool-by-pool basis during each reporting period. While unemployment rates have stabilized somewhat, they

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remain elevated, which will make it difficult for improvement in loss rates. The longer-term outlook for portfolio performance will depend on overall economic conditions, the unemployment rate, the rationale or irrational behavior of the Company's competitors, and the Company's ability to monitor, manage and implement its underwriting philosophy in additional geographic areas as it strives to continue its expansion.

**Income Taxes**

The provision for income taxes decreased to approximately \$11.8 million in fiscal 2014 from approximately \$12.5 million in fiscal 2013. The decrease was a result of lower pretax income offset by the fact that the Company had \$2.1 million of non-deductible expenses associated with the potential sale of the Company. As a result of the non-deductible expense, the Company's effective tax rate increased to 41.43% in fiscal 2014 from 38.61% in fiscal 2013. Since the sale of the Company was not consummated, the \$2.1 million became deductible in fiscal 2015, resulting in a favorable impact on our effective tax rate and net income in such fiscal year.

**Liquidity and Capital Resources**

The Company's cash flows are summarized as follows:

	<b>Fiscal Year ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Cash provided by (used in):			
Operations	\$ 25,758,753	\$ 21,366,394	\$ 25,645,155
Investing activities - (primarily purchases of Contracts)	(26,504,247)	(21,880,361)	(10,568,710)
Financing activities	1,498,651	351,287	(15,081,783)
Net increase (decrease) in cash	\$ 753,157	\$ (162,680)	\$ (5,338)

The Company's primary use of working capital for the fiscal year ended March 31, 2015 was the funding of the purchase of Contracts, which are financed substantially through cash from principal payments received, cash from operations and our line of credit (the Line). The Line is secured by all of the assets of the Company and has a maturity date of January 30, 2018. The Company may borrow up to \$225.0 million. Borrowings under the Line may be under various LIBOR pricing options plus 300 basis points with a 1% floor on LIBOR. As of March 31, 2015, the amount outstanding under the Line was \$199.0 million, and the amount available under the Line was \$26.0 million.

The Company will continue to depend on the availability of the Line, together with cash from operations, to finance future operations. Amounts outstanding under the Line increased by \$71.1 million as of March 31, 2015 as compared to March 31, 2014 and increased by approximately \$2.4 million as of March 31, 2014 as compared to March 31, 2013. The increase in the amount outstanding under the Line as of March 31, 2015 was principally related to the \$70.0 million tender offer completed on March 19, 2015. The increase in the amount outstanding under the Line as of March 31, 2014 was principally related to the growth in finance receivables. The amount of debt the Company incurs from time to time under these financing mechanisms depends on the Company's need for cash and ability to borrow under the terms of the Line. The Company believes that borrowings available under the Line as well as cash flow from operations will be sufficient to meet its short-term funding needs.

Pursuant to a modified Dutch auction tender offer completed on March 19, 2015, Nicholas Financial purchased an aggregate of 4,713,804 Common shares of the Company, at a final purchase price of \$14.85 per Common share, for an aggregate cost of approximately \$70.0 million, excluding fees and expenses relating to the tender offer. As indicated above, the purchase of such shares was financed through borrowing under the Line.

The Line requires compliance with certain debt covenants including financial ratios, asset quality and other performance tests. The Company is currently in compliance with all of its debt covenants.



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No cash dividends were declared or paid during the fiscal year ended March 31, 2015. The following cash dividends were declared and paid during the fiscal years ended March 31, 2014 and 2013:

<b>Fiscal Year</b>	<b>Date Declared</b>	<b>Record Date</b>	<b>Date Paid</b>	<b>Amount of Dividend</b>
2014	May 7, 2013	June 21, 2013	June 28, 2013	\$ 0.12
	August 13, 2013	September 20, 2013	September 27, 2013	0.12
				\$ 0.24
2013	May 2, 2012	May 30, 2012	June 6, 2012	\$ 0.10
	August 8, 2012	August 30, 2012	September 6, 2012	0.12
	November 9, 2012	November 30, 2012	December 6, 2012	0.12
	December 11, 2012	December 21, 2012	December 28, 2012	2.00
	February 19, 2013	March 22, 2013	March 29, 2013	0.12
			\$ 2.46	

Although the Company has declared and paid cash dividends on its Common shares in the past, we have no current plans to declare or pay any cash dividends in the foreseeable future. The payment of future dividends, if any, is reviewed periodically by the Company's directors and management and will depend upon, among other things, existing conditions, including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities, tax considerations and other conditions and factors, including prospects.

**Impact of Inflation**

The Company is affected by inflation primarily through increased operating costs and expenses including increases in interest rates. Inflationary pressures on operating costs and expenses historically have been largely offset by the Company's continued emphasis on stringent operating and cost controls, although no assurances can be given regarding the Company's ability to offset the effects of inflation in the future.

**Contractual Obligations**

The following table summarizes the Company's material obligations as of March 31, 2015.

	<b>Total</b>	<b>Payments Due by Period</b>			
		<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>More than 5 years</b>
Operating leases	\$ 5,149,015	\$ 1,936,435	\$ 2,191,608	\$ 1,020,972	\$
Line of credit <sup>1</sup>	199,000,000		199,000,000		
Interest on line of credit <sup>1</sup>	25,203,350	8,895,300	16,308,050		
Total	\$ 229,352,365	\$ 10,831,735	\$ 217,499,658	\$ 1,020,972	\$

- <sup>1</sup> The Company's current Line matures on January 30, 2018. Interest on outstanding borrowings under the Line as of March 31, 2015 is based on an effective interest rate of 4.47%. The effective interest rate used in the above table does not contemplate the possibility of entering into additional interest rate swap agreements in the future.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Market risks relating to the Company's operations result primarily from changes in interest rates. The Company does not engage in speculative or leveraged transactions, nor does it hold or issue financial instruments for trading purposes.

**Interest Rate Risk**

Management's objective is to minimize the cost of borrowing through an appropriate mix of fixed and floating rate debt. Derivative financial instruments, such as interest rate swap agreements, may be used for the purpose of managing fluctuating interest rate exposures that exist from ongoing business operations. The Company does not use interest rate swap agreements for speculative purposes. At March 31, 2015, \$149.0 million, or approximately 75% of our total debt, was subject to floating interest rates; however, due to a 1% floor on the debt these rates are effectively fixed until the variable rates exceed this threshold. As a result, a hypothetical increase in the variable interest rates of 1% or 100 basis points (an increase to 1.18% as of March 31, 2015) as of March 31, 2015 applicable to this floating rate debt would have an annual after-tax benefit of approximately \$87,000.

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**Item 8. Financial Statements and Supplementary Data**

The following financial statements are filed as part of this Report (see pages 30-48)

<u>Report of Independent Registered Public Accounting Firm</u>	30
Audited Consolidated Financial Statements	
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<u>Consolidated Statements of Income</u>	32
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders

Nicholas Financial, Inc.

We have audited the accompanying consolidated balance sheets of Nicholas Financial, Inc. and subsidiaries (the Company ) as of March 31, 2015 and 2014 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2015 and 2014 and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2015, based on criteria established in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated June 15, 2015 expressed an unqualified opinion.

/s/ Dixon Hughes Goodman LLP  
Atlanta, Georgia  
June 15, 2015

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## Nicholas Financial, Inc. and Subsidiaries

## Consolidated Balance Sheets

	March 31,	
	2015	2014
<b>Assets</b>		
Cash	\$ 3,388,193	\$ 2,635,036
Finance receivables, net	288,904,060	269,343,595
Assets held for resale	1,746,887	1,696,330
Prepaid expenses and other assets	1,143,754	891,044
Income taxes receivable	112,984	1,093,682
Property and equipment, net	872,134	869,693
Interest rate swap agreements		183,603
Deferred income taxes	6,360,579	6,716,596
 Total assets	 <b>\$ 302,528,591</b>	 \$ 283,429,579
<b>Liabilities and shareholders equity</b>		
Line of credit	\$ 199,000,000	\$ 127,900,000
Drafts payable	2,475,573	2,338,561
Accounts payable and accrued expenses	7,841,070	8,924,919
Deferred revenues	3,143,231	2,328,544
Interest rate swap agreements	180,775	
 Total liabilities	 <b>212,640,649</b>	 141,492,024
Commitments and contingencies		
Shareholders equity:		
Preferred stock, no par: 5,000,000 shares authorized; none issued		
Common stock, no par: 50,000,000 shares authorized; 12,415,785 and 12,220,874 shares issued respectively; 7,701,981 and 12,220,874 shares outstanding, respectively		
	32,655,130	31,151,781
Treasury stock: 4,713,804 common shares, at cost	(70,408,854)	
Retained earnings	127,641,666	110,785,774
 Total shareholders equity	 <b>89,887,942</b>	 141,937,555
 Total liabilities and shareholders equity	 <b>\$ 302,528,591</b>	 \$ 283,429,579

*See accompanying notes.*

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## Nicholas Financial, Inc. and Subsidiaries

## Consolidated Statements of Income

	<b>Fiscal Year ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Interest and fee income on finance receivables	<b>\$ 86,789,958</b>	\$ 82,628,943	\$ 82,110,446
Expenses:			
Marketing	<b>1,562,226</b>	1,491,216	1,452,659
Salaries and employee benefits	<b>20,834,783</b>	19,634,202	18,325,945
Professional fees	<b>1,383,094</b>	3,659,429	893,044
Administrative	<b>9,841,867</b>	8,898,356	8,158,268
Dividend tax		142,557	1,492,227
Provision for credit losses	<b>20,370,530</b>	14,979,216	13,391,875
Depreciation	<b>366,275</b>	317,504	284,594
Interest expense	<b>5,970,434</b>	5,678,188	5,120,827
Change in fair value of interest rate swap agreements	<b>364,378</b>	(688,455)	504,852
	<b>60,693,587</b>	54,112,213	49,624,291
Operating income before income taxes	<b>26,096,371</b>	28,516,730	32,486,155
Income tax expense	<b>9,240,479</b>	11,813,378	12,545,209
Net income	<b>\$ 16,855,892</b>	\$ 16,703,352	\$ 19,940,946
Earnings per share:			
Basic	<b>\$ 1.40</b>	\$ 1.38	\$ 1.66
Diluted	<b>\$ 1.38</b>	\$ 1.36	\$ 1.63
Dividends declared per share	<b>\$</b>	\$ 0.24	\$ 2.46

*See accompanying notes.*

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## Nicholas Financial, Inc. and Subsidiaries

## Consolidated Statements of Shareholders' Equity

	Common Stock		Treasury Stock	Retained Earnings	Total Shareholders Equity
	Shares	Amount			
Balance at March 31, 2012	11,960,975	\$ 28,426,043	\$	\$ 106,837,118	\$ 135,263,161
Net income				19,940,946	19,940,946
Issuance of common stock under stock options	97,594	612,465			612,465
Grants of restricted share awards, net of forfeitures	85,000				
Vested performance share awards	10,500				
Excess tax benefit on share awards		181,036			181,036
Share-based compensation		812,004			812,004
Cash dividend				(29,844,516)	(29,844,516)
Balance at March 31, 2013	12,154,069	\$ 30,031,548	\$	\$ 96,933,548	\$ 126,965,096
Net income				16,703,352	16,703,352
Issuance of common stock under stock options	66,805	328,913			328,913
Excess tax benefit on share awards		256,250			256,250
Share-based compensation		535,070			535,070
Cash dividend				(2,851,126)	(2,851,126)
Balance at March 31, 2014	12,220,874	\$ 31,151,781	\$	\$ 110,785,774	\$ 141,937,555
Net income				16,855,892	16,855,892
Issuance of common stock under stock options	150,911	388,608			388,608
Grants of restricted share awards, net of forfeitures	44,000				
Excess tax benefit on share awards		600,278			600,278
Share-based compensation		514,463			514,463
Common shares purchased	(4,713,804)		(70,408,854)		(70,408,854)
Balance at March 31, 2015	7,701,981	\$ 32,655,130	\$ (70,408,854)	\$ 127,641,666	\$ 89,887,942

*See accompanying notes.*





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Nicholas Financial, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	<b>Fiscal Year ended March 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>			
Net income	\$ 16,855,892	\$ 16,703,352	\$ 19,940,946
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	366,275	317,504	284,594
Loss (gain) on sale of property and equipment	6,284	(64,039)	(11,339)
Provision for credit losses	20,370,530	14,979,216	13,391,875
Amortization of dealer discounts	(13,852,305)	(13,490,892)	(11,482,251)
Deferred income taxes	356,017	1,710,365	696,339
Share-based compensation	514,463	535,070	812,004
Change in fair value of interest rate swap agreements	364,378	(688,455)	504,852
Changes in operating assets and liabilities:			
Prepaid expenses and other assets	65,683	(129,298)	39,294
Accounts payable and accrued expenses	(1,083,849)	1,519,340	793,150
Income taxes receivable	980,698	(990,683)	394,536
Deferred revenues	814,687	964,914	281,155
Net cash provided by operating activities	25,758,753	21,366,394	25,645,155
<b>Cash flows from investing activities:</b>			
Purchase and origination of finance contracts	(164,830,469)	(156,997,870)	(141,562,259)
Principal payments received	138,751,779	135,991,752	131,080,264
(Increase) decrease in assets held for resale	(50,557)	(492,666)	169,337
Purchase of property and equipment	(442,758)	(464,598)	(271,003)
Proceeds from sale of property and equipment	67,758	83,021	14,951
Net cash used in investing activities	(26,504,247)	(21,880,361)	(10,568,710)
<b>Cash flows from financing activities:</b>			
Net proceeds from line of credit	71,100,000	2,400,000	13,500,000
Payment of cash dividend		(2,851,126)	(29,844,516)
Increase in drafts payable	137,012	242,250	494,232
Payment of debt origination costs	(318,393)	(25,000)	(25,000)
Proceeds from exercise of stock options	388,608	328,913	612,465
Excess tax benefits on share awards	600,278	256,250	181,036
Purchase of common shares	(70,408,854)		
Net cash provided by (used in) financing activities	1,498,651	351,287	(15,081,783)
Net increase (decrease) in cash	753,157	(162,680)	(5,338)

Cash, beginning of year	<b>2,635,036</b>	2,797,716	2,803,054
Cash, end of year	<b>\$ 3,388,193</b>	<b>\$ 2,635,036</b>	<b>\$ 2,797,716</b>

*See accompanying notes.*

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Nicholas Financial, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

**1. Organization and Basis of Presentation**

Nicholas Financial, Inc. ( Nicholas Financial Canada ) is a Canadian holding company incorporated under the laws of British Columbia with two wholly owned United States subsidiaries, Nicholas Data Services, Inc. ( NDS ) and Nicholas Financial, Inc. ( NFI ). NDS is engaged principally in the development, marketing and support of computer application software. NFI is a specialized consumer finance company engaged primarily in acquiring and servicing automobile finance installment contracts ( Contracts ) for purchases of new and used automobiles and light trucks. To a lesser extent, NFI also offers Direct Loans and sells consumer-finance related products. Both NDS and NFI are based in Florida, U.S.A. The accompanying consolidated financial statements are stated in U.S. dollars and are presented in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ).

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

The Company reclassified certain amounts in 2013 and 2014 to conform to the 2015 presentation including the reclassification of a reduction in the Company's operating cash flows to financing cash flows for payments of debt origination costs in the Consolidated Cash Flows.

**2. Summary of Significant Accounting Policies****Consolidation**

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

**Dividends**

The following cash dividends were declared during fiscal years ended March 31, 2014 and 2013. No dividends were declared during the fiscal year ended March 31, 2015.

				<b>Amount of</b>
<b>Fiscal Year</b>	<b>Date Declared</b>	<b>Record Date</b>	<b>Date Paid</b>	<b>Dividend</b>
2014	May 7, 2013	June 21, 2013	June 28, 2013	\$ 0.12
	August 13, 2013	September 20, 2013	September 27, 2013	0.12
				\$ 0.24
2013	May 2, 2012	May 30, 2012	June 6, 2012	\$ 0.10
	August 8, 2012	August 30, 2012	September 6, 2012	0.12
	November 9, 2012	November 30, 2012	December 6, 2012	0.12
	December 11, 2012	December 21, 2012	December 28, 2012	2.00

February 19, 2013	March 22, 2013	March 29, 2013	0.12
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\$ 2.46

Payment of cash dividends results in a 5% withholding tax payable by the Company under the Canada-United States Income Tax Convention which is included in earnings under the caption of dividend tax.

### **Tender Offer**

On March 19, 2015, the Company announced the final results of the modified Dutch auction tender offer for the purchase of approximately 4.7 million shares of the Company's common shares by its principal operating subsidiary. The tender offer expired on March 13, 2015. Total payments for common shares, including costs were approximately \$70,409,000. Such costs were recorded as an increase to treasury stock, reducing shareholders' equity.

The aggregate number of common shares purchased in the tender offer by Nicholas represented approximately 38.0% of the Company's outstanding common shares as of March 17, 2015. Following settlement of the tender offer, the Company had approximately 7,701,981 common shares outstanding.

**Table of Contents****2. Summary of Significant Accounting Policies (continued)****Use of Estimates**

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

**Finance Receivables**

Finance receivables are recorded at cost, net of unearned interest, unearned dealer discounts and the allowance for credit losses. The amount of unearned interest, dealer discounts and allowance for credit losses as of March 31, 2015 and March 31, 2014 are approximately \$169,071,000 and \$155,001,000, respectively (See Note 3).

**Allowance for Credit Losses**

The allowance for credit losses is increased by charges against earnings and decreased by charge-offs (net of recoveries). The Company aggregates Contracts into static pools consisting of Contracts purchased during a three-month period for each branch location as management considers these pools to have similar risk characteristics. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan experience, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay, the estimated value of any underlying collateral, and current economic conditions. As conditions change, the Company's level of provisioning and allowance may change as well.

**Assets Held for Resale**

Assets held for resale are stated at net realizable value and consist primarily of automobiles that have been repossessed by the Company and are awaiting final disposition. Costs associated with repossession, transport and auction preparation expenses are reported under operating expenses in the period in which they are incurred.

**Property and Equipment**

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

Automobiles	3 years
Equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	Lesser of lease term or useful life (generally 6 - 7 years)

**Drafts Payable**

Drafts payable represent checks disbursed for loan purchases which have not yet been funded. Amounts generally clear within two business days of period end and then increase the line of credit or reduce cash.

### **Income Taxes**

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

The Company recognizes tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from any such position would be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. It is the Company's policy to recognize interest and penalties accrued on any uncertain tax benefits as a component of income tax expense. The Company does not have any accrued interest or penalties associated with any unrecognized tax benefits, nor has the Company recognized any related interest or penalties during the three years ended March 31, 2015.

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**Table of Contents****2. Summary of Significant Accounting Policies (continued)**

The Company files income tax returns in the U.S. Federal jurisdiction and various State jurisdictions. The Company is no longer subject to U.S. Federal tax examinations for years before 2011. State jurisdictions that remain subject to examination range from 2010 to 2014. The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months.

**Revenue Recognition**

Interest income on finance receivables is recognized using the interest method. Accrual of interest income on finance receivables is suspended when a loan is contractually delinquent for 60 days or more or the collateral is repossessed, whichever is earlier, or when the account is Chapter 13 bankrupt. Chapter 13 bankrupt accounts are accounted for under the cost-recovery method. Interest income on Chapter 13 bankrupt accounts does not resume until all principal amounts are recovered (see Note 3).

A dealer discount represents the difference between the finance receivable, net of unearned interest, of a Contract, and the amount of money the Company actually pays for the Contract. The discount negotiated by the Company is a function of the lender, the wholesale value of the vehicle, and competition in any given market. In making decisions regarding the purchase of a particular Contract the Company considers the following factors related to the borrower: place and length of residence; current and prior job status; history in making installment payments for automobiles; current income; and credit history. In addition, the Company examines its prior experience with Contracts purchased from the dealer from which the Company is purchasing the Contract, and the value of the automobile in relation to the purchase price and the term of the Contract. The dealer discount is amortized as an adjustment to yield using the interest method over the life of the loan. The average dealer discount, as a percent of the amount financed, associated with new volume for the fiscal years ended March 31, 2015, 2014, and 2013 was 8.08%, 8.44%, and 8.54%, respectively.

The amount of future unearned income is computed as the product of the Contract rate, the Contract term and the Contract amount.

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

The Company's net costs for originating direct consumer loans ( Direct Loans ) are recognized as an adjustment to the yield and are amortized over the life of the loan using the interest method.

Sales relate principally to telephone support agreements and the sale of business forms to the Company's customer base. The aforementioned sales of NDS represent less than 1% of the Company's consolidated revenues.

**Earnings Per Share**

Basic earnings per share is calculated by dividing the reported net income for the period by the weighted average number of shares of common stock outstanding. Diluted earnings per share includes the effect of dilutive options and other share awards. Basic and diluted earnings per share have been computed as follows:

		<b>Fiscal Year ended March 31,</b>		
		<b>2015</b>	<b>2014</b>	<b>2013</b>
Numerator for earnings per share	net income	<b>\$ 16,855,892</b>	\$ 16,703,352	\$ 19,940,946
Denominator:				
Denominator for basic earnings per share				
	weighted average shares	<b>12,012,765</b>	12,096,372	11,977,174
Effect of dilutive securities:				
	Stock options and other share awards	<b>178,991</b>	228,873	241,242
Denominator for diluted earnings per share		<b>12,191,756</b>	12,325,245	12,218,416
Earnings per share	basic	<b>\$ 1.40</b>	\$ 1.38	\$ 1.66
Earnings per share	diluted	<b>\$ 1.38</b>	\$ 1.36	\$ 1.63

Diluted earnings per share do not include the effect of certain stock options as their impact would be anti-dilutive. Approximately 155,000, 10,000 and 120,200 stock options were not included in the computation of diluted earnings per share for the years ended March 31, 2015, 2014 and 2013 respectively, because their effect would have been anti-dilutive.



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**2. Summary of Significant Accounting Policies (continued)**

**Share-Based Payments**

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

The pool of excess tax benefits available to absorb future tax deficiencies is based on increases to shareholders' equity related to tax benefits from share-based compensation, combined with the tax on the cumulative incremental compensation costs previously included in pro forma net income disclosures as if the Company had applied the fair-value method to all awards.

**Fair Value Measurements**

The Company measures specific assets and liabilities at fair value, which is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When applicable, the Company utilizes market data or assumptions that market participants would use in pricing the asset or liability under a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions (see Note 7).

**Financial Instruments and Concentrations**

The Company's financial instruments consist of cash, finance receivables, accrued interest, the line of credit and, interest rate swap agreements. Financial instruments that are exposed to concentrations of credit risk are primarily finance receivables and cash.

As of March 31, 2015, the Company operated in sixteen states through sixty-six branch locations. Florida represented 32% of the finance receivables total as of March 31, 2015. Ohio represented 14%, Georgia represented 10% and North Carolina represented 9% of the finance receivables total as of March 31, 2015. Of the remaining twelve states, no one state represented more than 5% of the total finance receivables. The Company provides credit during the normal course of business and performs ongoing credit evaluations of its customers.

The Company maintains reserves for potential credit losses which, when realized, have been within the range of management's expectations. The Company perfects a primary security interest in all vehicles financed as a form of collateral.

The combined account balances the Company maintains at financial institutions typically exceed federally insured limits, and there is a concentration of credit risk related to accounts on deposit in excess of federally insured limits.

The Company has not experienced any losses in such accounts and believes this risk of loss is not significant.

### **Interest Rate Swap Agreements**

Interest rate swap agreements are reported as either assets or liabilities in the consolidated balance sheet at fair value. Interest rate swap agreements are not designated as cash-flow hedges, and accordingly the changes in the fair value are recorded in earnings. The Company does not use interest rate swap agreements for speculative purposes (see Note 6).

### **Statements of Cash Flows**

Cash paid for income taxes for the years ended March 31, 2015, 2014 and 2013 was approximately \$7,304,000, \$10,837,000 and \$11,273,000, respectively. Cash paid for interest, including debt origination costs for the years ended March 31, 2015, 2014 and 2013 was approximately \$6,124,000, \$5,673,000 and \$5,043,000, respectively.

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**Table of Contents****2. Summary of Significant Accounting Policies (continued)****Recent Accounting Pronouncements**

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has not yet selected a transition method. The Company will be evaluating the effect that the ASU will have on the consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The guidance requires an entity to evaluate whether there are conditions or events, in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued and to provide related footnote disclosures in certain circumstances. The guidance is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early application is permitted. The Company does not believe the adoption of this ASU will have a significant impact on the consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The amendments are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of the amendments is permitted. The Company does not believe the adoption of this ASU will have a significant impact on the consolidated financial statements.

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

**3. Finance Receivables**

Finance receivables consist of Contracts and Direct Loans, each of which comprise a portfolio segment. Each portfolio segment consists of smaller balance homogeneous loans which are collectively evaluated for impairment.

The Company purchases individual Contracts from new and used automobile dealers in its markets. There is no relationship between the Company and the dealer with respect to a given Contract once the assignment of that Contract is complete. The dealer has no vested interest in the performance of any Contract the Company purchases. The Company charges-off receivables when an individual account has become more than 120 days contractually delinquent. In the event of repossession, the charge-off will occur in the month in which the vehicle was repossessed.

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

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Indirect finance receivables, gross contract	<b>\$ 447,042,854</b>	\$ 413,613,292	\$ 386,940,093
Unearned interest	<b>(136,895,592)</b>	(121,996,483)	(111,121,493)
Indirect finance receivables, net of unearned interest	<b>310,147,262</b>	291,616,809	275,818,600
Unearned dealer discounts	<b>(17,779,690)</b>	(17,214,269)	(16,415,169)
Indirect finance receivables, net of unearned interest and unearned dealer discounts	<b>292,367,572</b>	274,402,540	259,403,431
Allowance for credit losses	<b>(11,325,222)</b>	(12,889,082)	(16,090,652)
Indirect finance receivables, net	<b>\$ 281,042,350</b>	\$ 261,513,458	\$ 243,312,779

The terms of the Contracts range from 12 to 72 months and bear a weighted average contractual interest rate of 22.86% and 23.08% as of March 31, 2015 and 2014, respectively.

**Table of Contents****3. Finance Receivables (continued)**

The following table sets forth a reconciliation of the changes in the allowance for credit losses on Contracts for the fiscal years ended March 31:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Balance at beginning of year	<b>\$ 12,889,082</b>	\$ 16,090,652	\$ 19,499,208
Provision for credit losses	<b>20,008,166</b>	14,693,841	13,252,382
Losses absorbed	<b>(25,041,833)</b>	(21,690,010)	(19,851,080)
Recoveries	<b>3,469,807</b>	3,794,599	3,190,142
Balance at end of year	<b>\$ 11,325,222</b>	\$ 12,889,082	\$ 16,090,652

The Company purchases Contracts from automobile dealers at a negotiated price that is less than the original principal amount being financed by the purchaser of the automobile. The Contracts are predominately for used vehicles. As of March 31, 2015, the average model year of vehicles collateralizing the portfolio was 2007. The average loan to value ratio, which expresses the amount of the Contract as a percentage of the value of the automobile, is approximately 96%. The Company utilizes a static pool approach to track portfolio performance. If the allowance for credit losses is determined to be inadequate for a static pool, then an additional charge to income through the provision is used to maintain adequate reserves based on management's evaluation of the risk inherent in the loan portfolio, the composition of the portfolio, and current economic conditions. Such evaluation, considers among other matters, the estimated net realizable value of the underlying collateral, economic conditions, historical loan loss experience, management's estimate of probable credit losses and other factors that warrant recognition in providing for an adequate allowance for credit losses.

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

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Direct finance receivables, gross contract	<b>\$ 10,931,904</b>	\$ 10,730,901	\$ 8,781,637
Unearned interest	<b>(2,367,404)</b>	(2,310,486)	(1,800,698)
Direct finance receivables, net of unearned interest	<b>8,564,500</b>	8,420,415	6,980,939
Allowance for credit losses	<b>(702,790)</b>	(590,278)	(467,917)
Direct finance receivables, net	<b>\$ 7,861,710</b>	\$ 7,830,137	\$ 6,513,022

The terms of the Direct Loans range from 6 to 48 months and bear a weighted average contractual interest rate of 26.14% and 26.32% as of March 31, 2015 and 2014, respectively.

The following table sets forth a reconciliation of the changes in the allowance for credit losses on Direct Loans for the fiscal years ended March 31:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Balance at beginning of year	<b>\$ 590,278</b>	\$ 467,917	\$ 492,184
Provision for credit losses	<b>362,364</b>	285,375	139,493
Losses absorbed	<b>(278,333)</b>	(192,156)	(190,871)
Recoveries	<b>28,481</b>	29,142	27,111
Balance at end of year	<b>\$ 702,790</b>	\$ 590,278	\$ 467,917

Direct Loans are loans originated directly between the Company and the consumer. These loans are typically for amounts ranging from \$1,000 to \$9,000 and are generally secured by a lien on an automobile, watercraft or other permissible tangible personal property. The majority of Direct Loans are originated with current or former customers under the Company's automobile financing program. The typical Direct Loan represents a significantly better credit risk than Contracts due to the customer's historical payment history with the Company; however, the underlying collateral is less valuable. In deciding whether or not to make a loan, the Company considers the individual's credit history, job stability, income and impressions created during a personal interview with a Company loan officer. Additionally, because most of the Direct Loans made by the Company to date have been made to borrowers under Contracts previously purchased by the Company, the payment history of the borrower under the Contract is a significant factor in making the loan decision. As of March 31, 2015, loans made by the Company pursuant to its Direct Loan program constituted approximately 2% of the aggregate principal amount of the Company's loan portfolio.

**Table of Contents****3. Finance Receivables (continued)**

Changes in the allowance for credit losses for both Contracts and Direct Loans were driven by current economic conditions and credit loss trends over several reporting periods which are useful in estimating future losses and overall portfolio performance.

A performing account is defined as an account that is less than 61 days past due. A non-performing account is defined as an account that is contractually delinquent for 61 days or more or is a Chapter 13 bankrupt account, and the accrual of interest income is suspended. When an account is 120 days contractually delinquent, the account is written off. Upon notification of a bankruptcy, an account is monitored for collection with other Chapter 13 bankrupt accounts. In the event the debtors balance has been reduced by the bankruptcy court, the Company will record a loss equal to the amount of principal balance reduction. The remaining balance will be reduced as payments are received by the bankruptcy court. In the event an account is dismissed from bankruptcy, the Company will decide, based on several factors, to begin repossession proceedings or to allow the customer to begin making regularly scheduled payments.

The following table is an assessment of the credit quality by creditworthiness as of March 31, and excludes Chapter 13 Bankrupt accounts.

	2015		2014	
	Contracts	Direct Loans	Contracts	Direct Loans
Performing accounts	\$ 438,317,584	\$ 10,855,209	\$ 405,691,402	\$ 10,656,685
Non-performing accounts	4,765,425	56,636	4,840,819	47,860
<b>Total</b>	<b>\$ 443,083,009</b>	<b>\$ 10,911,845</b>	<b>\$ 410,532,221</b>	<b>\$ 10,704,545</b>
Chapter 13 bankrupt accounts, net of unearned interest	3,959,845	20,059	3,081,071	26,356
<b>Finance receivables, gross contract</b>	<b>\$ 447,042,854</b>	<b>\$ 10,931,904</b>	<b>\$ 413,613,292</b>	<b>\$ 10,730,901</b>

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

Contracts	Gross Balance Outstanding	Delinquency Rates			Total
		30 days	59 days	60 - 90 + days	
<b>March 31, 2015</b>	<b>\$ 443,083,009</b>	<b>\$ 13,694,370</b>	<b>\$ 3,435,332</b>	<b>\$ 1,330,093</b>	<b>\$ 18,459,795</b>
		<b>3.09%</b>	<b>0.78%</b>	<b>0.30%</b>	<b>4.17%</b>
March 31, 2014	\$ 410,532,221	\$ 11,713,021	\$ 2,944,228	\$ 1,896,591	\$ 16,553,840
		2.85%	0.72%	0.46%	4.03%
March 31, 2013	\$ 386,324,595	\$ 10,421,500	\$ 2,631,617	\$ 1,188,160	\$ 14,241,277
		2.70%	0.68%	0.31%	3.69%

<b>Direct Loans</b>	<b>Gross Balance</b>					<b>Total</b>
	<b>Outstanding</b>	<b>30</b>	<b>59 days</b>	<b>60</b>	<b>89 days</b>	
<b>March 31, 2015</b>	<b>\$ 10,911,845</b>	<b>\$ 122,718</b>	<b>\$ 41,984</b>	<b>\$ 14,652</b>	<b>\$ 179,354</b>	<b>\$ 1.64%</b>
		<b>1.12%</b>	<b>0.39%</b>	<b>0.13%</b>		
March 31, 2014	\$ 10,704,545	\$ 143,624	\$ 25,345	\$ 22,515	\$ 191,484	1.78%
		1.34%	0.23%	0.21%		
March 31, 2013	\$ 8,781,637	\$ 72,364	\$ 21,509	\$ 13,790	\$ 107,663	1.23%
		0.82%	0.25%	0.16%		



**Table of Contents****4. Property and Equipment**

Property and equipment as of March 31, 2015 and 2014 is summarized as follows:

	Cost	Accumulated Depreciation	Net Book Value
<b>2015</b>			
Automobiles	\$ 613,222	\$ 364,685	\$ 248,537
Equipment	906,406	515,922	390,484
Furniture and fixtures	485,696	390,864	94,832
Leasehold improvements	1,103,259	964,978	138,281
	<b>\$ 3,108,583</b>	<b>\$ 2,236,449</b>	<b>\$ 872,134</b>
<b>2014</b>			
Automobiles	\$ 616,512	\$ 289,419	\$ 327,093
Equipment	914,347	625,310	289,037
Furniture and fixtures	463,395	364,634	98,761
Leasehold improvements	1,118,142	963,340	154,802
	<b>\$ 3,112,396</b>	<b>\$ 2,242,703</b>	<b>\$ 869,693</b>

**5. Line of Credit**

On January 31, 2015 the Company executed an amendment with its consortium of lenders. Included in the amendment was an increase in the size of the credit facility (the Line) from \$150,000,000 to \$225,000,000 once the tender offer (see Note 1) became effective which was executed on March 13, 2015. The pricing of the Line, which did not change, expires on January 30, 2018, is 300 basis points above 1-month LIBOR with a 1% floor on LIBOR (4.00% at March 31, 2015 and March 31, 2014). Pledged as collateral for this Line are all of the assets of the Company. The outstanding amount of the Line was \$199,000,000 and \$127,900,000 as of March 31, 2015 and March 31, 2014, respectively. The amount available under the Line was approximately \$26,000,000 and \$22,100,000 as of March 31, 2015 and March 31, 2014, respectively.

The Line requires compliance with certain financial ratios and covenants and satisfaction of specified financial tests, including maintenance of asset quality and performance tests. Dividends do not require consent in writing by the agent and majority lenders under the new Line as long as the Company is in compliance with a net income covenant. As of March 31, 2015, the Company was in full compliance with all debt covenants.

**6. Interest Rate Swap Agreements**

The Company utilizes interest rate swap agreements to manage exposure to variability in expected cash flows attributable to interest rate risk. The interest rate swap agreements convert a portion of the Company's floating rate debt to a fixed rate, more closely matching the interest rate characteristics of the Company's finance receivables. As of the twelve months ended March 31, 2015 and 2014, no new contracts were initiated and no contracts matured.

The Company currently has two interest rate swap agreements. A June 4, 2012 interest rate swap agreement provides for a five-year term in which the Company pays a fixed rate of 1% and receives payments from the counterparty on the 1-month LIBOR rate. This interest rate swap agreement has an effective date of June 13, 2012 and a notional amount of \$25,000,000. A July 30, 2012 agreement provides for a five-year term in which the Company pays a fixed rate of 0.87% and receives payments from the counterparty on the 1-month LIBOR rate. This interest rate swap agreement has an effective date of August 13, 2012 and a notional amount of \$25,000,000.

The locations and amounts of (losses) gains recognized in income are detailed as follows for the fiscal years ended March 31:

	<b>2015</b>	2014
Periodic change in fair value of interest rate swap agreements	<b>\$ (364,378)</b>	\$ 688,455
Periodic settlement differentials included in interest expense	<b>(392,797)</b>	(383,028)
<b>(Loss) gain recognized in income</b>	<b>\$ (757,175)</b>	\$ 305,427

**Table of Contents****6. Interest Rate Swap Agreements (continued)**

Net realized losses and gains from the interest rate swap agreements were recorded in the interest expense line item of the consolidated statements of income.

The following table summarizes the average variable rates received and average fixed rates paid under the interest rate swap agreements as of March 31:

	<b>2015</b>	<b>2014</b>
Average variable rate received	<b>0.16%</b>	0.18%
Average fixed rate paid	<b>0.94%</b>	0.94%

**7. Fair Value Disclosures****Assets and Liabilities Recorded at Fair Value on a Recurring Basis**

The Company estimates the fair value of interest rate swap agreements based on the estimated net present value of the future cash flows using a forward interest rate yield curve in effect as of the measurement period, adjusted for nonperformance risk, if any, including a quantitative and qualitative evaluation of both the Company's credit risk and the counterparty's credit risk. Accordingly, the Company classifies interest rate swap agreements as Level 2.

<b>Description</b>	Fair Value Measurement Using			Fair Value
	Level 1	Level 2	Level 3	
Interest rate swap agreements:				
<b>March 31, 2015 liability:</b>	\$	\$ (180,775)	\$	\$ (180,775)
March 31, 2014 asset:	\$	\$ 183,603	\$	\$ 183,603

**Financial Instruments Not Measured at Fair Value**

The Company's financial instruments consist of finance receivables and the Line. For each of these financial instruments the carrying value approximates fair value.

Finance receivables, net approximates fair value based on the price paid to acquire Contracts. The price paid reflects competitive market interest rates and purchase discounts for the Company's chosen credit grade in the economic environment. This market is highly liquid as the Company acquires individual loans on a daily basis from dealers. The initial terms of the Contracts range from 12 to 72 months. The initial terms of the Direct Loans range from 6 to 48 months. In addition, there have been minimal decreases in interest rates and purchase discounts related to these types of loans due to the competitive nature of the current market. If liquidated outside of the normal course of business, the amount received may not be the carrying value.

**Table of Contents****7. Fair Value Disclosures (continued)**

Based on current market conditions, any new or renewed credit facility would contain pricing that approximates the Company's current Line. Based on these market conditions, the fair value of the Line as of March 31, 2015 was estimated to be equal to the book value. The interest rate for the Line is a variable rate based on LIBOR pricing options.

Description	Fair Value Measurement Using			Fair Value
	Level 1	Level 2	Level 3	
Cash:				
<b>March 31, 2015</b>	<b>\$ 3,388,193</b>	<b>\$</b>	<b>\$</b>	<b>\$ 3,388,193</b>
March 31, 2014	\$ 2,635,036	\$	\$	\$ 2,635,036
Finance receivables:				
<b>March 31, 2015</b>	<b>\$</b>	<b>\$</b>	<b>\$ 288,904,000</b>	<b>\$ 288,904,000</b>
March 31, 2014	\$	\$	\$ 269,344,000	\$ 269,344,000
Line of credit:				
<b>March 31, 2015</b>	<b>\$</b>	<b>\$ 199,000,000</b>	<b>\$</b>	<b>\$ 199,000,000</b>
March 31, 2014	\$	\$ 127,900,000	\$	\$ 127,900,000

**Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis**

The Company may be required, from time to time, to measure certain assets and liabilities at fair value on a nonrecurring basis. The Company did not have any assets or liabilities measured at fair value on a nonrecurring basis as of March 31, 2015 and 2014.

**8. Income Taxes**

The provision for income taxes consists of the following for the years ended March 31:

	2015	2014	2013
Current:			
Federal	<b>\$ 7,688,428</b>	\$ 8,709,338	\$ 10,187,010
State	<b>1,196,034</b>	1,393,675	1,661,860
Total current	<b>8,884,462</b>	10,103,013	11,848,870
Deferred:			
Federal	<b>308,090</b>	1,474,425	598,674
State	<b>47,927</b>	235,940	97,665
Total deferred	<b>356,017</b>	1,710,365	696,339

Income tax expense	<b>\$ 9,240,479</b>	\$ 11,813,378	\$ 12,545,209
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The net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes are reflected in deferred income taxes. Significant components of the Company's deferred tax assets consist of the following as of March 31:

	<b>2015</b>	<b>2014</b>
Allowance for credit losses not currently deductible for tax purposes	<b>\$ 5,552,437</b>	\$ 6,106,725
Share-based compensation	<b>514,259</b>	443,623
Interest rate swap agreements	<b>69,201</b>	(70,283)
Other items	<b>224,682</b>	236,531
Deferred income taxes	<b>\$ 6,360,579</b>	\$ 6,716,596

**Table of Contents****8. Income Taxes (continued)**

The provision for income taxes reflects an effective U.S tax rate, which differs from the corporate tax rate for the following reasons:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Provision for income taxes at Federal statutory rate	<b>\$ 9,133,730</b>	\$ 9,980,855	\$ 11,370,154
Increase (decrease) resulting from:			
State income taxes, net of Federal benefit	<b>808,574</b>	1,059,249	1,143,692
Transaction costs	<b>(733,689)</b>	733,689	
Other	<b>31,864</b>	39,585	31,363
Income tax expense	<b>\$ 9,240,479</b>	\$ 11,813,378	\$ 12,545,209

The Company's effective tax rate decreased to 35.41% in fiscal 2015 from 41.43% in fiscal 2014 and 38.61% in fiscal 2013. The Company had approximately \$2,096,000 of previously non-deductible expenses associated with the potential sale of the Company in 2014 (see Note 12). Since the sale of the Company was not consummated, the \$2,096,000 became deductible in 2015 creating a favorable effective tax rate.

**9. Share-Based Payments**

The Company has share awards outstanding under three share-based compensation plans (the Equity Plans). The Company believes that such awards better align the interests of its employees with those of its shareholders. Under the shareholder-approved 1998 Employee Stock Option Plan and Non-Employee Director Stock Option Plan (collectively the 1998 Plans) the Board of Directors was authorized to grant option awards for up to 1,551,000 common shares to employees and directors. On August 9, 2006, the Company's shareholders approved the Nicholas Financial, Inc. Equity Incentive Plan (the 2006 Plan) for employees and non-employee directors. Under the 2006 Plan, the Board of Directors is authorized to grant total share awards for up to 1,072,500 common shares. The 2006 Plan replaced the 1998 Plans; accordingly no additional option awards may be granted under the 1998 Plans. In addition to option awards, the 2006 Plan provides for restricted stock and performance share awards.

Option awards previously granted to employees and directors under the 1998 Plans generally vest ratably based on service over a five- and three-year period, respectively, and generally have a contractual term of ten years. Vesting and contractual terms for option awards under the 2006 Plan are essentially the same as those of the 1998 Plans. Restricted stock awards generally cliff vest over a three-year period based on service conditions. The annual vesting of performance share awards is contingent upon the attainment of company-wide performance goals including annual revenue growth and operating income targets. There are no post-vesting restrictions for share awards.

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

The Company did not grant any options during the year ended March 31, 2014. The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	<b>2015</b>	<b>2013</b>
Risk-free interest rate	1.68%	0.71%
Weighted average expected original term	5 years	5 years
Expected volatility	23%	48%
Expected dividend yield	3.65%	3.20%

**Table of Contents****9. Share-Based Payments (continued)**

A summary of option activity under the Equity Plans as of March 31, 2015, and changes during the year are presented below.

<b>Options</b>	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at March 31, 2014	372,881	\$ 5.45		
Granted	145,000	\$ 13.62		
Exercised	(150,911)	\$ 2.58		
Forfeited	(3,480)	\$ 9.49		
Outstanding at March 31, 2015	363,490	\$ 9.86	6.53	\$ 1,537,174
Exercisable at March 31, 2015	166,957	\$ 6.27	3.95	\$ 1,292,143

The Company granted 145,000 options with a weighted average fair value of \$1.88 during the year ended March 31, 2015. The total intrinsic value of options exercised during the years ended March 31, 2015, 2014 and 2013 was approximately \$1,829,000, \$699,000 and \$685,000 respectively.

During the fiscal year ended March 31, 2015, 150,911 options were exercised at exercise prices ranging from \$0.35 to \$10.96 per share. During the same period 3,480 options were forfeited at exercise prices ranging from \$3.60 to \$10.87 per share.

Cash received from options exercised during the fiscal years ended March 31, 2015, 2014 and 2013 totaled approximately \$389,000, \$329,000 and \$612,000, respectively. Related income tax benefits during the same periods totaled approximately \$700,000, \$267,000 and \$262,000, respectively. Such amounts are included in proceeds from exercise of stock options and excess tax benefit on share awards under cash flows from financing activities in the consolidated statements of cash flows. As of March 31, 2015, there was approximately \$374,000 of total unrecognized compensation cost related to options granted. That cost is expected to be recognized over a weighted-average period of approximately 3.3 years.

A summary of the status of the Company's non-vested restricted shares under the 2006 Plan as of March 31, 2015, and changes during the year then ended is presented below.

<b>Restricted Share Awards</b>	<b>Shares</b>	<b>Weighted Average Grant Date Fair</b>	<b>Weighted Average Remaining Contractual</b>	<b>Aggregate Intrinsic Value</b>
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		<b>Value</b>	<b>Term</b>	
Non-vested at March 31, 2014	50,000	\$ 12.92		
Granted	44,000	\$ 14.22		
Vested	(5,000)	\$ 12.87		
Forfeited		\$		
Non-vested at March 31, 2015	89,000	\$ 13.56	1.64	\$ 1,246,890

The Company awarded 44,000 restricted shares during the fiscal year ended March 31, 2015. During the same period no restricted shares were forfeited.

As of March 31, 2015, there was approximately \$581,000 of total unrecognized compensation cost related to non-vested restricted share awards granted under the 2006 Plan. That cost is expected to be recognized over a weighted-average period of approximately 1.64 years.

The Company did not award any performance shares during the fiscal year ended March 31, 2015 or March 31, 2014 and none are non-vested.

As of March 31, 2015, there was no unrecognized compensation cost related to non-vested performance share awards granted under the 2006 Plan.

**Table of Contents****10. Employee Benefit Plans**

The Company has a 401(k) retirement plan under which all employees are eligible to participate. Employee contributions are voluntary and subject to Internal Revenue Service limitations. The Company matches, based on annually determined factors, employee contributions provided the employee completes certain levels of service annually. For the plan (calendar) years 2015, 2014 and 2013, the Board of Directors suspended the Company's matching. The Board will re-evaluate the Company's matching policy for plan year 2016 later this year. For the fiscal years ended March 31, 2015, 2014 and 2013, the Company recorded expenses of approximately \$7,000, \$7,000, and \$6,500, respectively, related to this plan.

**11. Commitments and Contingencies**

The Company leases corporate and branch offices under operating lease agreements which provide for annual minimum rental payments as follows:

**Fiscal Year ending March 31:**

2016	\$ 1,936,435
2017	1,290,195
2018	901,413
2019	622,110
2020	398,862
	\$ 5,149,015

Rent expense for the fiscal years ended March 31, 2015, 2014, and 2013 was approximately \$2,128,000, \$1,995,000 and \$1,933,000 respectively. The Company recognizes rent expense on a straight-line basis over the term of the lease, taking into account, when applicable, lessor incentives for tenant improvements, periods where no rent payment is required and escalations in rent payments over the term of the lease.

The Company currently is not a party to any pending legal proceedings other than ordinary routine litigation incidental to its business, none of which, if decided adversely to the Company, would, in the opinion of management, have a material adverse effect on the Company's financial condition or results of operations.

**12. Arrangement Agreement**

On December 17, 2013, the Company entered into an arrangement agreement (the "Arrangement Agreement"), whereby the Company agreed to sell all of its issued and outstanding Common Shares to an indirect wholly-owned subsidiary of Prospect Capital Corporation ("Prospect"), pursuant to a plan of arrangement (the "Arrangement") under the Business Corporation Act (British Columbia).

The termination deadline for completion of the Arrangement was June 12, 2014. On June 11, 2014, the Company's Board of Directors determined to terminate the Arrangement Agreement effective immediately on the basis that certain conditions requisite to consummation of the Arrangement could not be satisfied by the termination deadline. The Board of Directors further determined to continue to retain Janney Montgomery Scott LLC as its independent financial advisor to assist the Board in evaluating strategic alternatives for the Company, including, but not limited to, the possible sale of the Company to Prospect or another third party, potential acquisition and expansion opportunities,

and/or a possible debt or equity financing.

**Table of Contents****13. Quarterly Results of Operations (Unaudited)**

	<b>Fiscal Year ended March 31, 2015</b>			
	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
Total revenue	\$ 21,332,514	\$ 21,723,072	\$ 21,800,765	\$ 21,933,607
Interest expense	1,448,585	1,485,193	1,457,919	1,578,737
Provision for credit losses	4,231,815	5,154,235	5,796,648	5,187,832
Non-interest expense	8,920,889	8,088,886	8,407,719	8,935,129
Operating income before income taxes	6,731,225	6,994,758	6,138,479	6,231,909
Income tax expense	1,822,037	2,665,057	2,368,923	2,384,462
Net income	\$ 4,909,188	\$ 4,329,701	\$ 3,769,556	\$ 3,847,447
Earnings per share:				
Basic	\$ 0.40	\$ 0.36	\$ 0.31	\$ 0.34
Diluted	\$ 0.40	\$ 0.35	\$ 0.30	\$ 0.33
Dividends per share	\$	\$	\$	\$

	<b>Fiscal Year ended March 31, 2014</b>			
	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
Total revenue	\$ 20,475,735	\$ 20,948,924	\$ 20,761,230	\$ 20,443,054
Interest expense	1,404,906	1,442,898	1,441,175	1,389,209
Provision for credit losses	2,641,791	3,973,104	4,183,035	4,181,286
Non-interest expense	7,163,565	8,329,886	8,477,233	9,484,125
Operating income before income taxes	9,265,473	7,203,036	6,659,787	5,388,434
Income tax expense	3,564,980	2,886,484	2,833,019	2,528,895
Net income	\$ 5,700,493	\$ 4,316,552	\$ 3,826,768	\$ 2,859,539
Earnings per share:				
Basic	\$ 0.47	\$ 0.36	\$ 0.32	\$ 0.24
Diluted	\$ 0.46	\$ 0.35	\$ 0.31	\$ 0.23
Dividends per share	\$ 0.12	\$ 0.12	\$	\$



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**Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

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

The Company's management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of March 31, 2015. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of March 31, 2015.

**Management's Report on Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements in accordance with generally accepted accounting principles. The Company's management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2015, the end of the fiscal year covered by this Report, based on the criteria set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework). Based on management's evaluation under the framework in *Internal Control-Integrated Framework*, management has concluded that the Company's internal control over financial reporting was effective as of March 31, 2015.

Dixon Hughes Goodman LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of March 31, 2015, as stated in their report, which is included below.

June 15, 2015

Ralph T. Finkenbrink

Katie L. MacGillivray

President and

Vice President-Finance

Chief Executive Officer

and Chief Financial Officer

**Changes in Internal Control Over Financial Reporting**

No change in the Company's internal control over financial reporting occurred during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders

Nicholas Financial, Inc.

We have audited Nicholas Financial, Inc. and subsidiaries (the Company) internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Nicholas Financial, Inc. as of and for the year ended March 31, 2015, and our report dated June 15, 2015, expressed an unqualified opinion.

/s/ Dixon Hughes Goodman LLP



Atlanta, Georgia  
June 15, 2015

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**Item 9B. Other Information**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

The information to be set forth under the captions Proposal 1: Election of Directors, Board of Directors, Executive Officers and Compensation and Section 16(a) Beneficial Ownership Reporting Compliance in the definitive Proxy Statement and Information Circular for the 2015 Annual General Meeting of Shareholders of the Company, which will be filed with the SEC on or about July 6, 2015 (the Proxy Statement), is incorporated herein by reference.

The Company has adopted a written code of ethics applicable to its chief executive officer, chief financial officer, principal accounting officer and persons performing similar functions. The text of this code of ethics is filed as Exhibit 14 to this Report. A copy of the code of ethics is also posted on the Company's web site at [www.nicholasfinancial.com](http://www.nicholasfinancial.com). The Company intends to satisfy the disclosure requirements under Item 5.05 of the SEC's Current Report on Form 8-K regarding amendments to, or waivers from, the code of ethics by posting such information on the Company's web site at [www.nicholasfinancial.com](http://www.nicholasfinancial.com). The Company is not including the information contained on or available through its web site as a part of, or incorporating such information by reference into, this Report.

**Item 11. Executive Compensation, Compensation Interlocks and Insider Participation**

The information to be set forth under the captions Executive Officers and Compensation and Board of Directors in the Proxy Statement is incorporated herein by reference.

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

The information to be set forth under the caption Voting Shares and Ownership of Management and Principal Holders in the Proxy Statement is incorporated herein by reference. See also Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Securities Authorized for Issuance Under Equity Compensation Plans on page 18 of this Report for certain information relating to the Company's equity compensation plans.

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

The information to be set forth under the captions Board of Directors and Certain Relationships and Related Transactions in the Proxy Statement is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services**

The information to be set forth under the caption Proposal 2: Ratification of Appointment of Independent Auditors in the Proxy Statement is incorporated herein by reference.

**Table of Contents****PART IV****Item 15. Exhibits and Financial Statement Schedules**

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

(1) Financial Statements

See Part II, Item 8, of this Report.

(2) Financial Statement Schedules

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

(3) Exhibits

**Exhibit**

<b>No.</b>	<b>Description</b>
3.1	Articles of Nicholas Financial, Inc. (1)
3.2	Notice of Articles of Nicholas Financial, Inc. (2)
4	Form of Common Stock Certificate (3)
10.1	Second Amended and Restated Loan and Security Agreement, dated as of January 12, 2010, by and among Nicholas Financial Inc., a Florida corporation, Bank of America, N.A., as agent, and each of the Lenders parties thereto (4)
10.2	Amendment No. 1, dated as of September 1, 2011, to Second Amended and Restated Loan and Security Agreement, dated as of January 12, 2010, by and among Nicholas Financial Inc., a Florida corporation, Bank of America, N.A., as agent, and each of the Lenders parties thereto (5)
10.3	Amendment No. 2, dated as of December 21, 2012, to Second Amended and Restated Loan and Security Agreement, dated as of January 12, 2010, by and among Nicholas Financial Inc., a Florida corporation, Bank of America, N.A., as agent, and each of the Lenders parties thereto (6)
10.4	Amendment No. 3, dated as of November 14, 2014, to Second Amended and Restated Loan and Security Agreement, dated as of January 12, 2010, by and among Nicholas Financial, Inc., a Florida corporation, Bank of America, N.A., as agent, and each of the Lenders parties thereto (7)
10.5	Amendment No. 4, dated as of January 30, 2015, to Second Amended and Restated Loan and Security Agreement, dated as of January 12, 2010, by and among Nicholas Financial, Inc., a Florida corporation,

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- Bank of America, N.A., as agent, and each of the Lenders parties thereto (8)
- 10.6 Nicholas Financial, Inc. Employee Stock Option Plan (9)\*
- 10.7 Nicholas Financial, Inc. Non-Employee Director Stock Option Plan (10)\*
- 10.8 Employment Agreement (as Amended and Restated), dated June 30, 2014, between Nicholas Financial, Inc. and Ralph T. Finkenbrink, President and Chief Executive Officer (11)\*
- 10.9 Employment Agreement, dated June 30, 2014, between Nicholas Financial, Inc. and Kevin D. Bates, Senior Vice President-Branch Operations (12)\*
- 10.10 Summary of Fiscal 2014/2015/2016 Annual Incentive Programs\*
- 10.11 Nicholas Financial, Inc. Equity Incentive Plan (13)\*
- 10.12 Form of Nicholas Financial, Inc. Equity Incentive Plan Stock Option Award (14)\*
- 10.13 Form of Nicholas Financial, Inc. Equity Incentive Plan Restricted Stock Award (15)\*

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10.14	Form of Nicholas Financial, Inc. Equity Incentive Plan Performance Share Award (16)*
10.15	ISDA Master Agreement, dated as of March 30, 1999, between Bank of America, N.A. and Nicholas Financial, Inc. (17)
10.16	Letter Agreement, dated June 4, 2012, and effective June 13, 2012, by and between Nicholas Financial, Inc. and Bank of America, N.A. relating to interest-rate swap transaction (18)
10.17	Letter Agreement, dated June 30, 2012, and effective August 13, 2012, by and between Nicholas Financial, Inc. and Bank of America, N.A. relating to interest-rate swap transaction (19)
10.18	Form of Dealer Agreement and Schedule thereto listing dealers that are parties to such agreements
14	Code of Ethics for Chief Executive Officer and Senior Financial Officers
21	Subsidiaries of Nicholas Financial, Inc. (20)
23	Consent of Dixon Hughes Goodman LLP
24	Powers of Attorney (included on signature page hereto)
31.1	Certification of President and Chief Executive Officer
31.2	Certification of Vice President and Chief Financial Officer
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. § 1350
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. § 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

- (1) Incorporated by reference to Appendix B to the Company's Proxy Statement and Information Circular for the 2006 Annual General Meeting of Shareholders filed with the SEC on June 30, 2006 (File No. 0-26680).
- (2) Incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-8 filed with the SEC on May 24, 2007 (SEC File No. 0-26680).
- (3) Incorporated by reference to Exhibit 4 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2004, as filed with the SEC on June 29, 2004.
- (4) Incorporated by reference to Exhibit 10.1 to the Company's Amendment No. 1 to Quarterly Report on Form 10-Q/A for the fiscal quarter ended December 31, 2009, as filed with the SEC on March 23, 2010.
- (5) Incorporated by reference to Exhibit 10.1.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2011, as filed with the SEC on November 9, 2011.
- (6) Incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2013, as filed with the SEC on June 14, 2013.
- (7)

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Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, dated November 14, 2014, as filed with the SEC on November 18, 2014.

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- (8) Incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2014, as filed with the SEC on February 9, 2015.
- (9) Incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8 filed with the SEC on June 30, 1999 (SEC File No. 333-81967).
- (10) Incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8 filed with the SEC on June 30, 1999 (SEC File No. 333-81961).
- (11) Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, dated June 25, 2014, as filed with the SEC on July 1, 2014.
- (12) Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, dated June 25, 2014, as filed with the SEC on July 1, 2014.
- (13) Incorporated by reference to Appendix A to the Company's Proxy Statement and Information Circular for the 2006 Annual General Meeting of Shareholders, as filed with the SEC on June 30, 2006.
- (14) Incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2013, as filed with the SEC on June 14, 2013.
- (15) Incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2013, as filed with the SEC on June 14, 2013.
- (16) Incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2013, as filed with the SEC on June 14, 2013.
- (17) Incorporated by reference to Exhibit 10.10 to Amendment No. 2 to the Company's Registration Statement on Form S-2 (Reg. No. 333-113215), as filed with the SEC on April 7, 2004.
- (18) Incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2013, as filed with the SEC on June 14, 2013.
- (19) Incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2013, as filed with the SEC on June 14, 2013.
- (20) Incorporated by reference to Exhibit 21 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2004, as filed with the SEC on June 29, 2004.



Table of Contents**SIGNATURES**

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

**NICHOLAS FINANCIAL, INC.**

Dated: June 15, 2015

By: /s/ Ralph T. Finkenbrink  
Ralph Finkenbrink  
Chief Executive Officer and President

**KNOW ALL MEN BY THESE PRESENTS** that each person whose signature appears below constitutes and appoints Ralph T. Finkenbrink and Katie L. MacGillivray, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits thereto, and any other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or either of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

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

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ Ralph T. Finkenbrink Ralph T. Finkenbrink	Chief Executive Officer, President and Director	June 15, 2015
/s/ Katie L. MacGillivray Katie L. MacGillivray	Chief Financial Officer, Vice President - Finance	June 15, 2015
/s/ Kevin D. Bates Kevin D. Bates	Sr. Vice President-Branch Operations and Director	June 15, 2015
/s/ Stephen Bragin Stephen Bragin	Director	June 15, 2015
/s/ Alton R. Neal Alton R. Neal	Director	June 15, 2015
/s/ Scott Fink Scott Fink	Director	June 15, 2015



**Table of Contents****EXHIBIT INDEX****Exhibit**

<b>No.</b>	<b>Description</b>
3.1	Articles of Nicholas Financial, Inc.*
3.2	Notice of Articles of Nicholas Financial, Inc.*
4	Form of Common Stock Certificate*
10.1	Second Amended and Restated Loan and Security Agreement, dated as of January 12, 2010, by and among Nicholas Financial Inc., a Florida corporation, Bank of America, N.A., as agent, and each of the Lenders parties thereto*
10.2	Amendment No. 1, dated as of September 1, 2011, to Second Amended and Restated Loan and Security Agreement, dated as of January 12, 2010, by and among Nicholas Financial Inc., a Florida corporation, Bank of America, N.A., as agent, and each of the Lenders parties thereto*
10.3	Amendment No. 2, dated as of December 21, 2012, to Second Amended and Restated Loan and Security Agreement, dated as of January 12, 2010, by and among Nicholas Financial Inc., a Florida corporation, Bank of America, N.A., as agent, and each of the Lenders parties thereto*
10.4	Amendment No. 3, dated as of November 14, 2014, to Second Amended and Restated Loan and Security Agreement, dated as of January 12, 2010, by and among Nicholas Financial, Inc., a Florida corporation, Bank of America, N.A., as agent, and each of the Lenders parties thereto*
10.5	Amendment No. 4, dated as of January 30, 2015, to Second Amended and Restated Loan and Security Agreement, dated as of January 12, 2010, by and among Nicholas Financial, Inc., a Florida corporation, Bank of America, N.A., as agent, and each of the Lenders parties thereto*
10.6	Nicholas Financial, Inc. Employee Stock Option Plan*
10.7	Nicholas Financial, Inc. Non-Employee Director Stock Option Plan*
10.8	Employment Agreement (as Amended and Restated), dated June 30, 2014, between Nicholas Financial, Inc. and Ralph T. Finkenbrink, President and Chief Executive Officer*
10.9	Employment Agreement, dated June 30, 2014, between Nicholas Financial, Inc. and Kevin D. Bates, Senior Vice President-Branch Operations*
10.10	Summary of Fiscal 2014/2015/2016 Annual Incentive Bonus Programs
10.11	Nicholas Financial, Inc. Equity Incentive Plan*
10.12	Form of Nicholas Financial, Inc. Equity Incentive Plan Stock Option Award*
10.13	Form of Nicholas Financial, Inc. Equity Incentive Plan Restricted Stock Award*
10.14	Form of Nicholas Financial, Inc. Equity Incentive Plan Performance Share Award*
10.15	ISDA Master Agreement, dated as of March 30, 1999, between Bank of America, N.A. and Nicholas Financial, Inc.*
10.16	

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- Letter Agreement, dated June 4, 2012, and effective June 13, 2012, by and between Nicholas Financial, Inc. and Bank of America, N.A. relating to interest-rate swap transaction\*
- 10.17 Letter Agreement, dated July 30, 2012, and effective August 13, 2012, by and between Nicholas Financial, Inc. and Bank of America, N.A. relating to interest-rate swap transaction\*
- 10.18 Form of Dealer Agreement and Schedule thereto listing dealers that are parties to such agreements
- 14 Code of Ethics for Chief Executive Officer and Senior Financial Officers

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21	Subsidiaries of Nicholas Financial, Inc.*
23	Consent of Dixon Hughes Goodman LLP
24	Powers of Attorney (included on signature page hereto)
31.1	Certification of President and Chief Executive Officer
31.2	Certification of Senior Vice President and Chief Financial Officer
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. § 1350
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. § 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* Incorporated by reference.