CCF Holdings LLC and Subsidiaries

Consolidated Balance Sheets

March 31, 2019 and December 31, 2018

(In thousands, except share data)

	March 31, 2019 (unaudited)	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	**$ 70,927**	$ 53,208
Restricted cash	**4,145**	4,175
Finance receivables, net of allowance for loan losses of $5,438 and $3,139	**69,721**	81,093
Card related pre-funding and receivables	**2,167**	899
Other current assets	**18,158**	16,028
Total current assets	**165,118**	155,403
Noncurrent Assets		
Finance receivables, net of allowance for loan losses of $601 and $335	**2,402**	3,271
Property, leasehold improvements and equipment, net	**53,563**	61,842
Right of use assets - operating leases	**29,957**	—
Goodwill	**11,288**	11,288
Other intangible assets	**3,014**	3,136
Security deposits	**2,224**	2,282
Total assets	**$ 267,566**	$ 237,222
Liabilities and Members' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 38,531**	$ 35,422
Money orders payable	**7,399**	8,548
Accrued interest	**9,011**	1,586
Current portion of operating lease obligation	**14,782**	—
Current portion of subsidiary notes payable	**869**	884
Deferred revenue	**2,535**	2,535
Total current liabilities	**73,127**	48,975
Noncurrent Liabilities		
Lease termination payable	**—**	387
Operating lease obligation	**16,384**	—
Subsidiary notes payable, net of deferred issuance costs of $1,044 and $16	**69,894**	70,938
Secured notes payable	**40,000**	42,000
Senior PIK notes, at fair value	**75,441**	60,796
Deferred revenue	**4,352**	4,985
Total liabilities	**279,198**	228,081
Commitments and Contingencies		
Members' Equity		
Common units, par value $-0- per unit, 850,000 Class A and 150,000 Class B authorized and outstanding units at March 31, 2019 and December 31, 2018	**870**	870
Retained earnings (deficit)	**(4,492)**	1,636
Accumulated other comprehensive income (loss)	**(8,010)**	6,635
Total members' equity (deficit)	**(11,632)**	9,141
Total liabilities and members' equity	**$ 267,566**	$ 237,222

See Notes to Unaudited Consolidated Financial Statements.

CCF Holdings LLC and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss

Three Months Ended March 31, 2019 and 2018

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2019 Successor	Three Months Ended March 31, 2018 Predecessor
Revenues:		
Finance receivable fees	**$ 48,829**	$ 50,932
Credit service fees	**18,106**	19,196
Check cashing fees	**12,520**	11,692
Card fees	**3,215**	1,948
Other	**3,826**	3,883
Total revenues	**86,496**	87,651
Operating expenses:		
Salaries	**16,846**	17,132
Provision for loan losses	**21,286**	22,635
Occupancy	**6,222**	6,343
Advertising and marketing	**777**	1,011
Lease termination	**—**	97
Depreciation and amortization	**8,205**	2,223
Other	**9,824**	11,025
Total operating expenses	**63,160**	60,466
Operating gross profit	**23,336**	27,185
Corporate and other expenses:		
Corporate expenses	**16,584**	17,602
Depreciation and amortization	**1,481**	1,093
Interest expense, net	**11,386**	12,178
Total corporate and other expenses	**29,451**	30,873
Loss from continuing operations, before tax	**(6,115)**	(3,688)
Provision for income taxes	**13**	—
Net loss	**$ (6,128)**	$ (3,688)
Other comprehensive loss:		
Change in fair value of senior PIK notes	**(14,645)**	—
Other comprehensive loss:	**(14,645)**	—
Comprehensive loss	**$ (20,773)**	$ (3,688)

See Notes to Unaudited Consolidated Financial Statements.

CCF Holdings LLC and Subsidiaries

Consolidated Statement of Stockholders’ Equity

Three Months Ended March 31, 2018

(Predecessor)

(Dollars in thousands)

(Unaudited)

	Common Stock		Treasury	Additional Paid-In	Retained	
	Shares	Amount	Stock	Capital	Deficit	Total
Balance, December 31, 2017	7,990,020	$ 90	$ (50)	$ 129,675	$ (334,883)	$ (205,168)
Stock-based compensation expense	—	—	—	8	—	8
Net loss	—	—	—	—	(3,688)	(3,688)
Balance, March 31, 2018	7,990,020	$ 90	$ (50)	$ 129,683	$ (338,571)	$ (208,848)

See Notes to Unaudited Consolidated Financial Statements.

CCF Holdings LLC and Subsidiaries

Consolidated Statement of Members' Equity

Three Months Ended March 31, 2019

(Successor)

(Dollars in thousands)

(Unaudited)

	Class A Units		Class B Units		Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount			
Balance, December 31, 2018	**850,000**	**$ 740**	**150,000**	**$ 130**	**$ 1,636**	**$ 6,635**	**$ 9,141**
Net loss	—	—	—	—	(6,128)	—	(6,128)
Change in fair value of senior PIK notes	—	—	—	—	—	(14,645)	(14,645)
Balance, March 31, 2019	**850,000**	**$ 740**	**150,000**	**$ 130**	**$ (4,492)**	**$ (8,010)**	**$ (11,632)**

See Notes to Unaudited Consolidated Financial Statements.

CCF Holdings LLC and Subsidiaries

Consolidated Statements of Cash Flows

Three Months Ended March 31, 2019 and 2018

(In thousands, Unaudited)

	Three Months Ended March 31, 2019 Successor	Three Months Ended March 31, 2018 Predecessor
Cash flows from operating activities		
Net loss	**$ (6,128)**	$ (3,688)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for loan losses	**21,286**	22,635
Loss on disposal of assets	**—**	113
Depreciation	**9,576**	3,193
Amortization of note discount and deferred debt issuance costs	**43**	908
Amortization of intangibles	**110**	123
Right of use assets - operating leases	**1,209**	—
Stock-based compensation	**—**	8
Changes in assets and liabilities:		
Card related pre-funding and receivables	**(1,268)**	221
Other assets	**(2,060)**	2,069
Deferred revenue	**(633)**	(633)
Accrued interest	**7,425**	6,797
Money orders payable	**(1,149)**	855
Lease termination payable	**(387)**	(249)
Accounts payable and accrued expenses	**3,109**	(7,763)
Net cash provided by operating activities	**31,133**	24,589
Cash flows from investing activities		
Net receivables originated	**(9,045)**	(208)
Purchase of leasehold improvements and equipment	**(1,298)**	(1,274)
Net cash used in investing activities	**(10,343)**	(1,482)
Cash flows from financing activities		
Repurchase of secured notes	**(2,000)**	—
Payments on subsidiary note	**(31)**	(30)
Payments on capital lease obligations	**—**	(211)
Debt issuance costs	**(1,070)**	(4,384)
Net cash used in financing activities	**(3,101)**	(4,625)
Net increase in cash and cash equivalents and restricted cash	**17,689**	18,482
Cash and cash equivalents and restricted cash:		
Beginning	**57,383**	71,212
Ending	**$ 75,072**	$ 89,694

The following table reconciles cash and cash equivalents and restricted cash from the Consolidated Balance Sheets to the above statements:

	December 31, 2018 Successor	December 31, 2017 Predecessor
Cash and cash equivalents	**$ 53,208**	$ 66,627
Restricted Cash	**4,175**	4,585
Total cash and cash equivalents and restricted cash	**$ 57,383**	$ 71,212

	March 31, 2019 Successor	March 31, 2018 Predecessor
Cash and cash equivalents	**$ 70,927**	$ 85,274
Restricted Cash	**4,145**	4,420
Total cash and cash equivalents and restricted cash	**$ 75,072**	$ 89,694

See Notes to Unaudited Consolidated Financial Statements.

CCF Holdings LLC and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

(Dollars in thousands)

Note 1. Ownership, Nature of Business, and Significant Accounting Policies

Nature of business: CCF Holdings, LLC (the ''Company'' or ''CCF'') is a provider of alternative financial services to unbanked and under-banked consumers. The Company was formed in 2018 and began operations upon the closing of the Restructuring (as described below). As a result of the Restructuring, the Company succeeded to the business and operations of Community Choice Financial Inc., which we refer to as our Predecessor. The Company owned and operated 471 retail locations in 12 states and was licensed to deliver similar financial services over the internet in 29 states as of March 31, 2019. Through its network of retail locations and over the internet, the Company provides customers a variety of financial products and services, including secured and unsecured, short-term and medium-term consumer loans, check cashing, prepaid debit cards, and other services that address the specific needs of its individual customers.

As an ''emerging growth company,'' the Company is permitted to delay the adoption of new or revised accounting standards until such time as those standards apply to private companies. The Company has chosen to take advantage of the extended transition period for complying with new or revised accounting standards.

The 2018 Restructuring

On December 12, 2018, the Predecessor entered into an agreement (the ''Restructuring Agreement''), with (a) CCF OpCo LLC, a Delaware limited liability company (''CCF OpCo''), (b) the Company, (c) CCF Intermediate Holdings LLC, a Delaware limited liability company (''CCF Intermediate''), (d) certain of Predecessor's direct and indirect subsidiaries, (e) certain noteholders under (i) the Indenture, dated as of April 29, 2011 (as amended, modified or supplemented from time to time, the ''2019 Indenture''), by and among the Predecessor, the subsidiary guarantors party thereto, Computershare Trust Company, N.A. and Computershare Trust Company of Canada, together as indenture trustee (the ''Indenture Trustee''), and Computershare Trust Company, N.A., as collateral agent (in such capacity, the ''Collateral Agent'') governing Predecessor's 10.75% senior secured notes due May 1, 2019 (the ''2019 Notes''), (ii) the Indenture, dated as of July 6, 2012 (as amended, modified or supplemented from time to time, the ''2020 Indenture'', and together with the 2019 Indenture, the ''Existing Indentures''), by and among Predecessor, the subsidiary guarantors party thereto, the Indenture Trustee and the Collateral Agent, governing Predecessor's 12.75% senior secured notes due May 1, 2020 (the ''2020 Notes''), and (iii) the Indenture, dated as of September 6, 2018 (as amended, modified or supplemented from time to time, the ''SPV Indenture''), by and among Community Choice Financial Issuer, LLC, a Delaware limited liability company (''CCF Issuer''), the guarantor party thereto, and Computershare Trust Company, N.A, as indenture trustee (in such capacity, the ''SPV Trustee'') and collateral agent (in such capacity, the ''SPV Collateral Agent'') governing CCF Issuer's 9.00% senior secured notes due September 6, 2020 (the ''Secured Notes''), (f) certain investment funds associated with Diamond Castle Holdings and Golden Gate Capital (each, a ''Sponsor,'' and collectively, the ''Sponsors'') and (g) CCF Issuer as revolving lender (the ''Revolving Lender'') under the Credit Agreement, dated as of September 6, 2018 (as amended, modified, supplemented, or otherwise restated from time to time, the ''Revolving Credit Agreement''), by and among CCF OpCo, CCF Intermediate, the subsidiary guarantors party thereto, GLAS Trust Company LLC as administrative agent, and the Revolving Lender.

Substantially concurrent with the execution and delivery of, and pursuant to, the Restructuring Agreement, on December 12, 2018 (the ''Closing Date'') the Predecessor consummated a number of transactions contemplated thereby (the ''Restructuring''), which satisfied Predecessor's obligation to execute a Deleveraging Transaction (as defined in the Revolving Credit Agreement) as required under the Victory Park Revolver and the SPV Indenture.

The Deleveraging Transaction was effected by way of an out-of-court strict foreclosure transaction, pursuant to which the Collateral Agent under the Existing Indentures, acting at the direction of certain beneficial holders holding more than 50% of the 2019 Notes and the beneficial holders of 100% of the 2020 Notes, exercised remedies whereby all right, title and interest in and to all of the assets of the Predecessor that constitute collateral with respect to the Existing Indentures, including the issued and outstanding equity interests in certain of the Predecessor's direct subsidiaries, were transferred to CCF OpCo. CCF OpCo is an indirect wholly owned subsidiary of the Company.

As a result of the strict foreclosure, all obligations represented by the 2019 Notes and 2020 Notes were extinguished, and holders of the 2019 Notes and 2020 Notes received a pro rata share of $276.9 million of the newly-issued 10.750% Senior PIK Notes due 2023 (the ''PIK Notes'') and 850,000 Class A common units of limited liability company interest (''Class A Units'') issued by the Company. Additionally, the holders of Secured Notes received their pro rata share of 150,000 Class B common units of limited liability company interest (''Class B Units'') issued by the Company, and Predecessor's existing equity holders, including the Sponsors, are entitled to receive a pro rata share of up to 52,631.6 of the Company's Class C common units of limited liability company interest (''Class C Common Units''). Furthermore, we may in the future issue Class M common units of limited liability company interest (''Class M Common Units'' and together with Class A Common Units, Class B Common Units and Class C Common Units, the ''Common Units'') pursuant to an equity incentive plan. In connection with the Restructuring, the SPV Indenture was amended and restated to, among other things, extend the maturity date of the Secured Notes from September 6, 2020 to June 15, 2023.

The Class A Common Units and Class B Common Units (which Class B Common Units represented 15.0% of the aggregate number of the Company's issued and outstanding Common Units on December 12, 2018, subject to adjustment for any future issuances of common units (i) in consideration for the redemption of the PIK Notes (''Redemption Units''), or (ii) in connection with the issuance of any additional debt securities (''Additional Financing Units''), such that they continue to represent 15.0% of the issued and outstanding Common Units (including such Redemption Units and Additional Financing Units, but subject to dilution from any new management equity plan)) will entitle the holders thereof to voting rights (in each case, subject to the limitations in the governing documents of the Company). Following the Class C Distribution Trigger Time, Class C Common Units will be entitled to up to 5.0% of distributions from the Company. The Class C Common Units shall be subject to dilution from any new management equity plan and other common units and other equity interests of the Company that may be issued after the effective date of the Deleveraging Transaction.

In addition, in connection with the Restructuring, CCFI Funding II LLC, a non-guarantor subsidiary of CCF OpCo, entered into an amendment to the Amended and Restated Loan and Security Agreement, dated as of April 25, 2017 (as amended, modified or supplemented from time to time, the ''Ivy Credit Agreement'') pursuant to which, among other things, our borrowings under the Ivy Credit Agreement were increased from $63,500 to $70,000

A summary of the Company's significant accounting policies follows:

Basis of presentation: The accompanying interim unaudited consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q and accounting principles generally accepted in the United States ("GAAP") for interim financial information. They do not include all information and footnotes required by GAAP for complete financial statements. Although management believes that the disclosures are adequate to prevent the information from being misleading, the interim unaudited consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2018, included in the Company's Annual Report on Form S-1 filed with the Securities & Exchange Commission on April 26, 2019. All adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company's financial condition, have been included. The results for any interim period are not necessarily indicative of results to be expected for the year ending December 31, 2019.

Upon the effective date of the Restructuring, the Company applied business combination accounting which resulted in the creation of a new entity for financial reporting purposes. As a result of the application of business combination accounting, as well as the effects of the implementation of the Restructuring, the Consolidated Financial

Statements on or after December 12, 2018 may not be comparable with the Consolidated Financial Statements prior to that date. Refer to Note 10. Business Combinations for a discussion of the Restructuring and the related impact of business combination accounting on the consolidated financial statements. Due to the timing of the Restructuring, the results of operations for the three months ended March 31, 2018 reflect the results of operations of the Predecessor. The Company's financial condition and results of operations for the three months ended March 31, 2019 reflects the financial condition and results of operations of the Successor.

References to ''Successor'' or ''Successor Company'' relate to the financial position and results of operations of the reorganized Company subsequent to December 12, 2018. References to ''Predecessor'' or ''Predecessor Company'' refer to the financial position and results of operations of Community Choice Financial Inc. on and before December 12, 2018.

Business combinations: The Company accounts for business combinations under the acquisition method of accounting. Under this method, acquired assets, including separately identifiable intangible assets, and any assumed liabilities are recorded at their acquisition date estimated fair value. The excess of purchase price over the fair value amounts assigned to the assets acquired and the liabilities assumed represents the goodwill amount resulting from the Restructuring. Determining the fair value of assets acquired and liabilities assumed involves the use of significant estimates and assumptions.

Basis of consolidation: The accompanying consolidated financial statements include the accounts of CCF and subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

Equity method investments: Entities and investments over which the Company exercises significant influence over the activities of the entity but which do not meet the requirements for consolidation are accounted for using the equity method of accounting pursuant to ASC 323, whereby the Company records its share of the underlying income or loss of these entities. Intercompany profit arising from transactions with affiliates is eliminated to the extent of its beneficial interest. Equity in losses of equity method investments is not recognized after the carrying value of an investment, including advances and loans, has been reduced to zero, unless guarantees or other funding obligations exist.

Revenue recognition: Transactions include loans, credit service fees, check cashing, bill payment, money transfer, money order sales, and other miscellaneous products and services. The recognized revenue from these transactions is classified in the following categories:

Finance receivables fees—Advance fees and direct costs incurred for the origination of secured and unsecured short-term and medium-term consumer loans are deferred and amortized over the loan period using the interest method. Revenue on loans determined to be troubled debt restructurings are recognized at the impaired loans' original interest rates until the impaired loans are charged off or paid by the customer. Revenues from short-term and medium-term consumer loans are recognized and the performance obligation is satisfied over the term of the loan.

Credit service fees—Credit service organization (''CSO'') fees are recognized over the arranged credit service period. ASC 606 requires product sales to be allocated based on performance obligation. CSO performance obligations include the guarantee and the arrangement of the loan. The guarantee portion of the fees are recognized over the period of the loan as the guarantee represents the primary performance obligation. The arrangement of the loan represents a small portion of the CSO fee, and the net impact resulting from the adoption of ASC 606 for this portion of the fee would not be material. Credit service fees are recognized and the performance obligation is satisfied over the term of the related loan.

Check cashing fees—The full amount of the check cashing fee is recognized as revenue at the time of the transaction. The revenue is recognized and the performance obligation is satisfied at the time the service is provided.

Card fees and Other—The Company acts in an agency capacity regarding bill payment services, money transfers, card products, and money orders offered and sold at its retail locations. The Company records the net amount retained as revenue because the supplier is the primary obligor in the arrangement, the amount earned by the Company is fixed, and the supplier is determined to have the ultimate credit risk. The revenue is recognized and the performance obligation is satisfied at the time the service is provided.

Disaggregation of revenues—Revenues for finance receivable and credit service fees are recognized over the term of the loan and were $66,935 and $70,128 for the three months ended March 31, 2019, and 2018, respectively. Revenues for check cashing and card fees, and other are recognized at the time of service and were $19,561 and $17,523 for the three months ended March 31, 2019, and 2018, respectively.

Finance receivables: Finance receivables consist of short term and medium-term consumer loans.

Short-term consumer loans can be unsecured or secured with a maturity up to ninety days. Unsecured short-term loan products typically range in principal from $100 to $1,000, with a maturity between fourteen and thirty days, and include a written agreement to defer the presentment of the customer's personal check or preauthorized debit for the aggregate amount of the advance plus fees. This form of lending is based on applicable laws and regulations, which vary by state. State statutes vary from charging fees of 15% to 20%, to charging interest at 25% per annum plus origination fees. The customers repay the cash advance by making cash payments or allowing a check or preauthorized debit to be presented. Secured consumer loans with a maturity of ninety days or less are included in this category and represented 13.4% and 12.8% of short-term consumer loans at March 31, 2019 and December 31, 2018, respectively.

Medium-term consumer loans can be unsecured or secured with a maturity greater than ninety days and up to thirty-six months. Unsecured medium-term products typically range from $100 to $5,000, and are evidenced by a promissory note with a maturity between three and thirty-six months. These consumer loans vary in structure depending upon the applicable laws and regulations where they are offered. The medium-term consumer loans are payable in installments or provide for a line of credit with periodic payments. Secured consumer loans with a maturity greater than ninety days are included in this category and represented 14.6% and 13.7% of medium-term consumer loans at March 31, 2019, and December 31, 2018, respectively.

Allowance for loan losses: Provisions for loan losses are charged to income in amounts sufficient to maintain an adequate allowance for loan losses and an adequate accrual for losses related to guaranteed loans processed for third-party lenders under the CSO programs. The factors used in assessing the overall adequacy of the allowance for loan losses, the accrual for losses related to guaranteed loans made by third-party lenders and the resulting provision for loan losses include an evaluation by product, by market based on historical loan loss experience, and delinquency of certain medium-term consumer loans. The Company evaluates various qualitative factors that may or may not affect the computed initial estimate of the allowance for loan losses, by using internal valuation inputs including historical loan loss experience, delinquency, overall portfolio quality, and current economic conditions.

For short term unsecured consumer loans, the Company's policy is to charge off loans when they become past due. The Company's policy dictates that, where a customer has provided a check or ACH authorization for presentment upon the maturity of a loan, if the customer has not paid off the loan by the due date, the Company will deposit the customer's check or draft the customer's bank account for the amount due. If the check or draft is returned as unpaid, all accrued fees and outstanding principal are charged-off as uncollectible. For short term secured loans, the Company's policy requires that balances be charged off when accounts are either thirty or sixty days past due depending on the product. The Company accrues interest on past-due loans until charge off. The Company did not have any nonaccrual loans as of March 31, 2019 or December 31, 2018. The amount of the resulting charge-off includes unpaid principal, accrued interest and any uncollected fees, if applicable.

For medium term secured and unsecured consumer loans that have a term of one year or less, the Company's policy requires that balances be charged off when accounts are sixty days past due. For medium term secured and unsecured consumer loans that have an initial maturity of greater than one year, the Company's policy requires that balances be charged off when accounts are ninety-one days past due. The Company accrues interest on past-due loans until charge off. The amount of the resulting charge-off includes unpaid principal, accrued interest and any uncollected fees, if applicable.

In certain markets, the Company reduced interest rates and favorably changed payment terms for medium-term consumer loans to assist borrowers in avoiding default and to mitigate risk of loss. These reduced interest rates and changed payment terms were limited to loans that the Company believed the customer had the ability to pay in the foreseeable future. These loans were accounted for as troubled debt restructurings and represent the only loans considered impaired due to the nature of the Company's charge-off policy.

Recoveries of amounts previously charged off are recorded to the allowance for loan losses or the accrual for third-party losses in the period in which they are received.

Goodwill and other intangible assets: Goodwill, or cost in excess of fair value of net assets of the companies acquired, is recorded at its carrying value and is periodically evaluated for impairment. The Company tests the carrying value of goodwill and other intangible assets annually as of December 31 or when the events and circumstances warrant such a review. One of the methods for this review is performed using estimates of future cash flows. If the carrying value of goodwill or other intangible assets is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the goodwill or intangible assets exceeds its fair value. Changes in estimates of cash flows and fair value, however, could affect the valuation.

In connection with the Restructuring on December 12, 2018, the Company recognized goodwill and other intangible assets of $14,048 to the Retail financial services segment, and other intangible assets of $403 to the Internet financial services segment. The Company's other intangible assets consist of a trade name. The amount recorded for other intangible assets is amortized using the straight-line method over seven years. Intangible amortization expense for the three months ended March 31, 2019, and 2018, was $110 and $123, respectively

Lease termination payable: The Company records a liability in the consolidated balance sheets for the remaining lease obligations with the corresponding lease termination expense for closed retail locations disclosed in the operating expenses section, and closed corporate locations disclosed in the corporate and other expenses section, of the consolidated statements of operations, respectively.

Fair value of financial instruments: Financial assets and liabilities measured at fair value are grouped in three levels. The levels prioritize the inputs used to measure the fair value of the assets or liabilities. These levels are:

- Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2—Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are less attractive.
- Level 3—Unobservable inputs for assets and liabilities reflecting the reporting entity's own assumptions.

The Company follows the provisions of ASC 820-10, *Fair Value Measurements and Disclosures,* which applies to all assets and liabilities that are being measured and reported on a fair value basis. ASC 820-10 requires a disclosure that establishes a framework for measuring fair value within GAAP and expands the disclosure about fair value measurements. This standard enables a reader of consolidated financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The standard requires that assets and liabilities carried at fair value be classified and disclosed in one of the three categories.

In determining the appropriate levels, the Company performed a detailed analysis of the assets and liabilities that are subject to ASC 820-10. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. The Company's financial instruments consist primarily of cash and cash equivalents, finance receivables, restricted cash, and lines of credit. For all such instruments, other than notes payable at March 31, 2019, and December 31, 2018, the carrying amounts in the consolidated financial statements approximate their fair values. Finance receivables are short term in nature and are originated at prevailing market rates and lines of credit bear interest at current market rates. The fair value of finance receivables at March 31, 2019 and December 31, 2018 approximates carrying value and is measured using internal valuation inputs including historical loan loss experience, delinquency, overall portfolio quality, and current economic conditions.

The fair value of the PIK notes was determined at March 31, 2019 and December 31, 2018. As more fully described in Note 5, the fair value of the PIK notes was determined using an approach that considered both a Black Scholes option price methodology and the intrinsic value of the notes on an ''as-if-converted'' basis.

	March 31, 2019		
	Carrying Amount	Fair Value	Level
Financial assets:			
Cash and cash equivalents	**$ 70,927**	$ 70,927	1
Restricted cash	**4,145**	4,145	1
Finance receivables	**72,123**	72,123	3
Financial liabilities:			
Senior PIK Notes	**75,441**	75,441	3
Secured Note Payable	**40,000**	40,000	2
Subsidiary Note payable	**71,807**	71,807	2

	December 31, 2018		
	Carrying Amount	Fair Value	Level
Financial assets:			
Cash and cash equivalents	**$ 53,208**	$ 53,208	1
Restricted cash	**4,175**	4,175	1
Finance receivables	**84,364**	84,364	3
Financial liabilities:			
Senior PIK Notes	**60,796**	60,796	3
Secured Note Payable	**42,000**	42,000	2
Subsidiary Note payable	**71,838**	71,838	2

Recent Accounting Pronouncements: In February 2016, the FASB issued ASU 2016-02, *''Leases (Topic 842)''*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to recognize the following for all leases with terms longer than 12 months: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of 12 months or less will be accounted for similarly to existing guidance for operating leases today. In addition, ASU 2016-02 aligns lessor accounting with the lessee accounting model and ASU 2014-09, Revenue from Contracts with Customers (Topic 606) Section A—Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs—Contracts with Customers (Subtopic 340-40) (''ASU 2014-09''). ASU 2016-02 is effective for emerging growth companies for annual periods, and interim periods within those annual periods, beginning after December 15, 2019. The Company has elected to early adopt the standard for the year ending December 31, 2019. The Company elected the package of practical expedients, which permits a lessee to not reassess under the new standard its prior conclusions regarding lease identification, lease classification and initial direct costs. Entities must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented, or the beginning of the period adopted, in the financial statements. As a result of the adoption of the new lease standard on January 1, 2019, the Company recorded $34,154 for both operating lease liabilities and corresponding right-of-use assets. The operating lease liabilities will be based on the present value of the remaining minimum rental payments using discount rates as of the effective date.

Subsequent events: The Company has evaluated its subsequent events (events occurring after March 31, 2019) through the issuance date of May 14, 2019.

Note 2. Finance Receivables, Credit Quality Information and Allowance for Loan Losses

Finance receivables representing amounts due from customers for advances at March 31, 2019, and December 31, 2018, consisted of the following:

	March 31, 2019	December 31, 2018
Short-term consumer loans:		
Secured	**$ 6,879**	$ 6,908
Unsecured	**44,404**	46,871
Total short-term consumer loans	**51,283**	53,779
Medium-term consumer loans		
Secured	**4,222**	4,936
Unsecured	**24,650**	31,093
Total medium-term consumer loans	**28,872**	36,029
Total gross receivables	**80,155**	89,808
Unearned advance fees, net of deferred loan origination costs	**(1,993)**	(1,970)
Finance receivables before allowance for loan losses	**78,162**	87,838
Allowance for loan losses	**(6,039)**	(3,474)
Finance receivables, net	**$ 72,123**	$ 84,364
Finance receivables, net		
Current portion	**$ 69,721**	$ 81,093
Non-current portion	**2,402**	3,271
Total finance receivables, net	**$ 72,123**	$ 84,364

Changes in the allowance for loan losses by product type for the three months ended March 31, 2019, are as follows:

	Balance 1/1/2019	Provision	Charge-Offs	Recoveries	Balance 3/31/2019	Receivables 3/31/2019	Allowance as a percentage of receivables
Short-term consumer loans	$ 2,018	$ 7,572	$ (16,402)	$ 9,127	$ 2,315	$ 51,283	4.51 %
Medium-term consumer loans	1,456	6,933	(5,633)	968	3,724	28,872	12.90 %
	$ 3,474	$ 14,505	$ (22,035)	$ 10,095	$ 6,039	$ 80,155	7.53 %

The provision for loan losses for the three months ended March 31, 2019, also includes losses from returned items from check cashing of $1,023.

The Company evaluates all short-term and medium-term consumer loans collectively for impairment, except for individually evaluating certain unsecured medium-term loans that have been modified and classified as troubled debt restructurings. In certain markets, the Company reduced interest rates and favorably changed payment terms for certain unsecured medium-term consumer loans to assist borrowers in avoiding default and to mitigate risk of loss. The provision and subsequent charge off related to these loans totaled $10 and is included in the provision for medium-term consumer loans for the three months ended March 31, 2019. For these loans evaluated for impairment, there were $23 of payment defaults during the three months ended March 31, 2019. The troubled debt restructurings during the three months ended March 31, 2019 are subject to an allowance of $3 with a net carrying value of $6 at March 31, 2019.

Changes in the allowance for loan losses by product type for the three months ended March 31, 2018, are as follows:

	Balance 1/1/2018	Provision	Charge-Offs	Recoveries	Balance 3/31/2018	Receivables 3/31/2018	Allowance as a percentage of receivables
Short-term consumer loans	$ 2,697	$ 8,159	$ (18,424)	$ 9,886	$ 2,318	$ 52,115	4.45 %
Medium-term consumer loans	13,630	8,397	(11,067)	1,525	12,485	36,860	33.87 %
	$ 16,327	$ 16,556	$ (29,491)	$ 11,411	$ 14,803	$ 88,975	16.64 %

The provision for loan losses for the three months ended March 31, 2018, also includes losses from returned items from check cashing of $1,062.

The provision for short-term consumer loans of $8,159 is net of debt sales of $412 for the three months ended March 31, 2018.

The provision for medium-term consumer loans of $8,397 is net of debt sales of $562 for the three months ended March 31, 2018.

The Company evaluates all short-term and medium-term consumer loans collectively for impairment, except for individually evaluating medium-term loans that have been modified and classified as troubled debt restructurings. In certain markets, the Company reduced interest rates and favorably changed payment terms for medium-term consumer loans to assist borrowers in avoiding default and to mitigate risk of loss. The provision and subsequent charge off related to these loans totaled $20 and is included in the provision for medium-term consumer loans for the three months ended March 31, 2018. For these loans evaluated for impairment, there were $54 of payment defaults during the three months ended March 31, 2018. The troubled debt restructurings during the three months ended March 31, 2018 are subject to an allowance of $6 with a net carrying value of $14 at March 31, 2018.

The Company has subsidiaries that facilitate third-party lender loans. Changes in the accrual for third-party lender losses for the three months ended March 31, 2019, and 2018 were as follows:

	Three Months Ended March 31,	
	2019 Successor	2018 Predecessor
Short-term balance, beginning of period	**$ 4,454**	$ 4,570
Provision for loan losses	**2,857**	4,938
Charge-offs, net	**(4,410)**	(5,928)
Short-term balance, end of period	**$ 2,901**	$ 3,580
Medium-term balance, beginning of period	**$ 59**	$ 248
Provision for loan losses	**2,901**	79
Charge-offs, net	**(7)**	(139)
Medium-term balance, end of period	**$ 2,953**	$ 188
Total balance, beginning of period	**$ 4,513**	$ 4,818
Provision for loan losses	**5,758**	5,017
Charge-offs, net	**(4,417)**	(6,067)
Total balance, end of period	**$ 5,854**	$ 3,768

The Company offers a CSO product in Ohio and Texas to assist consumers in obtaining credit with unaffiliated third-party lenders. Total gross finance receivables for which the Company has recorded an accrual for third-party lender losses totaled $33,854 and $34,144 at March 31, 2019 and December 31, 2018, respectively, and the corresponding guaranteed consumer loans are disclosed as an off-balance sheet arrangement. The total gross finance receivables for the

Ohio CSO product consist of $17,620 and $30,490 in short-term and $13,350 and $303 in medium-term loans at March 31, 2019 and December 31, 2018, respectively. The total gross finance receivables for the Texas CSO product consist of $2,884 and $3,351 in short-term loans at March 31, 2019 and December 31, 2018, respectively. The provision for third party lender losses of $5,017 for the three months ending March 31, 2018 is net of debt sales of $210.

For the Ohio CSO Program, the Company was required to purchase $9,898 and $13,186 of short-term loans and $63 and $199 of medium-term loans during the three months ended March 31, 2019 and 2018, respectively. As these loans were in default when purchased, they met the Company's policy and were fully charged-off at acquisition. The Company recognized recoveries of $6,936 and $9,841 of short-term and $58 and $59 of medium-term collections on these loans during the three months ended March 31, 2019 and 2018, respectively.

For the Texas CSO Program, the Company was required to purchase $2,547 and $3,654 of short-term loans during the three months ended March 31, 2019 and 2018, respectively. As these loans were in default when purchased, they met the Company's policy and were fully charged-off at acquisition. The Company recognized recoveries of $1,205 and $1,437 of short-term collections on these loans during the three months ended March 31, 2019 and 2018, respectively.

Ohio House Bill 123 ("HB123") prohibits CSO transactions in Ohio on or after April 28, 2019, at which time, the Ohio CSO product will no longer be offered. The Company is focused on generating revenue through Money Service Business offerings at its Ohio subsidiaries. Absent additional revenues generated from sales of these products, HB 123 will have a material adverse effect on the Company's results of operations.

The Company considers the near-term repayment performance of finance receivables as its primary credit quality indicator. The Company performs credit checks through consumer reporting agencies on certain borrowers. If a third-party lender provides the advance, the applicable third-party lender decides whether to approve the loan and establishes all of the underwriting criteria and terms, conditions, and features of the customer's loan agreement.

The aging of receivables at March 31, 2019, and December 31, 2018, were as follows:

	March 31, 2019		December 31, 2018	
Current finance receivables	**$ 73,126**	**91.2 %**	$ 81,097	90.3 %
Past due finance receivables (1 - 30 days)				
Secured short-term consumer loans	**606**	**0.8 %**	629	0.7 %
Unsecured hurt-term consumer loans	**396**	**0.5 %**	449	0.5 %
Short-term consumer loans	**1,002**	**1.3 %**	1,078	1.2 %
Secured medium-term consumer loans	**761**	**0.9 %**	898	1.0 %
Unsecured medium-term consumer loans	**3,058**	**3.8 %**	3,772	4.2 %
Medium-term consumer loans	**3,819**	**4.7 %**	4,670	5.2 %
Total past due finance receivables (1 - 30 days)	**4,821**	**6.0 %**	5,748	6.4 %
Past due finance receivables (31 - 60 days)				
Secured medium-term consumer loans	**243**	**0.3 %**	269	0.3 %
Unsecured medium-term consumer loans	**1,727**	**2.2 %**	2,425	2.7 %
Medium-term consumer loans	**1,970**	**2.5 %**	2,694	3.0 %
Total past due finance receivables (31 - 60 days)	**1,970**	**2.5 %**	2,694	3.0 %
Past due finance receivables (61 - 90 days)				
Secured medium-term consumer loans	**2**	**0.0 %**	18	0.0 %
Unsecured medium-term consumer loans	**236**	**0.3 %**	251	0.3 %
Medium-term consumer loans	**238**	**0.3 %**	269	0.3 %
Total past due finance receivables (61 - 90 days)	**238**	**0.3 %**	269	0.3 %
Total delinquent	**7,029**	**8.8 %**	8,711	9.7 %
	$ 80,155	**100.0 %**	$ 89,808	100.0 %

Note 3. Related Party Transactions and Balances

There were no new significant related party transactions, or material changes to existing related party transactions, during the three months ended March 31, 2019.

Note 4. Goodwill and Other Intangible Assets

In connection with the Restructuring, the Company recorded $11,288 in goodwill and $2,760 in intangible assets to the Retail financial services segment, and $403 in intangible assets to the Internet financial services segment, representing the fair values at the Restructuring date of December 12, 2018. Please see Note 10 for additional information regarding the Restructuring.

Intangible amortization expense for the three months ended March 31, 2019, and 2018 was $110 and $123 respectively. There were no additional significant changes to goodwill and other intangible assets during the three months ended March 31, 2019.

Note 5. Pledged Assets and Debt

PIK Notes payable at March 31, 2019 and December 31, 2018 consisted of the following:

	March 31, 2019			December 31, 2018		
	Principal	**Discount**	**Fair Value**	**Principal**	**Discount**	**Principal**
Senior PIK notes, 10.750% interest payable in-kind, due December 2023	**$ 276,940**	**$ 201,499**	**$ 75,441**	$ 276,940	$ 216,144	$ 60,796
	276,940	**201,499**	**75,441**	276,940	216,144	60,796
Less current maturities	**—**	**—**	**—**	—	—	—
Long-term portion	**$ 276,940**	**$ 201,499**	**$ 75,441**	$ 276,940	$ 216,144	$ 60,796

As a result of the Restructuring and application of business combination accounting, all of the Company's debt obligations were initially recognized at fair value at December 13, 2018. The Company has elected to apply the fair value option to the PIK Notes, which results in the notes being carried at fair value in the 2018 Successor period and future years. The Company elected the fair value option for the PIK Notes because the notes were initially recognized at a significant discount, all subsequent interest will be paid-in kind rather than in cash, and management expects it to be likely that the notes will be converted to equity upon maturity. For these reasons, management believes reporting the PIK Notes at fair value provides better information to the users of the Company's financial statements. The fair value option was not elected for the Company's other debt obligations because they do not have the same characteristics as the PIK Notes.

The fair value of the PIK Notes was determined using an approach that considered both a Black Scholes option price methodology and the intrinsic value of the notes on an ''as-if-converted'' basis. This approach was selected because the PIK Notes are expected to be converted to equity upon redemption and the face value of the PIK Notes is greater than the enterprise value of the Company. Significant assumptions used in the Black Scholes option price methodology include the following:

	December 31, 2018	March 31, 2019
Risk-free interest rate	2.51%	2.23%
Dividend yield	0.00%	0.00%
Expected volatility	38.90%	38.90%
Expected term (years)	4.95	4.70

The risk-free interest rate is based on the yield on 5-year Treasury bonds, and the expected volatility was determined using the guideline public company method. The expected term is based on when management expects the

PIK Notes to be redeemed for equity. The intrinsic value at each measurement date is based on the estimated enterprise value adjusted for net debt, and assumes a redemption of all outstanding PIK Notes at that time. An average of the allocated value from the Black Scholes option price methodology and the intrinsic value is used to estimate fair value at each measurement date.

The change in the fair value of the PIK Notes during the three months ended March 31, 2019, or $14,645, has been recognized in other comprehensive loss as the entire change in fair value is attributable to the instrument-specific credit risk of the PIK Notes. In the future, we expect to measure the fair value of the PIK Notes on a quarterly basis using a similar methodology, unless there is a quoted market price that can be used instead.

Interest on the PIK Notes accrues at the rate of 10.750% per annum and is payable by increasing the principal amount of the PIK Notes. Interest is payable semiannually in arrears for the prior six-month period on June 15 and December 15 to the Holders of PIK Notes of record on the immediately preceding June 1 and December 1. Interest on the PIK Notes is accrued and recorded as accrued interest until June 15 and December 15, at which time the accrual is released and the additional principal amount is recorded. Accrued interest for the PIK Notes at March 31, 2019 and December 31, 2018, was $8,979 and $1,571, respectively, and is included as a current liability on the Consolidated Balance Sheet.

On December 12, 2018, in connection with the closing of the Restructuring, the Revolving Credit Agreement was simultaneously amended and restated. The Amended and Restated Revolving Credit Agreement allows for borrowings of up to $42,000 and has a maturity date of June 15, 2023. Borrowings under the Amended and Restated Revolving Credit Agreement bear interest at a rate of 9.00% per annum. All borrowings under the Amended and Restated Revolving Credit Agreement are secured by substantially all of the assets of CCF OpCo, CCF Intermediate Holdings LLC, a Delaware limited liability company, the sole member of CCF OpCo and our wholly owned subsidiary and certain of CCF OpCo's subsidiaries. The Amended and Restated Credit Agreement is guaranteed by certain subsidiaries of CCF OpCo and is eliminated upon consolidation.

Secured notes payable at March 31, 2019, and December 31, 2018, consisted of the following:

	March 31, 2019			December 31, 2018		
	Principal	**Deferred Issuance Costs**	**Net Principal**	**Principal**	**Deferred Issuance Costs**	**Net Principal**
$40,000 Secured note payable, 9.00%, collateralized by all Guarantor Company assets, due June 2023	**$ 40,000**	**$ —**	**$ 40,000**	$ 42,000	**$** —	$ 42,000
	40,000	**—**	**40,000**	42,000	—	42,000
Less current maturities	**—**	**—**	**—**	—	—	—
Long-term portion	**$ 40,000**	**$ —**	**$ 40,000**	$ 42,000	**$** —	$ 42,000

On December 12, 2018, in connection with the Restructuring, CCF Issuer issued an aggregate principal amount of $42,000 in Secured Notes to previous holders of Secured Notes. The Secured Notes bear interest at 9.00% per annum and mature on June 15, 2023. Pursuant to the Amended and Restated SPV Indenture, CCF Issuer and Community Choice Holdings each granted a pledge over all of their respective assets. CCF Issuer was also required to pledge its interests in the Amended and Restated Revolving Credit Agreement. The Amended and Restated SPV Indenture also contains restrictive covenants that limit our ability to incur additional indebtedness, pay dividends on or make other distributions or repurchase our capital stock or the capital stock of our subsidiaries, make certain investments, enter into certain types of transactions with affiliates, create liens or merge with or into other companies.

On January 15, 2019, the Company repaid $2,000 of the outstanding borrowings under the Credit Agreement, and repurchased $2,000 of the Secured Notes and 7,143 Class B Common Units corresponding to the repurchased Secured Notes. The outstanding balances of the Credit Agreement and Secured Notes are $40,000 at March 31, 2019.

Subsidiary notes payable at March 31, 2019, and December 31, 2018, consisted of the following:

	March 31, 2019			December 31, 2018		
	Principal	Deferred Issuance Costs	Net Principal	Principal	Deferred Issuance Costs	Net Principal
$70,000 Note, secured, 16.75%, collateralized by acquired loans, due April 2020	**$ 70,000**	**$ 1,044**	**$ 68,956**	$ 70,000	$ 16	$ 69,984
$1,425 Term note, secured, 4.25%, collateralized by financed asset, due July 2019	**806**	**—**	**806**	822	—	822
$1,165 Term note, secured, 4.50%, collateralized by financed asset, due May 2021	**1,001**	**—**	**1,001**	1,016	—	1,016
	71,807	**1,044**	**70,763**	71,838	16	71,822
Less current maturities	**869**	**—**	**869**	884	—	884
Long-term portion	**$ 70,938**	**$ 1,044**	**$ 69,894**	$ 70,954	$ 16	$ 70,938

In connection with the Restructuring on December 12, 2018, CCFI Funding II LLC, a non-guarantor subsidiary of CCF OpCo, entered into an amendment to the Amended and Restated Loan and Security Agreement, dated as of April 25, 2017 (as amended, modified or supplemented from time to time, the ''Ivy Credit Agreement'') pursuant to which, among other things, our borrowings under the Ivy Credit Agreement were increased from $63,500 to $70,000.

The Ivy Credit Agreement was amended on March 18, 2019 to extend the maturity date to April 30, 2020 and establish an interest rate of 16.75% on the entire credit facility.

Note 6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at March 31, 2019, and December 31, 2018, consisted of the following:

	March 31, 2019	December 31, 2018
Accounts payable	**$ 3,869**	$ 5,594
Accrued payroll and compensated absences	**7,408**	7,018
Wire transfers payable	**1,897**	1,745
Accrual for third-party losses	**5,854**	4,513
Unearned CSO Fees	**12,502**	7,510
Bill payment service liability	**2,683**	2,476
Lease termination	**—**	1,114
Other	**4,318**	5,452
	$ 38,531	$ 35,422

Note 7. Operating and Capital Lease Commitments and Total Rental Expense

The Company leases its facilities under various non-cancelable agreements, which require various minimum annual rentals and may also require the payment of normal common area maintenance on the properties.

All of our 510 leases are operating leases with renewal options, and are included in right-of-use assets – operating leases, current portion of operating lease obligation and noncurrent operating lease obligation on our consolidated balance sheets. These assets and liabilities are recognized at the commencement date based on the present value of remaining lease payments over the lease term using the Company's incremental borrowing rates or implicit rates, when readily determinable. Short-term operating leases which have an initial term of 12 months or less are not recorded on the consolidated balance sheets.

	Three Months Ending March 31, 2019
Lease cost:	
Operating lease cost	$ 4,881
Short-term lease cost	1,047
Variable lease cost	16
Total lease cost	$ 5,944
Other Information:	
Payments included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 4,819
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 1,701
Weighted-average remaining lease term - operating leases	2.7 years
Weighted-average discount rate - operating leases	9.0%

Future minimum lease payments for our operating leases as of March 31, 2019 were as follows:

Fiscal Years	**Operating Leases**
Remaining 2019	$ 13,352
2020	10,739
2021	6,027
2022	3,188
2023	1,219
Thereafter	419
Total minimum lease payments	34,944
Less imputed interest	(3,778)
Present value of net minimum lease payments	31,166
Less current portion of operating lease obligation	(14,782)
Operating lease obligation	$ 16,384

Future minimum lease payments for our operating losses as of December 31, 2018, prior to the adoption of new lease guidance as described in Note 1 – "Recent Accounting Pronouncements" were as follows:

December 31,	**Operating Leases**
2019	$ 16,344
2020	9,107
2021	5,114
2022	2,863
2023	1,001
Thereafter	408
Total minimum lease payments	$ 34,837

Rental expense, including common area maintenance and real estate tax expense, totaled $6,143 and $6,660 for the three months ended March 31, 2019, and 2018, respectively.

Note 8. Concentrations of Credit Risks

The Company's portfolio of finance receivables is comprised of loan agreements with customers living in thirty-two states and consequently such customers' ability to honor their contracts may be affected by economic conditions in those states. Additionally, the Company is subject to regulation by federal and state governments that affect the products and services provided by the Company. To the extent that laws and regulations are passed that affect the Company's ability to offer loans or similar products in any of the states in which it operates, the Company's financial position could be adversely affected.

The following table summarizes the allocation of the portfolio balance by state at March 31, 2019, and December 31, 2018:

	March 31, 2019		December 31, 2018	
State	Balance Outstanding	Percentage of Total Outstanding	Balance Outstanding	Percentage of Total Outstanding
Alabama	**$ 9,298**	**11.6 %**	$ 10,328	11.5 %
Arizona	**8,657**	**10.8**	10,058	11.2
California	**24,928**	**31.1**	27,302	30.4
Mississippi	**6,172**	**7.7**	6,825	7.6
Virginia	**9,458**	**11.8**	10,328	11.5
Other retail segment states	**16,432**	**20.5**	19,578	21.8
Other internet segment states	**5,210**	**6.5**	5,389	6.0
Total	**$ 80,155**	**100.0 %**	$ 89,808	100.0 %

The other retail segment states are: Florida, Indiana, Kentucky, Michigan, Ohio, Oregon, and Tennessee. The Retail financial services segment includes Ohio, however, for the concentration of credit risks table, other retail segment states excludes Ohio as it offers a CSO product through a third-party lender.

The other internet segment states are: Alabama, Alaska, California, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, Wisconsin, and Wyoming.

The Company offers a CSO product in Ohio and Texas to assist consumers in obtaining credit with unaffiliated third-party lenders. Total gross finance receivables for which the Company has recorded an accrual for third-party lender losses totaled $33,854 and $34,144 at March 31, 2019 and December 31, 2018, respectively, and the corresponding guaranteed consumer loans are disclosed as an off-balance sheet arrangement. The total gross finance receivables for the Ohio CSO product consist of $17,620 and $30,490 in short-term and $13,350 and $303 in medium-term loans at March 31, 2019 and December 31, 2018, respectively. The total gross finance receivables for the Texas CSO product consist of $2,884 and $3,351 in short-term loans at March 31, 2019 and December 31, 2018, respectively.

Note 9. Contingencies

From time-to-time the Company is a defendant in various lawsuits and administrative proceedings wherein certain amounts are claimed or violations of law or regulations are asserted. In the opinion of the Company's management, these claims are without substantial merit and should not result in judgments which in the aggregate would have a material adverse effect on the Company's financial statements.

Note 10. Business Combinations

2018 Restructuring

On December 12, 2018, our Predecessor entered into the Restructuring Agreement. Substantially concurrent with the execution and delivery of, and pursuant to, the Restructuring Agreement, on December 12, 2018, Predecessor consummated a number of transactions contemplated thereby, which satisfied Predecessor's obligation to execute a Deleveraging Transaction as required under the Victory Park Revolver and the SPV Indenture.

The Deleveraging Transaction was effected by way of an out-of-court strict foreclosure transaction, pursuant to which the Collateral Agent under the Existing Indentures were, acting at the direction of certain beneficial holders holding more than 50% of the 2019 Notes and the beneficial holders of 100% of the 2020 Notes, exercised remedies whereby all right, title and interest in and to all of the assets of the Predecessor that constitute collateral with respect to the Existing Indentures, including the issued and outstanding equity interests in certain of the Predecessor's direct subsidiaries, were transferred to CCF OpCo. CCF OpCo is an indirect wholly owned subsidiary of the Company.

Following the foreclosure on the assets of Predecessor, the Restructuring resulted in a change in control for the Company. For purposes of applying business combination accounting, the fair value of the 2019 Notes and 2020 Notes extinguished of $68,301 is the consideration transferred for the equity interests in the acquired subsidiaries.

The following table summarizes the estimated fair values of liabilities assumed and the assets acquired as of the Restructuring date:

Consideration transferred		$ 68,301
Fair value of assets acquired:		
Cash and cash equivalents	$ 46,990	
Restricted cash	950	
Finance receivables, net	81,628	
Card related pre-funding and receivables	1,089	
Other current assets	15,602	
Property, leasehold improvements and equipment, net	62,777	
Other intangible assets	3,163	
Security deposits	2,295	
Total fair value of assets acquired	214,494	
Fair value of liabilities assumed:		
Accounts payable and accrued liabilities	29,565	
Money orders payable	4,020	
Accrued interest	521	
Deferred revenue and other	8,089	
Unfavorable leases	2,147	
Secured notes payable	42,000	
Subsidiary notes payable	71,139	
Total fair value of liabilities assumed	157,481	
Net assets acquired		57,013
Goodwill		$ 11,288

Note 11. Business Segments

The Company has elected to organize and report on its operations as two operating segments: Retail financial services and Internet financial services.

The following tables present summarized financial information for the Company's segments:

	As of and for the three months ended March 31, 2019						
	Retail Financial Services	% of Revenue	Internet Financial Services	% of Revenue	Unallocated (Income) Expenses	Consolidated	% of Revenue
Total Assets	$ 230,491		$ 37,075			$ 267,566	
Goodwill	11,288		—			11,288	
Other Intangible Assets	2,882		132			3,014	
Total Revenues	$ 75,984	100.0 %	$ 10,512	100.0 %		$ 86,496	100.0 %
Provision for Loan Losses	17,250	22.7 %	4,036	38.4 %		21,286	24.6 %
Other Operating Expenses	40,741	53.6 %	1,133	10.8 %		41,874	48.3 %
Operating Gross Profit	17,993	23.7 %	5,343	50.8 %		23,336	27.1 %
Interest Expense, net	7,897	10.4 %	3,489	33.2 %		11,386	13.2 %
Depreciation and Amortization	1,389	1.8 %	92	0.9 %		1,481	1.7 %
Other Corporate Expenses (a)	—	—	—	—	16,584	16,584	19.2 %
Income (Loss) from Continuing Operations, before tax	8,187	10.8 %	2,282	21.7 %	(16,584)	(6,115)	(7.1)%

(a) Represents expenses that are not allocated between reportable segments.

	As of and for the Predecessor three months ended March 31, 2018						
	Retail Financial Services	% of Revenue	Internet Financial Services	% of Revenue	Unallocated (Income) Expenses	Consolidated	% of Revenue
Total Assets	$ 166,505		$ 37,511			$ 204,016	
Other Intangible Assets	336		466			802	
Total Revenues	$ 72,797	100.0 %	$ 14,854	100.0 %		$ 87,651	100.0 %
Provision for Loan Losses	15,620	21.4 %	7,015	47.2 %		22,635	25.8 %
Other Operating Expenses	36,291	49.9 %	1,540	10.4 %		37,831	43.2 %
Operating Gross Profit	20,886	28.7 %	6,299	42.4 %		27,185	31.0 %
Interest Expense, net	9,479	13.0 %	2,699	18.2 %		12,178	13.9 %
Depreciation and Amortization	1,000	1.4 %	93	0.6 %		1,093	1.2 %
Other Corporate Expenses (a)	—	—	—	—	17,602	17,602	20.1 %
Income (loss) from Continuing Operations, before tax	10,407	14.3 %	3,507	23.6 %	(17,602)	(3,688)	(4.2)%

(a) Represents expenses that are not allocated between reportable segments.

Note 12. Income Taxes

The Company files a consolidated federal income tax return. The Company files consolidated or separate state income tax returns as permitted by the individual states in which it operates. The effective tax rate for the three months ended March 31, 2019 is below the statutory rate due to the continued valuation allowance against its deferred tax assets. The Company had no liability recorded for unrecognized tax benefits at March 31, 2019, and December 31, 2018.

At March 31, 2019, the Company had gross deferred tax assets of $52,863 and a valuation allowance of $52,863. At December 31, 2018, the Company had gross deferred tax assets of $60,837, a deferred tax liability of $5,643, and a valuation allowance of $55,194. The Company maintains a full valuation allowance against its deferred tax assets as it is more likely than not that the deferred tax assets will not be realized. In evaluating whether a valuation allowance is needed for the deferred tax assets, the Company considered the ability to carry net operating losses back to prior periods, reversing taxable temporary differences, and estimates of future taxable income. There have been no credits or net operating losses that have expired. The projections were evaluated in light of past operating results and considered the risks associated with generating future taxable income due to macroeconomic conditions in the markets in which the Company operates, regulatory developments and cost containment. The Company will continue to evaluate the need for a valuation allowance against deferred tax assets in future periods and will adjust the allowance as necessary if it determines that it is more likely than not that some or all of the deferred tax assets will be realized.

Note 13. Transactions with Variable Interest Entities

The Company has limited agency agreements with unaffiliated third-party lenders. The agreements govern the terms by which the Company refers customers to that lender, on a non-exclusive basis, for a possible extension of credit, processes loan applications, and commits to reimburse the lender for any loans or related fees that were not collected from such customers. As of March 31, 2019, and December 31, 2018, the outstanding amount of active consumer loans guaranteed by the Company, which represents the Company's maximum exposure, was \$33,854 and \$34,144, respectively. The outstanding amount of consumer loans with unaffiliated third-party lenders consist of \$20,504 and \$33,841 in short-term and \$13,350 and \$303 in medium-term loans at March 31, 2019, and December 31, 2018, respectively. The accrual for third party lender losses related to these obligations totaled \$5,854 and \$4,513 as of March 31, 2019, and December 31, 2018, respectively. This obligation is recorded as a current liability on the Company's consolidated balance sheet. The Company has determined that the lenders are Variable Interest Entities ("VIEs") but that the Company is not the primary beneficiary of the VIEs. Therefore, the Company has not consolidated either lender.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains management's discussion and analysis of our financial condition and results of operations. This discussion contains forward-looking statements and involves numerous risks and uncertainties. Actual results may differ materially from those contained in any forward-looking statements.

Unless the context indicates otherwise, references to ''we,'' ''our,'' ''us,'' and the ''Company'' refer to CCF Holdings LLC, a Delaware limited liability company, and its consolidated subsidiaries or Community Choice Financial Inc. and its consolidated subsidiaries prior to the Restructuring (as described below), as applicable. All periods presented prior to the closing of the Restructuring on December 12, 2018 represent the operations of our Predecessor. Unless otherwise specified, all results of operations information for the year ended December 31, 2018 reflect the full year.

References to ''Successor'' or ''Successor Company'' relate to the financial position and results of operations of the reorganized Company subsequent to December 12, 2018. References to ''Predecessor'' or ''Predecessor Company'' refer to the financial position and results of operations of Community Choice Financial Inc. on and before December 12, 2018.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 ("Act") provides a safe harbor for forward-looking statements. Certain statements in this report are forward-looking statements within the meaning of the Act, and such statements are intended to qualify for the protection of the safe harbor provided by the Act. The words "anticipate," "estimate," "expect," "objective," "goal," "project," "intend," "plan," "believe," "will," "should," "may," "target," "forecast," "guidance," "outlook," and similar expressions generally identify forward-looking statements. Similarly, descriptions of our objectives, strategies, plans, goals or targets are also forward-looking statements. Forward-looking statements relate to the expectations of management as to future occurrences and trends, including statements expressing optimism or pessimism about future operating results or events and projected revenues, earnings, capital expenditures and business strategy. Forward-looking statements are based upon a number of assumptions concerning future conditions that may ultimately prove to be inaccurate. Forward-looking statements are and will be based upon management's then current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. Although we believe the expectations expressed in forward-looking statements are based on reasonable assumptions within the bounds of our knowledge, forward-looking statements, by their nature, involve risks, uncertainties and other factors, any one or a combination of which could materially affect our business, financial condition, results of operations or liquidity.

Forward-looking statements that we make herein and in other reports and releases are not guarantees of future performance and actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including, but not limited to, the ongoing impact of the economic and credit crisis, leveling demand for our products, our inability to successfully execute strategic initiatives, our ability to recognize the expected benefits from recently undertaken strategic initiatives, including those described under "Factors Affecting Our Results of Operations— Strategic Initiatives," integration of acquired businesses, competitive pressures, economic pressures on our customers and us, regulatory and legislative changes, the impact of legislation, the risks discussed under Item 1A "Risk Factors" in our Annual Report on Form S-1 for the year ended December 31, 2018, and other factors discussed from time to time. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made. We undertake no obligation to publicly update forward-looking statements whether as a result of new information, future events or otherwise.

Readers are advised, however, to consult any further disclosures we make on related subjects in our public announcements, releases, and reports.

Overview

We are a provider of alternative financial services to unbanked and under-banked consumers. We were formed in 2018 and continued, without interruption, the operations of our Predecessor. As a result of the Restructuring, we succeeded to the business and operations of Community Choice Financial Inc., which we refer to as our Predecessor. We provide our customers a variety of financial products and services, including short-term and medium-term consumer loans, check cashing, prepaid debit cards, and other services that address the specific needs of our customers. Through our customer focused business model, we provide our customers with access to financial services through our retail locations and our websites. As of March 31, 2019, we operated 471 retail locations across 12 states and were licensed to deliver similar financial services over the internet in 29 states.

Our retail business model provides a broad array of financial products and services whether through a retail location or over the internet, whichever distribution channel satisfies the target customer's needs or desires. We want to achieve a superior level of customer satisfaction, resulting in increased market penetration and value creation. An important part of our retail model is investing in and creating a premier brand presence, supported by a well-trained and motivated workforce with the aim of enhancing the customer's experience, generating increased traffic and introducing our customers to our diversified set of products.

The 2018 Restructuring

On December 12, 2018, our Predecessor entered into the Restructuring Agreement. Substantially concurrent with the execution and delivery of, and pursuant to, the Restructuring Agreement, on December 12, 2018, Predecessor consummated a number of transactions contemplated thereby, which satisfied Predecessor's obligation to execute a Deleveraging Transaction as required under the Victory Park Revolver and the SPV Indenture.

The Deleveraging Transaction was effected by way of an out-of-court strict foreclosure transaction, pursuant to which the Collateral Agent under the Existing Indentures were, acting at the direction of certain beneficial holders holding more than 50% of the 2019 Notes and the beneficial holders of 100% of the 2020 Notes, exercised remedies whereby all right, title and interest in and to all of the assets of the Predecessor that constituted collateral with respect to the Existing Indentures, including the issued and outstanding equity interests in certain of the Predecessor's direct subsidiaries, were transferred to CCF OpCo. CCF OpCo is an indirect wholly owned subsidiary of the Company.

The Class A Common Units and Class B Common Units (which Class B Common Units represented 15.0% of the aggregate number of the issued and outstanding Common Units on December 12, 2018, subject to adjustment for any future issuances of common units (i) in consideration for the redemption of the PIK Notes (''Redemption Units''), or (ii) in connection with the issuance of any additional debt securities (''Additional Financing Units''), such that they continue to represent 15.0% of the issued and outstanding Common Units (including such Redemption Units and Additional Financing Units, but subject to dilution from any new management equity plan)) will entitle the holders thereof to voting rights (in each case, subject to the limitations in the governing documents of the Company). Following the Class C Distribution Time (as defined under ''Description of Equity Securities''), Class C Common Units will be entitled to up to 5.0% of distributions from the Company. The Class C Common Units shall be subject to dilution from any new management equity plan and other common units and other equity interests of the Company that may be issued after the effective date of the Deleveraging.

Factors Affecting Our Results of Operations

Retail Platform

The chart below sets forth certain information regarding our retail presence and number of states served via the internet as of and for the year ended December 31, 2018, and the three months ended March 31, 2019.

	Year Ended December 31, 2018	Three Months Ended March 31, 2019
# of Locations		
Beginning of Period	489	471
Opened	—	—
Closed	18	-
End of Period	471	471
Number of states licensed for our internet operations	29	29

The following table provides the geographic composition of our physical locations as of December 31, 2018, and March 31, 2019:

	December 31, 2018	March 31, 2019
Alabama	39	39
Arizona	28	28
California	150	150
Florida	15	15
Indiana	21	21
Kentucky	15	15
Michigan	13	13
Mississippi	48	48
Ohio	92	92
Oregon	2	2
Tennessee	22	22
Virginia	26	26
	471	471

In addition, the Company is licensed to provide internet financial services in the following states: Alabama, Alaska, California, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, Wisconsin, and Wyoming.

Changes in Legislation & Regulation

As previously disclosed in the Company's Registration Statements on Form S-1, the CFPB Rule is being challenged in a lawsuit filed by the Community Financial Services Association ("CFSA") of America and Consumer Service Alliance of Texas on April 9, 2018, filed in the U.S. District Court for the Western District of Texas, Austin division, which we refer to as the CFSA Litigation. The CFPB Rule was published in the Federal Register on November 17, 2017, and but for the CFPB's February 6, 2019, proposal to rescind a portion of those rules and a stay of the effective date of the CFPB Rules entered in the CFSA Litigation, the CFPB Rules would have become fully effective in August 2019. Further, it is possible that some or all of the CFPB Rule will be subject to legal challenge by other trade groups or other private parties.

The portion of the CFPB Rule that the February 6, 2019, proposal seeks to rescind involves the ability-to-repay, or ATR, requirements for ‘‘covered short-term loans’’ and ‘‘covered longer-term balloon-payment loans,’’ as well as payment limitations on these loans and ‘‘covered longer-term loans.’’ Covered short-term loans are consumer loans with a term of 45 days or less. Covered longer-term balloon payment loans include consumer loans with a term of more than 45 days where (i) the loan is payable in a single payment, (ii) any payment is more than twice any other payment, or (iii) the loan is a multiple advance loan that may not fully amortize by a specified date and the final payment could be more than twice the amount of other minimum payments. Covered longer-term loans are consumer loans with a term of more than 45 days where (i) the total cost of credit exceeds an annual rate of 36%, and (ii) the lender obtains a form of ‘‘leveraged payment mechanism’’ giving the lender a right to initiate transfers from the consumer’s account. Post-dated checks, authorizations to initiate automated clearing house or ACH payments and authorizations to initiate prepaid or debit card payments are all leveraged payment mechanisms under the CFPB Rule.

The February 6, 2019, proposal seeks also to rescind the requirement that a lender choose between the following two options:

A ‘‘full payment test,’’ under which the lender must make a reasonable determination of the consumer’s ability to repay the loan in full and cover major financial obligations and living expenses over the term of the loan and the succeeding 30 days. Under this test, the lender must take account of the consumer’s basic living expenses and obtain and generally verify evidence of the consumer’s income and major financial obligations. However, in circumstances where a lender determines that a reliable income record is not reasonably available, such as when a consumer receives and spends income in cash, the lender may reasonably rely on the consumer’s statements alone as evidence of income. Further, unless a housing debt obligation appears on a national consumer report, the lender may reasonably rely on the consumer’s written statement regarding his or her housing expense. As part of the ATR determination, the CFPB Rule permits lenders and consumers in certain circumstances to rely on income from third parties, such as spouses, to which the consumer has a reasonable expectation of access, and to consider whether another person is regularly contributing to the payment of major financial obligations or basic living expenses. A 30-day cooling off period applies after a sequence of three covered short-term or longer-term balloon payment loans.

A ‘‘principal-payoff option,’’ under which the lender may make up to three sequential loans, or so-called Section 1041.6 Loans, without engaging in an ATR analysis. The first Section 1041.6 Loan in any sequence of Section 1041.6 Loans without a 30-day cooling off period between loans is limited to $500, the second is limited to a principal amount that is at least one-third smaller than the principal amount of the first, and the third is limited to a principal amount that is at least two-thirds smaller than the principal amount of the first. A lender may not use this option if (i) the consumer had in the past 30 days an outstanding covered short-term loan or an outstanding longer-term balloon payment loan that is not a Section 1041.6 Loan, or (ii) the new Section 1041.6 Loan would result in the consumer having more than six covered short-term loans (including Section 1041.6 Loans) during a consecutive 12-month period or being in debt for more than 90 days on such loans during a consecutive 12-month period. For Section 1041.6 Loans, the lender cannot take vehicle security or structure the loan as open-end credit.

The portion of the CFPB Rule’s addressing the ‘‘penalty fee prevention’’ provisions, would have become effective but for the stay entered in the CFSA Litigation on August 19, 2019. Under these provisions:

If two consecutive attempts to collect money from a particular account of the borrower, made through any channel (e.g., paper check, ACH, prepaid card) are unsuccessful due to insufficient funds, the lender cannot make any further attempts to collect from such account unless and until the lender has provided a new notice to the borrower and the borrower has provided a new and specific authorization for additional payment transfers. The CFPB Rule contains specific requirements and conditions for the authorization. While the CFPB has explained that these provisions are designed to limit bank penalty fees to which consumers may be subject, and while banks do not charge penalty fees on card authorization requests, the CFPB Rule nevertheless treats card authorization requests as payment attempts subject to these limitations.

A lender generally must give the consumer at least three business days’ advance notice before attempting to collect payment by accessing a consumer’s checking, savings, or prepaid account. The notice must include information such as the date of the payment request, payment channel and payment amount (broken down by principal, interest, fees, and other charges), as well as additional information for ‘‘unusual attempts,’’ such as when the payment is for a different amount than the regular payment, initiated on a date other than the date of a regularly scheduled payment or initiated in a different channel than the immediately preceding payment attempt.

Ohio House Bill 123 (“HB 123”), passed out of both the Senate and the House of Representatives on July 24, 2018. HB 123 amends the General Loan Law and Small Loan Law, under which two of the Company’s Ohio subsidiaries are licensed, to prohibit loans with a term of fewer than 180-days. HB 123 also prohibits credit services organizations, such as the Company’s CSO subsidiary currently operating in Ohio, from brokering an extension of credit if that credit is in a principal amount of less than five thousand dollars, with a term less than 180-days, and that has an annual percentage rate greater than 28%. Ohio’s Governor signed HB 123 on July 30, 2018. It became effective on or about October 30, 2018, but only applies to loans or extensions of credit made on or after April 28, 2019, at which time, the Ohio CSO product will no longer be offered. The Company is focused on generating revenue through Money Service Business offerings at its Ohio subsidiaries. Absent additional revenues generated from sales of these products, HB123 will have a material adverse effect on the Company’s results of operations.

Product Characteristics and Mix

As the Company expands its product offerings to meet customers’ needs, the characteristics of the Company’s overall loan portfolio shift to reflect the terms of these new products. Our various lending products have different terms. Our prepaid debit card direct deposit offering may reduce our check cashing fees, however, the availability of direct deposit to the Insight prepaid card as an alternative to check cashing may extend the customer relationship.

Expenses

Our operating expenses relate primarily to the operation of our retail locations and internet presence, including salaries and benefits, retail location occupancy costs, call center costs, advertising, loan loss provisions, and depreciation of assets. We also incur corporate and other expenses on a company-wide basis, including interest expense and other financing costs related to our indebtedness, insurance, salaries, benefits, occupancy costs, and professional expenses.

We view our compliance, collections and operations groups as core competencies. We have invested in each of these areas and believe we will benefit from increased economies of scale and satisfy the increased regulatory scrutiny.

Critical Accounting Policies

Consistent with accounting principles generally accepted in the United States of America, our management makes certain estimates and assumptions to determine the reported amounts of assets, liabilities, revenue and expenses in the process of preparing our financial statements. These estimates and assumptions are based on the best information available to management at the time the estimates or assumptions are made. The most significant estimates made by our management include allowance for loan losses, fair value of PIK notes, and our determination for recording the amount of deferred income tax assets and liabilities, because these estimates and assumptions could change materially as a result of conditions both within and beyond management’s control.

Management believes that among our significant accounting policies, the following involve a higher degree of judgment:

Finance Receivables, Net

Finance receivables consist of short-term and medium-term consumer loans.

Short-term consumer loans can be unsecured or secured with a maturity up to ninety days. Unsecured short-term products typically range in size from $100 to $1,000, with a maturity between fourteen and thirty days, and an agreement to defer the presentment of the customer’s personal check or preauthorized debit for the aggregate amount of the advance plus fees. This form of lending is based on applicable laws and regulations which vary by state. Statutes vary from state-to-state permitting charging fees of 15% to 20%, to charging interest at 25% per annum plus origination fees.

The customers repay the cash advances by making cash payments or allowing the check or preauthorized debit to be presented. Secured short-term products typically range from $750 to $5,000, and are asset-based consumer loans whereby the customer obtains cash and grants a security interest in the collateral that may become a lien against that collateral. Secured consumer loans represented 12.8% and 13.4% of short-term consumer loans at December 31, 2018, and March 31, 2019, respectively.

Medium-term consumer loans can be unsecured or secured with a maturity of three months up to thirty-six months. Unsecured medium-term products typically range from $100 to $5,000. These consumer loans vary in structure depending upon the regulatory environment where they are offered. The consumer loans are due in installments or provide for a line of credit with periodic monthly payments. Secured medium-term products typically range from $750 to $5,000, and are asset-based consumer loans whereby the customer obtains cash and grants a security interest in the collateral that may become a lien against that collateral. Secured consumer loans represented 13.7% and 14.6% of medium-term consumer loans at December 31, 2018, and March 31, 2019, respectively.

In some instances, the Company maintains debt-purchasing arrangements with third-party lenders. The Company accrues for these obligations through management's estimation of anticipated purchases based on expected losses in the third-party lender's portfolio. This obligation is recorded as a current liability on our balance sheet.

Total finance receivables, net of unearned advance fees and allowance for loan losses on the consolidated balance sheet as of December 31, 2018, and March 31, 2019, were $84.4 million and $72.1 million, respectively. The allowance for loan losses as of December 31, 2018, and March 31, 2019, were $3.5 million and $6.0 million, respectively. At December 31, 2018, and March 31, 2019, the allowance for loan losses was 4.0% and 7.7%, respectively, of total finance receivables, net of unearned advance fees.

Finance receivables, net as of December 31, 2018, and March 31, 2019, are as follows (in thousands):

	December 31, 2018	March 31, 2019
Finance Receivables, net of unearned advance fees	$ 87,838	$ 78,162
Less: Allowance for loan losses	3,474	6,039
Finance Receivables, Net	$ 84,364	$ 72,123

The total changes to the allowance for loan losses for the three months ended March 31, 2018 and 2019, were as follows (in thousands):

	Three Months Ended March 31,	
	2018 Predecessor	2019 Successor
Allowance for loan losses		
Beginning of Period	$ 16,327	$ 3,474
Provisions for loan losses	16,556	14,505
Charge-offs, net	(18,080)	(11,940)
End of Period	$ 14,803	$ 6,039
Allowance as a percentage of finance receivables, net of unearned advance fees	17.1%	7.7%

The provision for loan losses for the three months ended March 31, 2018, and 2019 includes losses from returned items from check cashing of $1.1 million and $1.0 million, respectively, and third-party lender losses of $5.0 million and $5.8 million, respectively.

In some instances, the Company guarantees loans with third-party lenders. As of December 31, 2018, and March 31, 2019, the outstanding amount of active consumer loans were $34.1 million and $33.9 million, respectively, consisting of $33.8 million and $20.5 million in short-term, and $0.3 million and $13.4 million in medium-term loans, respectively. The Company accrues for these obligations through management's estimation of anticipated purchases based on expected losses in the third-party lender's portfolio. This obligation is recorded as a current liability on our balance sheet and was $4.5 million and $5.9 million as of December 31, 2018, and March 31, 2019, respectively.

Income Taxes

We record income taxes as applicable under generally accepted accounting standards. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recorded to reduce the deferred tax asset if it is more likely than not that some portion of the asset will not be realized.

As of March 31, 2019, the Company had a valuation allowance on its deferred tax assets as it was more likely than not that approximately $52.9 million of net deferred tax assets would not be realized in the foreseeable future. Based on a pre-tax loss of $6.1 million for the three months ended March 31, 2019, and the projected reversal of temporary items, the Company continues to maintain a full valuation allowance against its deferred tax assets.

Results of Operations

Three Months Ended March 31, 2019, compared to the Three Months Ended March 31, 2018

The following table sets forth key operating data for the three months ended March 31, 2019, and 2018 (dollars in thousands):

	Three Months Ended March 31,					
	2018 Predecessor	2019 Successor	Increase (Decrease)		2018 Predecessor	2019 Successor
				(Percent)	(Percent of Revenue)	
Total Revenues	$ 87,651	$ 86,496	$ (1,155)	(1.3%)	100.0%	100.0%
Operating Expenses						
Salaries and benefits	17,132	16,846	(286)	(1.7%)	19.5%	19.5%
Provision for losses	22,635	21,286	(1,349)	(6.0%)	25.8%	24.6%
Occupancy	6,343	6,222	(121)	(1.9%)	7.2%	7.2%
Advertising and marketing	1,011	777	(234)	(23.1%)	1.2%	0.9%
Lease termination	97	—	(97)	(100.0%)	0.1%	0.0%
Depreciation and amortization	2,223	8,205	5,982	269.1%	2.5%	9.5%
Other operating expenses	11,025	9,824	(1,201)	(10.9%)	12.6%	11.4%
Total Operating Expenses	60,466	63,160	2,694	4.5%	69.0%	73.0%
Income from Operations	27,185	23,336	(3,849)	(14.2%)	31.0%	27.0%
Corporate and other expenses						
Corporate expenses	17,452	16,584	(868)	(5.0%)	19.9%	19.2%
Depreciation and amortization	1,093	1,481	388	35.5%	1.1%	1.7%
Interest expense, net	12,178	11,386	(792)	(6.5%)	13.9%	13.2%
Income tax expense	—	13	13	0.0%	0.0%	—
Total corporate and other expenses	30,723	29,464	(1,259)	(4.1%)	35.1%	34.0%
Net loss before advisory fee	(3,538)	(6,128)	(2,590)	(73.2%)	(4.0%)	(7.0%)
Sponsor advisory fee	150	—	(150)	(100.0%)	0.2%	0.0%
Net loss before advisory fee	$ (3,688)	$ (6,128)	$ (2,440)	(66.2%)	(4.2%)	(7.0%)

Operating Metrics

The following tables set forth key loan and check cashing operating data as of and for the three months ended March 31, 2019, and 2018:

	Three Months Ended March 31, 2018 Predecessor	Three Months Ended March 31, 2019 Successor
Short-term Loan Operating Data (unaudited):		
Loan volume (originations and refinancing) (in thousands)	$ 258,217	$ 247,466
Number of loan transactions (in thousands)	707	682
Average new loan size	$ 365	$ 363
Average fee per new loan	$ 48.49	$ 48.25
Loan loss provision	$ 8,159	$ 7,572
Loan loss provision as a percentage of loan volume	3.2%	3.1%
Secured loans as percentage of total at March 31st	14.0%	13.4%
Medium-term Loan Operating Data (unaudited):		
Balance outstanding (in thousands) (1)	$ 36,860	$ 35,777
Number of loans outstanding	34,486	38,674
Average balance outstanding	$ 1,069	$ 925
Weighted average monthly percentage rate	16.6%	18.2%
Allowance as a percentage of finance receivables	33.9%	29.7%
Loan loss provision	$ 8,397	$ 6,933
Secured loans as percentage of total at March 31st	14.0%	14.6%
Check Cashing Data (unaudited):		
Face amount of checks cashed (in thousands)	$ 454,573	$ 436,387
Number of checks cashed (in thousands)	750	685
Face amount of average check	$ 606	$ 637
Average fee per check	$ 15.59	$ 18.28
Returned check expense	$ 1,062	$ 1,023
Returned check expense as a percent of face amount of checks cashed	0.3%	0.2%

(1) The 2019 balance is presented before the impact of purchase accounting.

Revenue

(dollars in thousands)	Three Months Ended March 31, 2018 Predecessor	2019 Successor	Increase (Decrease)	(Percent)	2018 Predecessor (Percent of Revenue)	2019 Successor (Percent of Revenue)
Short-term Consumer Loan Fees and Interest	$ 34,265	$ 32,889	$ (1,376)	(4.0%)	39.1%	38.0%
Medium-term Consumer Loan Fees and Interest	16,667	15,940	(727)	(4.4%)	19.0%	18.4%
Credit Service Fees	19,196	18,106	(1,090)	(5.7%)	21.9%	20.9%
Check Cashing Fees	11,692	12,520	828	7.1%	13.3%	14.5%
Prepaid Debit Card Services	1,948	3,215	1,267	65.0%	2.2%	3.8%
Other Income	3,883	3,826	(57)	(1.5%)	4.5%	4.4%
Total Revenue	**$ 87,651**	**$ 86,496**	**$ (1,155)**	**(1.3%)**	**100.0%**	**100.0%**

Total revenue for the three months ended March 31, 2019, decreased $1.2 million, or 1.3%, as compared to the same period in the prior year, primarily as a result of a 29.2% decrease in revenues derived from the Internet financial services segment. However, the Retail financial services segment total revenue increased $3.2 million, or 4.4%, for the three months ended March 31, 2019 as compared to the prior year period.

Revenue from short-term consumer loan fees and interest for the three months ended March 31, 2019, decreased $1.4 million, or 4.0%, as compared to the same period in the prior year, primarily due to moving customers to a medium-term product in a certain market.

Revenue from medium-term consumer loans for the three months ended March 31, 2019, decreased $0.7 million, or 4.4%, as compared to the same period in the prior year. However, medium-term consumer loan revenue for the retail financial services segment increased by $2.0 million, or 20.4%, for the three months ended March 31, 2019 as compared to the prior year period, primarily due to growing the medium-term portfolio in a certain market.

Revenue from credit service fees for the three months ended March 31, 2019, decreased $1.1 million, or 5.7%, compared to the same period in the prior year, primarily related to our Internet financial services segment.

Revenue from prepaid debt card services for the three months ended March 31, 2019, increased $1.3 million, or 65.0%, compared to the same period in 2018, primarily due to an increase in the commission earned on card services.

Operating Expenses

	Three Months Ended March 31,					
(dollars in thousands)	**2018 Predecessor**	**2019 Successor**	**Increase (Decrease)**		**2018 Predecessor**	**2019 Successor**
				(Percent)	**(Percent of Revenue)**	
Salaries	$ 17,132	$ 16,846	$ (286)	(1.7%)	19.5%	19.5%
Provision for Loan Losses	22,635	21,286	(1,349)	(6.0%)	25.8%	24.6%
Occupancy	6,343	6,222	(121)	(1.9%)	7.2%	7.2%
Depreciation & Amortization	2,223	8,205	5,982	269.1%	2.5%	9.5%
Lease Termination Costs	97	—	(97)	100.0%	0.1%	0.0%
Advertising & Marketing	1,011	777	(234)	(23.1%)	1.2%	0.9%
Bank Charges	1,847	2,029	182	9.9%	2.1%	2.3%
Store Supplies	394	402	8	2.0%	0.4%	0.5%
Collection Expenses	633	326	(307)	(48.5%)	0.7%	0.4%
Telecommunications	1,384	1,366	(18)	(1.3%)	1.6%	1.6%
Security	645	555	(90)	(14.0%)	0.7%	0.6%
License & Other Taxes	360	305	(55)	(15.3%)	0.4%	0.4%
Loss on Asset Disposal	111	—	(111)	(100.0%)	0.1%	0.0%
Verification Processes	965	669	(296)	(30.7%)	1.1%	0.8%
Other Operating Expenses	4,686	4,172	(514)	(11.0%)	5.3%	4.7%
Total Operating Expenses	**60,466**	**63,160**	**2,694**	**4.5%**	**69.0%**	**73.0%**
Income from Operations	**$ 27,185**	**$ 23,336**	**$ (3,849)**	**(14.2%)**	**31.0%**	**27.0%**

Total operating expenses, net of depreciation, decreased by $3.3 million, or 5.6%, and decreased as a percentage of revenue to 63.5% from 66.4%, for the three months ended March 31, 2019, as compared to the same period in the prior year, primarily due to decreases in most operating expense categories. Income from operations, net of depreciation, increased $2.1 million, or 7.3%, and increased as a percentage of revenue to 36.5% from 33.6%, for the three months ended March 31, 2019, as compared to the same period in the prior year.

The provision for loan losses decreased by $1.3 million, or 6.0%, and decreased as a percentage of revenue from 25.8% to 24.6%, for the three months ended March 31, 2019, as compared to the same period in the prior year primarily as the result of stricter underwriting and the quality of the portfolios.

Depreciation increased by $6.0 million, or 269.1%, for the three months ended March 31, 2019, as compared to the prior period, primarily as a result of the $43.1 million fair value adjustment recorded for property, leasehold improvements and equipment, in connection with the December 12, 2018 Restructuring.

Corporate and Other Expenses

(dollars in thousands)	2018 Predecessor	2019 Successor	Increase (Decrease)		2018 Predecessor	2019 Successor
	Three Months Ended March 31,					
				(Percent)	(Percent of Revenue)	
Corporate Expenses	$ 17,452	$ 16,584	$ (868)	(5.0%)	19.9%	19.2%
Depreciation & Amortization	1,093	1,481	388	35.5%	1.2%	1.7%
Sponsor Advisory Fee	150	—	(150)	(100.0%)	0.2%	0.0%
Interest expense, net	12,178	11,386	(792)	(6.5%)	13.9%	13.2%
Income tax expense	—	13	13	(100.0%)	0.0%	—
Total Corporate and Other Expenses	$ 30,873	$ 29,464	$ (1,409)	(4.6%)	35.2%	34.1%

The decrease in corporate expenses from $17.5 million to $16.6 million, for the three months ended March 31, 2019, as compared to the prior year's period, or a decrease of 5.0%, is primarily the result of decreased health care costs during the first quarter and corporate cost cutting.

Total corporate and other expenses decreased as a percentage of revenue from 35.2% to 34.1% for the three months ended March 31, 2019, as compared to the prior year's period.

Business Segment Results of Operations for the Three Months Ended March 31, 2019, and March 31, 2018

The following tables present summarized financial information for our segments:

	Retail Financial Services	% of Revenue	Internet Financial Services	% of Revenue	Unallocated (Income) Expenses	Consolidated	% of Revenue
	As of and for the Successor three months ended March 31, 2019						
Total Assets	$ 230,491		$ 37,075			$ 267,566	
Goodwill	11,288		—			11,288	
Other Intangible Assets	2,882		132			3,014	
Total Revenues	$ 75,984	100.0 %	$ 10,512	100.0 %		$ 86,496	100.0 %
Provision for Loan Losses	17,250	22.7 %	4,036	38.4 %		21,286	24.6 %
Other Operating Expenses	40,741	53.6 %	1,133	10.8 %		41,874	48.3 %
Operating Gross Profit	17,993	23.7 %	5,343	50.8 %		23,336	27.1 %
Interest Expense, net	7,897	10.4 %	3,489	33.2 %		11,386	13.2 %
Depreciation and Amortization	1,389	1.8 %	92	0.9 %		1,481	1.7 %
Other Corporate Expenses (a)	—	—	—	—	16,584	16,584	19.2 %
Income (Loss) from Continuing Operations, before tax	8,187	10.8 %	2,282	21.7 %	(16,584)	(6,115)	(7.1)%

(a) Represents expenses that are not allocated between reportable segments.

	As of and for the Predecessor three months ended March 31, 2018						
	Retail Financial Services	% of Revenue	Internet Financial Services	% of Revenue	Unallocated (Income) Expenses	Consolidated	% of Revenue
Total Assets	$ 166,505		$ 37,511			$ 204,016	
Other Intangible Assets	336		466			802	
Total Revenues	$ 72,797	100.0 %	$ 14,854	100.0 %		$ 87,651	100.0 %
Provision for Loan Losses	15,620	21.4 %	7,015	47.2 %		22,635	25.8 %
Other Operating Expenses	36,291	49.9 %	1,540	10.4 %		37,831	43.2 %
Operating Gross Profit	20,886	28.7 %	6,299	42.4 %		27,185	31.0 %
Interest Expense, net	9,479	13.0 %	2,699	18.2 %		12,178	13.9 %
Depreciation and Amortization	1,000	1.4 %	93	0.6 %		1,093	1.2 %
Other Corporate Expenses (a)	—	—	—	—	17,602	17,602	20.1 %
Income (loss) from Continuing Operations, before tax	10,407	14.3 %	3,507	23.6 %	(17,602)	(3,688)	(4.2)%

(a) Represents expenses that are not allocated between reportable segments.

Retail Financial Services

Retail financial services represented 87.9%, or $76.0 million, of consolidated revenues for the three months ended March 31, 2019, which was an increase of $3.2 million, or 4.4%, over the prior period.

Internet Financial Services

For the three months ended March 31, 2019, total revenues contributed by our Internet financial services segment was $10.5 million, a decrease of $4.3 million, or 29.2%, over the prior year comparable period. However, Internet financial services operating gross profit as a percentage of revenue increased to 50.8% from 42.4%, and the provision for loan losses as a percentage of revenue decreased from 47.2% to 38.4%, for the three months ended March 31, 2019.

Three Month Cash Flow Analysis

The table below summarizes our cash flows for the three months ended March 31, 2019, and 2018.

	Three Months Ending March 31,	
	2018	2019
(in thousands)	**Predecessor**	**Successor**
Net Cash Provided by Operating Activities	$ 24,589	$ 31,133
Net Cash Used in Investing Activities	(1,482)	(10,343)
Net Cash Used in Financing Activities	(4,625)	(3,101)
Net Increase in Cash and Cash Equivalents and Restricted Cash	**$ 18,482**	**$ 17,689**

Cash Flows from Operating Activities. Net cash provided by operating activities for the three months ended March 31, 2019 and 2018, were $31.1 million and $24.6 million, respectively. Net income, net of the non-cash impact of the provision for loan losses was $15.2 million and $18.9 million for the three months ended March 31, 2019 and 2018, respectively.

Cash Flows from Investing Activities. The $8.8 million increase in net cash used in investing activities for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018, is primarily due to $8.8 million more in loan originations.

Cash Flows from Financing Activities. The $1.5 million decrease in net cash used in financing activities for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018, is primarily due to a $3.3 million decrease in debt origination costs, partially off-set by the $2.0 million repurchase of secured notes.

Capital Expenditures

During the three months ended March 31, 2019 and 2018, the Company spent $1.3 million on capital expenditures primarily for maintenance on certain retail locations.

Seasonality

Our business is seasonal based on the liquidity and cash flow needs of our customers. Customers cash tax refund checks primarily in the first calendar quarter of each year which is traditionally our strongest check cashing quarter. We typically see our loan portfolio decline in the first quarter as a result of the consumer liquidity created through income tax refunds. Following the first quarter, we typically see our loan portfolio expand through the remainder of the year with the third and fourth quarters showing the strongest loan demand due to the holiday season.

Contractual Obligations and Commitments

The $40.0 million Secured Notes bear interest at 9.00% per annum and mature on June 15, 2023. Pursuant to the Amended and Restated SPV Indenture, CCF Issuer and Community Choice Holdings each granted a pledge over all of their respective assets. CCF Issuer was also required to pledge its interests in the Amended and Restated Revolving Credit Agreement. The Amended and Restated SPV Indenture also contains restrictive covenants that limit our ability to incur additional indebtedness, pay dividends on or make other distributions or repurchase our capital stock or the capital stock of our subsidiaries, make certain investments, enter into certain types of transactions with affiliates, create liens or merge with or into other companies.

The non-guarantor and unrestricted subsidiaries, created to acquire loans from the retail and internet portfolios in connection with the Restructuring on December 12, 2018, entered into an amendment to increase our borrowings under the Ivy Credit Agreement from $63,500 to $70,000. The Ivy Credit Agreement was further amended on March 18, 2019 to extend the maturity date to April 30, 2020 and establish an interest rate of 16.75% on the entire credit facility. The amendment allows for additional short term loans within the borrowing base and includes covenants addressing daily minimum cash and asset coverage tests, dividend limits, weekly operational reporting requirements, borrowing base reporting, and a monthly consolidated EBITDA test.

On July 19, 2014, a guarantor subsidiary of the Company entered in to a $1.4 million term note with a nonrelated entity for the acquisition of a share of an airplane. We recorded our $1.1 million share of the joint note, but both parties are joint and severally liable. The joint note had an outstanding balance of $1.1 million at March 31, 2019 and our share of the note was $0.8 million.

On May 24, 2016, a guarantor subsidiary of the Company entered into a $1.2 million term note for a fractional share of an airplane, and the note had an outstanding balance of $1.0 million as of March 31, 2019.

Impact of Inflation

Our results of operations are not materially impacted by fluctuations in inflation.

Balance Sheet Variations

Cash and cash equivalents, accounts payable, accrued liabilities, money orders payable and revolving advances vary because of seasonal and day-to-day requirements resulting primarily from maintaining cash for cashing checks and making loans, and the receipt and remittance of cash from the sale of prepaid debit cards, wire transfers, money orders and the processing of bill payments.

Loan Portfolio

As of March 31, 2019, we were licensed to offer loans in 32 states. We have established a loan loss allowance in respect of our loans receivable at a level that our management believes to be adequate to absorb known or probable losses from loans made by us and accruals for losses in respect of loans made by third parties that we guarantee. Our policy for determining the loan loss allowance is based on historical experience, as well as our management's review and analysis of the payment and collection of the loans within prior periods. All loans and services, regardless of type, are made in accordance with state regulations, and, therefore, the terms of the loans and services may vary from state-to-state. Loan fees and interest are earned on loans. Products which allow for an upfront fee are recognized over the loan term. Other products' interest is earned over the term of the loan.

As of March 31, 2019, and December 31, 2018, our total finance receivables net of unearned advance fees was approximately $78.2 million and $87.8 million, respectively.

Off-Balance Sheet Arrangements

In certain markets, we arrange for consumers to obtain consumer loan products from one of several independent third-party lenders whereby we act as a facilitator. For consumer loan products originated by third-party lenders under these programs, each lender is responsible for providing the criteria by which the consumer's application is underwritten and, if approved, determining the amount of the consumer loan. The Company in turn is responsible for assessing whether or not the Company will guarantee such loans. When a consumer executes an agreement with the Company under these programs, the Company agrees, for a fee payable to the Company by the consumer, to provide certain services to the consumer, one of which is to guarantee the consumer's obligation to repay the loan received by the consumer from the third-party lender if the consumer fails to do so. The guarantee represents an obligation to purchase specific loans that go into default. As of March 31, 2019, and December 31, 2018, the outstanding amount of active consumer loans guaranteed by the Company was $33.9 million and $34.1 million, respectively. The outstanding amount of active consumer loans for Ohio consist of $17.6 million and $30.5 million in short-term and $13.4 million and $0.3 million in medium-term loans at March 31, 2019 and December 31, 2018, respectively. The outstanding amount of active consumer loans for Texas consist of $2.9 million and $3.4 million in short-term loans at March 31, 2019 and December 31, 2018, respectively. The accrual for third party loan losses, which represents the estimated fair value of the liability for estimated losses on consumer loans guaranteed by the Company, was $5.9 million and $4.5 million as of March 31, 2019, and December 31, 2018, respectively.