

NICHOLAS FINANCIAL INC
Form 8-K
November 06, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): November 2, 2018

NICHOLAS FINANCIAL, INC.

(Exact name of registrant as specified in its Charter)

British Columbia, Canada (State or Other Jurisdiction	0-26680 (Commission	8736-3354 (I.R.S. Employer
of Incorporation or Organization)	File Number)	Identification No.)
2454 McMullen Booth Road, Building C		33759

Clearwater, Florida
(Address of Principal Executive Offices)
(727) 726-0763

(Zip Code)

(Registrant's telephone number, Including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01 Entry into a Material Definitive Agreement.

On November 2, 2018, Nicholas Financial, Inc. (the Company) entered into an amendment to its existing loan and security agreement governing the terms and conditions of its credit facility. A copy of the amendment is attached hereto as Exhibit 10.1 and incorporated herein by reference. Among other things, the amendment:

requires the Company to maintain availability of at least five percent (5%) of the borrowing base;

waives compliance with the minimum interest coverage ratio and minimum loss reserve requirements for the measurement period ending August 31, 2018; and

modifies the minimum interest coverage ratio requirement to be 0.00 to 1.00 for the measurement period ending September 30, 2018, 0.80 to 1.00 for the measurement period ending October 31, 2018, and 1.0 to 1.0 for the measurement period ending November 30, 2018 and thereafter.

The interest coverage ratio is calculated as of each month end for the three-month period then ended as the ratio of (A) the Company's adjusted net earnings plus interest expense and provision for income tax for the applicable period to (B) the Company's interest expenses for such period. The minimum loss reserve amount is calculated as of each month end for the three-month period then ended as (A) four times the net charge-offs divided by (B) the net balances due under all contracts divided by three.

The interest rates for borrowings under the credit facility remain at base rate plus 3.0% or LIBOR plus 4.0%.

The Company's obligations under the loan and security agreement are secured by substantially all of the operating assets of the Company as collateral. The loan and security agreement contains other events of default and requires the Company to comply with certain other financial ratios and covenants and to satisfy specified financial tests, including maintenance of asset quality and portfolio performance tests. Failure to meet any required financial ratios, covenants or financial tests could result in an event of default under the loan and security agreement. If an event of default occurs, the Company's lenders could increase borrowing costs, restrict the Company's ability to obtain additional borrowings under the facility, accelerate all amounts outstanding under the facility, or enforce their interest against collateral pledged under the facility.

The statements contained in this Current Report on Form 8-K that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 31E of the Securities Exchange Act of 1934, including statements regarding the Company's expectations, hopes, beliefs, intentions, or strategies regarding the future. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. All forward-looking statements included in this document are based on information available to the Company on the date hereof and the Company assumes no obligation to update any such forward-looking statement. Prospective investors should also consult the risks described from time to time in the Company's Reports on Forms 10-K, 10-Q and 8-K and Annual Reports to Shareholders.

Item 9.01 Financial Statements and Exhibits.

Exhibit#	Description
10.1	<u>Amendment No. 9, dated as of November 2, 2018, to Second Amended and Restated Loan and Security Agreement, dated as of January 12, 2010, by and among Nicholas Financial Inc., a Florida corporation, Bank of America, N.A., as agent, and each of the Lenders parties thereto.</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, hereunto duly authorized.

NICHOLAS FINANCIAL, INC.
(Registrant)

Date: November 6, 2018

/s/Kelly M. Malson
Kelly M. Malson
Chief Financial Officer
(Principal Accounting Officer)